

WEBCAST

MANAGING A CORE FIXE INCOME ALLOCATION

17TH MARCH 2021



Guillaume RIGEADE

Fund Manager

Carmignac Portfolio Flexible Bond

Recommended minimum investment horizon:

3 years



- ▶ Launch Date: December 14th, 2007
- ▶ Guillaume Rigeade & Eliezer Ben Zimra's management tenure since July 09th, 2019
- ▶ AuM: €1296M as of February 28th, 2021
- ▶ Reference Indicator: ICE BofA Euro Broad Market Index (Bloomberg code: EMU0)



Guillaume RIGEADE
Fund manager

WHY THIS STRATEGY?

Aiming to capture bond market opportunities with currency risk fully hedged



A **bond asset allocation** approach that facilitates a diversified exposure according to fund managers' convictions **on each fixed income segment**



Benefit from a truly **flexible** Fund: a dynamic management of modified duration **from -3 to +8** to take advantage of yield curve evolution



Close collaboration with credit and EM specialists facilitates **the implementation of optimal bond picking strategies**



Eliezer BEN ZIMRA
Fund Manager

F Share Class EUR Acc. Source: Carmignac
Carmignac Portfolio Unconstrained Euro Fixed Income is the new name of Carmignac Portfolio Capital Plus, following changes to the Fund's prospectus. The investment objective, strategy and universe have been redefined, as well as other features of the Fund (Risk scale, recommended minimum investment period, reference indicator...). These changes came into effect on September 30, 2019.

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

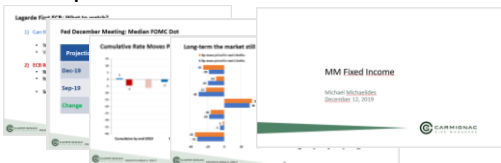
Investment Process

TOP-DOWN

▶ Economic context analysis



▶ Impact on Fixed Income markets



▶ Portfolio implementation



ASSET ALLOCATION



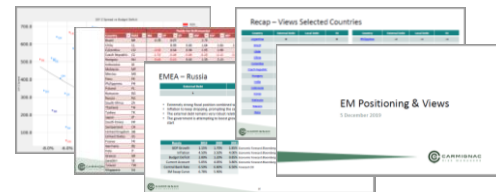
BOND PICKING



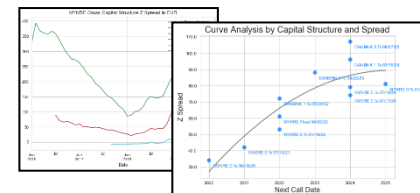
FLEXIBLE MODIFIED DURATION MANAGEMENT

BOTTOM-UP

▶ Issuer analysis



▶ Bond picking



Risk Management

MAIN CONSTRAINTS*

Modified Duration

-3 \longleftrightarrow +8

No FX Risk

Currency risk is systematically hedged

HY corporate bonds + EM bonds

0% \longleftrightarrow 50%

Structured credit

0% \longleftrightarrow +10%

Equity risk

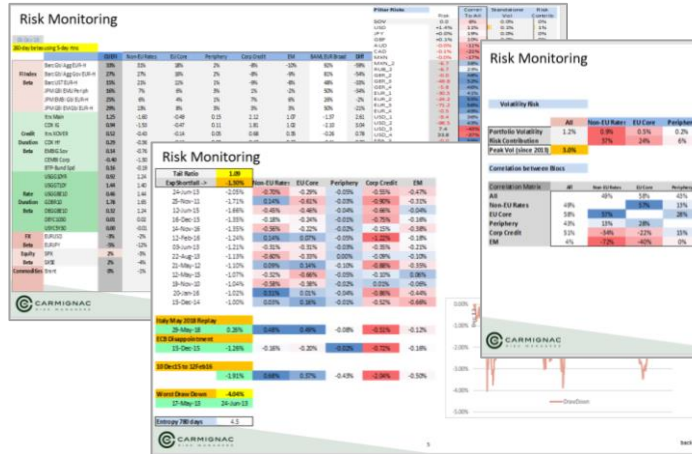
(only convertible bonds)

0% \longleftrightarrow +10%

RISK MONITORING

Within the management team

Evaluating the portfolio's behaviour using a wide range of tools (ex-ante volatility, correlations, factor decomposition, simulations) allows **the calibration of positions**



RISK CONTROL

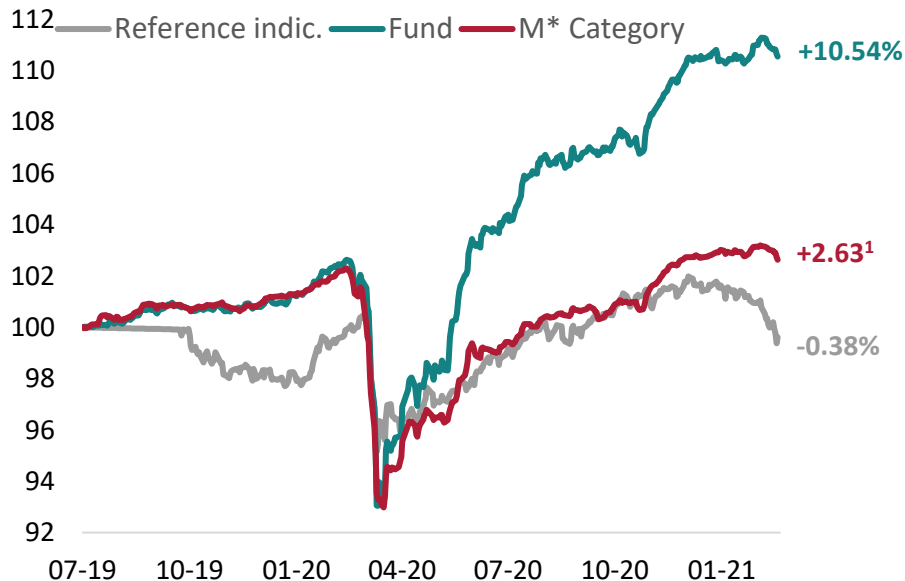
Independent control team through portfolio managers

Monitoring of exposures, investment limits (regulatory, prospectus, internal), portfolio **VaR** monitoring, historical **stress tests**

Source: Carmignac
*gross limits

Track Record Since the Change in Strategy (July 9th 2019)

CFB Performance since the change
in strategy - July 9th 2019

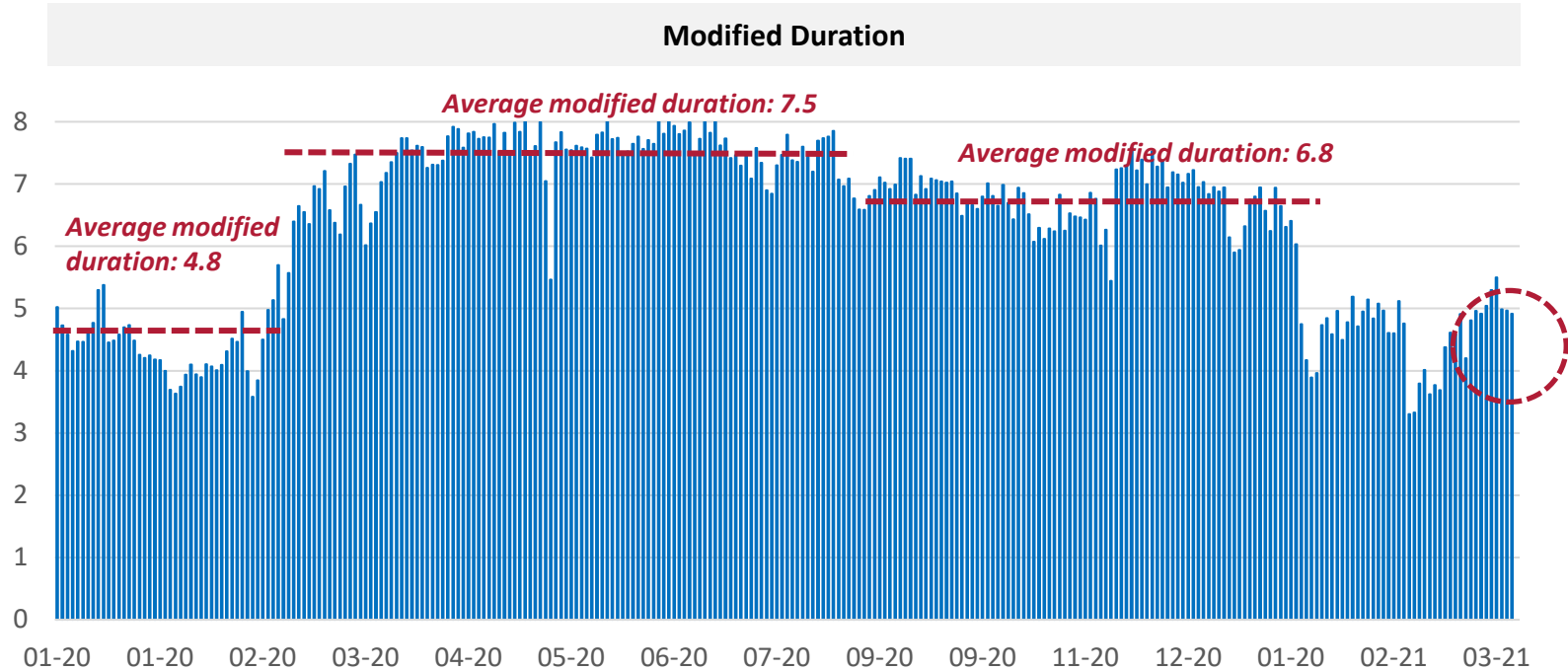


1st decile
Since the change in strategy

Performances	CFB	Ref. Indic.	Relative Perf	M* Category
MTD	+0.19%	-1.54%	+1.73%	-0.13%
QTD	-0.09%	-1.98%	+2.07%	-0.18%
YTD	-0.09%	-1.98%	+2.07%	-0.18%
2020	+9.68%	+3.99%	+5.69%	+1.62%
Since July 9 th 2019	+10.54%	-0.38%	+10.92%	-0.38%
Volatility*	+5.60%	+3.50%		

F Share Class Source: Morningstar data is as at 31/12/2020. Carmignac, 29/01/2021. Past performance is not a reliable indicator of future performance. Performances are net of fees (excluding applicable entrance fee due to the distributor). The return may increase or decrease as a result of currency fluctuations). The reference to a ranking is no guarantee of the future results of the UCIS or the manager. On 30/09/2019 the composition of the reference indicator changed: the ICE BofA ML Euro Broad Market Index coupons reinvested replaces the EONCAPL7. Performances are presented using the chaining method. The Fund's name was changed from Carmignac Portfolio Capital Plus to Carmignac Portfolio Unconstrained Euro Fixed Income. *EUR Flexible Bond

Carmignac P. Flexible Bond: We have been active last year and at the beginning of this year

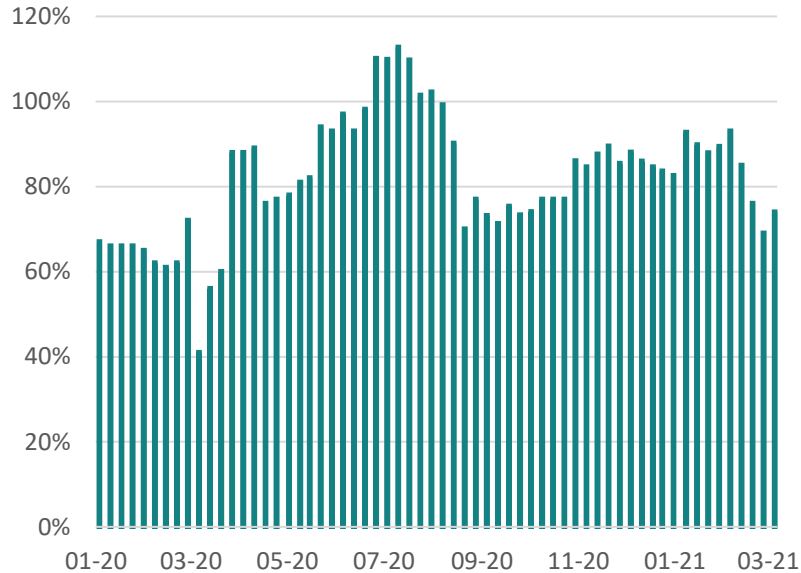


Source: Carmignac, 05/03/2021

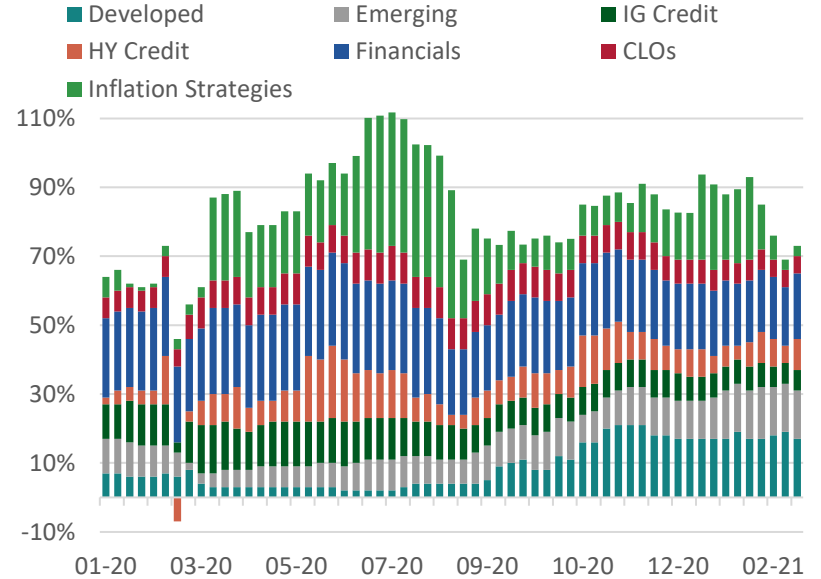
Past performance is not a reliable indicator of future performance. Performances are net of fees (excluding applicable entrance fee due to the distributor).

Carmignac P. Flexible Bond: We have been active last year and at the beginning of this year

Net exposure to fixed income segments*

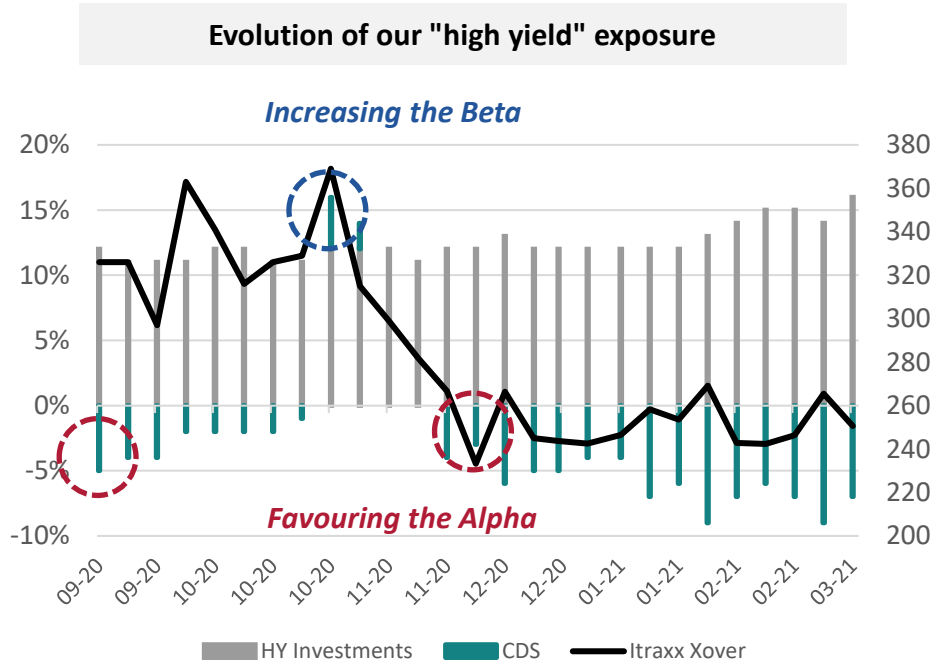


Exposure to fixed income segments



*Investments – hedging via derivatives – cash & cash equivalents
Source: Carmignac, 05/03/2021

Credit: Active Management of our Exposures Coupled with Convictions on the Choice of Issuers & Sectors



"RE-OPENING" THEME



3.7%

Airline Company
Automotive
Tourism



10.9%

Oil
Gas

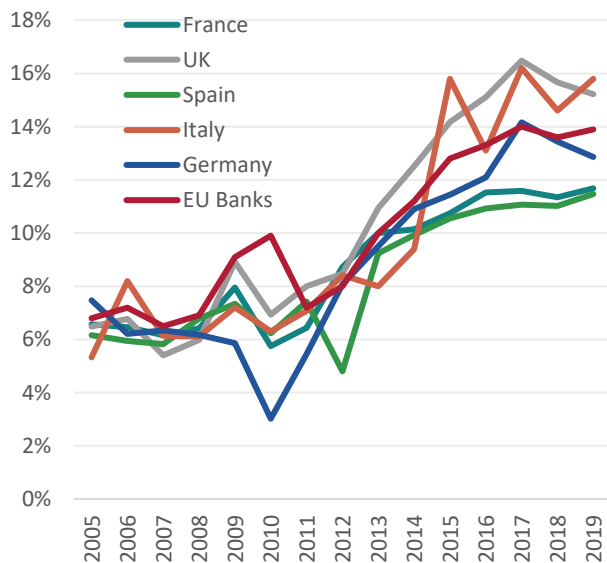


Source: Carmignac, 05/03/2021

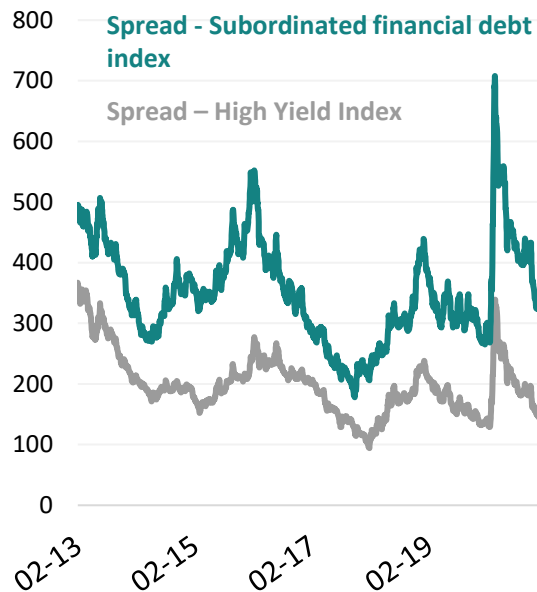
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Subordinated Financial Debt: Long-term as Well as Short-term Support

CET 1 Ratio by country



Opportunities in the bank credit markets (in basis points)



12.2%

FINANCIALS
Banks
Insurance
Financial Services

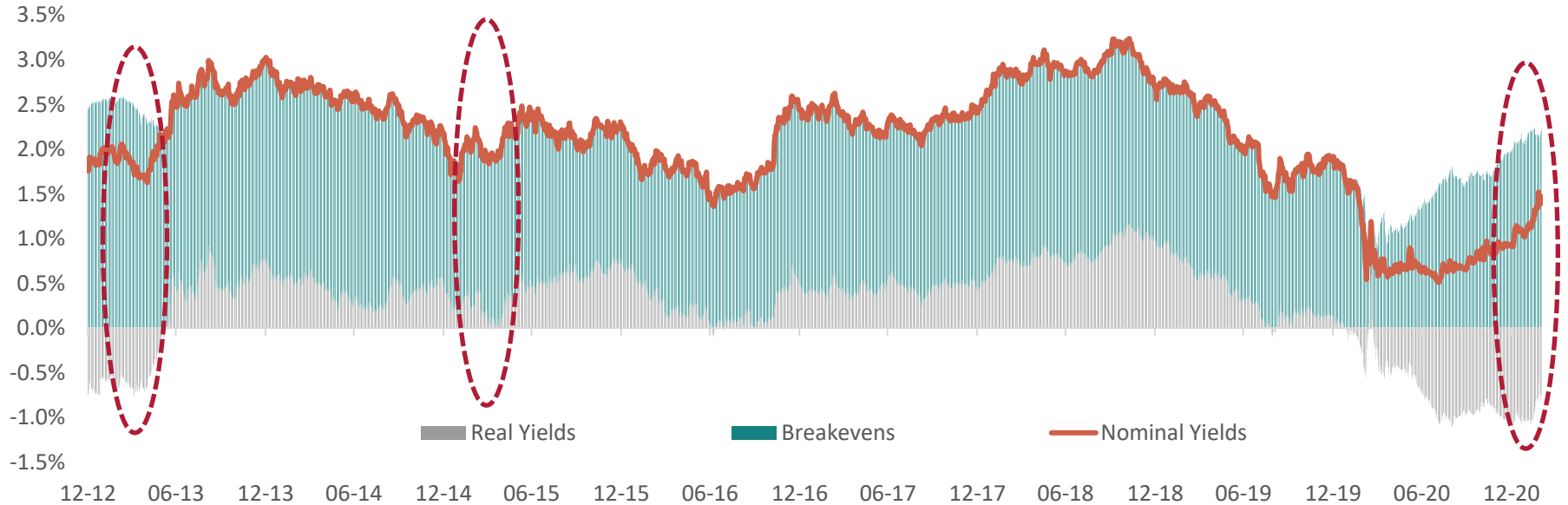


Source: Carmignac, Bloomberg, 29/01/2021

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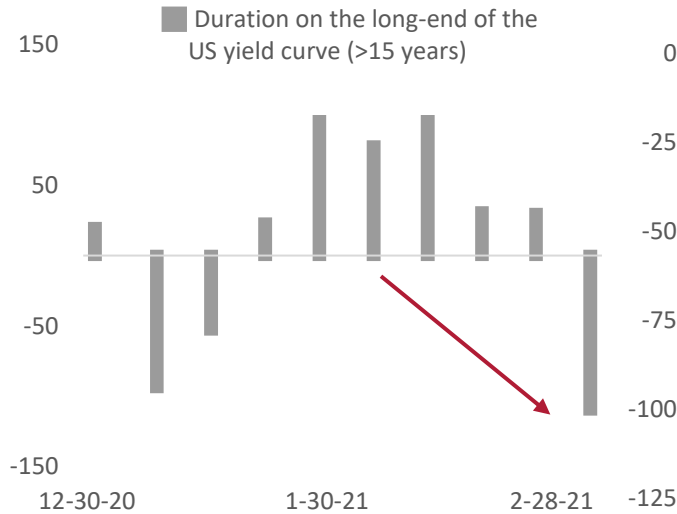
Rising rates: Between Good and Bad News

Evolution of US nominal rates, real rates and Breakevens



Modified Duration: Adjustment to this New Rate Environment

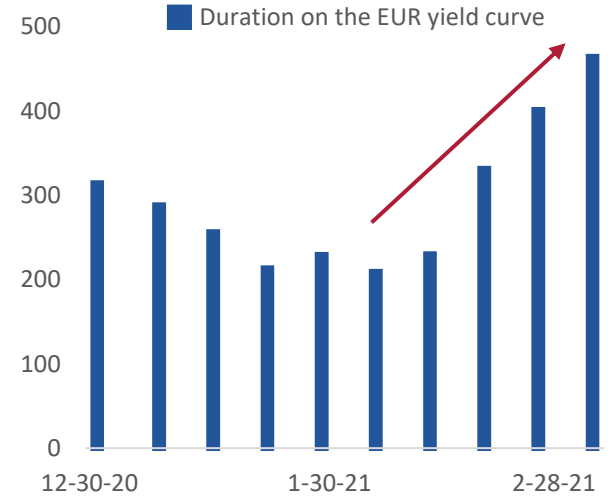
A steepening strategy on US rates



Inflationary pressures weighing on certain economies



Duration in case of growth scare scenario



A Balanced Portfolio to Face a Complex Environment of Rising Rates & Inflation Expectations

© Carmignac Portfolio Flexible Bond



REFLATION SCENARIO

Strong exposure to **the credit markets** with notably opportunities on :

- Reopening theme
- The energy sector
- Subordinated financial bonds

Short positions on specific countries facing inflationary pressures

Steepening strategy on the US curve

Long US Breakeven position

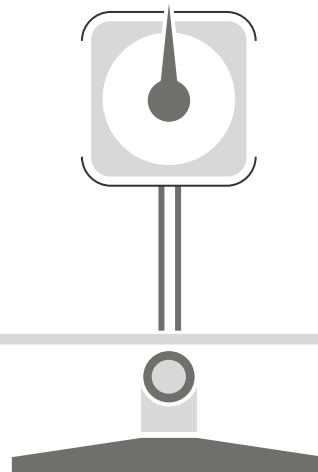


GROWTH SCARE SCENARIO

Protections in the **"high-yield credit"** segment to **reduce the beta of our HY credit book**

Long duration positioning on the European yield curve to limit episodes of volatility and disappointment on the macro front.

Short EUR Breakeven position



ACTIVE ASSET ALLOCATION & MODIFIED DURATION MANAGEMENT

Core Duration **70**
Non Core Duration **384**

Fixed Income Asset Allocation

		Weight (bonds)	Expo (deriv)	Net Exposure
Govt	Developed	19%		19%
	Inflation	0%	2%	3%
	EM	13%		13%
Corp	IG	6%		7%
	HY	16%	-10%	7%
	EM	2%		2%
Fin	Senior	5%	2%	7%
	Sub	12%		12%
CLOs		5%		5%
Cash & Money Market		21%		
Total		100%		74%

DM Government & ILB – Top 3 issuers

Italy 13.1%
Greece 1.7%
Australia 0.0%

Breakeven via Inflation Swaps (bps of duration)

EUR -53
USD 105

Corporate bonds – Currency

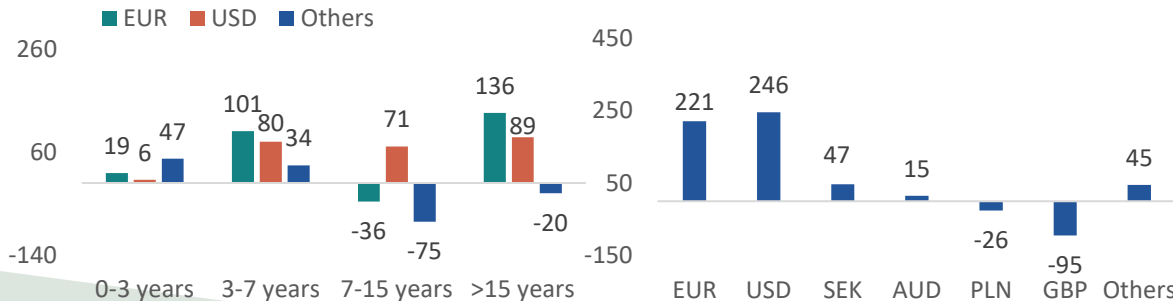
IG EUR & USD 6.6%
HY EUR & USD 6.8%

Financial bonds - Seniority

AT1 7.3%
Tier 2 3.6%
Other Sub 1.4%
Senior 7.0%

Modified Duration (bp): **454**

Modified duration – Breakdown by maturity

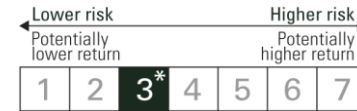


Total Govt	34%
DM	21%
EM	13%
Total credit	40%
Corporate bonds	16%
Financials bonds	19%
CLOs	5%



Appendix

Main Risks of Carmignac Portfolio Flexible Bond



Recommended minimum investment horizon: **3** years

- **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**

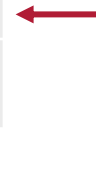
The Fund may be affected by stock price variations, the scale of which is dependent on external factors, stock trading volumes or market capitalization.

- **The Fund presents a risk of loss of capital**

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

Annual Performance of Carmignac P. Flexible Bond

Annual Performance since 31/12/2015						
	2016	2017	2018	2019	2020	YTD
Funds	+0.52%	+2.00%	-2.97%	+5.42%	+9.68%	-0.09%
Reference Indicator⁽¹⁾	-0.32%	-0.36%	-0.37%	-2.45%	+3.99%	-1.98%



Annualized performance		
	Funds	Reference Ind. ⁽¹⁾
3 years	+4.03%	-0.29%
5 years	+2.92%	-0.32%

Guillaume Rigeade & Eliezer Ben Zimra's arrival the 09/07/2019

**Performance since arrival:
F share class: +10.54%**

F EUR Acc Share class
Source: Carmignac, 28/02/2021

(1) On 30/09/2019, the composition of the reference indicator changed: the ICE BofA Euro Broad Market Index coupons reinvested replaces the capitalised Eonia. Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding applicable entrance fee due to the distributor).

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The reference to a ranking or prize, is no guarantee of the future results of the UCIS or the manager.

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

The recommended investment horizon is a minimum and not a recommendation to sell at the end of that period.

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