QUARTERLY REPORT

01.02.2023

Carmignac Emergents: Letter from the Fund Managers

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Length
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+12.1%

Relative performance of the Carmignac Emergents A EUR Acc

over 3 years vs its reference indicator MSCI Emerging Markets NR Index.

1st

Morningstar quartile ranking of the Fund

vs category* for its sharpe and sortino ratio in 2022.

100%

All of the Fund's equity investments

(excluding cash) are aligned to 1 of the 9 SDGs we have selected for this fund.

Carmignac Emergents[1] gained +1.4% in the fourth quarter, compared with a +0.70% increase for its reference indicator, bringing its annual performance to -15.6% versus -14.9% for its reference indicator.

The year 2022, a year of war, marked a sharp break with the underlying trends that have prevailed in financial assets since the 2008 financial crisis. Growth stocks largely underperformed value stocks in 2022. Oil and mining stocks, on the other hand, have strongly outperformed the stock market indices, despite a fall in global economic activity. The period of central bank balance sheet expansion that allowed financial asset prices to rise excessively gave way to a year in which rigorous attention to corporate valuation methodologies was required, a year in which bubbles burst but analysis was rewarded.

In this perspective, it is worth recalling the outperformance of Carmignac Emergents over a long period and its relative resilience in 2022. Indeed, the fund's performance over five years is +10.6%, compared with +4.9% for its reference indicator.

What happened in 2022?

The year 2022 was one of the worst years in a century for the bond markets. A sudden return of inflation, a new war in Ukraine creating an energy crisis, and a spectacular rise in interest rates surprised the financial markets, used since 2008 to seeing all crises solved by accommodating monetary policies. Added to this was the chaotic management of Covid-19 by the Chinese government, with a significant impact on the country's growth and investor confidence. All these elements combined could only result in a disastrous stock market year, with an even more pronounced underperformance for quality assets, which by nature have a longer duration.

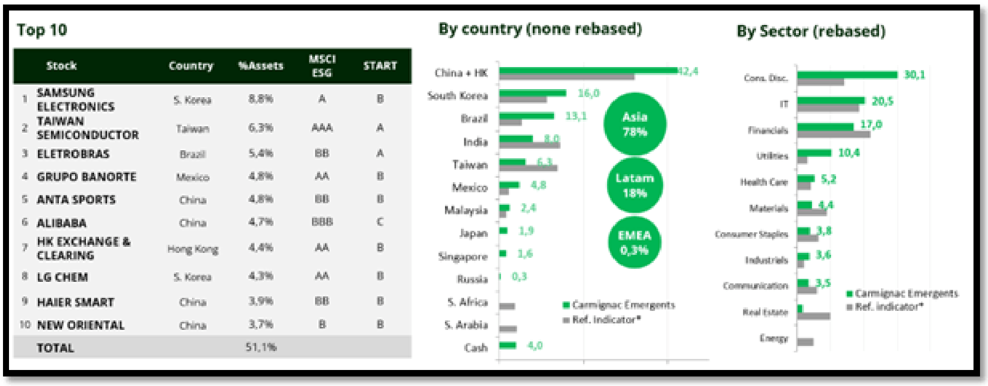
This context also seems unfavorable to the traditional management of Carmignac Emergents, a strategy that does not invest in fossil fuels and is essentially exposed to growth themes. However, the rigor of our investment process enabled us to avoid a dismal year, thanks in particular to the management of the fund's Chinese pocket, despite China's strong underperformance. Thus, even though we were overweight in China during the year (38% on average compared to 31% for our reference indicator), our Chinese stocks made a positive contribution of around 500 bp over the year. This was mainly due to our decision at the end of 2021 to add to Chinese ADRs (Chinese companies listed in New York), as their valuations seemed largely wrong, with some stocks such as the education company New Oriental trading below the cash held by the company. Outside of China, the portfolio also benefited from our discipline, which allowed us to strengthen certain positions after excessive declines rather than capitulate when the market's confidence improved, particularly in the semiconductor sector, where we have significant exposure to three stocks (Samsung Electronics, Taiwan Semiconductor and Tokyo Electron). Finally, we benefited indirectly from the rise in commodities thanks to being overweight in Latin America.

At the beginning of December, we brought back into the portfolio two Chinese positions that we had earlier sold because of geopolitical tensions with the United States. These were the biotech company Wuxi Biologics, which was removed from the US Department of Commerce's watch list in November, and Full Truck Alliance, an internet logistics platform that we had sold because it did not have a dual listing in Hong Kong. However, the risk of delisting of Chinese companies from the US stock market has been postponed to 2025, with a higher probability that delistings will be avoided in view of recent statements by US authorities. We also modified our Brazilian portfolio after our trip to Latin America. Eletrobras, Brazil's largest power generation and distribution company, became our largest position in Latin America (5.4% of the fund), at the expense of Transmissora Alliance, which was sold in the fourth quarter after four years in the fund. We also sold the Indian company Maruti Suzuki, as we felt its presence in the fund was incompatible with the fund's Article 9 mandate.

Outlook and positioning as of 31/12/2022

We start 2023 with a portfolio refocused on 35 stocks. This concentration is not accompanied by a strong increase in risk, as indicated in the volatility calculations performed by our risk control team. This is partly explained by the fact that among the 10 largest positions in the fund, 7 of them have negative net debt, and most have high margins with often dominant positions. On the other hand, we are starting the year with an increased allocation to the Chinese market (42.4% of the fund), considering that the government's 180-degree turn on zero-Covid should restore consumer and investor confidence in a market whose valuations are particularly attractive after years of decline. This crucial change in China, where the year of the water rabbit is beginning, should boost growth throughout the emerging world, particularly in Asia and Latin America.

Fund positioning as of 30/12/2022[2]



Top 10

	Stock	Country	%Assets	MSCI ESG	START
1	SAMSUNG ELECTRONICS	S. Korea	8,8%	A	B
2	TAIWAN SEMICONDUCTOR	Taiwan	6,3%	AAA	A
3	ELETROBRAS	Brazil	5,4%	BB	A
4	GRUPO BANORTE	Mexico	4,8%	AA	B
5	ANTA SPORTS	China	4,8%	BB	B
6	ALIBABA	China	4,7%	BBB	C
7	HK EXCHANGE & CLEARING	Hong Kong	4,4%	AA	B
8	LG CHEM	S. Korea	4,3%	AA	B
9	HAIER SMART	China	3,9%	BB	B
10	NEW ORIENTAL	China	3,7%	B	B
	TOTAL		51,1%		

Socially responsible investment is 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 our credentials in socially responsible investment (SRI). In welding together those two areas of expertise, we aim to add value for our investors while having a positive impact on society and the environment.

Classified as an Article 9 fund under the Sustainable Finance Disclosure Regulation (SFDR)[3] and was awarded France's SRI label in 2019 and Belgium's Towards Sustainability label in 2020[4].

As an Article 9 Strategy under the SFDR, 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 revenues or CAPEX from goods and services related to business activities which align positively with UN Sustainable Development Goals (SDGs)[5]. This sustainable objective will be measured and monitored by the percentage of revenues aligned with the SDGs.

Our portfolio is currently structured around 4 major SRI themes that are central to our process:

As a reminder, our socially responsibility 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 intensity by at least 50% relative to the MSCI Emerging Markets Index. Our sustainable objective is: >80% Fund's AUM invested in companies with >50% revenue or CAPEX derived from goods and services positively aligned with at least 1 of 9 targeted United Nations Sustainable Development Goals.

Invest sustainably by consistently incorporating environmental, social and governance (ESG) criteria into our analyses and investment decision.

[1]* Risk Scale from the KIID (Key Investor Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time. 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).

[2]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.
Sources : Carmignac, company data, 30/12/2022

[3]The proprietary ESG system START combines and aggregates market leading data providers ESG indicators. Given the lack of standardisation and reporting of some ESG indicators by public companies, not all relevant indicators can be taken into consideration. START provides a centralised system whereby Carmignac's proprietary analysis and insights related to each company are expressed, irrespective of the aggregated external data should it be incomplete. For more information, please refer to our website.

[4]Carmignac Emergents and Carmignac Emergents both obtained the French and Belgian SRI labels. https://www.lelabelisr.fr/en/ ; https://www.towardssustainability.be/ ; https://www.febelfin.be/fr

[5]Minimum 80% of the Fund's AUM* is invested in companies that derive more than 50% of their revenues or CAPEX from business activities that are positively aligned with at least 1 of the 9 Sustainable Development Goals selected for this Fund For more information please visit https://www.un.org/sustainabledevelopment/fr/objectifs-de-developpement-durable.

Reference indicator: MSCI EM NR USD) (Reinvested net dividends rebalanced quarterly). From 01/01/2013 the equity index reference indicators are calculated net dividends reinvested. Morningstar category: Global Emerging Markets Equity. The reference to a ranking or prize, is no guarantee of the future results of the UCITS or the manager.

Source : Carmignac, 30/12/2022

Carmignac Emergents

Grasping the most promising opportunities within the emerging universe

Discover the fund page

Carmignac Emergents A EUR Acc

ISIN: FR0010149302

Recommended minimum investment horizon

Lower risk Higher risk

1	2	3	4*	5	6	7

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.

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.

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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.
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