



Carmignac Emergents: Letter from the Fund Managers

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Length
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-6.6%

Relative performance of Carmignac Emergents A EUR Acc versus its reference indicator MSCI Emerging Markets NR Index.

20.1%

Of the current portfolio is invested energy transition and renewable industries.

70.0%

Exposure of Fund to companies aligned with SDGs and sustainable themes.

Carmignac Emergents¹ (A EUR ACC, ISIN FR0010149302) was down -11.53% in the first quarter of 2022, against a -4.92% decline in its reference indicator². Emerging-market equities lost considerable ground in a quarter marked by the Russian army's invasion of Ukraine. These equities underperformed those of the developed world, partly because of Russia's weighting in the region but also because of a further -12.30% drop in the Chinese market (in EUR).

What happened in emerging markets in Q1 2022?

Before the invasion, we had 5.5% of the Fund's assets invested in Russia. This Russian exposure was based on several factors. The country had excellent economic fundamentals, very low public-debt levels (less than 20% of GDP), and high foreign-currency reserves (over 43% of GDP) thanks to a large current-account surplus (nearly 10% of GDP) and a hefty fiscal budget surplus (some 4% of GDP). We had also identified high-quality companies in Russia with attractive valuations, good growth prospects, and excellent corporate governance. But when Putin recognised the independence of the separatist regions in Donbas, and we realised that war was about to break out, it was too late to sell our Russian stocks. Financial-market intermediaries had stopped trading Russian assets when the first sanctions were announced. We therefore decided to value our Russian holdings at close to zero and book a sizable loss, to reflect the fact that it had become impossible to close out our positions.

Another development that shook financial markets in the first quarter – and what explains most of our underperformance – was the sell-off in Chinese stocks (39% of the Fund's assets at 31 March) following the outbreak of the war in Ukraine. Many investors, particularly in the US and UK, decided to offload their Chinese stocks when Putin and Xi reaffirmed their relationship through an official statement in late January. What's more, the SEC began naming the first ten Chinese companies that will have to delist from US exchanges by 2024, underscoring US investors' perception of China as an "uninvestible" market. We believe this fresh slump in Chinese equities is overblown and see it as a good opportunity to build up our exposure. The MSCI China Index has fallen back to levels last seen in 1993, when China's GDP was 40 times smaller than it is today and the country was still eight years away from entering the World Trade Organization. Several companies in our portfolio have a market capitalisation that is below their cash level – something we haven't seen since the 2008 financial crisis. Chinese stocks are trading at prices that seem to factor in a major break in diplomatic ties with the Western world, which could occur if Beijing gives military support to Putin, for example, or if China's army invades Taiwan. We believe both of these events are highly unlikely at this point. Rather, we think China will maintain its neutral stance on the war in Ukraine and won't take the risk of an escalation in Taiwan, especially since Western countries have shown they are united and determined in introducing heavy political sanctions.

Adjustments and current positioning

We took advantage of the excessive decline in Chinese stock prices to add two new companies to our portfolio. The first is **Sungrow**, listed locally in Shanghai. Sungrow is the world's leading producer of electrical components for the solar power industry. It has a 25% share of the global market¹ and is ideally positioned in a sector experiencing secular growth, fuelled further by the war in Ukraine and the EU's plans to step up its investments in renewable energy and reduce its dependence on Russia. Sungrow also operates in the power-storage industry – another market with attractive growth prospects given the need for a steady power supply throughout the day. In addition, Sungrow has particularly effective waste, water and environmental-risk management policies, which include yearly targets for cutting CO₂ emissions per unit of sales, and continuously improves its processes for waste treatment and recycling – all efforts which are tailored specifically to its operations. The second company is **Beike**, listed in the US. Beike used to be China's biggest real-estate agency thanks to an expansive network of offices across the country. It then developed an online platform for housing transactions and grew into the world's third-largest online sales platform, behind Amazon and Alibaba². Beike's stock price fell sharply amid the broad downturn in China's real estate market, to the point where we believe it's trading at absurdly low levels given the quality of its management team. We sold our stake in China's internet giant Baidu when the stock rebounded at quarter-end, booking a profit in the process, taking profit on the position.

Although the war in Ukraine forced us to lower our growth forecasts for 2022, we still think our Fund is well positioned for a significant rebound in the coming months. Our Chinese stocks could bounce back if Beijing comes to an agreement with US regulators on giving them access to the accounting data of Chinese companies. Meanwhile, our Korean stocks are also trading at depressed prices. That's especially true for **Samsung Electronics** and **LG Chem**, even though these firms are global leaders in the fast-growing markets of semiconductor memory and EV batteries. Our holdings in Latin America (17% of the Fund's assets) should keep doing well in light of higher commodities prices. Brazil (12% of the Fund's assets)³ looks more attractive now that Lula, the leading presidential candidate, has formed an alliance with key centrist parties, diminishing the chances of a new government hostile to financial markets.

Socially responsible investment still central to our approach

Since its inception in 1997, Carmignac Emergents has combined what we consider our emerging-market DNA since 1989 with our commitment to strengthening credentials in socially responsible investment. In welding together those two areas of expertise, we aim to add value for our investors while having positive impact on society and the environment.



Carmignac Emergents is classified as an Article 9 fund under the Sustainable Finance Disclosure Regulation (SFDR)⁴, and was awarded France’s SRI certification in 2019 and Belgium’s Towards Sustainability label in 2020.⁵

As from 1st January 2022, Carmignac Emergents is classified as a financial product as described in Article 9 of Sustainable Finance Disclosure Regulation (“SFDR”). As such the Fund will invest mainly in shares of emerging companies that have a positive outcome on environment or society and derive the majority of their revenue from goods and services related to business activities which align positively with SDGs. This sustainable objective will be measured and monitored by the percentage of revenues aligned with UN Sustainable Development Goals (SDGs).

Our portfolio is currently structured around six major socially responsible investment (SRI) themes that are central to our processes.



As a reminder, our socially responsible approach is based on three pillars:

Invest selectively and with conviction

Giving priority to sustainable growth themes in underpenetrated sectors and countries with sound macroeconomic fundamentals.

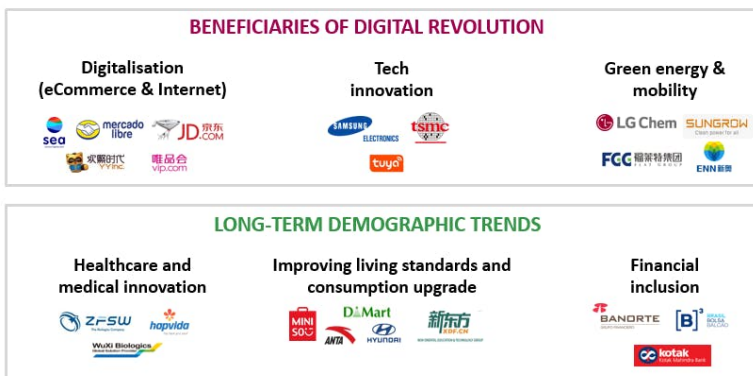
Invest for positive impact

Favouring companies that deliver solutions to environmental and social challenges in emerging markets and reducing our carbon imprint by at least 30% relative to the MSCI Emerging Markets Index.

Invest sustainably

Consistently incorporating environmental, social and governance (ESG) criteria into our analyses and investment decisions.

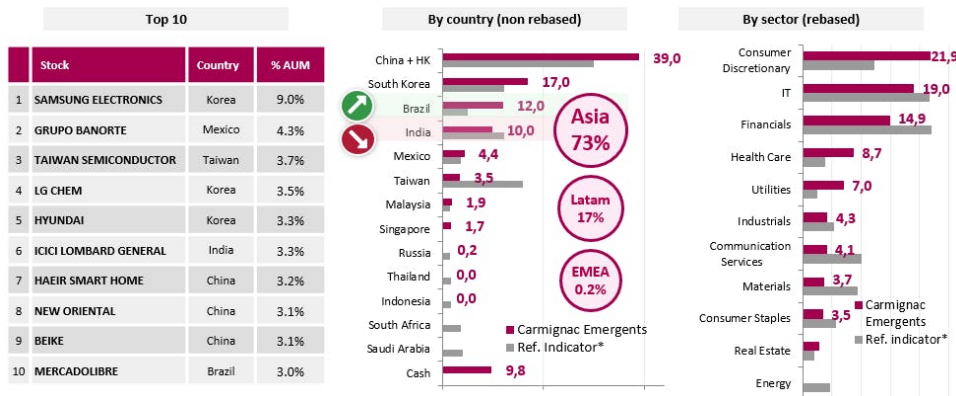
Thematic allocation as of 31/03/2022: Focus on Beneficiaries of Digital Revolution & Long-Term Demographic Trends



Sources: Carmignac, Company data, 31/03/2022. Carmignac's portfolios are subject to change at any time.



Current Positioning as of 31/03/2022



* MSCI EM NR (USD) net dividends reinvested
 China - including Hong Kong. Excluding derivative positions
 Carmignac's portfolios are subject to change at any time. Data are rebased to 100% for Sector & Country positioning.

Sources: Carmignac, Bloomberg, company data, EM Advisors Group, CICC, JPM Research, 31/03/2022.

¹ Carmignac Emergents A EUR Acc Performance of the A EUR acc share class ISIN code: FR0010149302. 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). From 01/01/2013 the equity index reference indicators are calculated net dividends reinvested. Performances in EUR as of 31/03/2022.

² Reference indicator: MSCI EM NR USD) (Reinvested net dividends rebalanced quarterly).

³Source : Carmignac as of 31/03/2022, Brazil weight including Mercadolibre that realizes more than 50% of revenues in Brazil.

⁴The EU Sustainable Finance Disclosure Regulation (SFDR) 2019/2088 "lays down harmonised rules on the provision of sustainability-related information with respect to financial products". For further information, see <https://eur-lex.europa.eu/eli/reg/2019/2088/oj>.

⁵Carmignac Emergents has been awarded the French and Belgian SRI labels. See <https://www.llelabelisr.fr/en/> ; <https://www.towardssustainability.be/> ; <https://www.febelfin.be/fr>.

Carmignac Emergents

Take advantage of Emerging Markets with Carmignac Emergents

Discover the fund page

Carmignac Emergents A EUR Acc

ISIN: FR0010149302

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.

EMERGING MARKETS: Operating conditions and supervision in "emerging" markets may deviate from the standards prevailing on the large international exchanges and have an impact on prices of listed instruments in which the Fund may invest.

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.

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.

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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.

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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.

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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.

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