

CARMIGNAC P. GLOBAL BOND: LETTER FROM THE FUND MANAGERS

12/10/2023 | ABDELAK ADJRIOU, JULIEN CHÉRON

-0.84%

Carmignac P. Global Bond (A Euro Acc) Q3 2023 performance.

-1.36%

Reference indicator's¹ (JP Morgan GBI Global (EUR)) Q3 2023 performance.

+0.52%

Outperformance of the fund during the third quarter of the year versus its reference indicator.

Carmignac Portfolio Global Bond has realised a QTD performance of -0.84% (class A shares), and it outperformed its reference indicator (JP Morgan Global Government Bond Index (EUR)), which delivered -1.36%.

THE BOND MARKETS TODAY

The bond markets remained relatively volatile in 2023, with inflation once again being the main concern. Despite the deflationary trends observed in recent months especially in the core inflation component, inflation in the United States and the eurozone remained above central banks' targets in Q3 2023. Having said that, geopolitics, and supply cuts by OPEC+ are still driving US headline inflation.

As a result, central banks - the majority of which have so far maintained a hawkish position - were the second most important theme during the quarter. Even after the banking sector crisis in March, the US economy and job market remained (surprisingly) rather robust. In this context, US real rates at 10 years increased by about 60 basis points since the beginning of the year, a trend that particularly intensified in August. Meanwhile, the Chinese economy continued to disappoint markets, mainly due to the prolonged crisis in the real estate sector. Despite making marginal interest rate cuts in Q3, the People's Bank of China is still refraining from implementing a significant stimulus package to jumpstart the economy. Consequently, it was not able to support global growth, especially in Europe.

In fact, the eurozone has begun to raise concerns about growth among most investors. Nevertheless, corporate credit remained somehow resilient during most of the period and only slightly widened towards the end of September.

FUND PERFORMANCE

Carmignac Portfolio Global Bond generated a negative absolute performance in the third quarter, although above its benchmark. Within the different contributors to the absolute performance, our selection of corporate credit securities has positively contributed to the absolute performance of our fund, despite our hedging strategies in that space. Our structured credit has also been particularly positive for the fund's absolute performance. Additionally, our currency and emerging debt strategies have positively contributed to the fund's performance, despite negative absolute contributions from the US dollar and Japanese yen during the period. Overall, we are satisfied with the performance of our investment strategies and the contributions made by various asset classes.

However, despite the banking sector crises, central banks remained optimistic, and our long duration strategy weighed on overall performance during the period.

OUTLOOK

We have revised our view with regards to recession which we no longer believe will take place at the end of the year. In fact, the market's concerns about the impact of slowing economies on risky assets such as corporate credit, emerging markets, and the US housing sector have been almost dampened by better-than-expected global economic conditions. However, we also believe that due to the US economic resilience, the market got carried away almost assuming a near-perfect economic landing. This has led in our view to an asymmetric risk profile in most asset classes.

Nevertheless, the market keeps a cautious perspective on inflation, monetary policy, and the possibility of a recession, further into 2024. Having said that, as we keep going the economic cycle too advances, and in a way, we keep on running out of time. Considering this, we think that an effective investing strategy in this climate requires acting and positioning portfolios to take advantage of appealing late-cycle opportunities while they are still present.

Due to the belief that real interest rates are currently too high and will eventually hurt the real economy, the investment strategy suggested in this scenario calls for maintaining a structural long duration position with opportunities primarily in core but also in some emerging market countries to some extent.

While keeping a neutral stance towards the US dollar, the portfolio is also invested in currencies in of high real rate economies and nations that export commodities. Hedging tactics are used to actively control credit risk, and at the conclusion of the term, there is up to 10% credit protection. Last but not least, long bets on the Japanese yen are kept because of the conviction that the Bank of Japan should keep loosening its accommodating policies.

Source : Carmignac, Bloomberg, 30/09/2023. Shareclass: A EUR Acc (ISIN: LU0336083497).

¹Reference indicator :JP Morgan Global Government Bond Index (Coupons reinvested). Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor).

SFDR - Fund Classification** :

Article 8



Recommended
minimum
investment horizon



MAIN RISKS OF THE FUND

CREDIT: Credit risk is the risk that the issuer may default. **INTEREST RATE:** Interest rate risk results in a decline in the net asset value in the event of changes in interest rates. **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.

* **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 : 2,00% 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 : 1,20% of the value of your investment per year. This estimate is based on actual costs over the past year.

Performance fees : 20,00% when the share class overperforms the Reference indicator during the performance period. It will be payable also in case the share class has overperformed the reference indicator but had a negative performance. Underperformance is clawed back for 5 years. 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 : 1,36% 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.

ANNUALISED PERFORMANCE (ISIN: LU0336083497)

Calendar Year Performance (as %)	2014	2015	2016	2017	2018
Carmignac Portfolio Global Bond	+13.8 %	+3.3 %	+9.5 %	+0.1 %	-3.7 %
Indicateur de référence	+14.6 %	+8.5 %	+4.6 %	-6.2 %	+4.3 %

Calendar Year Performance (as %)	2019	2020	2021	2022	2023
Carmignac Portfolio Global Bond	+8.4 %	+4.7 %	+0.1 %	-5.6 %	+3.0 %
Indicateur de référence	+8.0 %	+0.6 %	+0.6 %	-11.8 %	+0.5 %

Annualised Performance	3 Years	5 Years	10 Years
Carmignac Portfolio Global Bond	+1.0 %	+1.4 %	+2.6 %
Indicateur de référence	+3.5 %	+1.7 %	+1.6 %

Source: Carmignac at 30 Apr 2024.

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

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.

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