



Carmignac Portfolio Grande Europe: Letter from the Fund Manager



Author(s)
Mark Denham

Published
April 24, 2023

Length
6

+8.66%

Carmignac Portfolio Grande Europe's performance

in the 1st quarter of 2023 for the A EUR Acc Share class

+8.39%

Reference indicator's performance*

in the 1st quarter of 2023

+8.62%

Annualised performance of the Fund since Mark Denham**

vs +7.41% for the reference indicator

*In the first quarter of 2023, **Carmignac Portfolio Grande Europe** gained +8.66%, while its reference indicator* gained +8.39%. The Fund cumulated a performance of +69.36% since November 2016**, compared to + 57.63% for its reference indicator over the same period.*

Market environment during the period

2023 started strongly on the continuation of the trends seen late last year: i) fading recession worries thanks to fiscal support for consumers, falling gas prices, and a rapid Chinese reopening, **and ii) resilient investors' mood** albeit stubborn inflation, hawkish rhetoric from central banks, and continued interest rate rises. In January and February, economically sensitive sectors were strong, however, March was different. With the collapse of Silicon Valley Bank in the US, followed by fears over Credit Suisse leading to its acquisition by fellow Swiss giant UBS, the Banking sector lost all its year-to-date gains, before partly recovering towards the end of the period. More defensive areas of the market instead performed well. **At the end of the quarter, the market regained its poise buoyed by weakening headline inflation worldwide, which reinforced anticipations of an end to future rate hikes.**

Performance commentary / What you have done in this context?

Initially, the sectoral mix was unfavourable to our strategy given our traditionally little exposure to the more cyclical sectors of the market (Retail, Autos, and Banks especially). However, March volatility allowed us to catch up and finish the period in line with our reference indicator. Although we do not expect a recession in Europe in the coming quarters – perhaps not even in 2023 – we do expect the relentless tightening of monetary policy worldwide to impact economic strength with a lag. In this environment, companies which typically have more visible and reliable sales and profits streams – like the names which are part of our portfolio – should perform well, aided by ongoing easing of bond yields.

Over the quarter, our Technology names delivered a strong positive contribution to the Fund's returns. SAP rose after delivering solid full year numbers and demonstrating ongoing momentum in the cloud business where sales and margins increased, and any uncertainty over the outlook was dispelled as management confirmed expectations for the full year. Semiconductor equipment maker ASML was also strong, benefitting from rising market expectations in a recovery of the sector's end-demand, starting H2 2023.

Uncharacteristically, our Healthcare names provided a more mixed contribution in the period. On the positive side our long-standing largest holding in Novo Nordisk rose as the US relaunch of their sought-after obesity drug Wegovy has hugely beaten expectations. Lonza, which also gained significant value in the period, published solid full year results, and encouraging forward guidance. A name we added to the Fund last year after it was sold off in the rotation away from quality companies as interest rates rose, Lonza is now one of our largest holdings. As a contract drug manufacturing company providing a range of services to the pharmaceutical industry, Lonza has a very dependable and secure future growth, backed by long term contracts. On a negative note, **our biotech names lagged in the period.** Argenx fell slightly as investors are becoming apprehensive of a key late-stage drug trial read-out in the coming quarter. While we have halved the position to de-risk this event a little, we believe the company has many other interesting projects to come. Genmab simply fell given the lack of 2023 strong catalysts, an unusual circumstance for the company.

How is the portfolio prepared for the following months?

As we are cautious when it comes to the outlook, we prefer to stick with relatively defensive plays in the Technology sector – SAP and ASML (the latter for example is protected by a 2-year order book for their machines) – **and Healthcare space. Nevertheless, it is important to stress the variety of businesses that we have in this area – belonging to multiple different subsectors** (ie: pharmaceuticals, biotech, medical devices, and contract services) – **which remains the largest sectoral exposure of the Fund, at about 35%.** During the first quarter of 2023, our Industrial names also recorded a positive performance. Assa Abloy and Schneider full year results were strong and commentary regarding current trading, generally reassuring. **However, bearing in mind the looming risk of weakening economic data, we have tweaked down our size in the industrial space, notwithstanding the favourable longer-term trends our names benefit from.**

Having added numerous names to the Fund in 2022, as high-quality opportunities presented themselves on the back of the volatility caused by rising rates, **we made no major changes to the portfolio so far this year. As always, we look forward to reaping the rewards of those additions in 2023 and beyond.** Given more muted upward pressure on both interest rates and inflation, we still believe we will not see once again the same rotation away from high quality names we have seen in 2022. **With an ideal investment horizon of 3 to 5 years, and an unwavering trust in our process focused on profitable companies with high returns on capital, reinvesting for future growth, we believe we offer investors attractive long-term returns in European equities.**

*Reference indicator: Stoxx Europe 600 (NR, EUR). From 01/01/2013 the reference indicator is calculated net of dividends reinvested. ** Mark Denham took over the fund on the 17/11/2016.

Source: Company website, Bloomberg, Carmignac, 31 March 2023



Carmignac Portfolio Grande Europe

A high conviction, sustainable European equity strategy

[Discover the fund page](#)

Carmignac Portfolio Grande Europe A EUR Acc

ISIN: LU0099161993

Recommended
minimum
investment horizon



Main risks of the Fund

EQUITY: The Fund may be affected by stock price variations, the scale of which is dependent on external factors, stock trading volumes or market capitalization.

CURRENCY: Currency risk is linked to exposure to a currency other than the Fund's valuation currency, either through direct investment or the use of forward financial instruments.

DISCRETIONARY MANAGEMENT: Anticipations of financial market changes made by the Management Company have a direct effect on the Fund's performance, which depends on the stocks selected.

The Fund presents a risk of loss of capital.

Marketing communication. Please refer to the KID/KIID, prospectus of the fund before making any final investment decisions. This document is intended for professional clients.

This material may not be reproduced, in whole or in part, without prior authorisation from the Management Company. This material does not constitute a subscription offer, nor does it constitute investment advice. This material is not intended to provide, and should not be relied on for, accounting, legal or tax advice. This material has been provided to you for informational purposes only and may not be relied upon by you in evaluating the merits of investing in any securities or interests referred to herein or for any other purposes. The information contained in this material may be partial information and may be modified without prior notice. They are expressed as of the date of writing and are derived from proprietary and non-proprietary sources deemed by Carmignac to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. As such, no warranty of accuracy or reliability is given and no responsibility arising in any other way for errors and omissions (including responsibility to any person by reason of negligence) is accepted by Carmignac, its officers, employees or agents.

Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor). The return may increase or decrease as a result of currency fluctuations, for the shares which are not currency-hedged.

Reference to certain securities and financial instruments is for illustrative purposes to highlight stocks that are or have been included in the portfolios of funds in the Carmignac range. This is not intended to promote direct investment in those instruments, nor does it constitute investment advice. The Management Company is not subject to prohibition on trading in these instruments prior to issuing any communication. The portfolios of Carmignac funds may change without previous notice. The reference to a ranking or prize, is no guarantee of the future results of the UCIS or the manager.

Morningstar Rating™ : © Morningstar, Inc. All Rights Reserved. The information contained herein: is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Access to the Funds may be subject to restrictions regarding certain persons or countries. This material is not directed to any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) the material or availability of this material is prohibited. Persons in respect of whom such prohibitions apply must not access this material. Taxation depends on the situation of the individual. The Funds are not registered for retail distribution in Asia, in Japan, in North America, nor are they registered in South America. Carmignac Funds are registered in Singapore as restricted foreign scheme (for professional clients only). The Funds have not been registered under the US Securities Act of 1933. The Funds may not be offered or sold, directly or indirectly, for the benefit or on behalf of a «U.S. person», according to the definition of the US Regulation S and FATCA. The risks, fees and ongoing charges are described in the KID (Key Information Document). The KID must be made available to the subscriber prior to subscription. The subscriber must read the KID. Investors may lose some or all their capital, as the capital in the funds are not guaranteed. The Funds present a risk of loss of capital.

The Funds' prospectus, KIDs, NAVs and annual reports are available at www.carmignac.com, or upon request to the Management Company. Carmignac Portfolio refers to the sub-funds of Carmignac Portfolio SICAV, an investment company under Luxembourg law, conforming to the UCITS Directive. The French investment funds (fonds communs de placement or FCP) are common funds in contractual form conforming to the UCITS or AIFM Directive under French law.

In France, Luxembourg, Sweden: The risks, fees and ongoing charges are described in the KID (Key Information Document). The KID must be made available to the subscriber prior to subscription. The subscriber must read the KID. Investors may lose some or all their capital, as the capital in the funds are not guaranteed. The Funds present a risk of loss of capital. The Funds' prospectus, KIDs, NAV and annual reports are available at www.carmignac.com, or upon request to the Management Company.

In the United Kingdom: the Funds' respective prospectuses, KIIDs and annual reports are available at www.carmignac.co.uk, or upon request to the Management Company, or for the French Funds, at the offices of the Facilities Agent at BNP PARIBAS SECURITIES SERVICES, operating through its branch in London: 55 Moorgate, London EC2R. This document was prepared by Carmignac Gestion, Carmignac Gestion Luxembourg or Carmignac UK Ltd. FP Carmignac ICVC (the "Company") is an Investment Company with variable capital incorporated in England and Wales under registered number 839620 and is authorised by the FCA with effect from 4 April 2019 and launched on 15 May 2019. FundRock Partners Limited is the Authorised Corporate Director (the "ACD") of the Company and is authorised and regulated by the FCA. Registered Office: Hamilton Centre, Rodney Way, Chelmsford, Essex, CM1 3BY, UK; Registered in England and Wales with number 4162989. Carmignac Gestion Luxembourg SA has been appointed as the Investment Manager and distributor in respect of the Company. Carmignac UK Ltd (Registered in England and Wales with number 14162894) has been appointed as a sub-Investment Manager of the Company and is authorised and regulated by the Financial Conduct Authority with FRN:984288.

In Switzerland: the prospectus, KIDs and annual report are available at www.carmignac.ch, or through our representative in Switzerland, CACEIS (Switzerland), S.A., Route de Signy 35, CH-1260 Nyon. The paying agent is CACEIS Bank, Montrouge, Nyon Branch / Switzerland, Route de Signy 35, 1260 Nyon.

The Management Company can cease promotion in your country anytime. Investors have access to a summary of their rights in English on the following links: [UK](#); [Switzerland](#); [France](#); [Luxembourg](#); [Sweden](#).