

PROFESSIONALS ONLY

QUARTERLY MEETING

THIRD QUARTER 2019





Rose
Ouahba

Head of Fixed Income



David
Older

Head of Equities



Frédéric
Leroux

Head of Cross-Asset



Raphaël
Gallardo

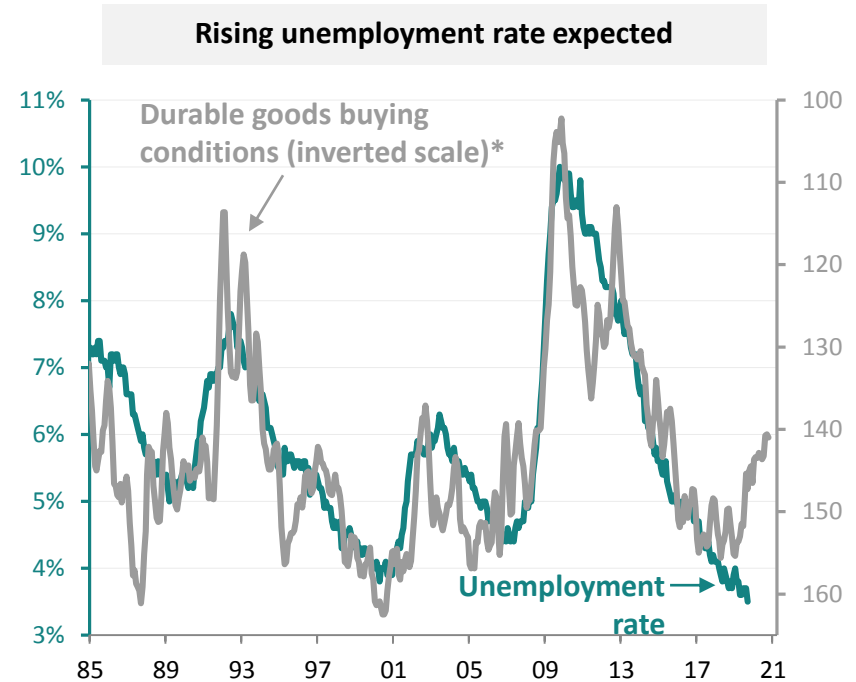
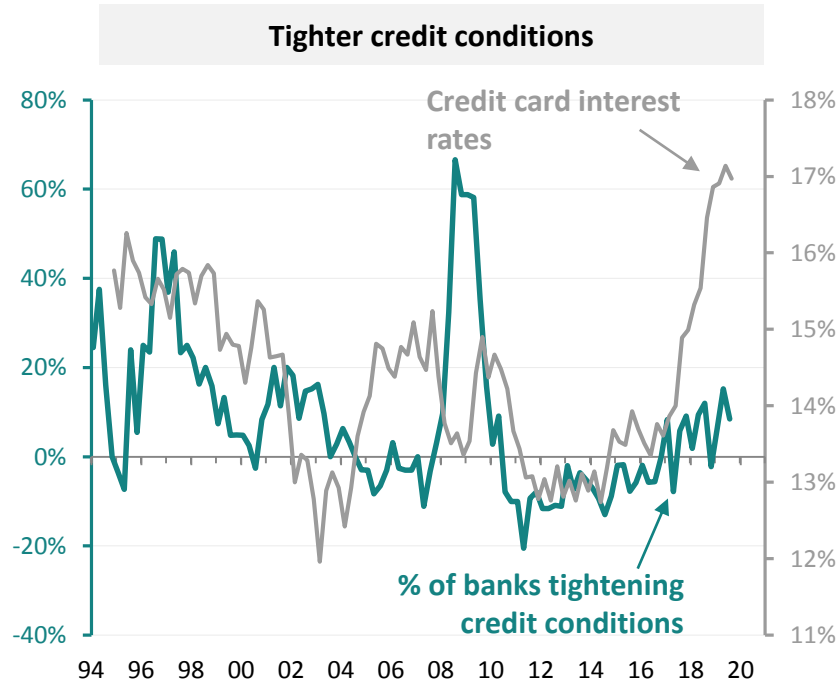
Chief Economist

A close-up, blurred image of a clock's hands, with the hands appearing as streaks of light against a blue background, suggesting the passage of time.

Will the Fixed Income Rally Continue?



US: Consumers are Starting to Be Affected by Deceleration



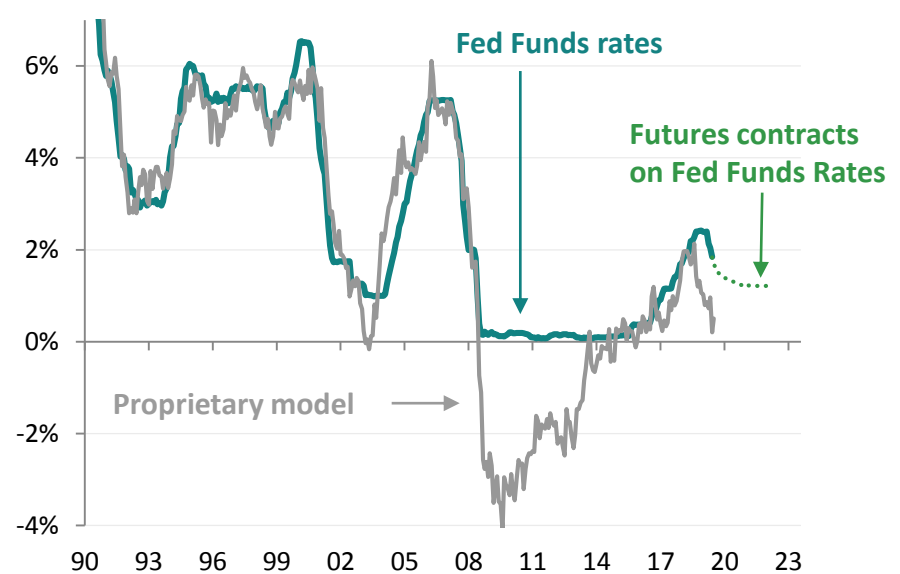
*4-months average index computed by Michigan University, advanced by 12 months
Source: Carmignac, 30/09/2019

US: the Fed has Reacted but Should Deliver More Accommodation

Resynchronisation of US cycle with the rest of the world

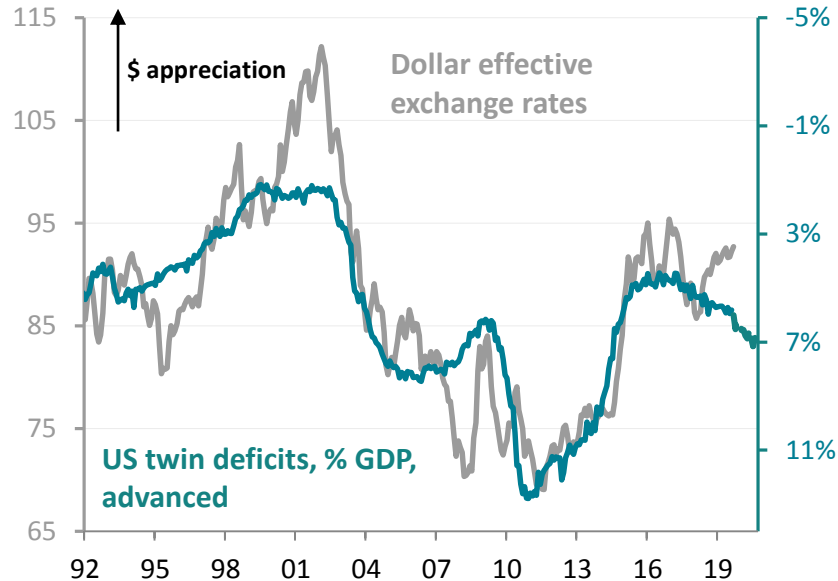


Market expectations on US monetary policy are still too shy

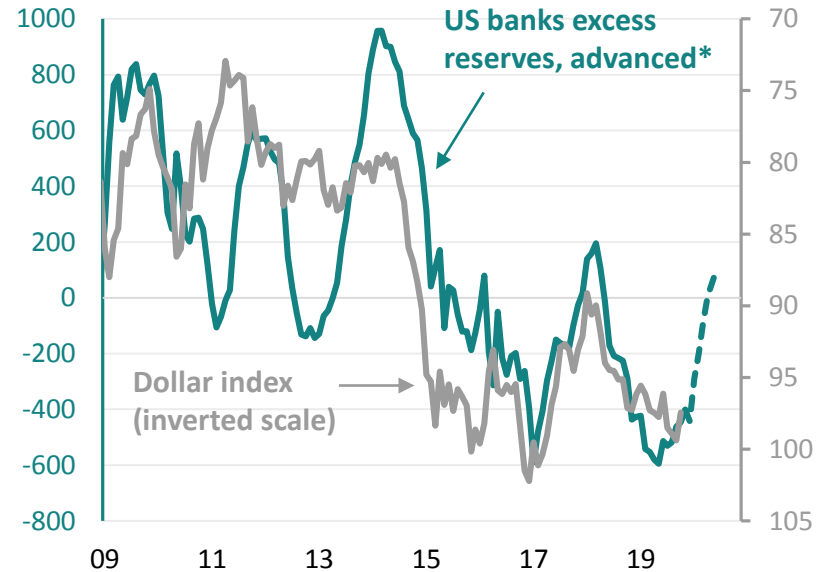


Dollar: New Liquidity Injections Could be a « Game-Changer »

Dollar exchange rates long-term drivers



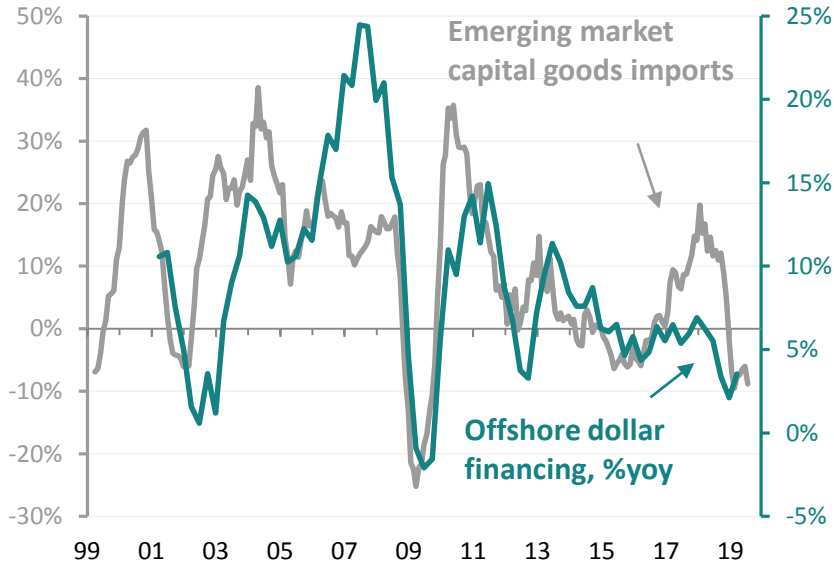
Potential rise on the US Dollar in the face of rising excess reserves



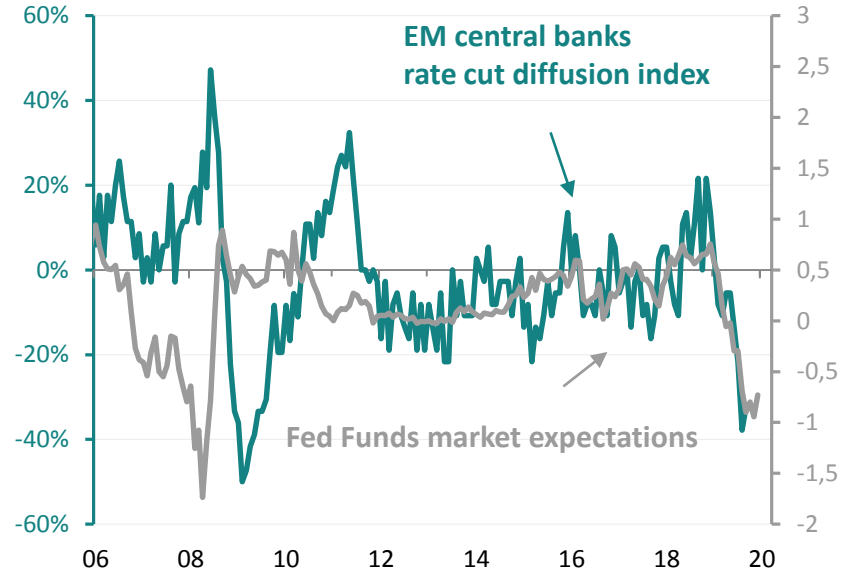
*12-months average, 3-months advanced
 Projections based on Fed announcement in October 19 and Q4 2019 budget forecast
 Source: Carmignac, 30/09/2019

More Abundant US Dollar and More Dovish Fed Should Support EM Growth

EM countries are at an inflection point in the face of higher dollar financing

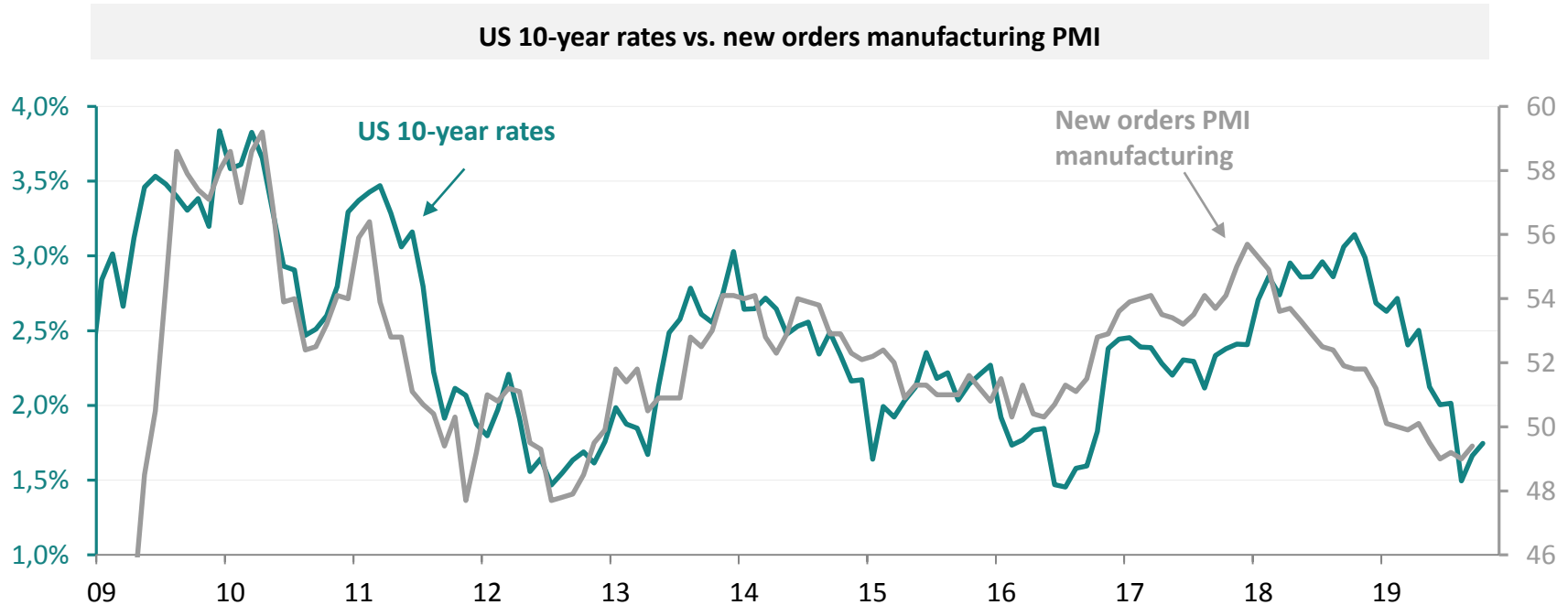


EM Central banks are dovish

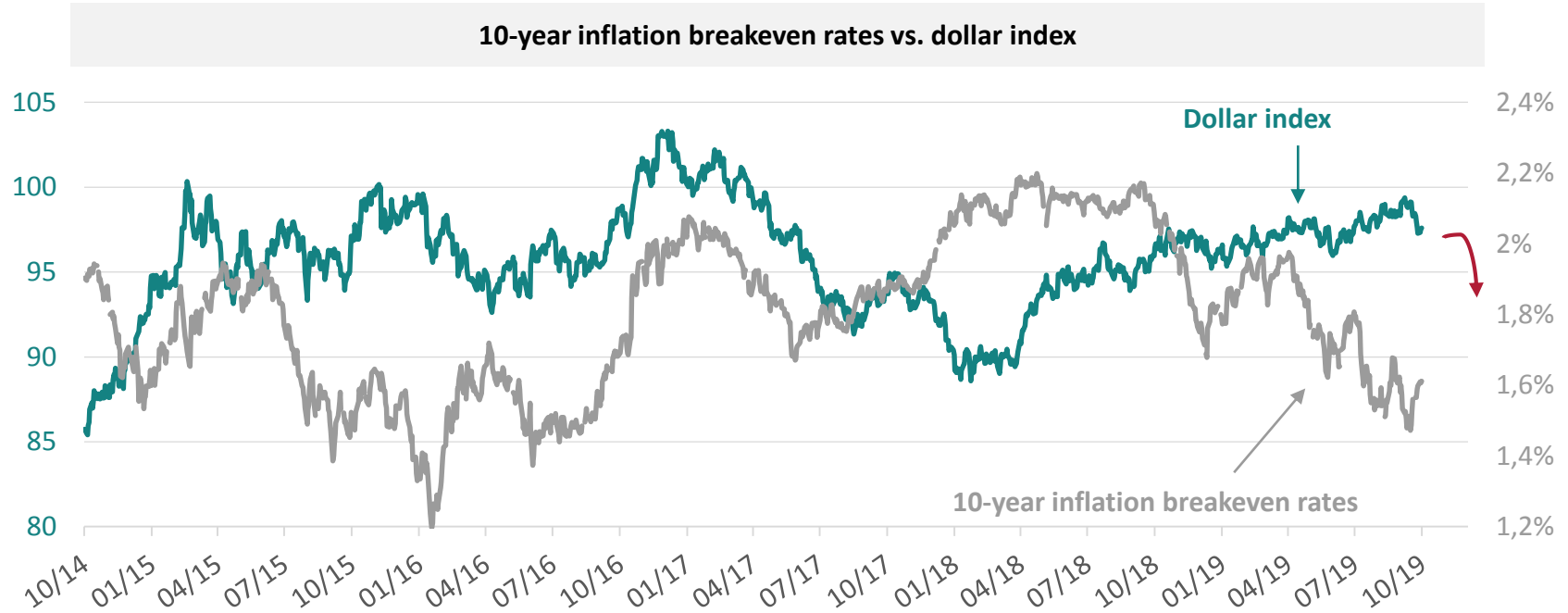


Sources :
Left: Carmignac, 30/09/2019
Right: Refinitiv Datastream, 30/09/2019

US Rates: Long-Term Rates are Already Pricing the Slowdown

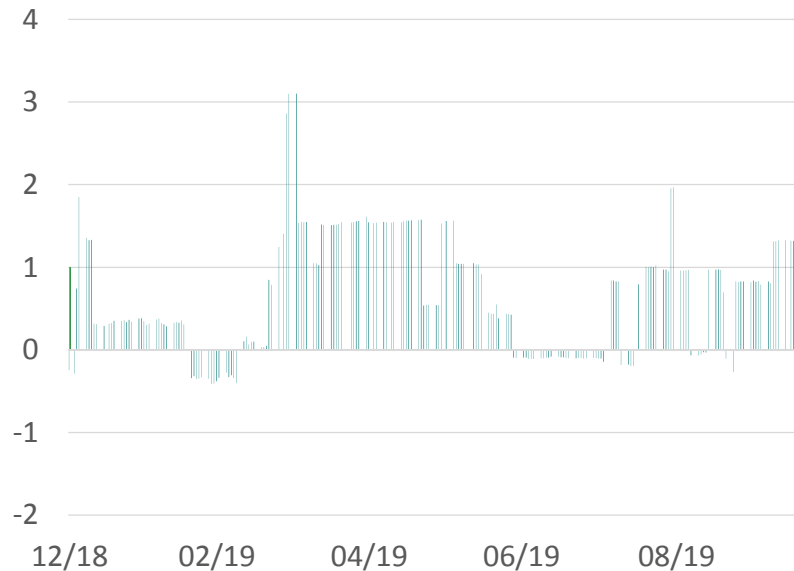


US Rates: A Weaker Dollar Could Boost Inflation Expectations



US Rates: Monetary Policy Adjustment Should Lead to a Yield Curve Steepening

Carmignac Patrimoine –
US rates modified duration

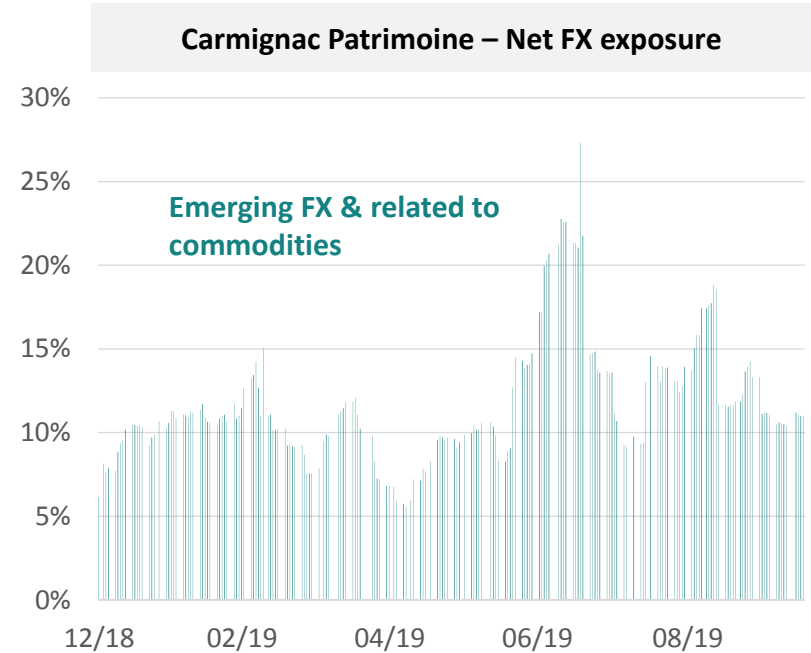
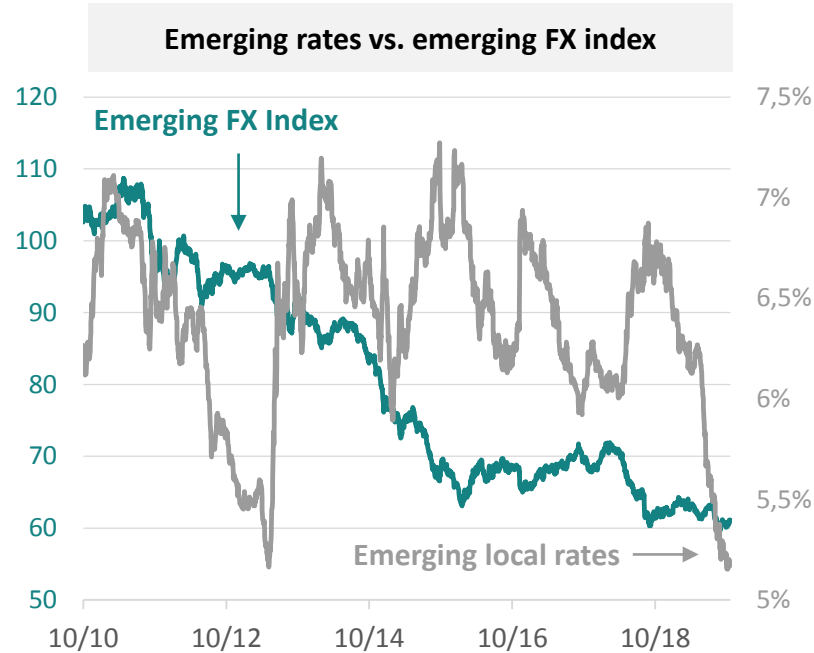


10-year vs 2-year US yield curve

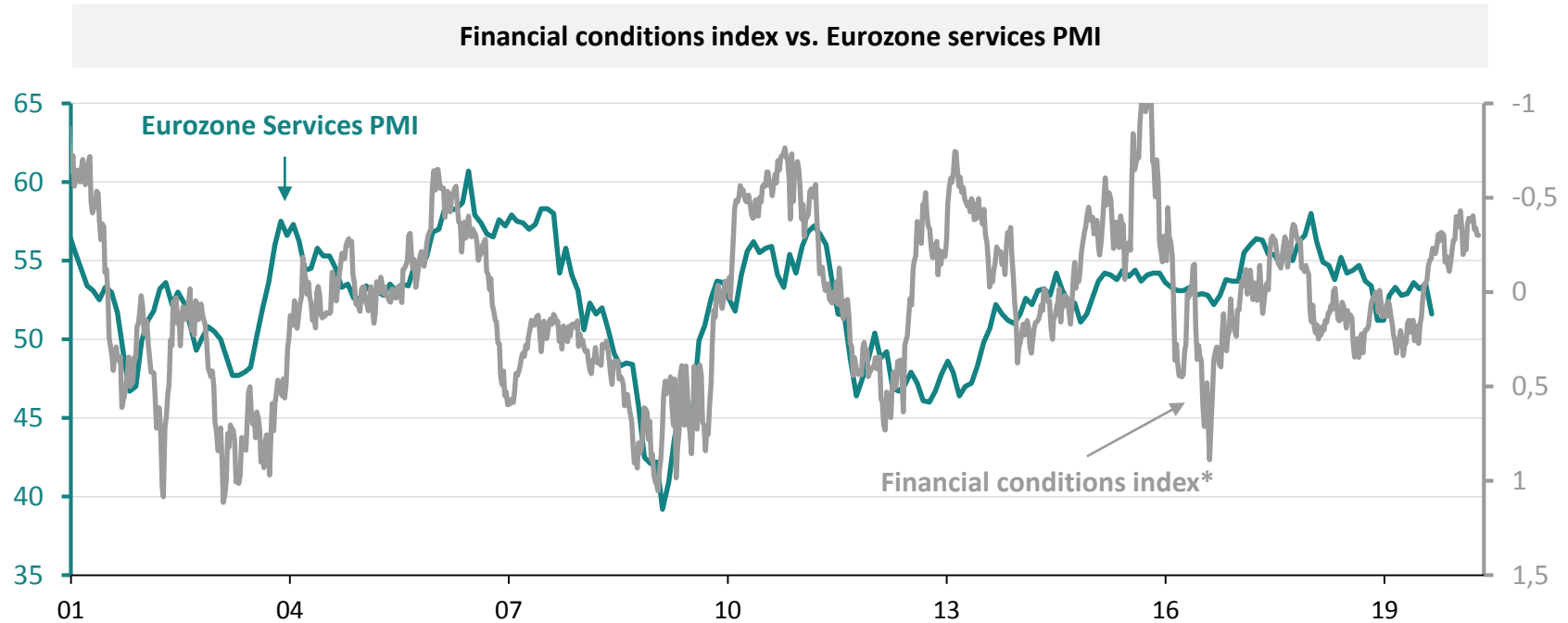


Modified duration is rebased on the fixed income portion and not at the Fund's level.
Portfolio composition may be changed anytime without notice.
Past performance is not necessarily indicative of future performance.
Source: Carmignac, Bloomberg, 23/10/2019

Emerging vs Developed Rate Differential is Favoring EM FX Exposure



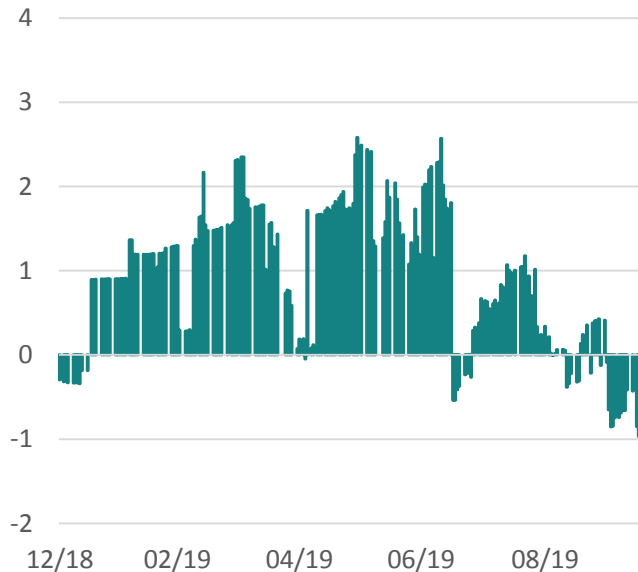
European Rates: Loosening of Financial Conditions Orchestrated by the ECB Could Stabilise the Euro Area



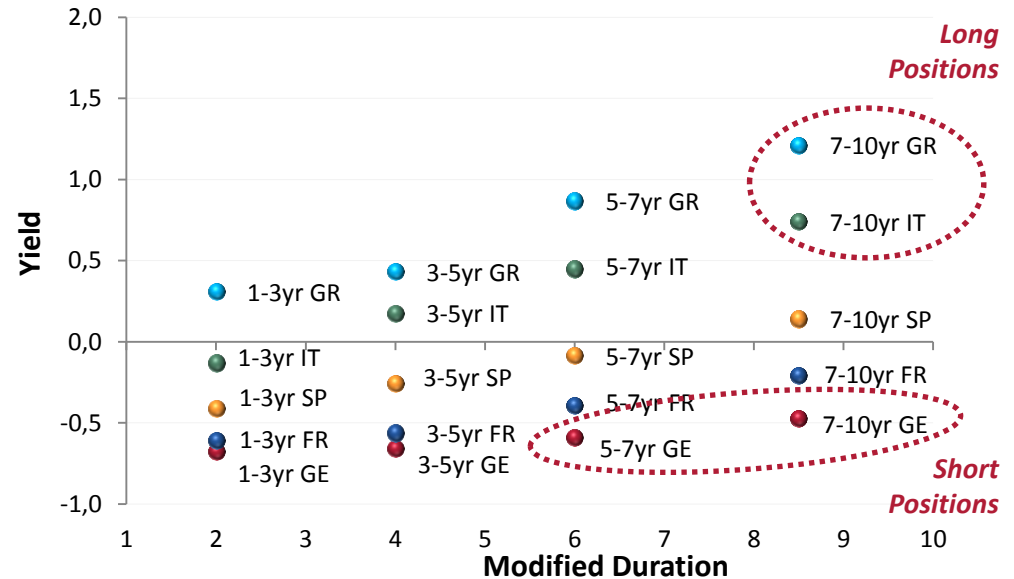
* The index is calculated on a 52-week basis, advanced by 30 weeks.
Source: Carmignac, 23/10/2019

European Rates: Towards Further Spread Convergence in Non-Core Countries

**Carmignac Patrimoine –
European rates modified duration**



Rate levels by maturity in Europe



Modified duration is rebased on the fixed income portion and not at the Fund's level.
Portfolio composition may be changed anytime without notice.
Past performance is not necessarily indicative of future performance.
Source: Carmignac, Bloomberg, 23/10/2019

Conclusion – Will the Fixed Income Rally Continue?



Potentially limited rally on US rates, but the Fed's monetary policy adjustment should lead to a **yield curve steepening**



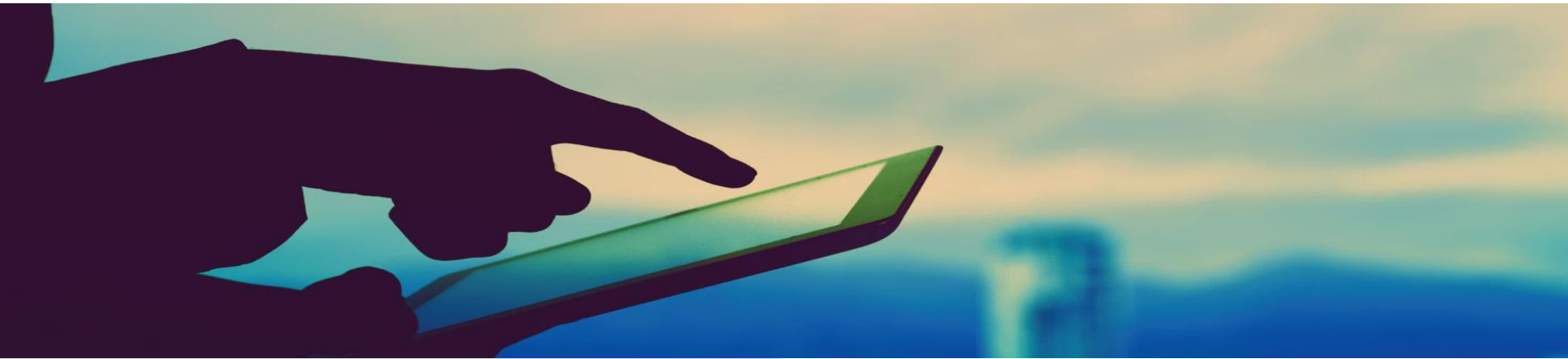
European core rates rally largely behind us, but we continue to anticipate the **convergence of spreads in non-core countries**



More abundant dollar liquidity context and a more dovish Fed should **support emerging markets**

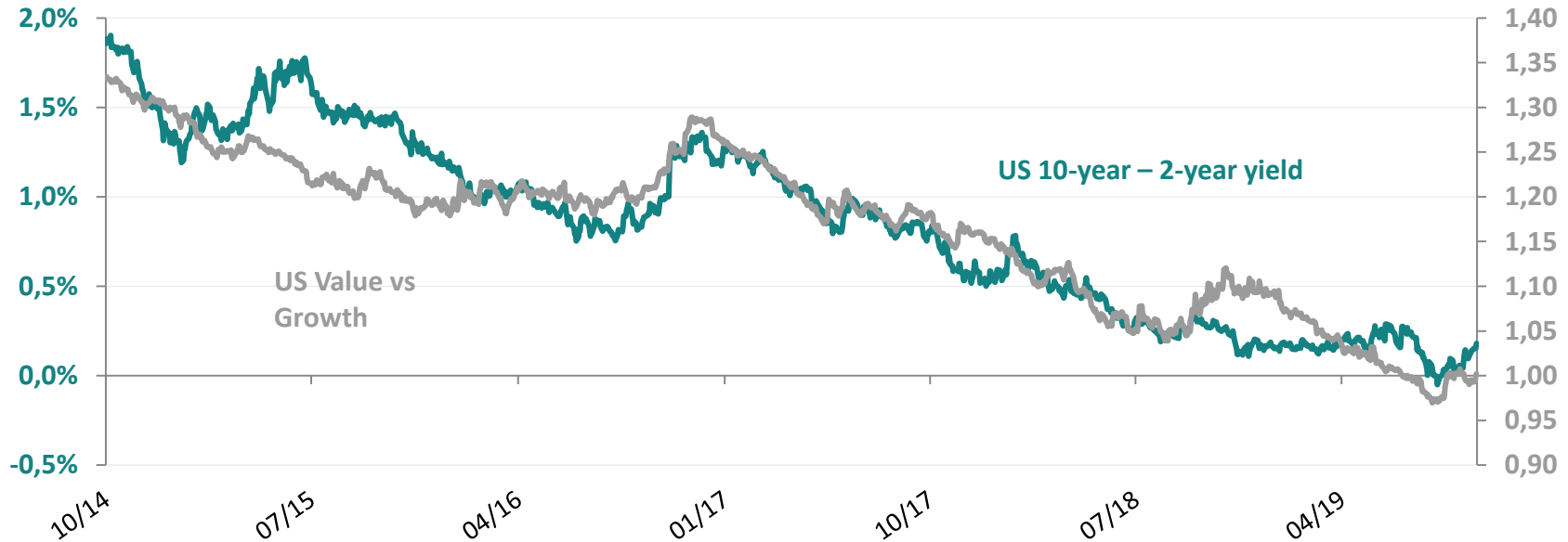


What Would it Take to Add to the Value
Theme in the Portfolios?



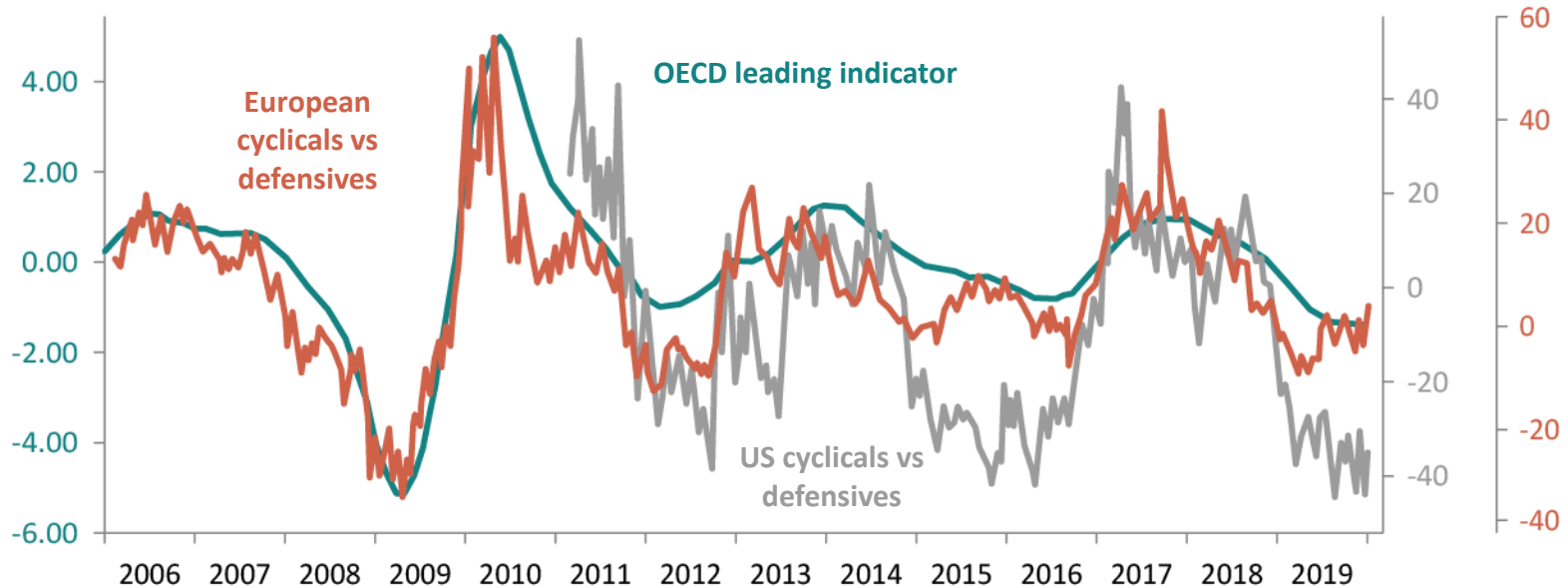
The Impact of the US Yield Curve Steepening

US yield curve &
MSCI World Value/MSCI World Growth ratio (x)



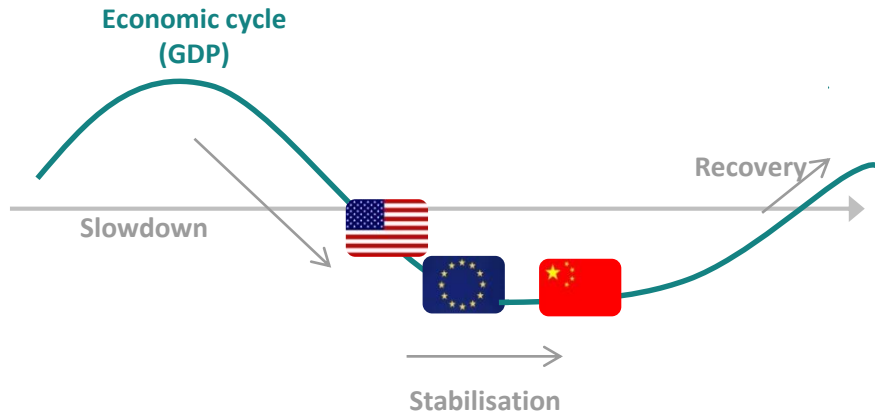
On the Eve of a Reversal of the Value/Growth Trend?

US and European cyclicals/defensives and leading indicator OECD (G7)

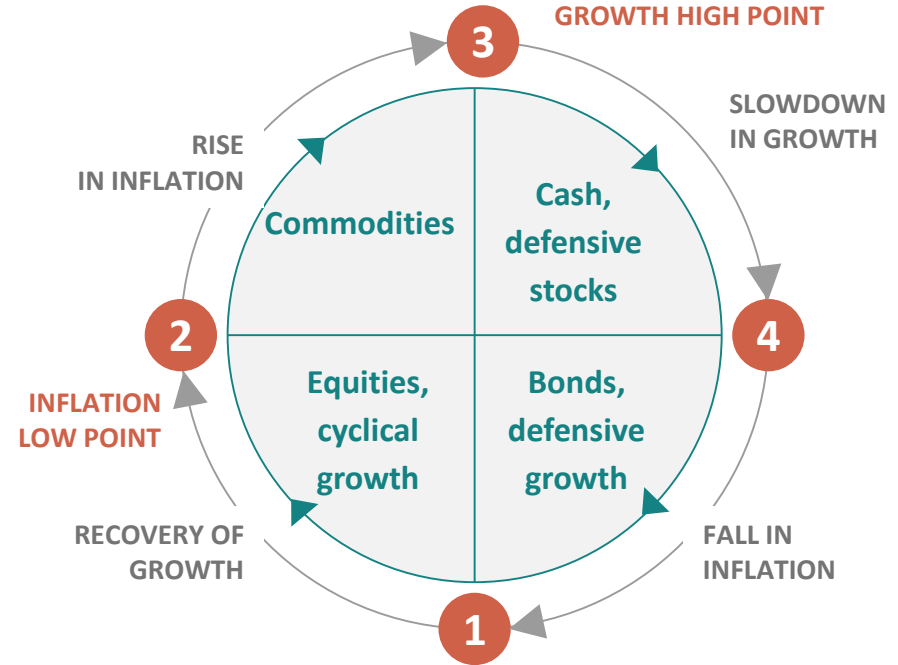


A Slowdown Already Priced in Markets

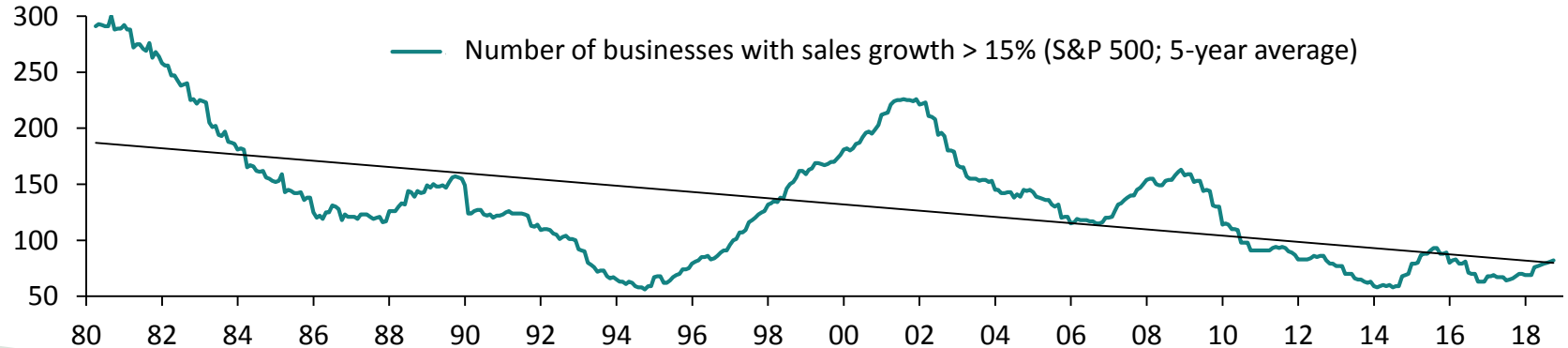
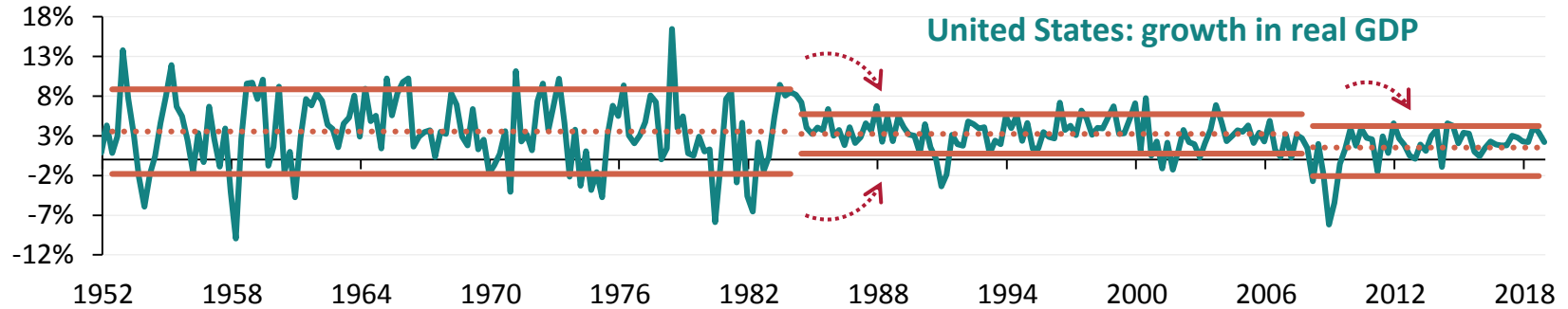
Economic cycle



Economic cycle and investment strategy



Lower Growth for Longer will Keep Favouring High Visibility Stocks



Our Strategic Equity Positioning: Focus on Secular Growth

SECULAR GROWTH: WHAT WE ARE LOOKING FOR?

SECULAR TRENDS



UNDER-PENETRATION/ GROWING ADDRESSABLE MARKETS

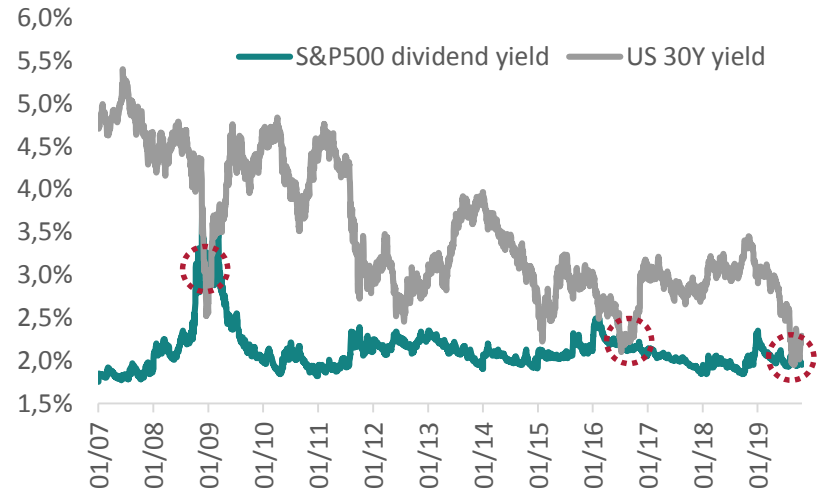


INNOVATION



YIELD

US 30-year yield vs S&P 500 dividend yield (%)

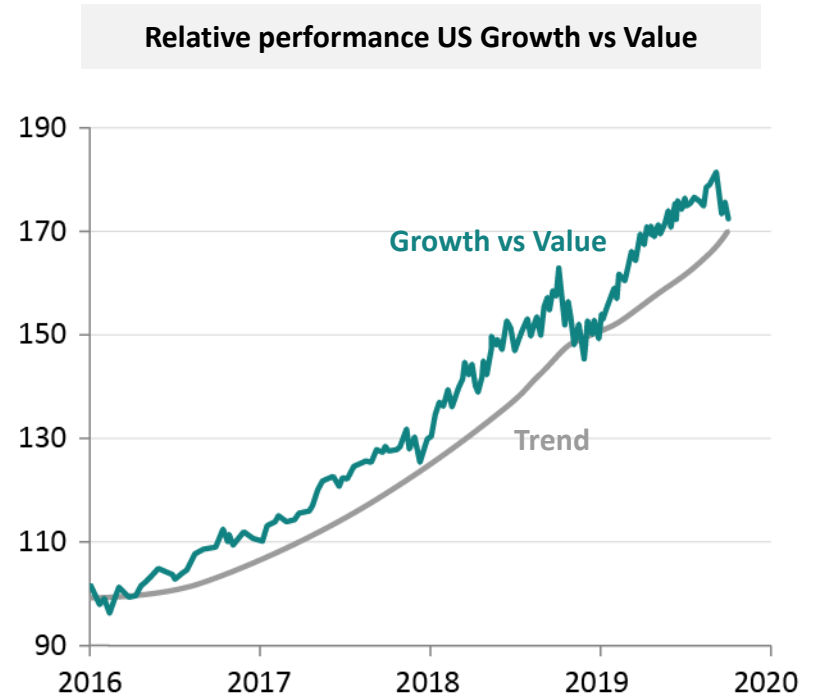
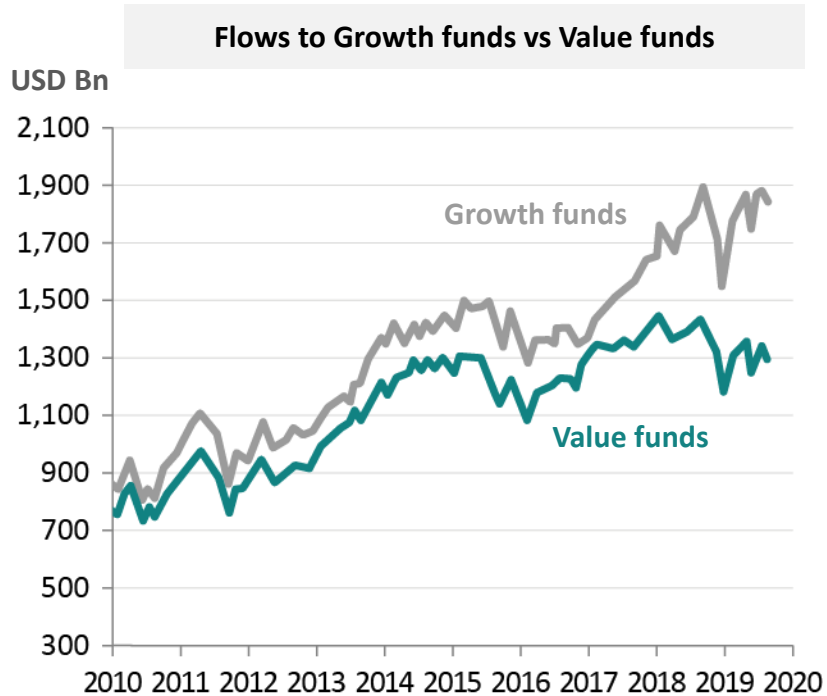


The Coca-Cola Company

P&G

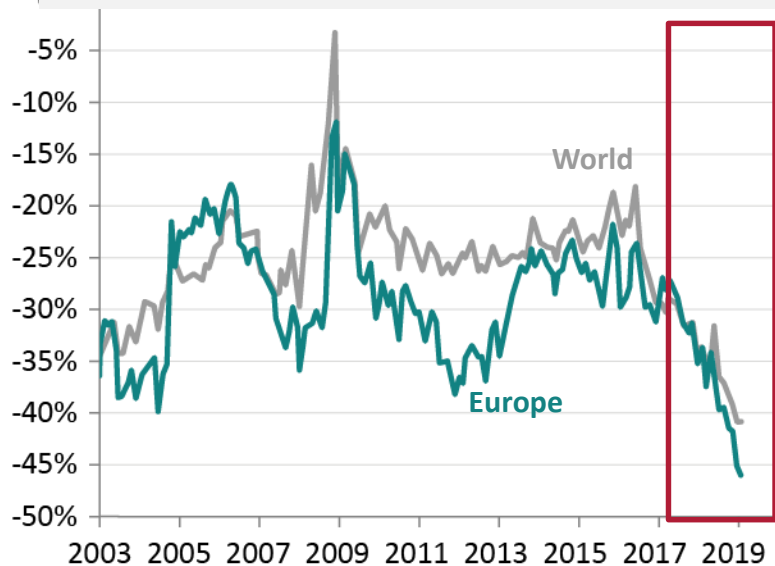
Portfolio composition may change at any time
Sources: Carmignac, Bloomberg, Company data, 30/08/2019

Value Stocks Have Already Underperformed



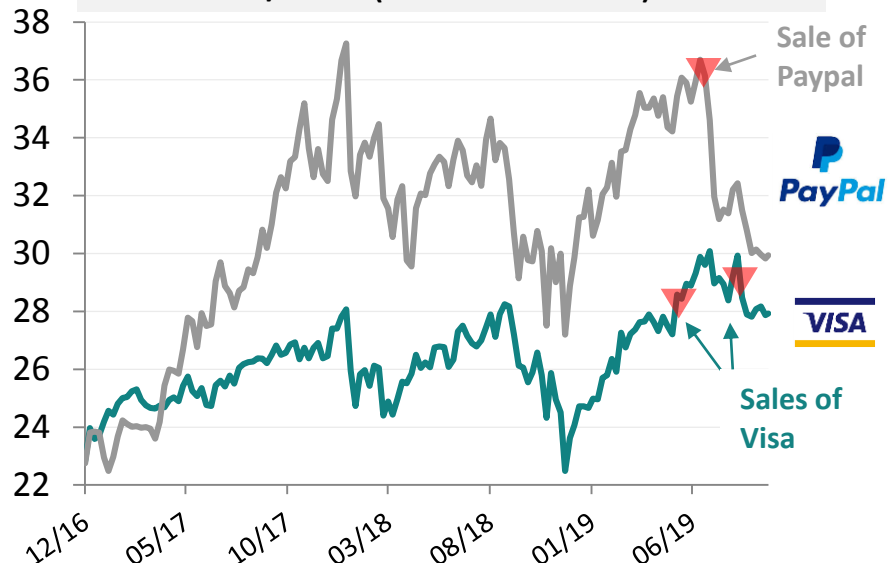
Value vs Growth: Paying Attention to High P/E

MSCI value vs growth 12-month forward P/E Discount



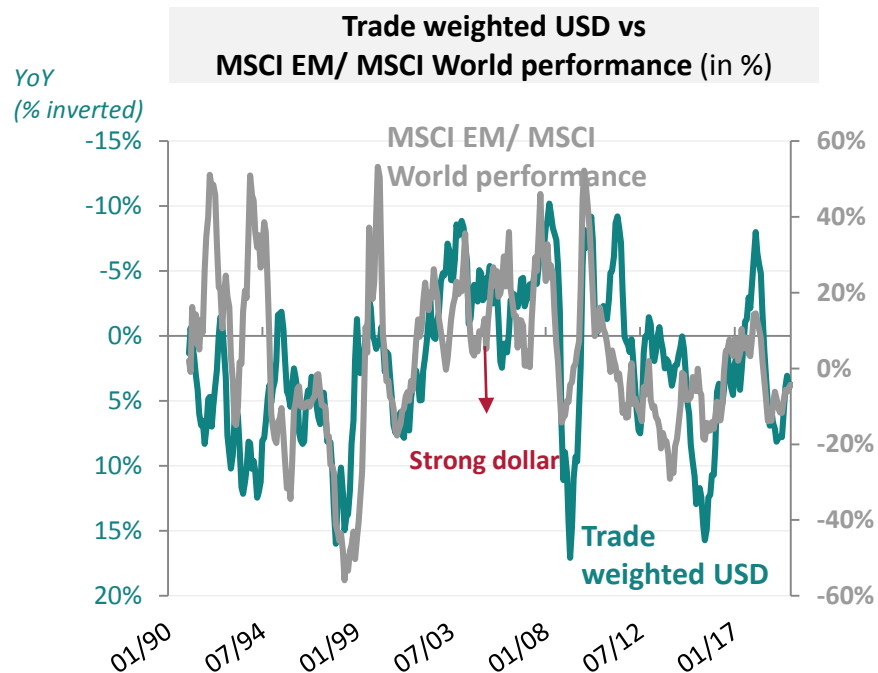
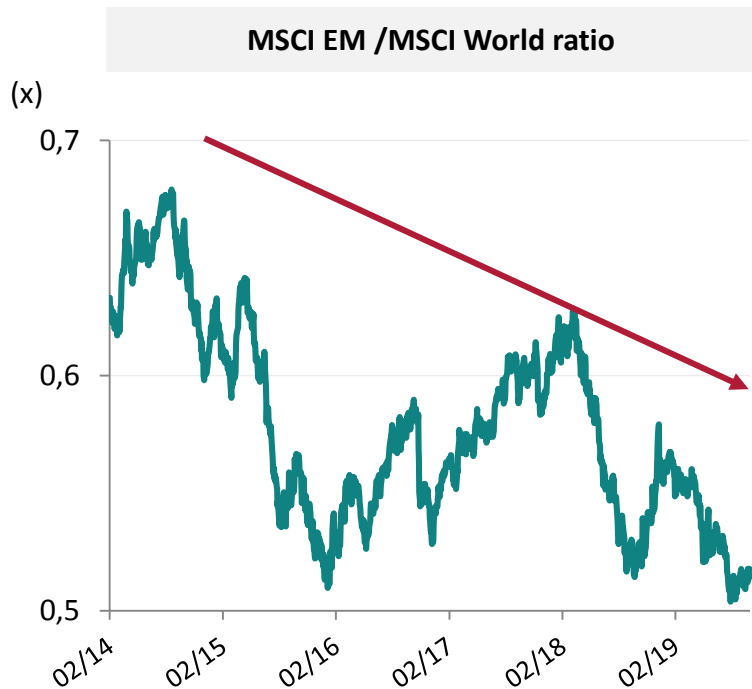
FOCUSING ON EARNING DIVERGENCE NOT MULTIPLE EXPANSION

P/E ratio (Blended 12 months)



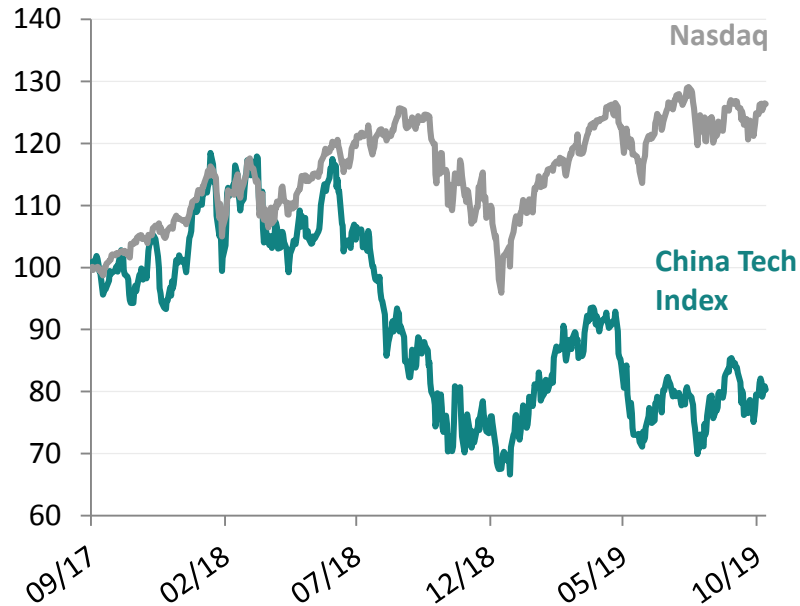
Portfolio composition may change at any time
Source:s
Left: Datastream, Kepler Chevreux 30/09/2019
Right: Bloomberg, 22/10/2019

Where to Look for “Value”? In Emerging Markets



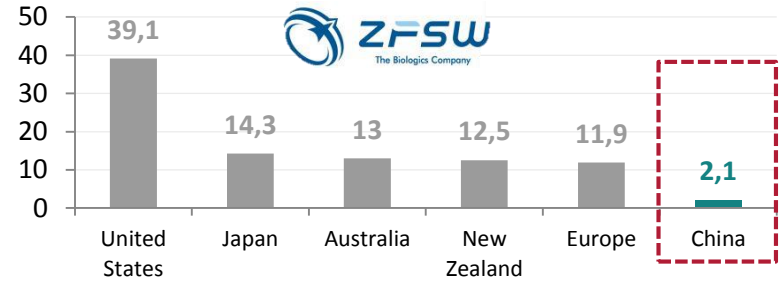
Chinese Equity: Focusing on the Domestic Economy

Chinese Tech is Lagging US Tech

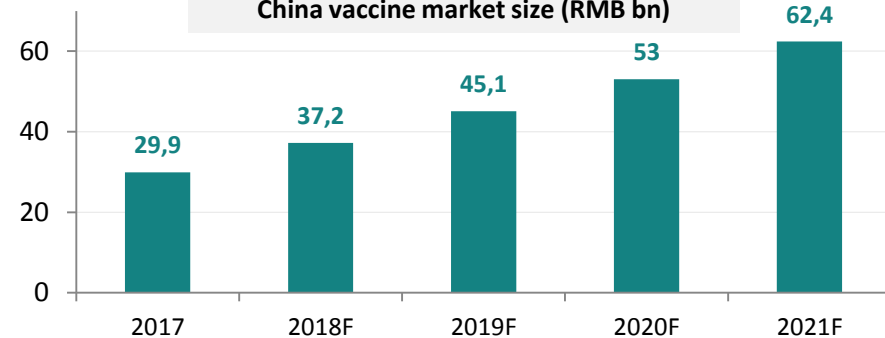


Chongqing Zhifei: Leading Chinese Vaccine Producer and Distributor

Vaccine expenditure per capita per country (USD)



China vaccine market size (RMB bn)

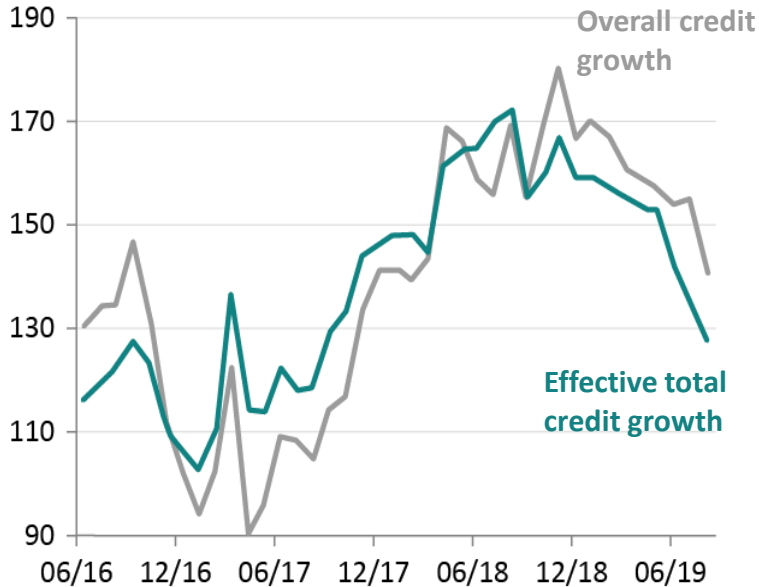


Portfolio composition may change at any time
 Source: Carmignac, Bloomberg, HSBC Research, 09/2019
 CFANG Index: <https://www.chinafangheatmap.com/>

What Opportunities can We Find Outside of China?

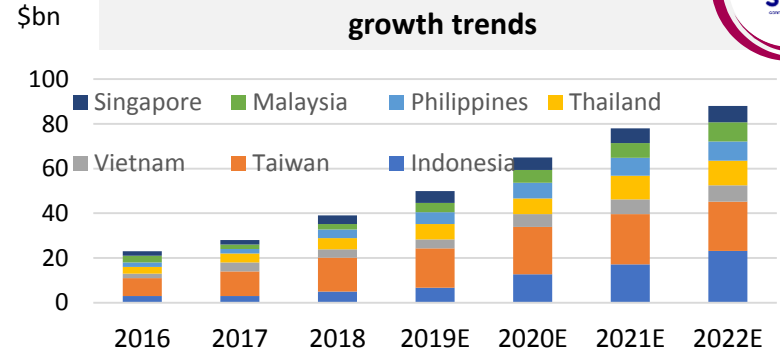
REDUCTION OF INDIA EXPOSURE - A WEAKENING QUALITY TRADE

Banks credit growth is slowing down

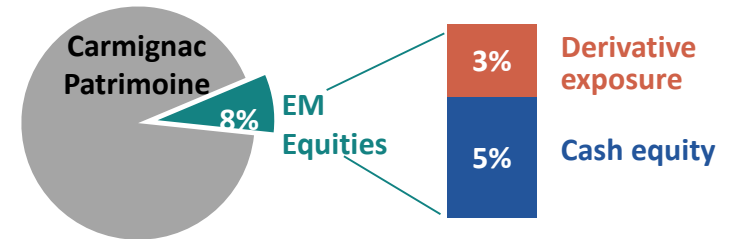


LONG TERM OPPORTUNITIES

South-East Asia E-commerce market
growth trends



TACTICAL OPPORTUNITIES IN EM



Portfolio composition may change at any time

Sources:

Left : Top chart on the left: KPMC, Carmignac; Bottom chart on the left, RBI, Carmignac 16/10/2019
Right: Bloomberg, Citi, Nomura and Macquarie Research, 31/12/2018

Conclusion – What Would it Take to Add to the Value Theme in the Portfolios?



A **more dovish Fed**
allowing an inverted yield
curve



Temporary relief on the
policy uncertainty
front



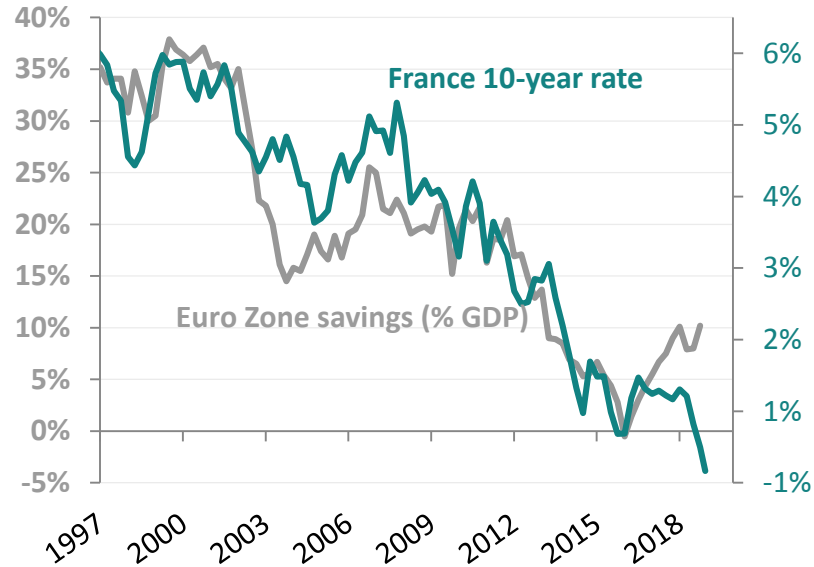
Anticipation of a global
growth stabilisation



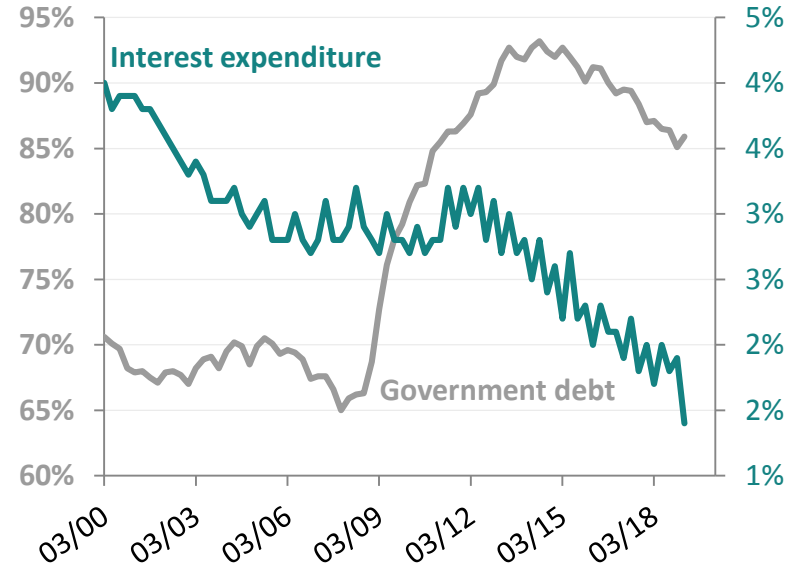
A shift from monetary
stimulus towards **fiscal**
stimulus

Governments: Yes, They Can!

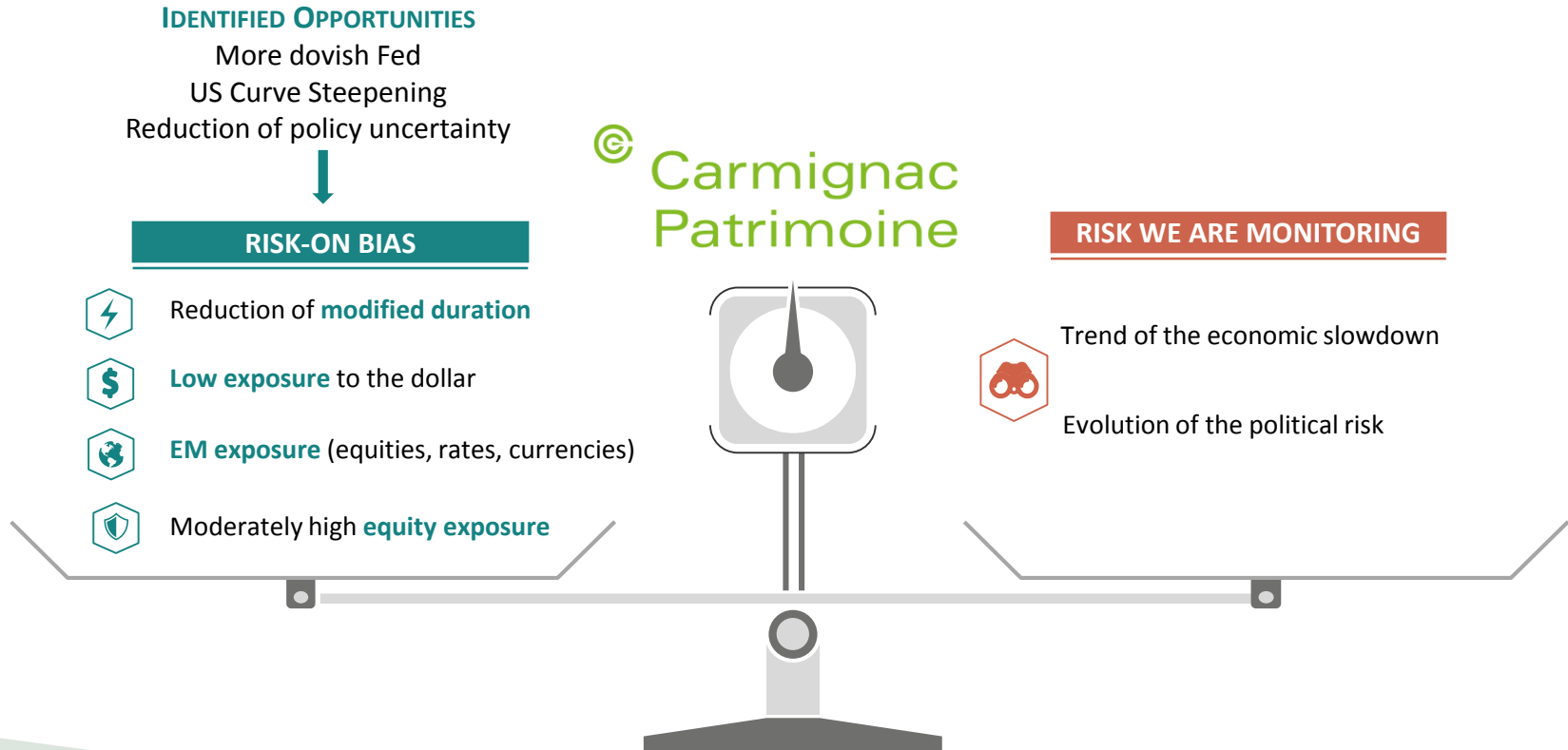
Monetary Policy Impotence -
Eurozone savings and France 10-year rate



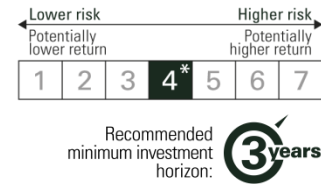
Eurozone: government debt and interest
expenditure (as % of GDP)



Carmignac Patrimoine: A Fine Balance of Opposing Forces



Main Risks of Carmignac Patrimoine



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.

Interest rate

Interest rate risk results in a decline in the net asset value in the event of changes in interest rates.

Credit

Credit risk is the risk that the issuer may default.

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.

The Fund's capital is not guaranteed.



Mark Denham

Head of European Equities, Fund Manager



Is Now the Right Time to Invest in European Equities?

European Equities Can Deliver Significant Returns

+8.15%
per year*

Performance since January 2017



**Carmignac Portfolio
Grande Europe
A EUR Acc
+21.75%**

Reference Indicator
+17.92%**

	Funds	Reference indicator**
2014	10,32%	7,20%
2015	-1,40%	9,60%
2016	5,11%	1,73%
2017	10,36%	10,58%
2018	-9,56%	-10,77%
YTD	22,48%	19,51%

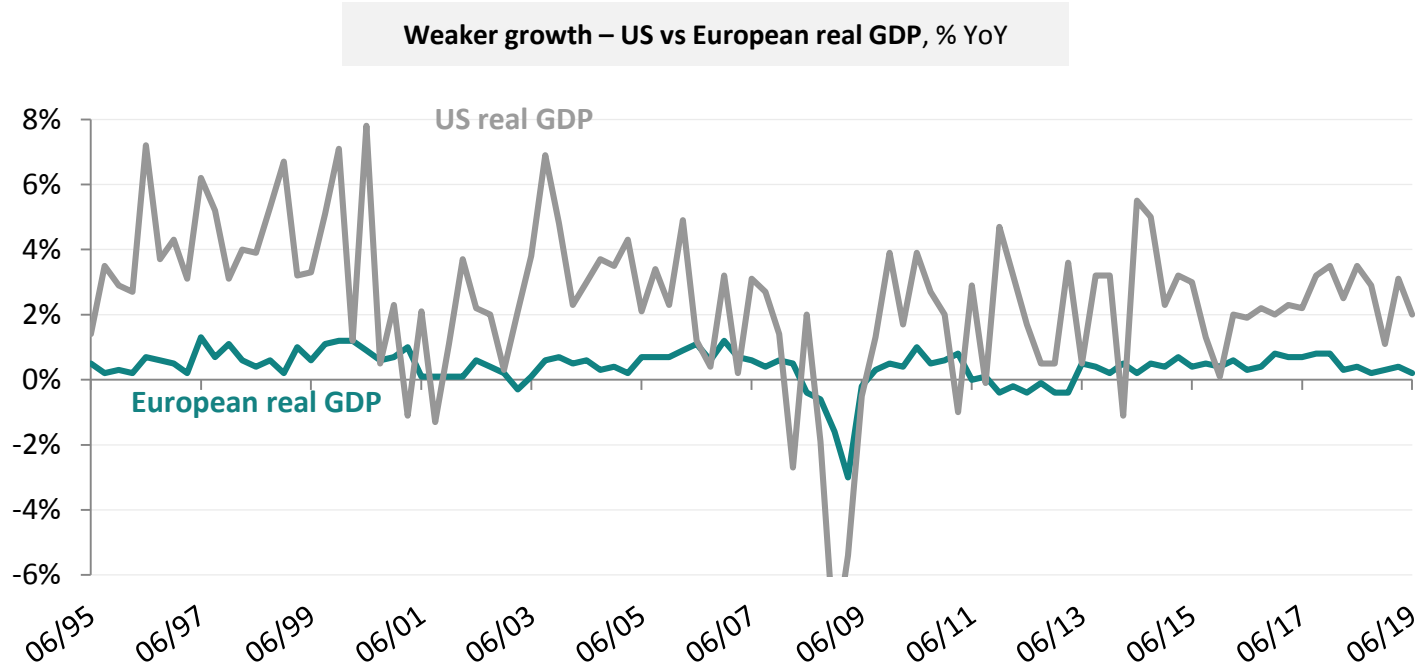
*Carmignac P. Grande Europe A EUR Acc annualized performance since the arrival of current Fund Manager Mark Denham
Base 100: 30/12/2016.

Performances are net of fees (excluding possible entrance fees charged by the distributor). Past performance is not necessarily indicative of future performance

Source: Carmignac, 30/09/2019.

**Stoxx Europe 600 (NR, EUR)

The Top-Down Problem: Finding Secular Growth



An Active Manager Must Negotiate European Headwinds

INVESTMENT UNIVERSE

~ 1550 European stocks



Market Value
> €1bn



Financial Ratios



Long Term
Growth Prospects



**ACTIVE: AVOIDING
DECLINING SECTORS**

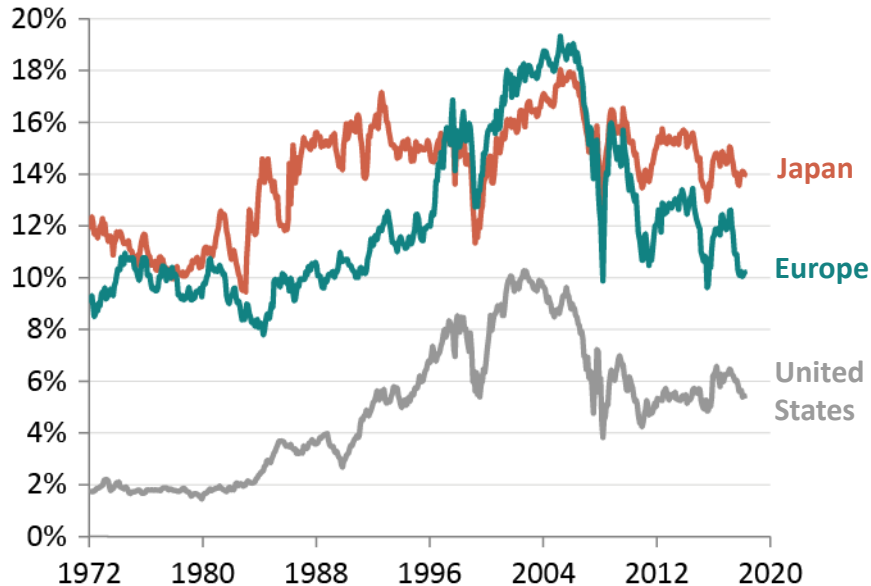


**ACTIVE: TARGETING
GREAT BUSINESSES**

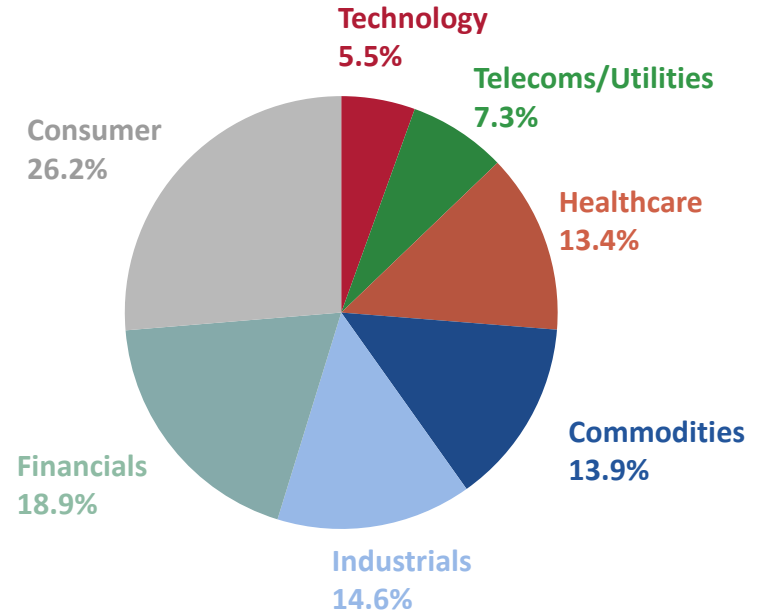
© Carmignac Portfolio
Grande Europe

The Financial Sector Problem: Avoiding Declining Sectors

Banks' share of market capitalisation, in %



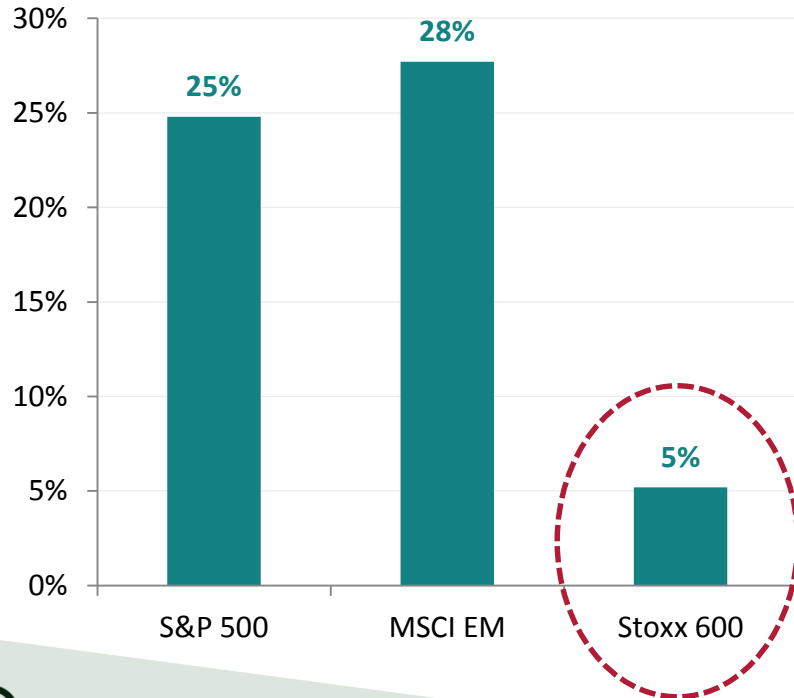
Stoxx 600 sector breakdown



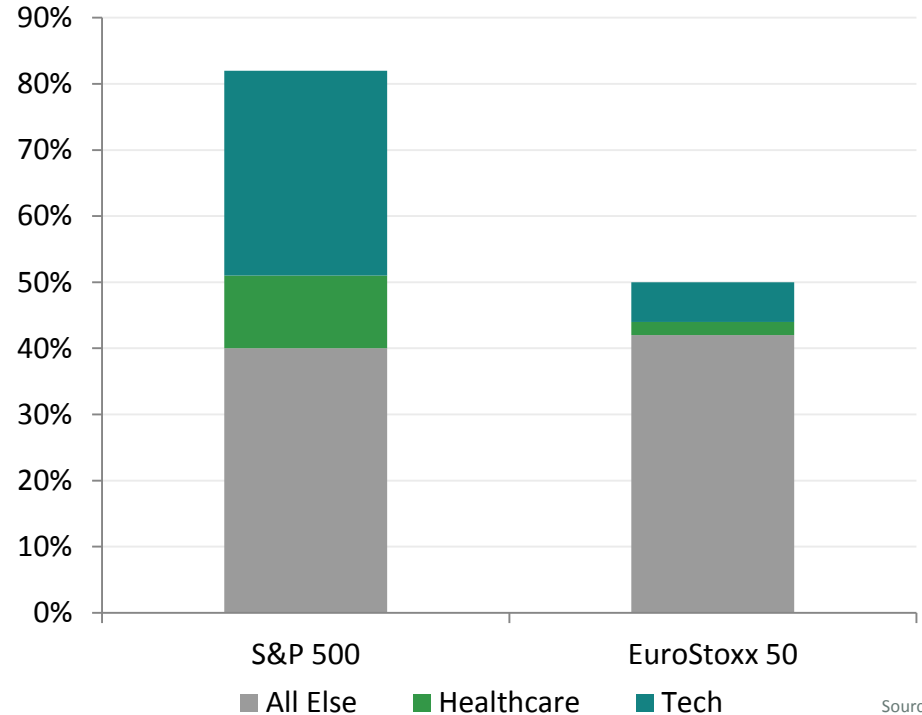
Sources: Minack Global Handbook, DataStream, Eurostat, BEA, ESRI, NBER, March 2019
Others in breakdown: 0,2%

Coping With the Tech Sector Problem

Weighting of the technology sector within different equity markets



S&P 500 & EuroStoxx 50: contribution to total return over the last 5 years



Europe's Great Businesses

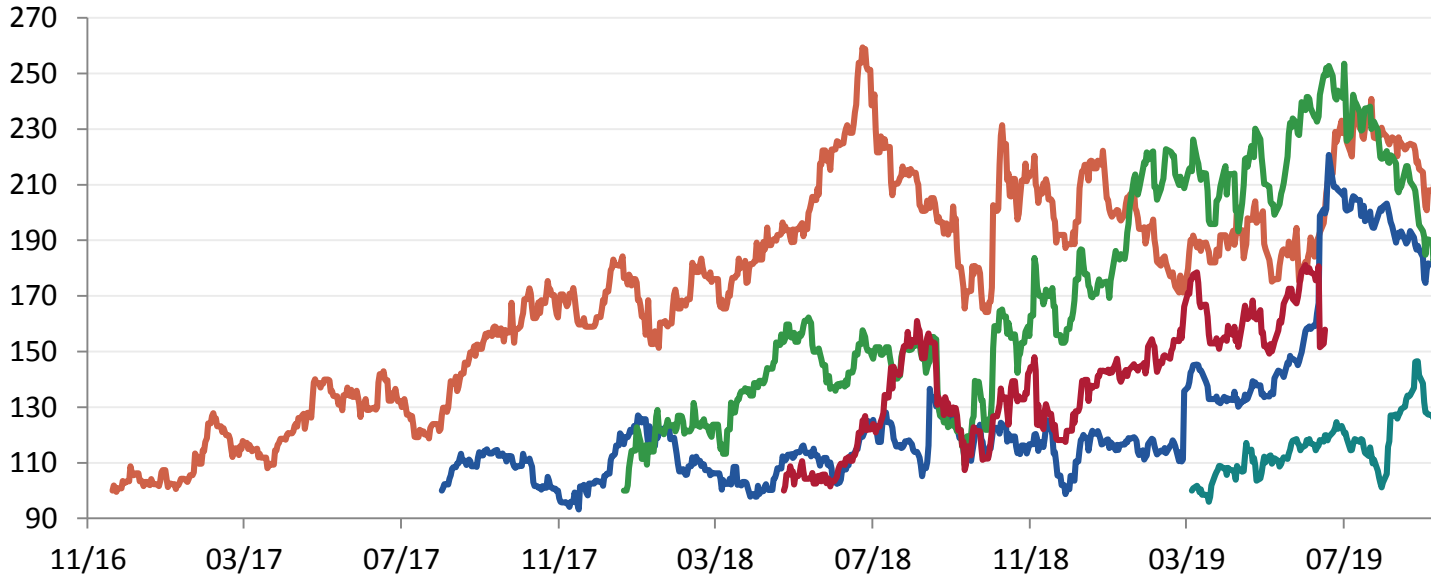


Europe's Great Businesses



Innovation that is Overlooked

Performance of our biotech since we first invested in the Fund*



Biotech:
8-9% of the Fund*

- Morphosys +107%
- Argenx +87%
- Galapagos +85%
- Evotec +58%
- Zealand Pharma +23%

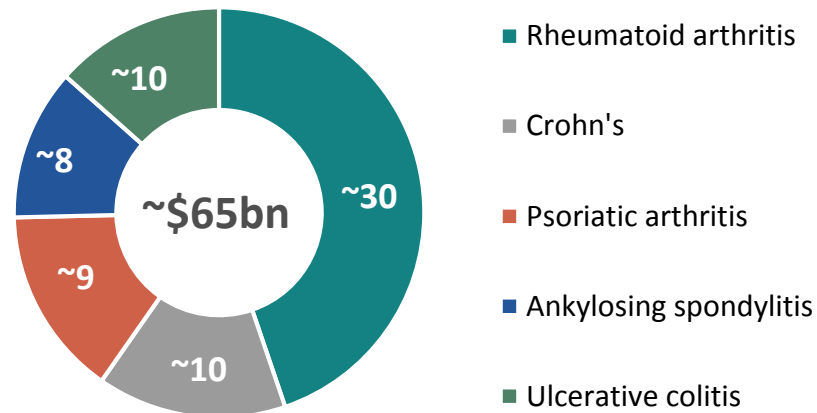
*Carmignac Portfolio Grande Europe A EUR Acc
Past performance is not necessarily indicative of future performance
Portfolio composition may vary over time
Source: Bloomberg, 14/10/2019

Galapagos – Multiple Opportunities in Pipeline

Galapagos Pipeline

Area	Preclinical	Phase 1	Phase 2	Phase 3
filgotinib	10+ indications evaluated in Ph2 and Ph3, pivotal trial completion as of 2018			
IPF	ISABELA Ph3 and PINTA Ph2, fully proprietary			
Atopic dermatitis	IGUANA Ph2 ongoing			
OA	ROCELLA Ph2 ongoing			
Inflammation Fibrosis	>20 programs			

Inflammation market in 2027 (\$Bn)



SRI* is Part of the Identification of Best Long Term Prospects

INVESTMENT UNIVERSE

~ 1550 European stocks



Market Value
> €1bn



Financial Ratios



Long Term
Growth Prospects

INVESTABLE UNIVERSE ACCORDING TO FINANCIAL CRITERIA

~ 500 stocks



ESG
Ratings



Exclusions



SDGs**
Impact



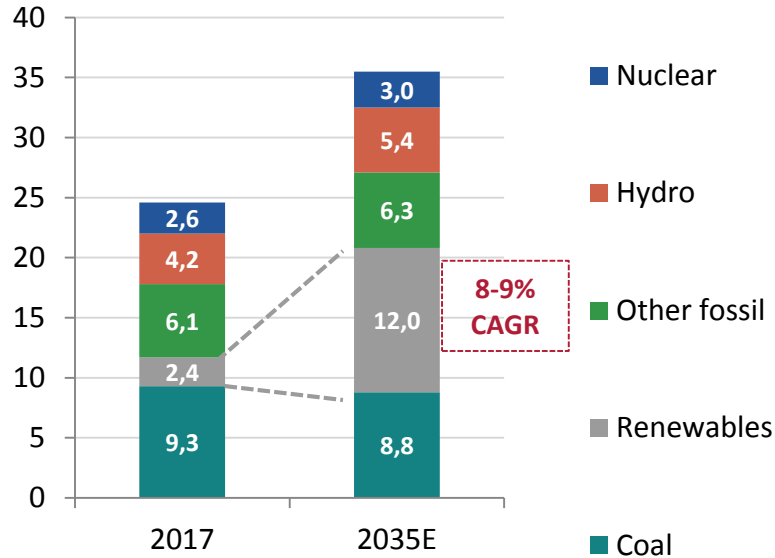
Carmignac Portfolio
Grande Europe

The Renewable Power Mega Trend

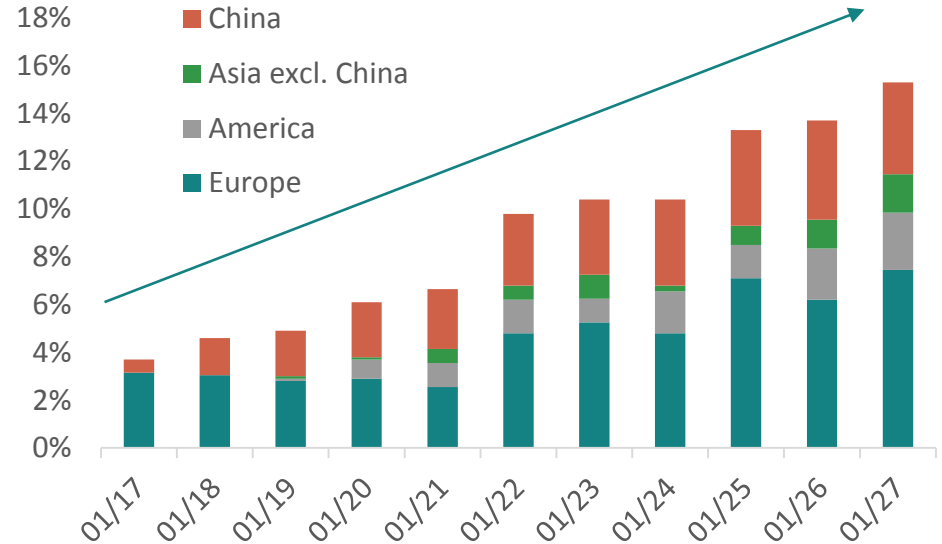
Wind, Sun in the Forecast

PWh*

Global electricity consumption



Annual forecast installed capacity split by region 2017-2027



The Renewable Power Mega Trend



Vestas[®]

Ørsted


Solaria

ALWAYS THE RIGHT TIME TO INVEST IN EUROPE... IF:

**Proven process
focused on secular growth**
Strong track record of
risk adjusted returns



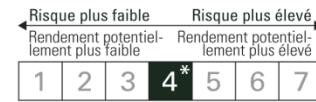
**High Conviction/Active
Management**
High Active share ~90%,
focused portfolio of ~35 stocks

- Differentiation**
- Quantification of quality/growth approach
 - Socially responsible targeting
 - Innovation sleeve – e.g. Biotech



Portfolio composition may vary over time
Past performance is not necessarily indicative of future performance.
Source: Carmignac, 30/09/2019

Principaux risques de Carmignac Portfolio Grande Europe



Durée minimum
de placement
recommandée : **3**ans

- **Action**

Les variations du prix des actions dont l'amplitude dépend de facteurs économiques externes, du volume de titres échangés et du niveau de capitalisation de la société peuvent impacter la performance du Fonds.

- **Risque de change**

Le risque de change est lié à l'exposition, via les investissements directs ou l'utilisation d'instruments financiers à terme, à une devise autre que celle de valorisation du Fonds.

- **Gestion discrétionnaire**

L'anticipation de l'évolution des marchés financiers faite par la société de gestion a un impact direct sur la performance du Fonds qui dépend des titres sélectionnés.

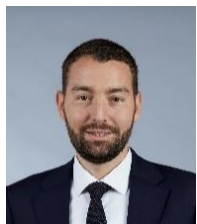
- **Le Fonds présente un risque de perte en capital.**

*Pour la part A EUR acc. Echelle de risque du DICI (Document d'Informations Clés pour l'Investisseur). Le risque 1 ne signifie pas un investissement sans risque. Cet indicateur pourra évoluer dans le temps.



Guillaume Rigeade

Fund Manager



Eliezer Ben Zimra

Fund Manager

© Carmignac Portfolio Unconstrained Euro Fixed Income

Recommended minimum investment horizon: **3 years**

← Lower risk / Potentially lower return | Higher risk / Potentially higher return →

1	2	3*	4	5	6	7
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AUM	€898M
ISIN A EUR Acc	LU0336084032

GLOBAL & FLEXIBLE FX HEDGED BOND FUND



Bond asset allocation on most attractive **fixed income segment**



Benefit from a truly **flexible** Fund



Close collaboration with credit and EM specialists



Guillaume RIGEADE
Fund manager

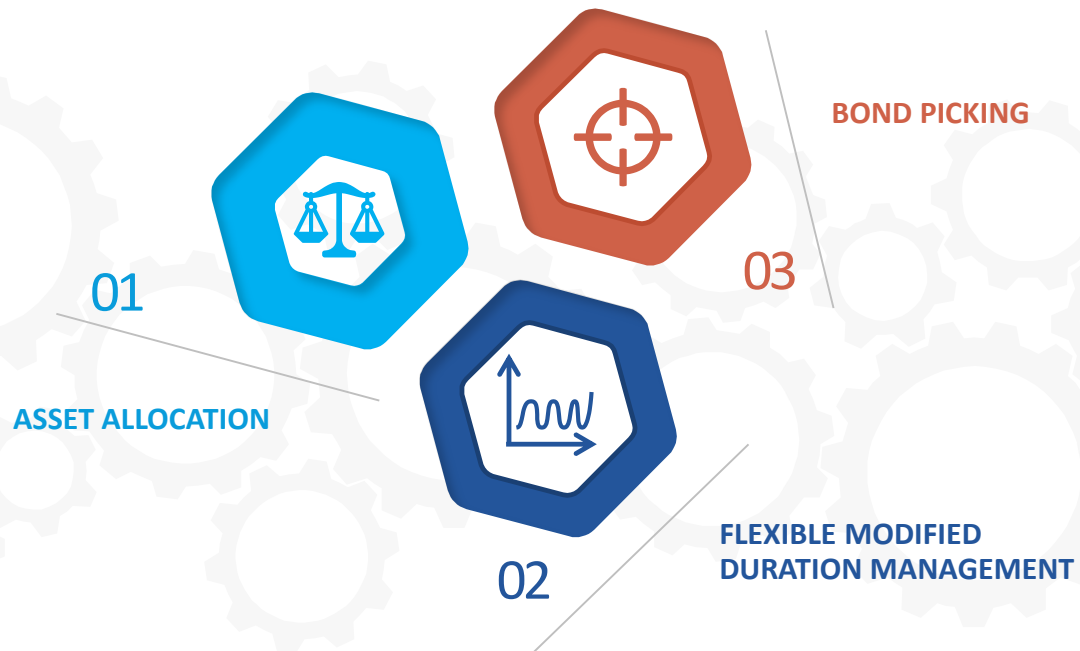


Eliezer BEN ZIMRA
Fund manager

Carmignac Portfolio Unconstrained Euro Fixed Income is the new name of Carmignac Portfolio Capital Plus, following Fund's prospectus changes. Its objective, strategy and investment universe have been reviewed, as well as other Fund's characteristics (risk scale, minimum recommended investment period, reference indicator...). These changes are applied since 30/09/2019. Share Class A EUR Acc Source: Carmignac, September 2019

*Risk Scale from the KIID (Key Investor Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time.

Flexibility For All Investment Decisions



Active Allocation: A Global Universe



DM
BONDS

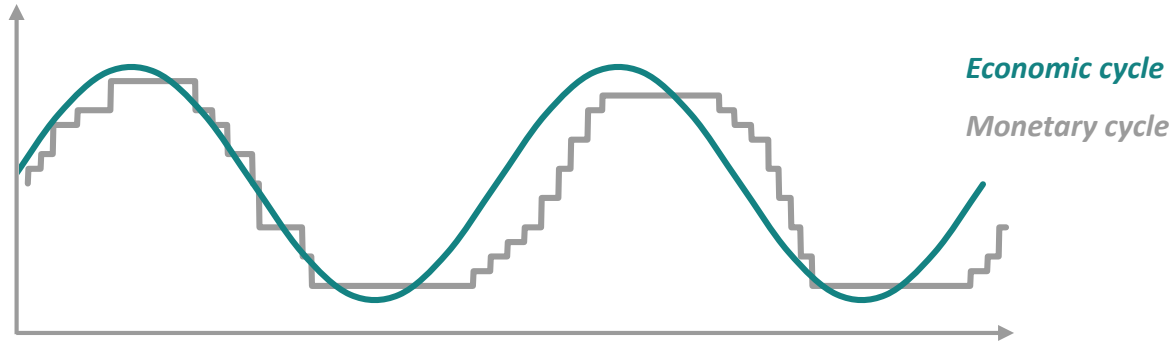
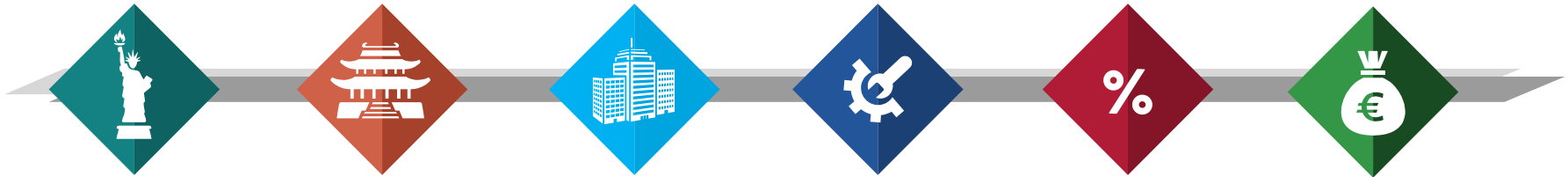
EM
BONDS

FINANCIALS

STRUCTURED
CREDIT

INFLATION-LINKED
BONDS

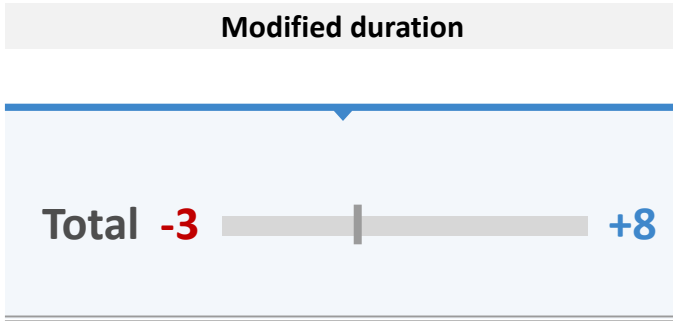
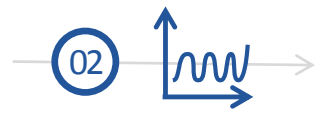
CASH
&
MONEY MARKET



Economic cycle

Monetary cycle

A Dynamic Management of Modified Duration



- Our tools for flexibility:**
- ▶ Bonds
 - ▶ Derivatives

Convictions by yield curve and maturity

	0-3 yrs	3-7 yrs	7-15 yrs	> 15 yrs	Total
Core euro (Germany)			✗✗	✗	✗
Non-core euro	✓	✓	✓✓	✓✓	✓✓
United States		✓✓	✓		✓
UK		✗			✗
Australia		✓		✓	✓

Benefiting from The Entire Management Team Expertise



GLOBAL FIXED INCOME



Rose **OUAHBA**



Charles **ZERAH**



Eliezer **BEN ZIMRA**



Guillaume **RIGEADE**



EURO FIXED INCOME



Keith **NEY**



Marie-Anne **ALLIER**



Aymeric **GUEDY**



MACRO



Raphael **GALLARDO**
Chief Economist



G10 FIXED INCOME



Michael **MICHAELIDES**



QUANTITATIVE



Julien **CHERON**



James **BLANNING**



FINANCIALS



Matthew **WILLIAMS**



Ayowande **MCCUNN**



CREDIT



Pierre **VERLÉ**



Alexandre **DENEUVILLE**



Florian **VIROS**



EMERGING MARKETS

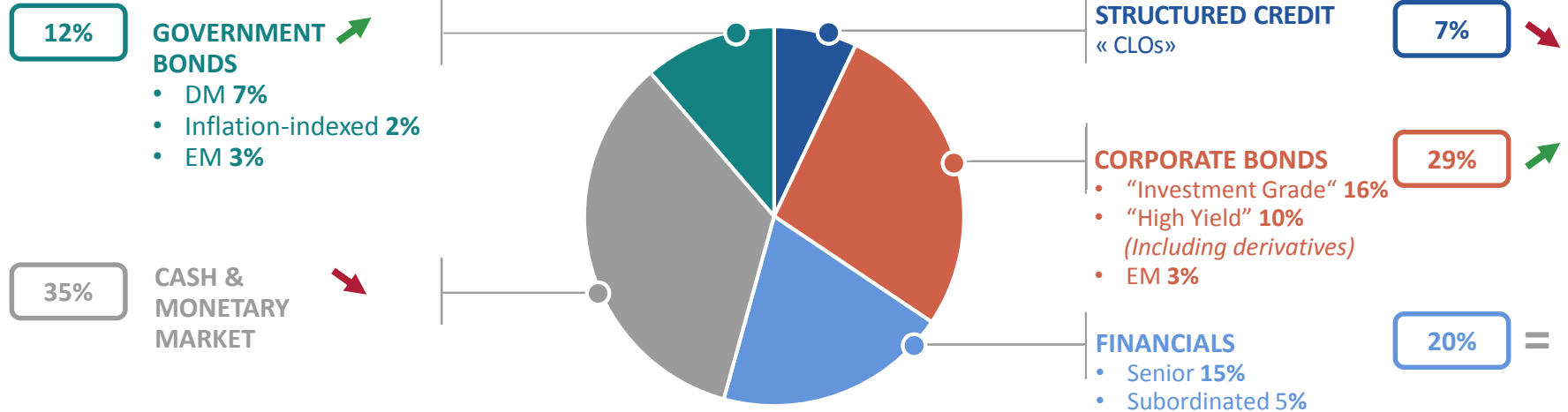


Joseph **MOUAWAD**

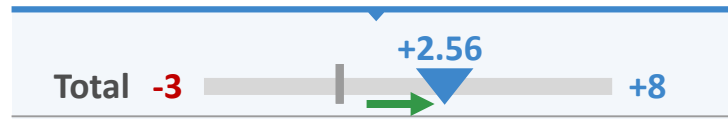
Portfolio Construction:

Evolution of net exposure and modified duration

October 2019



MODIFIED DURATION



Source : Carmignac, octobre 2019

Les performances passées ne sont pas un indicateur fiable des performances futures.
 Les performances sont nettes de frais (excluant les droits d'entrée prélevés par le distributeur).
 Les portefeuilles sont susceptibles de modification à tout moment.

Carmignac P. Unconstrained Euro Fixed Income

Approche flexible, globale et couverte du risque de change



- La BoC dans les pas de la Fed



- Une Fed sous pression des marchés



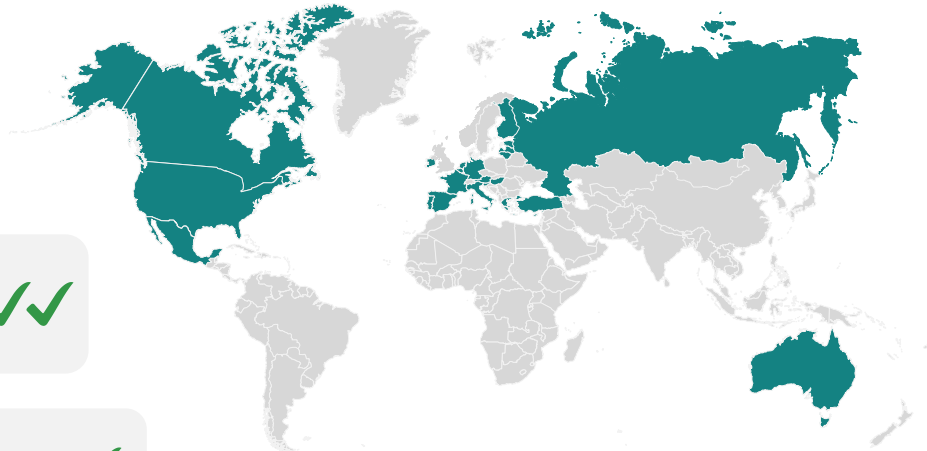
- Taux réels élevés
- Une politique monétaire accommodante



- Mesures monétaires non-conventionnelles en vue



- Un soutien monétaire de la BCE



Acheteurs



Vendeurs



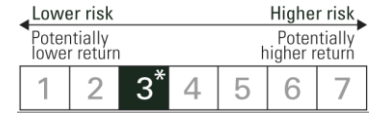
- Marges de manœuvre pour la Banque centrale russe



- Fondamentaux solides/valorisations attractives pour la dette externe



Main Risks of Carmignac Portfolio Unconstrained Euro Fixed Income



- **Interest rate**

Interest rate risk results in a decline in the net asset value in the event of changes in interest rates.

- **Credit**

Credit risk is the risk that the issuer may default.

- **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.

- **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.

- **The Fund's capital is not guaranteed.**



Edouard Carmignac

CIO



Questions Answers





CARMIGNAC
R I S K M A N A G E R S

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Investment management company approved by the AMF. Public limited company with share capital of € 15,000,000 – RCS Paris B 349 501 676

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Investment fund management company approved by the CSSF. Public limited company with share capital of € 23,000,000 – RC Luxembourg B67549