

CARMIGNAC P. CREDIT: LETTER FROM THE FUND MANAGERS

11/07/2024 | PIERRE VERLÉ, ALEXANDRE DENEUVILLE

+2.27%

Carmignac P. Credit's performance in Q2 2024 for the A EUR Share class.

+0.48%

Reference indicator's performance in Q2 2024 for the 75% ICE BofA Euro Corporate Index et 25% ICE BofA Euro High Yield Index.

+5.36%

Of annualized performance since launch of the fund (31/07/2017)², compared to +0.72% for its reference indicator¹.

Carmignac Portfolio Credit was up +2.27% (for the EUR A share) during the second quarter of 2024 versus 0.48% for the reference indicator, outperforming by 1.80%. Since the beginning of the year, the EUR A share is up 4.84% versus 1.18% for the reference indicator, outperforming by 3.66%.

REVIEW OF Q2 2024 PERFORMANCE

Credit markets were stable during the quarter, despite a minor bout of volatility triggered by dissolution of the French National Assembly. Primary markets were very active, thanks to refinancings as well as new issuers coming to the market for the first time – sometimes offering very interesting opportunities. All our performance drivers contributed to the performance of the fund, with an important part of the outperformance driven by the recovery of our two largest special situations.

As we already discussed last quarter, the current environment is very conducive for our investment approach. Credit markets are back to rich valuations yet risk-free rates offer a healthy cushion on the downside, through extra yield and the potential for cuts in a recession-led market dislocation. With market yields in low to mid-single digit territory for investment grade and mid to high -single digit for high yield (in euro as well as in dollar), the appetite of the benchmarked credit investor community for complex situations is relatively low. As a result, the complexity premia which are our bread and butter stand at healthy levels.

For example, in May we invested in a B/BB rated bond of an office focused real estate company with a yield in the low teens. We did some extended diligence to make sure assets were of high quality, well in demand in the relevant markets and valued appropriately. The loan-to-value is reasonable and leaves our bond very well covered, even in catastrophic scenarios. Yet, because European credit investors have too much exposure to weaker real estate credits, included in shaky office markets, there was very little appetite to deploy incremental capital in the space, even for a very attractive remuneration. In the current market regime, we often come across similar situations across our investment universe and we have managed to build a diversified and liquid portfolio for Carmignac Portfolio Credit, yielding far in excess, in our view, of its fundamental cost of risk.

OUTLOOK

It is becoming clearer and clearer that many companies with weak business models that ran ever increasing leverage during the decade prior to 2022, at a cost suppressed by financial repression, are now getting closer to a refinancing wall that they will not be able to climb. We believe the special situations space, which has contributed nicely to the fund's performance in the past despite a reduced opportunity set, is about to offer very interesting asymmetric opportunities – and the potential for sharp outperformance for investors with the right skillset and experience.

In summary, we are very excited for the potential for performance and outperformance going forward and would be disappointed if Carmignac Portfolio Credit does not offer a mid-to-high single digit return in the next two to three years. End of June the portfolio is yielding 7.6% for a BB+ average rating, and accounting for our 20%+ hedging position through CDX HY and Xover, the yield is above 7% for an average BBB- rating. In addition, we have several special situations in the book where we see strong upside potential. Given the depth of the opportunity set across our investment universe, we are keeping the fund very diversified, with more than 250 positions and 150 issuers, and hence very liquid.

Sources: Carmignac, 30/06/2024. Performance of the A EUR acc share class ISIN code: LU1623762843. ¹Reference indicator: 75% BofA Merrill Lynch Euro Corporate Index, 25% BofA Merrill Lynch Euro High Yield Index. ²31/07/2017.

Past performance is not necessarily indicative of future performance. The return may increase or decrease as a result of currency fluctuations. Performances are net of fees (excluding possible entrance fees charged by the distributor).

Marketing communication. Please refer to the KID/prospectus of the fund before making any final investment decisions

CARMIGNAC PORTFOLIO CREDIT A EUR ACC

(ISIN: LU1623762843)

SFDR - Fund Classification** :

Article **6**



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. **LIQUIDITY:** Temporary market distortions may have an impact on the pricing conditions under which the Fund might be caused to liquidate, initiate or modify its positions.

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 : 0,25% 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: LU1623762843)

Calendar Year Performance (as %)	2017	2018	2019	2020	2021
Carmignac Portfolio Credit	+1.8 %	+1.7 %	+20.9 %	+10.4 %	+3.0 %
Indicateur de référence	+1.1 %	-1.7 %	+7.5 %	+2.8 %	+0.1 %

Calendar Year Performance (as %)	2022	2023	2024	2025 (YTD)
Carmignac Portfolio Credit	-13.0 %	+10.6 %	+8.2 %	+2.9 %
Indicateur de référence	-13.3 %	+9.0 %	+5.7 %	+1.2 %

Annualised Performance	3 Years	5 Years	Since launch
Carmignac Portfolio Credit	+4.2 %	+3.9 %	+5.7 %
Indicateur de référence	+1.8 %	+0.7 %	+1.4 %

Source: Carmignac at 28 Feb 2025.

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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The Funds' prospectus, KIDs, NAVs and annual reports are available at www.carmignac.com, or upon request to the Management Company. Carmignac Portfolio refers to the sub-funds of Carmignac Portfolio SICAV, an investment company under Luxembourg law, conforming to the UCITS Directive. The French investment funds (fonds communs de placement or FCP) are common funds in contractual form conforming to the UCITS or AIFM Directive under French law.

- **In France, Luxembourg, Sweden:** 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. The Funds' prospectus, KIDs, NAV and annual reports are available at www.carmignac.com, or upon request to the Management Company.
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