



## Carmignac Portfolio Global Bond: Letter from the Fund Manager



Author(s)  
Abdelak Adjriou

Published  
July 12, 2023

Length  
5

**-0.60%**

Carmignac P. Global Bond  
(A Euro Acc) year-to-date  
2023 performance.

**-1.40%**

Reference indicator's  
(JP Morgan GBI Global  
(EUR)) year-to-date 2023  
performance.

**+0.80%**

Outperformance of the  
fund  
during the first half of the  
year versus its reference  
indicator.

***Carmignac Portfolio Global Bond** has realised a performance of -0.60% (class A Eur Acc shares) during the first half of 2023, outperforming its reference indicator (JP Morgan Global Government Bond Index (EUR)), which delivered -1.40%<sup>1</sup>.*

## The bond markets today

Bond markets continued to remain very volatile in Q2 2023.

The most important feature in this quarter have been central banks, most of which have remained hawkish. Consequently, in Q2 2023, the front-end part of the yield curves served as the primary cause of volatility and underperformance once more. In fact, the ongoing bear flattening of yield curves has been one of the most fundamental fixed income events this year. The US curve, for instance, is virtually as inverted as it was in the 1980s.

Another interesting development in 2023, especially in Q2 continues to be the robustness of the US economy and of the US job market, particularly after the offset of the banking sector crises in March, following which, all indicators were pointing to an abrupt decline in growth. On the contrary, we recently saw that the US GDP estimates for Q1 were revised higher, that unemployment claims had decreased dramatically, that durable goods orders had gotten stronger, and that consumer confidence had risen. Additionally, despite higher interest rates, even the housing market appeared to make some progress in Q2.

Parallel to this, we observed a sizable fraction of investors holding long positions in risky assets like stocks or corporate debt, which was reflected, among other things, in the corporate credit spreads' significant tightening during the quarter.

## Fund performance

**Carmignac Portfolio Global Bond** generated a negative absolute performance in the second quarter, slightly below its benchmark. After a strong Q1 2023, Q2 was quite the opposite, and hence we gave back most of the gains that we had achieved in Q1. Having said that, year to date we remain well above the benchmark in relative terms. The main performance drags in Q2 were our long duration calls and the Yen as well as the US dollar to a lesser extent. The main sources of alpha were our credit positioning notably thanks to CLOs (Collateralized Loan Obligations), our emerging debt strategies and emerging market currencies.

## Outlook

We still believe that the recession should come in the US towards the end of the year, despite the recent resilience of the economy and that of the job market. Although we think that we are now in a bear market rally, we also note that the global economy is slowing down and that a significant portion of market liquidity is being dried up by the US Treasury. In reality, the majority of economic indicators are also pointing towards a recession, including falling PMIs, an already-recessionary manufacturing sector, a sharp inversion of yield curves, a sluggish credit growth, etc. The job market is the last indicator to keep an eye on right now. It is obvious that wage increase is what keeps inflation high and economic growth afloat at the moment.

Our investment strategy in the fund continues to be consistent with the macroeconomic forecast. In terms of duration, we are long duration, particularly in the mid and longer-end parts of the US yield curve. Additionally, that part of the yield-curve often performs best if a recession occurs. We are also long of real rates, since these continue to be too high to be sustainable at current levels. Finally, we continue to own local currency debt issued by emerging markets.

In terms of credit, we are strategically bullish in the near term but quite cautious in the medium to long term. Due to the worsening macroeconomic statistics for the Euro Zone, we have marginally increased our US dollar exposure (against the Euro) to the upside at about 30%. In addition, we have taken profits in most risky currencies but maintain some exposure to the Brazilian Real or Norwegian Krone.

<sup>1</sup> Source: Carmignac, Bloomberg, 30/06/2023. Performance of the A EUR Acc share class ISIN Code A EUR Acc : LU0336083497. Reference Indicator: JP Morgan Global GBI (EUR). Past performance is not necessarily indicative of future performance. The return may increase or decrease as a result of currency fluctuations, for the shares which are not currency-hedged. Performances are net of fees (excluding possible entrance fees charged by the distributor). **Marketing communication.** Please refer to the KID/prospectus of the fund before making any final investment decisions

Carmignac Portfolio Global Bond

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## Carmignac Portfolio Global Bond A EUR Acc

ISIN: LU0336083497

Recommended  
minimum  
investment horizon



### Main risks of the Fund

**CREDIT:** Credit risk is the risk that the issuer may default.

**INTEREST RATE:** Interest rate risk results in a decline in the net asset value in the event of changes in interest rates.

**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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