

CARMIGNAC INVESTISSEMENT: LETTER FROM THE FUND MANAGER

08/10/2024 | KRISTOFER BARRETT

+16.94%

Carmignac Investissement's performance since the beginning of the year (for the A EUR Share class) compared to +17.45% for its reference indicator¹.

+26.13%

Carmignac Investissement's performance over 1 year (for the A EUR share class) compared to +24.99% for its reference indicator.

+67.61%

Performance of Carmignac Investissement over 5 years (for the A EUR share class) compared with +73.62% for its reference indicator.

Over the third quarter 2024, **Carmignac Investissement A EUR Acc** recorded a performance of -3.68%, underperforming its reference indicator (+2.38%). The performance since the beginning of the year stands at +16.94% against +17.45% for its reference indicator.

MARKET ENVIRONMENT

Several market indices reached new all-time highs over the quarter, despite a volatility shock in August driven by weaker US economic data, the Bank of Japan's interest rate hike, and thin summer liquidity.

Equity markets maintained an optimistic outlook throughout the quarter, reflecting a soft landing scenario for US growth. Despite rising unemployment, US economic data remained overall resilient, buoyed by robust consumer spending supported by wealth effects. Additionally, the Federal Reserve initiated its rate-cutting cycle with an unusually large reduction of half a percentage point, providing further support for equity markets.

Towards the end of the quarter, Chinese equities experienced a resurgence as Beijing's stimulus measures sparked optimism for a recovery in the world's second-largest economy. These measures aimed to counteract monetary contraction, address the housing market meltdown, and revive the slumping equity market.

The Q2 earnings season saw elevated market volatility in response to a few reports, masking the reality of a better-than-expected earnings season overall. The season concluded with the highly anticipated Nvidia earnings report, which revealed earnings better than expectations but not enough to spark enthusiasm, even though revenue more than doubled in the last quarter.

Market leadership shifted this quarter, with sectors previously hurt by high interest rates, such as utilities and real estate, outperforming, while growth stocks, particularly those involved in the AI trade, lost some of their recent gains.

HOW DID WE FARE IN THIS CONTEXT?

Despite strong equity market performance, our stock selection was adversely affected by the unwinding of the AI trade due to concerns about a potential slowdown in the AI revolution. Key detractors included Samsung Electronics, which struggled in critical markets and fell behind rival SK Hynix in AI-related memory chips. Alphabet also faced challenges due to increasing regulatory uncertainties.

Many AI-related stocks are now trading at attractive valuations, and the long-term fundamentals remain strong. The segment continues to be driven by investments from cloud hyperscalers. We are investing not only in these hyperscalers but also in companies that enable this shift across the value chain.

Beyond the tech sector, Novo Nordisk was the largest detractor to performance. Negative news about potential competitors to its weight-loss and diabetes drugs, pricing concerns in the US, and disappointing data from its pipeline weight-loss pill weighed on the stock. We gradually reduced our position over the quarter due to a more troubled short-term outlook. However, our healthcare portfolio benefited from our exposure to US managed care organization Centene and UnitedHealth.

Our holding in the energy services company Schlumberger was detrimental. The global economic slowdown led to a fall in oil prices. In addition, Saudi Arabia announced that it would increase its production of the black gold in order to regain market shares lost in recent months.

OUTLOOK AND POSITIONING

The current environment remains constructive for equities markets. Indeed, in a scenario of gradual economic slowdown and global monetary easing, risky assets should continue to perform well as long as we don't have a recession. However, similar to the third quarter, markets are likely to be more volatile, necessitating a degree of caution. The primary risks to equities lies in over-optimistic expectations for corporate earnings and uncertainties surrounding the US elections, which justify maintaining some hedges, mostly through options.

The portfolio adopts a balanced approach, combining stocks with high earnings and relatively high valuations on one side, and stocks with lower growth but high visibility and attractive valuations on the other.

Technology remains our top sector allocation, with numerous companies emerging as major beneficiaries of digitalisation.

Among our key convictions are Synopsys and Cadence, whose software tools are utilized by chipmakers like Nvidia and Intel to design and test processors. Beyond these two leaders, their growth increasingly depends on Big Tech companies such as Microsoft, Google, Meta, and Amazon, which are striving to develop their own chips, particularly for artificial intelligence systems in the cloud.

TSMC is the largest holding in our fund. Positioned attractively against both Intel and Samsung in leading-edge technology, TSMC benefits from Apple and Nvidia as an anchor customer. The shares offer a unique combination of an attractive cyclical backdrop?characterized by under-shipping demand?valuation in line with the 5-year average, structural tailwinds, and being a key beneficiary of AI advancements.

We also maintain a significant weighting in the healthcare sector, covering both ends of the spectrum: high-growth, innovation-driven companies and lower-growth, high-visibility business models that play essential roles in a complex value chain. For instance, obesity treatments represent a prime example of innovation and long-term opportunity. We believe this market, dominated by giants like Novo Nordisk and Eli Lilly, has room for smaller players. Additionally, we invest in other critical links in the healthcare value chain, such as pharmaceutical distributors and health insurers in the US, with companies like Centene and UnitedHealth.

In others sectors, we have an exposure to Safran and General Electric both of which benefit from secularly growing passenger volumes that have historically grown at 1.5-2 times global GDP. This attractive duopolistic industry structure features significant barriers to entry, leading to pricing power in sticky, non-discretionary aftermarket revenue streams on a large installed base of engines.

We are gradually increasing our exposure to small and mid-cap companies, which provides an excellent opportunity to diversify our portfolio. Among these, we have invested in Elite Material, a Taiwanese company specializing in the production of copper-clad laminates, a critical component in the manufacture of electronic chips.

¹MSCI ACWI (USD) (Net dividends reinvested).

CARMIGNAC INVESTISSEMENT A EUR ACC

(ISIN: FR0010148981)

SFDR - Fund Classification** :

Article **8**



Recommended minimum investment horizon **5 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. **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 : 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 : 1,50% 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 : 1,09% 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: FR0010148981)

| Calendar Year Performance (as %) | 2014 | 2015 | 2016 | 2017 | 2018 |
|----------------------------------|----------------|---------------|---------------|---------------|----------------|
| Carmignac Investissement | +10.4 % | +1.3 % | +2.1 % | +4.8 % | -14.2 % |
| Indicateur de référence | +18.6 % | +8.8 % | +11.1 % | +8.9 % | -4.8 % |

| Calendar Year Performance (as %) | 2019 | 2020 | 2021 | 2022 | 2023 |
|----------------------------------|----------------|----------------|---------------|----------------|----------------|
| Carmignac Investissement | +24.7 % | +33.7 % | +4.0 % | -18.3 % | +18.9 % |
| Indicateur de référence | +28.9 % | +6.7 % | +27.5 % | -13.0 % | +18.1 % |

| Annualised Performance | 3 Years | 5 Years | 10 Years |
|---------------------------------|---------------|----------------|---------------|
| Carmignac Investissement | +5.4 % | +11.3 % | +7.0 % |
| Indicateur de référence | +10.0 % | +12.3 % | +11.1 % |

Source: Carmignac at 29 Nov 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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Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor). The return may increase or decrease as a result of currency fluctuations, for the shares which are not currency-hedged.

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The risks, fees and ongoing charges are described in the KID (Key Information Document). The KID must be made available to the subscriber prior to subscription. The subscriber must read the KID. Investors may lose some or all their capital, as the capital in the funds are not guaranteed. The Funds present a risk of loss of capital.

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- **In Switzerland:** the prospectus, KIDs and annual report are available at www.carmignac.ch, or through our representative in Switzerland, CACEIS (Switzerland), S.A., Route de Signy 35, CH-1260 Nyon. The paying agent is CACEIS Bank, Montrouge, Nyon Branch / Switzerland, Route de Signy 35, 1260 Nyon.

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