

CARMIGNAC PORTFOLIO GRANDE EUROPE: LETTER FROM THE FUND MANAGER

11/10/2024 | MARK DENHAM

+2.10%

Carmignac P. Grande Europe's performance in the 3rd quarter of 2024 for the A EUR Share class.

+2.63%

Reference indicator's performance in the 3rd quarter of 2024 for Stoxx 600 (Reinvested net dividends) (EUR).

+14.96%

Carmignac P. Grande Europe's performance YTD 2024 for the A EUR Share class versus +11.72% for the Stoxx 600 (Reinvested net dividends) (EUR) over the period.

*During the third quarter of 2024, the return of **Carmignac Portfolio Grande Europe** (A share class) was a positive return of +2.1%, providing a return below the reference indicator which rose +2.6%. This brought the fund performance for the year to date to +15.0%, versus +11.7% for the reference indicator.*

QUARTERLY PERFORMANCE REVIEW

In the third quarter markets rose modestly, struggling to make sustainable progress. Nevertheless, there was substantial volatility from week to week and the period was marked by violent sectoral rotations. Throughout the period, economic data such as manufacturing surveys and inflation prints were consistent with slowing economies in Europe and supportive of continuing falling interest rates. Q2 company reporting was mixed, with notable weakness and commentary from consumer facing names in autos, and luxury goods among others. Consequently, earnings estimates for the full year continued their downward trajectory. Having started 2024 anticipating c.9% profits growth for European companies, consensus had fallen to only 3% by the quarter end. When the US employment report for July reported a dramatic slowing in employment markets, global markets fell dramatically led by Technology names that had been strong so far in 2024. However markets recovered after Federal Reserve Chair, Powell stated rate cuts were on their way, which was subsequently confirmed by a 0.5% cut to US rates in September. This stock price recovery was led by economically sensitive cyclical stocks, anticipating future recovery. This revised leadership continued until quarter end.

As the market leadership was taken up by cyclical sectors, previously strong areas of the market, notably Healthcare and Technology lagged. This was detrimental to our fund as we typically have large long-term exposures to these sectors. Conversely for the long term we avoid sectors such as Financials which were strong. Offsetting these effects, our stock selection within our areas of focus was strong, allowing us to keep up with the market over the period.

HOW IS THE FUND POSITIONED?

The Healthcare sector remains the largest area of exposure for the fund but this quarter we saw mixed contributions from our main holdings. Novo Nordisk, the leader in the emerging space of obesity drugs, reported mixed second quarter results impacted by ongoing supply constraints but also higher price declines than anticipated. While supply is set to rise rapidly and we still expect the obesity market to be dominated in volume terms by Novo and competitor Eli Lilly, competition is coming, including many different types drug/modes of action increasing uncertainty over our medium-term forecasts. Also, pricing of drugs is under more scrutiny and at risk of developing less favourably. Reflecting these trends and acknowledging the asymmetric risk of a forthcoming drug trial readout for their next generation drug in November, Novo fell 20% in the third quarter, impacting our performance. During this period, we reduced our exposure somewhat to reflect the various risks too, although we still believe in the long-term investment case.

On a positive note, dental implant company Straumann shares rose 27% after delivering strong second quarter results including 15% organic sales growth, confounding expectations of a cyclical slowdown. Full year guidance was also upgraded to low double-digit growth, and already anticipates some macroeconomic weakness. Another positive came from BioNTech, a recent addition to the fund, and a name in our biotech sleeve. The company had been a beneficiary of Covid in 2020 – providing the Pfizer vaccine – leading to a peak share price of \$440. As demand for vaccines has dwindled and the hype has come out of the name, the share fell to c.90 USD. This was our opportunity to start a holding. We like the fact that the company has 32 projects in development for a range of illnesses, mainly cancer, using its innovative mRNA technology, of which by the end of the year they expect 10 to be advanced phase and therefore valuable. Their previous vaccine success means they can fund their projects internally using the large cash reserves they have built up from Covid vaccines. They also still benefit from baseline level vaccine sales of about 3bn\$ p.a. For all these reasons we identified BioNTech as a good opportunity. Since we initiated our position, one of their projects showed decent data at the European cancer congress ESMO, and the stock responded well rising 41% since our initial purchase.

Technology names are also a large exposure for us. SAP the German software company is the largest holding in the fund currently at c.7%, and after rising 8% in the quarter it was a significant contributor to performance, again. The company has flawlessly executed on its medium-term plan to convert existing on-premise software clients to a cloud version, as well as signing new clients. Their backlog of cloud business is growing more than 25% p.a. This has led to consistent revenue upgrades and a continuing pathway of margin expansion. Despite rising 48% YTD we maintain the name as the funds current largest holding. However, we have made significant change to our other main holding in the sector, ASML. For the first 5 months of the year this was one of our largest holdings at c.8% of the fund, but ahead of Q2 reporting we reduced it to 3%. We were concerned stocks in the semiconductor sector had done well and looked technically extended, and that they were increasingly correlated to US names like Nvidia where expectations were almost impossible to surpass in the short run. It transpires we were right as the stock sold off post Q2 numbers underperforming c.30%, despite a solid print, although there was some concern over sustainability of Chinese demand where US restrictions are being tightened. Nevertheless, now at 26x next year's profits, and at the bottom of historic trading ranges, we have increased our weighting back to c.5%.

WHAT IS OUR OUTLOOK FOR THE COMING MONTHS?

We maintain our focus on stocks and sectors with strong visibility on sales and profits.

We have an investment horizon of 5 years, and we stick to our process of focusing on profitable companies with high returns on capital, reinvesting for growth. We believe these companies will continue to deliver the best long-term returns for investors.

CARMIGNAC PORTFOLIO GRANDE EUROPE A EUR ACC

(ISIN: LU0099161993)

SFDR - Fund Classification** :

Article **9**



Recommended
minimum
investment horizon



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 : 1,80% 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 : 0,41% 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: LU0099161993)

Calendar Year Performance (as %)	2014	2015	2016	2017	2018
Carmignac Portfolio Grande Europe	+10.3 %	-1.4 %	+5.1 %	+10.4 %	-9.6 %
Indicateur de référence	+7.2 %	+9.6 %	+1.7 %	+10.6 %	-10.8 %

Calendar Year Performance (as %)	2019	2020	2021	2022	2023
Carmignac Portfolio Grande Europe	+34.8 %	+14.5 %	+21.7 %	-21.1 %	+14.8 %
Indicateur de référence	+26.8 %	-2.0 %	+24.9 %	-10.6 %	+15.8 %

Annualised Performance	3 Years	5 Years	10 Years
Carmignac Portfolio Grande Europe	+1.7 %	+7.6 %	+7.0 %
Indicateur de référence	+6.0 %	+7.2 %	+6.7 %

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.

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 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.
- **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](#).