



## Carmignac Patrimoine: Letter from the Fund Managers

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Published  
July 13, 2023

Length  
5

**+0.18%**

Carmignac Patrimoine's performance

in the 2<sup>nd</sup> quarter of 2023 for the A EUR Share class.

**+1.30%**

Reference indicator's performance

in the 2<sup>nd</sup> quarter of 2023.

**+3.37%**

1 year performance of the Fund

vs +1.84% for the reference indicator.

*Over the period, **Carmignac Patrimoine** recorded a performance of +0.2%, below that of its reference indicator (+1.3%).*

### Market environment during the period

The resilience of economic growth in the US has continuously surprised investors over the quarter. Indeed, despite incrementally tighter financial conditions, the US consumer demand and employment trends have remained steady. In Europe, the economy is slowing down as the monetary policy tightening is increasingly feeding through the real economy. However, both in the US and Europe, core inflation remains sticky, leading Central banks to reinforce their determination to maintain a restrictive monetary policy. In the East, China's economic momentum has stalled, adding to a geopolitical backdrop that remains tense.

In this environment, we saw stock markets surpassing one-year (and even multiyear) highs while uncertainty on interest rates largely prevailed. Noteworthy that the US equity move has been mostly driven by the artificial intelligence (AI) investment theme with the Big Tech 7<sup>2</sup> reaching new highs.

## How did we fare in this context?

During the second quarter, the Fund was being positioned for a less favorable economic outlook in the second half of the year due to the growing effects of monetary and fiscal tightening. As market participants focused on the resiliency of US growth, this positioning did not allow the fund to fully capture the market rebound. Indeed, our gold exposure as well as the long duration on sovereign rates weighed on absolute performance.

Our Chinese exposure was the biggest detractor over the period. Despite the fact that our investments are focused on domestic companies with sound fundamentals and highly attractive valuations, the negative news flow on both growth and geopolitics kept hurting the Chinese equity market, without discrimination.

However, our credit and EM debt exposures as well as our stock picking in healthcare helped the fund to generate positive returns.

## Outlook

On the macro-economic front, resilient economies and sticky inflation mean central banks won't pivot in H2 2023 in our opinion. Indeed, after a seemingly 'immaculate' disinflation to 3% in the next 12 months, returning to the 2% target will not be quite so smooth. It will require an increase in unemployment to typical recessive levels by pushing central banks' terminal rate higher. Therefore, we should see a synchronized slowdown in late H2 2023, however with different endpoints: recession in the US, stagnation in Euro area and subdued growth in China. In China, however, the disappointing economic data over the last couple of months had one silver lining for markets: it raised the chances that the government would step in to lead a policy-driven growth cycle.

Such an environment calls for a selective approach to investment and also for an active management of exposures. In equities, markets are expected to continue walking a tightrope as long as the economy slows but doesn't fall off a cliff, while the pace of disinflation keeps rates, and hence equities in check. However, given the slower economic backdrop we're leaning towards defensive stocks and sectors.

In fixed income, central banks' dependency on economic data means one has to prepare for a variety of scenarios. Confirmation of the economic slowdown and the pace of disinflation will push interest rates to much lower levels across the board. Conversely, if the economy shows even greater signs of resilience, this would lead central bankers to raise policy rates further, which in turn would weigh on the longest-term bond yields as more pronounced tightening of monetary policy increases the likelihood of the economy contracting sharply.

## Positioning

Our main performance drivers for the next months are the following:


### **Fixed income:**

*Sovereign*- Long duration positions based on less favorable economic outlook (anticipated synchronized global growth coupled with still hawkish central bank policies). Our long rates' positioning is spread between the US, Europe (both core & non-core) and EM. This positioning also counterbalances our risky asset investments (equity and credit).

*Credit*- Long credit positions for advantageous carry levels and potential value spread, especially in sectors like financials.

**Equities:** diversified equity portfolio made of companies able to outperform in downturns (tech/tech-related names marrying AI-driven growth and higher profitability, healthcare, staples, long cycle quality industrials). Complemented by a gold exposure.

**Currencies:** Long euro exposure.



<sup>1</sup>Source: Carmignac as at 30/06/2023. Reference indicator: 40% MSCI ACWI (USD) (Reinvested net dividends) + 40% ICE BofA Global Government Index (USD) + 20% ESTER capitalised. Quarterly rebalanced.

<sup>2</sup>Big Tech 7: Alphabet, Apple, Amazon, Meta, Microsoft, Nvidia and Tesla.

Source: Carmignac, 30/06/2023, portfolio composition may vary over time. Carmignac Patrimoine, A EUR Acc. 1) Reference indicator: 40% MSCI ACWI (USD) (Reinvested net dividends) + 40% ICE BofA Global Government Index (USD) + 20% ESTER capitalised. Quarterly rebalanced. Until 31 December 2012, the reference indicators' equity indices were calculated ex-dividend. Since 1 January 2013, they have been calculated with net dividends reinvested. Until 31 December 2020, the bond index was the FTSE Citigroup WGBI All Maturities Eur. Until 31 December 2021, the Fund's reference indicator comprised 50% MSCI AC World NR (USD) (net dividends reinvested), and 50% ICE BofA Global Government Index (USD) (coupons reinvested). Performances are presented using the chaining method. From 01/01/2013 the equity index reference indicators are calculated net dividends reinvested. **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 Patrimoine

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## Carmignac Patrimoine A EUR Acc

ISIN: FR0010135103

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.

**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.

**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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