CARMIGNAC SÉCURITÉ: LETTER FROM THE FUND MANAGERS

13/01/2025 | MARIE-ANNE ALLIER, AYMERIC GUEDY

+0.89%
Carmignac Sécurité's performance in the 4th quarter of 2024 vs +0.62% for its reference indicator[1] (AW EUR Acc Share class).

+5.28%
Carmignac Sécurité's Performance in 2024 vs +3.16% for its reference indicator (AW EUR Acc Share class).

1 st quartile
of its Morningstar category over 1, 2, 5, 10 and 20 years (category: EUR Diversified Bond – Short Term - AW EUR Acc Share class).

*Over the fourth quarter of 2024, **Carmignac Sécurité** gained +0.89% compared with +0.62% for its reference indicator, bringing its performance for the year to +5.28% compared with +3.16% for its reference indicator.*

PERFORMANCE REVIEW

2024 was thus a very productive year for the Fund, which posted a performance in the top decile of its Morningstar category[2] while enjoying historically low volatility, which stood at 1.1% over one year at the end of December. The carry, buoyed by historically high interest rates, were of course a major contributor to performance. However, all of the Fund's main strategies contributed to performance. Active duration management, the tightening of credit spreads in our preferred sectors (financials, energy, CLOs), strategies benefiting from persistent inflation and the steepening of yield curves all contributed positively to the Fund's performance. We look forward to 2025 with confidence in an asset class that continues to offer a wealth of opportunities. Just look at the portfolio's yield to maturity, which remains very attractive despite the European Central Bank's (ECB) first rate cuts. At around 4%, we expect it will again be one of the main drivers of performance for 2025.

MARKET REVIEW AND PORTFOLIO ALLOCATION

In the United States, the Federal Reserve (Fed) took a proactive approach in response to the deterioration in the labour market, starting its cycle of interest rate cuts with a 50 basis point reduction in September. This decision was aimed at ensuring a soft landing for the economy in response to signs of a slowdown. The easing of monetary policy had been well anticipated by the markets (10-year yields performed particularly well in the third quarter), and fears of premature easing pushed long-term yields back up. The US 10-year rate ended the year at 4.57%, compared with 3.77% at the end of September and 3.86% at the end of 2023. The yield curve (2-10 years) continued to steepen after a lacklustre first half. This rise in rates over the year reflects the fact that, while the Federal Open Market Committee (FOMC) has made a good start to cutting rates, the real economy has been surprisingly strong. The election of Donald Trump adds to this optimism, as his programme appears to be focused on supporting the US economy (through tax cuts, deregulation and the imposition of import tariffs).

In Europe, the ECB has maintained an accommodative monetary policy, cutting interest rates by 100 basis points over the course of the year. Quantitative tightening (QT) continued to reduce excess liquidity, putting pressure on bond yields. At the same time, governments struggled to reduce their budget deficits and net issuance reached record levels.

The German 10-year yield ended the year at 2.36%, compared with 2.12% at the end of September and 2.07% at the end of 2023. Within the eurozone, sovereign spreads experienced contrasting fortunes, with the Italian spread narrowing by almost 50 bps over the year, while the dissolution of the French government and the difficulty of establishing a stable executive cost the French 10-year a 30 bps spread over its German counterpart, which ended the year at 80 bps.

Central bank rate cuts, strong equity markets (particularly in the US) and stimulus measures in China created a supportive environment for risky assets. Subscriptions to credit funds enabled the corporate bond market to perform well throughout the year, with the average spread on the European investment-grade credit market rising from 140 basis points over Germany at the beginning of the year to around 100 basis points at the end of 2024. It should be noted that these historically very low levels are being achieved at a time when economic growth in Europe is flirting with zero. So flows have largely dominated the fundamentals this year.

In the last quarter, the modified duration was reduced to around 1.40 at the end of November (compared with almost 2 at the end of September), before being raised slightly to 1.53 at the end of December through purchases of US short-term rates. Over the course of the year, the contribution of the modified duration of corporate bonds remained stable at around 1.35/1.40, while that of government bonds fluctuated in line with market valuations (peaking at the end of June). At year end, the Fund re-exposed itself to US 2-year bonds at a time when the markets were expecting only two more rate cuts by the Fed in 2025, which we consider to be the minimum.

WHAT IS OUR OUTLOOK FOR THE COMING MONTHS?

The first few months of 2025 are likely to be dominated by Trump's first decisions and US economic data. The first factor is difficult to assess as the range of possibilities with the new US president is so wide. But his obsession with growth should support risky assets, at least initially, and reinforces our view that we should maintain a high exposure to private equities. Economic data will be closely scrutinised, particularly inflation data and the risk that its persistence could lead to further interest rate cuts. However, since inflation was certainly one of the reasons why Biden was defeated, there is no doubt that Trump will also be able to manoeuvre (thanks in particular to a more abundant energy supply) to prevent it from getting too out of hand. If the market continues to de-price rate cuts, the Fund's sensitivity will most likely increase, especially at the short end of the curve.

Source: Carmignac, Bloomberg, 31/12/2024. Performance of the AW EUR acc share class ISIN code: FR0010149120. [1]Reference indicator: ICE BofA ML 1-3 years All Euro Government Index. [2]Morningstar Category: EUR Diversified Bond – Short Term, 31/12/2024.

CARMIGNAC SÉCURITÉ AW EUR ACC

(ISIN: FR0010149120)

SFDR - Fund Classification** :

Article 8

LOWEST RISK						HIGHEST RISK
1	2*	3	4	5	6	7

Recommended minimum investment horizon 2 YEARS

MAIN RISKS OF THE FUND

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. **RISK OF CAPITAL LOSS**: The portfolio does not guarantee or protect the capital invested. Capital loss occurs when a unit is sold at a lower price than that paid at the time of purchase. **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 : 1,00% 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 : 1,11% of the value of your investment per year. This estimate is based on actual costs over the past year.

Performance fees : There is no performance fee for this product.

Transaction Cost : 0,24% 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: FR0010149120)

Calendar Year Performance (as %)	2016	2017	2018	2019	2020
Carmignac Sécurité	**+2.1 %**	**+0.0 %**	**-3.0 %**	**+3.6 %**	**+2.0 %**
Indicateur de référence	+0.3 %	-0.4 %	-0.3 %	+0.1 %	-0.2 %

Calendar Year Performance (as %)	2021	2022	2023	2024
Carmignac Sécurité	**+0.2 %**	**-4.8 %**	**+4.1 %**	**+5.3 %**
Indicateur de référence	-0.7 %	-4.8 %	+3.4 %	+3.2 %

Annualised Performance	3 Years	5 Years	10 Years
Carmignac Sécurité	**+1.4 %**	**+1.3 %**	**+1.0 %**
Indicateur de référence	+0.5 %	+0.1 %	+0.1 %

Source: Carmignac at 31 Dec 2024.
Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor).