# CARMIGNAC PATRIMOINE: LETTER FROM THE FUND MANAGERS

**12/07/2024** | CHRISTOPHE MOULIN, JACQUES HIRSCH, ELIEZER BEN ZIMRA, GUILLAUME RIGEADE, KRISTOFER BARRETT

| +1.47% | +1.10% | +7.06% |
|---|---|---|
| Carmignac Patrimoine's performance in the 2nd quarter of 2024 for the A EUR Share class. | Reference indicator's performance in the 2nd quarter of 2024. | Year-to-date performance vs +5.28% for the reference indicator. |

*Over the second quarter, **Carmignac Patrimoine** A EUR Acc recorded a performance of +1.47%, outperforming its reference indicator (+1.10%). The fund has also outperformed its index since the start of the year, with a growth of +7.06% compared to +5.28%.*

## MARKET ENVIRONMENT DURING THE PERIOD

The **positive economic momentum** from the first quarter of 2024 carried over into the second quarter. Yet, it began on a negative note as investors lowered their expectations of central bank interest rate cuts due to concerns about the US economy overheating. As the quarter progressed, these concerns eased and **hopes of a soft landing resurfaced**. Attention also shifted from Central Banks to **political risks**, with a succession of elections leading to localised bouts of volatility.

Overall, the second quarter continued the positive trend of the first quarter with **risk assets delivering positive returns while rates assets struggled**. The strong performance of developed market equities was primarily driven by **notable earnings from US tech companies**. **Taiwan also stood out** as the leading market in Asia, benefiting from its significant presence in the technology sector. Chinese equity markets initially received a boost from government measures aimed at supporting the real estate sector. However, part of these gains were short-lived as structural challenges resurfaced. **Europe faced political instability**in June due to an unexpected snap election called by Macron, which had a negative impact on overall returns in the region.

## HOW DID WE FARE IN THIS CONTEXT?

**The fund continued to maintain its momentum, delivering a positive performance** and outperforming its reference indicator. The soft landing scenario together with more accommodative central banks prompted us to maintain a significant exposure to risky assets while remaining cautious on the rates front.

Incidentally, the **main driver of performance over the period was our allocation to equities**, in particular our selection of stocks in the **technology sector**. Alongside some of the Magnificent Seven stocks held in our portfolio, other major **players in the semiconductor value chain**, such as Taiwan's TSMC, the US company Broadcom and South Korea's SK Hynix, posted impressive returns. Aside from tech, global instability has boosted the price of yellow metal, which has benefited our **gold mining**companies.

In a challenging market environment marked by rising interest rates, our strategic bond selection in the **high yield** and **structured credit**sectors played a crucial role in driving the Fund's performance. Additionally, our decision to **maintain a low duration**proved to be a wise move, as it helped to offset the adverse effects of rising rates, while our anticipation of a **steepening yield curve**proved to be an important factor in the relative performance. Short-term interest rates in both Europe and the US outperformed longer-term maturities, aligning with our expectations and contributing to our overall performance.

Our strategy also underwent a series of adjustments. Notably, our **exposure to the USD was actively managed** through the implementation of highly effective option strategies. Additionally, we took measures to **reduce our exposure to Japan** by cutting our holdings in the yen and decreasing our short position in Japanese sovereign bonds. Furthermore, we adopted a rigorous approach to **managing our exposure to European markets**, employing equity and credit hedging strategies in June to protect our portfolio against potential disruptions caused by political instability in the region.

## OUTLOOK & POSITIONING

Despite the ongoing resilience of growth, there are early indications of a slowdown in both the US labor and consumer data. Our conviction strengthens around a **soft landing in the US and global economies, where growth slows without a recession being triggered**. It is likely that equities will still see positive outcomes, despite the high expectations for earnings and valuations, justifying our current exposure of around 35%.

The combined **impact of the political and economic cycles is poised to generate increased instability** for investors. Although this volatility may present opportunities, it underscores the importance of incorporating high-quality assets into the portfolio. We made a number of adjustments to our equity portfolio, notably by reducing the beta and increasing the defensive nature of our holdings, notably through the healthcare sector.

On rates, the **economic slowdown should legitimate for a slow pace of cuts in H2 2024**. In light of this observation, there is a compelling case to gradually extend the duration of our portfolio. However, plateauing inflation presents **challenges in confidently adopting a strong directional stance**. Conversely, we maintain our belief that the yield curve will experience a **steepening trend**. On the credit side, we should continue to **benefit from carry** given the overall picture, with tactical risk management to buffer against economic and political uncertainties.

In light of the performance of the first two quarters and the prevailing uncertainties surrounding growth, disinflation, and politics, we have adopted a **cautiously optimistic approach** and made the decision to **partially de-risk the portfolio** in comparison to recent months.

*Source: Carmignac, Morningstar. © 2024 Morningstar, Inc - All rights reserved. Carmignac Patrimoine A EUR Acc (ISIN: FR0010135103). *Morningstar category: EUR Moderate Allocation – Global. Performances are net of fees (excluding possible entrance fees charged by the distributor). Past performance is not necessarily indicative of future performance. The return may increase or decrease as a result of currency fluctuations. As of 31/06/2024.*

# CARMIGNAC PATRIMOINE A EUR ACC

(ISIN: FR0010135103)

SFDR - Fund Classification** :

Article 8

LOWEST RISK HIGHEST RISK

| | | | | | | |
|---|---|---|---|---|---|---|
| 1 | 2 | 3* | 4 | 5 | 6 | 7 |

Recommended minimum investment horizon 3 YEARS

## 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. **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 presents a risk of loss of capital.**

*Risk Scale from the KID (Key Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time. **The Sustainable Finance Disclosure Regulation (SFDR) 2019/2088 is a European regulation that requires asset managers to classify their funds as either 'Article 8' funds, which promote environmental and social characteristics, 'Article 9' funds, which make sustainable investments with measurable objectives, or 'Article 6' funds, which do not necessarily have a sustainability objective. For more information please refer to https://eur-lex.europa.eu/eli/reg/2019/2088/oj.

## FEES

**Entry costs :** 4,00% of the amount you pay in when entering this investment. This is the most you will be charged. Carmignac Gestion doesn't charge any entry fee. The person selling you the product will inform you of the actual charge.

**Exit costs :** We do not charge an exit fee for this product.

**Management fees and other administrative or operating costs :** 1,51% of the value of your investment per year. This estimate is based on actual costs over the past year.

**Performance fees :** 20,00% max. of the outperformance once performance since the start of the year exceeds that of the reference indicator and if no past underperformance still needs to be offset. The actual amount will vary depending on how well your investment performs. The aggregated cost estimation above includes the average over the last 5 years, or since the product creation if it is less than 5 years.

**Transaction Cost :** 0,63% of the value of your investment per year. This is an estimate of the costs incurred when we buy and sell the investments underlying the product. The actual amount varies depending on the quantity we buy and sell.

## PERFORMANCE (ISIN: FR0010135103)

| Calendar Year Performance (as %) | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| **Carmignac Patrimoine** | **+0.7 %** | **+3.9 %** | **+0.1 %** | **-11.3 %** | **+10.5 %** |
| Indicateur de référence | +8.4 % | +8.1 % | +1.5 % | -0.1 % | +18.2 % |

| Calendar Year Performance (as %) | 2020 | 2021 | 2022 | 2023 | 2024 (YTD) |
|---|---|---|---|---|---|
| **Carmignac Patrimoine** | **+12.4 %** | **-0.9 %** | **-9.4 %** | **+2.2 %** | **+7.1 %** |
| Indicateur de référence | +5.2 % | +13.3 % | -10.3 % | +7.7 % | +5.3 % |

| Annualised Performance | 3 Years | 5 Years | 10 Years |
|---|---|---|---|
| **Carmignac Patrimoine** | **+1.7 %** | **+2.7 %** | **+1.9 %** |
| Indicateur de référence | +2.6 % | +5.2 % | +6.4 % |

Source: Carmignac at 28 Jun 2024.
Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor).