CARMIGNAC
INVESTING IN YOUR INTEREST

CARMIGNAC P. FLEXIBLE BOND: LETTER FROM THE FUND MANAGERS

10/04/2024 | GUILLAUME RIGEADE, ELIEZER BEN ZIMRA

+2.09% Carmignac P. Flexible Bond's performance in the 1st quarter of 2024 for the A EUR Share class.	**-0.36%** Reference indicator's performance in the 1st quarter of 2024 for ICE BofA ML Euro Broad index (EUR).	**+3.93%** Relative annualized performance of the Fund for A EUR shareclass versus ICE BofA ML Euro Broad index (EUR) over 3 years period.

*In the first quarter of 2024, **Carmignac Portfolio Flexible Bond** posted a positive performance of +2.09% for the A shareclass, well ahead from its benchmark[1](-0.36% for the ICE BofA ML Euro Broad index (EUR)).*

THE BOND MARKETS TODAY

The year-end euphoria over sovereign rates was short-lived. In the first few weeks of January, the resilience of economic activity, especially in the United States where growth continues to outpace potential, the surge in risky assets driven by the acceleration of the artificial intelligence theme, and record bond issuance to finance public deficits that are only gradually being normalised, brought global rates back to levels close to those recorded on average for 2023. But it was above all the hopes of disinflation, raised by the strong progress made in the second half of 2023, that were clearly dashed by the upward surprises in consumer price indices in January and February in the United States, and to a lesser extent in Europe. Against this disinflationary backdrop, the markets, which were anticipating more than six rate cuts by the US Federal Reserve and the European Central Bank in 2024, are now incorporating only 2.5 and 3.5 cuts respectively. The German 2-year rate jumped from 2.40% to 2.85% over the quarter, and the German 10-year rate from 2.02% to 2.30%. Similarly, the US 10-year yield rose from 3.88% to 4.20%. Against this backdrop, there were no major surprises at central bank meetings in the first quarter, with the exception of the Bank of Japan, which put an end to its negative interest rate policy by raising its key rate from -0.1% to a range of 0%-0.1%, at a time when inflation seems to be returning after 3 decades and the currency is in sharp decline. On the other hand, the context was favourable for risky assets thanks to the resilience of economic activity in the United States and Europe. Moreover, market volatility has fallen sharply, particularly on interest rates, thanks to central banks explicitly indicating that they are at the peak of their monetary tightening. As a result, high-yield credit spreads in Europe are now below 3%, a new low since the invasion of Ukraine, after having tightened against German bonds by more than 25 basis points over the quarter.

ASSET ALLOCATION

In this unfavourable environment for the fixed-income markets, our strategy significantly outperformed its benchmark by relying on the positive contribution of our carry and inflation strategies, while mitigating the negative contribution of the fixed-income engine thanks to our active duration management. Our allocation to credit sub-segments such as structured credit, financial subordinated debt and high-yield credit worked well in an environment of credit margin compression. Nevertheless, we have continued to strengthen our protection on credit indices in an environment of low volatility and expensive valuation. In addition, we increased our exposure to breakeven inflation in the US and Europe, in line with the robust growth figures. Finally, after having been a key performance driver in the last quarter of 2023, we continued to trim our exposure to core rates, moving from a sensitivity of 2.6 in December to 1.4 at the end of the period. This came mainly from the portfolio's corporate bonds and inflation-linked bonds, tempering the impact of rising rates on the portfolio.

OUTLOOK

The resilience of the main developed economies is paradoxically good news, but it is also a source of fragility for the markets, as this robustness is based purely on the new paradigm of government budget deficits. This fiscal stimulus is generating distortions that are beginning to weigh on fixed-income assets, as these fiscal policies contradict the monetary policies pursued by the main central banks. This prospect of the economy not landing also makes the scenario of a return to the inflation target illusory, as the robustness of the economic data continues to surprise investors on the upside. In addition, the recent surge in commodity prices, which were previously the main contributors to disinflation, are now expected to weigh on future producer and consumer price releases. These economic prospects argue in favour of maintaining a low interest-rate sensitivity within the portfolio, with a preference for the short end of the yield curves. We are maintaining a negative sensitivity to long maturities, where over-supply is likely to come up against weaker demand at a time when the main central banks are reducing the size of their balance sheets, as well as a short position on Japanese sovereign yields as the Bank of Japan began its rate hike cycle in March. On the credit front, we are maintaining a high gross exposure to sub-segments with high carry, such as financial subordinated debt and structured credit, while reducing our net exposure through cheap protection to prevent against exogenous shocks. Finally, we are maintaining a high exposure to inflation-indexed strategies, which should benefit from the upward recalibration of inflation expectations and which also provide an attractive hedge against a possible rise in geopolitical risk.

Source: Carmignac as at 31/03/2024. A EUR Acc shareclass [1]ICE BofA Euro Broad Market Index (coupons reinvested). On 30/09/2019 the composition of the reference indicator changed: the ICE BofA ML Euro Broad Market Index coupons reinvested replaces the EONCAPL7. Performances are presented using the chaining method. On 10/03/2021 the Fund's name was changed from Carmignac Portfolio Unconstrained Euro Fixed Income to Carmignac Portfolio Flexible Bond. ***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 applicable entrance fee acquired to the distributor)****.*

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.

Morningstar Rating™ : © Morningstar, Inc. All Rights Reserved. The information contained herein: is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

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