



## Carmignac Portfolio Grande Europe: Letter from the Portfolio Manager



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During the last three months of the year Carmignac Portfolio Grande Europe (A EUR Acc) recorded a positive performance of +8.64%, only moderately lagging the reference indicator, that rose by +10.82%. Despite this, 2020 overall was good for the Fund which returned +14.46% in contrast to a negative -1.99% recorded by its reference indicator.

### The European Equity Market

Q4 2020 began with the prospect of several key binary events that initially contributed to a weakening of European markets. However, they quickly recovered and rallied when the effects of the first Covid-19 vaccine from Biontech-Pfizer was reported in early November. From there, **European markets steadily rose over the rest of the period, bolstered by other positive vaccine news as vaccination programmes are rolled out in first half of 2021**, which allowed investors to anticipate an end to the current crisis. At the end of the year, a trading agreement between the UK and the EU was finally announced but met with a muted response from investors.

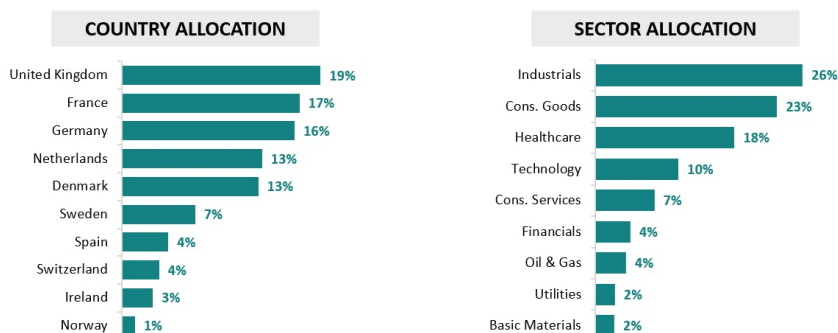
These developments - especially the vaccine news, which hopefully heralds an economic recovery in 2021 - precipitated a strong rebound in sectors that were previously weak and are a natural underweight for our strategy focused on companies with high sustainable levels of profitability. This natural bias explains the relative weakness of the Fund close to year end, which has not prevented it from recording an overall positive absolute and relative performance during the last 12 months.

In fact, we managed to offset this cyclical dynamic, to some degree, due to the investment decisions we took earlier in the year when we added several new holdings to the Fund that are more sensitive to an economic recovery

## Portfolio Management

We were hit with two stock-specific events during the quarter. The first was the unexpected announcement of SAP's management that they were embarking on a 5-year programme to convert core business customers to a cloud version of their business software.

Nevertheless, after careful consideration, we decided to maintain our holding. The other stock that was hit negatively was Kingspan - the building materials company, and a leader in environmentally friendly insulation products - which fell significantly on negative sentiment during the ongoing enquiry into the Grenfell Tower fire in the UK, where questionable industry practices came to light. Given Kingspan was not directly involved in the disaster, we expect limited damage to their franchise following the outcome of the inquiry later in 2021.



The portfolios of Carmignac funds may change without previous notice.  
Source: Carmignac, 31/12/2020

Alternatively, there were two notable additions to the Fund during the quarter: Nel, a leading manufacturer of electrolyzers used in the nascent hydrogen market, which is likely to expand rapidly as countries seek to reduce carbon emissions; and Nordnet, a Nordic online savings platform which is taking market share from competitors.

## Investment Outlook

As we head into 2021, the broad structure of the portfolio is unchanged due to our bottom-up stock picking process which focuses on profitable companies with high return on capital. **We believe that with the rollout of the Covid vaccine underway across the continent, we can discount the end of the crisis as we return to normality.** Consequently, we expect our recovery to continue to perform well and we believe we are also well placed in terms of the strong ongoing trend for environmental awareness, through Orsted (wind farms), Vestas (wind turbines), Solaria (solar farms), Kingspan (insulation), Schneider (electrical infrastructure), and Nel; and also digitisation through technology, with holdings such as SAP, Adyen (electronic payments), and ASML (semiconductors).

**Discover the Fund's webpage:**

[Carmignac Portfolio Grande Europe](#)



Reference Indicator: Stoxx 600 (Reinvested net dividends)

Source: Carmignac, 31/12/2020. Mark Denham joined Carmignac in mid-September 2016 as Head of European Equities, Fund Manager. Performance of the A EUR acc share class. **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).

## Carmignac Portfolio Grande Europe

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### 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.

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