FLASH NOTE

05.08.2019

CARMIGNAC PATRIMOINE – SUMMER UPDATE

05.08.2019

What happened in Carmignac Patrimoine since the start of the year?

After the first quarter's strong recovery from the extreme weakness experienced at the end of 2018, the second quarter saw more muted market gains. In the face of ongoing signs of slowing growth in the major global economies, a dovish tilt by Central Banks and persistent hopes for a stabilization of trade tensions were enough to maintain a positive equity market trajectory. In the meantime, the shift towards easing by the Fed and the ECB has continued to drive down sovereign yields and credit spreads.

Therefore, since the beginning of the year, Carmignac Patrimoine benefited from:

- its core portfolio of equity growth names, in Internet, fintech and healthcare sectors
- the allocation to European peripheral and semi core debt (Belgium, France, Greece and Italy)
- the credit component mainly driven by our Altice debt securities

Carmignac Patrimoine exercised its flexibility through the following:

- opportunistic exposure to cyclicality and value, with positions in a basket of European banks (sensitive to a European PMI stabilization) and US Industrials (sensitive to global growth trends)
- small hedges on the Nasdaq
- steady increase of modified duration in the first half of the year to benefit from environment of dovish Central banks followed by swift profit taking in May to increase relative value strategies
- yen exposure initiated for risk management purposes in the first quarter

Before going into summer, how is your portfolio construction?

Currently, markets reflect a consistently fragile but positive balance between on the one hand the state of the world economy - whose rate of expansion seems to be steadying at a low pace - and on the other hand a confirmed central banks' support for financial markets together with some relief in trade-war concerns. In this environment, our portfolio is built around the following main components:

A core equity portfolio focused on carefully selected growth stocks, given that they now constitute a pricy market segment

Tactical exposure to "laggards" in several cyclical segments, like European banking and US industrials and to emerging market companies

A selection of positioning along sovereign yield curves to exploit the greater clarity today on policy easing by central banks

A credit portion that benefits from increasing dispersion in this context, by focusing on specific opportunities across communication and consumption sectors

To learn more on our economic outlook read: CARMIGNAC'S NOTE

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. **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. **The Fund presents a risk of loss of capital.**

This Fund is placed in category 4 owing to its diversified exposure to equity markets as well as interest rate, credit and currency risks.

The Fund's objective is to outperform its reference indicator over a recommended investment horizon of three years.

Source: Carmignac, 18/07/2019