CARMIGNAC
INVESTING IN YOUR INTEREST

CARMIGNAC P. FLEXIBLE BOND: LETTER FROM THE FUND MANAGERS

10/01/2024 | GUILLAUME RIGEADE, ELIEZER BEN ZIMRA

+5.50%	**+6.53%**	**+4.66%**
Carmignac P. Flexible Bond's performance in the 4th quarter of 2023 for the A EUR Share class.	Reference indicator's performance in the 4th quarter of 2023 for ICE BofA ML Euro Broad index (EUR).	Absolute performance of the Fund in 2023.

*In the fourth quarter of 2023, **Carmignac Portfolio Flexible Bond** posted a positive performance (+5.50% for the A share), slightly below its benchmark (+6.53% for the ICE BofA ML Euro Broad index (EUR)). The fund thus ended the year with a positive performance of +4.66% versus +6.82% for its benchmark.*

THE BOND MARKETS TODAY

2023 turned out to be a buoyant year for bond assets, thanks to a late awakening of the markets in the fourth quarter. Indeed, at the end of October, median returns were barely positive across the entire bond spectrum - with a notable disparity between carry assets - which were doing well - and fixed-income assets - which were struggling. However, the cocktail of less robust US consumer and employment data, combined with a stronger-than-expected slowdown in inflation, helped to trigger a higher risk appetite among investors. This was also reflected in communications from central banks, which did more than announce a definitive pause in their rate hike cycles, and evoked the prospect of a rate cut for the coming year in the case of the US Federal Reserve. Over the quarter, long-term yields fell considerably, with the German 10-year yield easing by 85bp to 2% and the US 10-year falling by 70bp to 3.88%. The same is true of credit spreads, which narrowed by -118bp on the Xover index during the observation period, returning to a level of valuation prior to the outbreak of war between Russia and Ukraine, thus arguing for a form of vigilance despite a still-attractive carry. While this long-awaited market rebound comes more than a year after inflation peaked, the historical performance of the last two months must be set against the complexity of the current environment. Indeed, the geopolitical situation has deteriorated considerably with rising tensions in the Middle East, growing deficits will have to be financed and the cyclical component of inflation remains high. At the same time, China has continued to sink into a deflationary spiral, weakening the world economy's growth prospects at a time when the US consumer is beginning to show signs of slowing. Lastly, while inflation did fall on both sides of the Atlantic, this slowdown was due more to the most volatile components, such as energy, which benefited from favourable base effects. The road ahead for core inflation to return to the central bankers' target will probably be much longer, and potentially more painful, than the market is taking it for granted.

ASSET ALLOCATION

Over the year, the fund delivered a positive absolute performance, benefiting from its exposure to credit assets, notably financial subordinated debt, high-yield credit and structured credit, as well as to sovereign debt in both emerging and developed countries. On the other hand, relative performance was impacted by our credit and interest-rate hedging strategies in 2023. During the fourth quarter of 2023, we carried out several arbitrages to adapt the portfolio to different market phases:

- **Our management of interest-rate sensitivity remained dynamic over the observation period in an environment of considerably higher interest rates.**The portfolio's overall sensitivity was gradually reduced by taking profits on core euro and US rates. Our exposure to peripheral European debt was fully neutralized by taking a short position on Italian sovereign rates. We also increased our short position in Japanese yields in view of the Bank of Japan's gradual tightening of tone. This had the effect of reducing the fund's interest-rate sensitivity to 2.44 from 7.02 at the start of the period.
- **Our gross exposure to credit assets remained stable over the observation period, but we remained pro-active in managing the portfolio's net exposure.**At the beginning of the period, we implemented tactical protection through CDS on the Xover index, in order to hedge against the widening of credit spreads in a risk-averse environment. We reduced this credit hedge from -18% to -14% at the end of October, then maintained this short position until the end of the observation period. Finally, we also increased our exposure to US and euro break-even inflation rates at the end of the period, in view of the sharp contraction in inflation data, which seems to us to be linked more to base effects than to structural factors.

OUTLOOK

After a particularly favourable end to the year for fixed income assets, the future direction of the markets raises questions. Although inflation has fallen sharply in recent months, coming close to the central bankers' target, it remains under pressure from secular trends (military conflicts, ageing populations, energy transition, relocation of production chains) and cyclical trends (the US economy is resisting the rate shock well). The first part of the year is likely to be characterized by the possibility of the US economy not landing, while the European economy oscillates between stagnation and recession, and China is still slow to show signs of easing both on the economic and political fronts. In the short term, these uncertainties argue in favor of active management, combining exposure to credit assets to benefit from carry (over 5% in the fund) and tactical protection to guard against any widening of credit spreads following the sharp tightening of index valuations. We are also maintaining long positions on real rates and break-even inflation rates, to hedge the fund in the event of any unpleasant surprises on the disinflationary expectations front. We believe that the market has now taken on board the potential for rate easing by central bankers in 2024, prompting us to take profits and adopt active duration management, particularly on long rates, which are likely to suffer from high issuance volumes.

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

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. **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.

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 : 1,20% 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 : 0,38% 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: LU0336084032)

Calendar Year Performance (as %)	2014	2015	2016	2017	2018
Carmignac Portfolio Flexible Bond	**+2.0 %**	**-0.7 %**	**+0.1 %**	**+1.7 %**	**-3.4 %**
Indicateur de référence	+0.1 %	-0.1 %	-0.3 %	-0.4 %	-0.4 %

Calendar Year Performance (as %)	2019	2020	2021	2022	2023
Carmignac Portfolio Flexible Bond	**+5.0 %**	**+9.2 %**	**+0.0 %**	**-8.0 %**	**+4.7 %**
Indicateur de référence	-2.5 %	+4.0 %	-2.8 %	-16.9 %	+6.8 %

Annualised Performance	3 Years	5 Years	10 Years
Carmignac Portfolio Flexible Bond	**+0.7 %**	**+2.1 %**	**+1.0 %**
Indicateur de référence	+4.5 %	+2.9 %	+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.

This material may not be reproduced, in whole or in part, without prior authorisation from the Management Company. This material does not constitute a subscription offer, nor does it constitute investment advice. This material is not intended to provide, and should not be relied on for, accounting, legal or tax advice. This material has been provided to you for informational purposes only and may not be relied upon by you in evaluating the merits of investing in any securities or interests referred to herein or for any other purposes. The information contained in this material may be partial information and may be modified without prior notice. They are expressed as of the date of writing and are derived from proprietary and non-proprietary sources deemed by Carmignac to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. As such, no warranty of accuracy or reliability is given and no responsibility arising in any other way for errors and omissions (including responsibility to any person by reason of negligence) is accepted by Carmignac, its officers, employees or agents.

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.

Reference to certain securities and financial instruments is for illustrative purposes to highlight stocks that are or have been included in the portfolios of funds in the Carmignac range. This is not intended to promote direct investment in those instruments, nor does it constitute investment advice. The Management Company is not subject to prohibition on trading in these instruments prior to issuing any communication. The portfolios of Carmignac funds may change without previous notice. The reference to a ranking or prize, is no guarantee of the future results of the UCIS or the manager.

Access to the Funds may be subject to restrictions regarding certain persons or countries. This material is not directed to any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) the material or availability of this material is prohibited. Persons in respect of whom such prohibitions apply must not access this material. Taxation depends on the situation of the individual. The Funds are not registered for retail distribution in Asia, in Japan, in North America, nor are they registered in South America. Carmignac Funds are registered in Singapore as restricted foreign scheme (for professional clients only). The Funds have not been registered under the US Securities Act of 1933. The Funds may not be offered or sold, directly or indirectly, for the benefit or on behalf of a «U.S. person», according to the definition of the US Regulation S and FATCA.
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, NAVs and annual reports are available at www.carmignac.com, or upon request to the Management 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.
- **In the United Kingdom:** the Funds' respective prospectuses, KIIDs and annual reports are available at www.carmignac.co.uk, or upon request to the Management Company, or for the French Funds, at the offices of the Facilities Agent at BNP PARIBAS SECURITIES SERVICES, operating through its branch in London: 55 Moorgate, London EC2R. This document was prepared by Carmignac Gestion, Carmignac Gestion Luxembourg or Carmignac UK Ltd. FP Carmignac ICVC (the "Company") is an Investment Company with variable capital incorporated in England and Wales under registered number 839620 and is authorised by the FCA with effect from 4 April 2019 and launched on 15 May 2019. FundRock Partners Limited is the Authorised Corporate Director (the "ACD") of the Company and is authorised and regulated by the FCA. Registered Office: Hamilton Centre, Rodney Way, Chelmsford, Essex, CM1 3BY, UK; Registered in England and Wales with number 4162989. Carmignac Gestion Luxembourg SA has been appointed as the Investment Manager and distributor in respect of the Company. Carmignac UK Ltd (Registered in England and Wales with number 14162894) has been appointed as a sub-Investment Manager of the Company and is authorised and regulated by the Financial Conduct Authority with FRN:984288.
- **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.

The Management Company can cease promotion in your country anytime.
Investors have access to a summary of their rights in English on the following links: UK ; Switzerland ; France ; Luxembourg ; Sweden.

CARMIGNAC
INVESTING IN YOUR INTEREST