CARMIGNAC PORTFOLIO EMERGENTS: LETTER FROM THE FUND MANAGER

17/04/2025 | XAVIER HOVASSE

+54.0%

Cumulative return of Carmignac Portfolio Emergents F EUR Acc over 5 years (versus +48.9% for its ref. indicator).

+9.0%

Annualized performance of Carmignac Portfolio Emergents over 5 years.

100%

100%[1] of the companies (excluding cash) we invest in have a positive outcome through the goods and services they produce (in line with the Sustainable Development Goals).

Carmignac Portfolio Emergents *recorded a fall of -0.31%[2] during the first quarter, compared with a fall of -1.33% for its reference indicator[3].*

2025 has thus begun cautiously, pending the negotiations on reciprocal tariffs, which promise to be challenging for all emerging markets, and particularly China. But this beginning of 2025 marks above all the end of US exceptionalism. For more than a decade, asset allocators had only one thing to do: invest in the US equity market, which almost certainly guaranteed continued outperformance. And every technological advance only amplified this trend. Investors also had to avoid emerging markets, which only brought volatility and underperformance. This has led to a situation of massive under-positioning on Emerging market Equities. By looking at funds whose benchmark index is the MSCI, we see an average allocation that is more than 50% lower compared to the neutral level, with the Emerging market allocation being 4.8% at the beginning of 2025 compared to an index weighting of emerging markets of 10.1%[4]. If investors were to take a neutral position in these markets, this would lead to flows of more than 1.5 trillion dollars, or about half of France's GDP. And this only concerns part of the asset management industry.

Q1 2025 REVIEW

The end of US exceptionalism can be explained mainly by two factors. First, the political factor. The arrival of Donald Trump and his isolationist ideology marks a decisive change in the economic paradigm. The globalisation of the economy has favoured the large American multinationals for half a century, which has enabled the excellent stock market performance of US companies whose costs have benefited from cheap labour, particularly in Asia. The desire to repatriate the manufacturing base to American soil should reverse this trend. The second factor relates to the technological advances originating in China, which we have been reporting on in these quarterly reports for several years, but which were underestimated by markets. The release of DeepSeek in January enabled the whole world to gauge the Chinese capacity to develop Artificial Intelligence language model tools comparable to those originating in Silicon Valley. Furthermore, these models are more efficient than the American models and should therefore be able to develop without the most advanced chips produced by Nvidia. At the same time, the Chinese have succeeded in developing a spectacular technological ecosystem around Huawei with progress in crucial areas such as memory (DRAM and Nand), semiconductor foundry, and GPUs. Markets are beginning to glimpse Chinese supremacy in the field of high technology, as with electric cars, which have enabled China to become the world's leading car exporter in just a few years. BYD's latest models batteries can be recharged in 5 minutes, which shows an advance over Tesla and other producers. The combination of these two factors should lead to a reallocation of portfolios towards Emerging markets to the detriment of American markets.

CHINA

We remain constructive on the Chinese markets. Although structural problems remain, we are seeing a change in perception. Six months ago, China was considered uninvestable by investors. Markets now realise that geopolitical problems are hurting China, but not destroying it. Chinese exports to the United States represent only 3% of its GDP and China now exports more to emerging countries than to OECD countries. Moreover, US export controls have not had the intended effect. They have had the opposite effect, pushing China to invest more in the technological supply chain with significant progress.

The Chinese market represents 26.2% of our portfolio[5], which is underweight compared to our ref. indicator. On the other hand, the composition of our portfolio is significantly different from that of the indices, as we invest mainly in high-tech companies, avoiding banks, cyclical companies exposed to real estate, and exporting stocks vulnerable to the implementation of tariffs by the US president. During the quarter, we strengthened our position in **Didi** (2.8% of the portfolio), the Chinese equivalent of Uber. In addition to having a very profitable business in China, the company is expanding in Latin America, successfully competing with Uber, and is preparing to launch robotaxis this summer, and are very well positioned in this very promising market.

INDIA

We are keeping a significant allocation in India, where the long-term outlook remains promising despite its weakness since the last quarter of 2024. Our trip to India confirmed our favourable outlook for the country (strong growth, political stability, healthy current account), and the recent correction offers us interesting entry points.

Over the period, we strengthened our Indian portfolio (21.4% of the fund) by initiating a new position in **PolicyBazaar**, an insurance marketplace. Insurance in India is a very promising market because it is underpenetrated compared to other emerging countries. PolicyBazaar allows us to gain exposure to this sector without taking on the balance sheet risk, as they simply take a commission on new products purchased in India. Their market share has risen to 16%[6], thanks to remarkable entrepreneurial success, and they have begun to tackle the bank credit market with comparable success. Our allocation to Southeast Asia excluding India remains low (2.5% of the portfolio), due to geopolitical tensions and the likely arrival of high tariffs, which should lead to a decline in economic activity and investment.

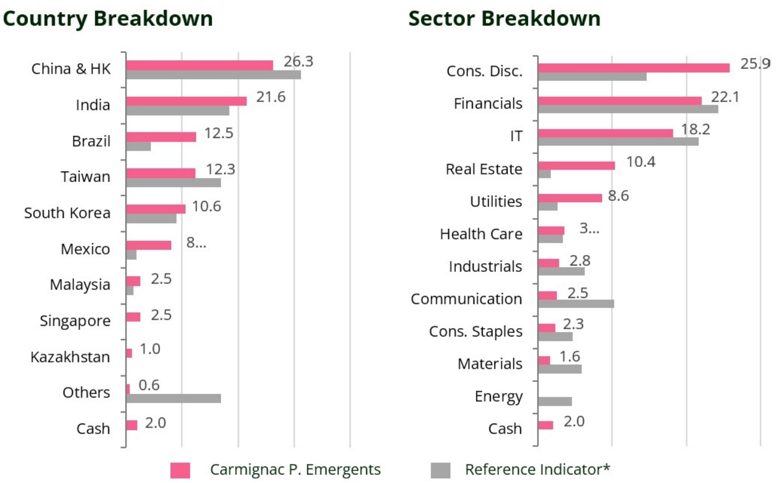
LATIN AMERICA

We are reassured about our Latin American exposure (21.0% of the portfolio), which should benefit from the new economic order. Mexico seems relatively unaffected by Trump's initial announcements, which reinforces our view that this country should take significant market share in US imports, to the detriment of China and Southeast Asia. The rest of the continent, led by Brazil, should benefit from the geopolitical tensions between the United States and China. The Chinese are likely to redirect their raw materials supplies to Latin America rather than buying from American farmers. The fall in the price of oil, on the other hand, is likely to impact Latin American currencies, which is why we have put in place hedges against the Brazilian real and the Mexican peso.

OUTLOOK AND POSITIONING

Top Ten Holdings

	Stocks	Country	% Exposure
1	**TSMC**	Taiwan	8.6%
2	**Vipshop Holdings**	China	8.3%
3	**Grupo Financiero Banorte**	Mexico	6.0%
4	**Eletrobras**	Brazil	5.7%
5	**Kotak Mahindra Bank**	India	5.2%
6	**Embassy Office**	India	4.7%
7	**Icici Lombard General Insurance**	India	3.8%
8	**Hyundai Motor**	South Korea	3.6%
9	**Hong Kong Exchanges & Clearing**	Hong Kong	3.5%
10	**Sk Hynix**	South Korea	3.2%
	TOTAL		52.7%



Fund Positioning: Carmignac Portfolio Emergents, as of 31/03/2025. Source: Carmignac. *Reference Indicator: MSCI EM NR index. The portfolios of Carmignac funds may change without previous notice.

Emerging markets began 2025 outperforming developed markets, which is unusual given the historical trend of underperformance in recent years. Paradoxically, the uncertainty generated by Donald Trump's aggressive policies seems to have benefited Emerging markets. The introduction of tariffs and the abandonment of its key allies seem very damaging for the United States and are leading to a trade diversion away from the US to Emerging countries (the tariffs imposed by China on US agricultural products in retaliation could benefit countries such as Brazil and Argentina).

In this context, we are maintaining our measured allocation to China, with a focus on domestic companies, a significant exposure to India, and decent exposure to Brazil and Mexico, which seem to be doing well.

In addition, we have reduced the cyclicality of the portfolio to protect ourselves against the uncertainty of Donald Trump's policies. The Fund focuses on stock picking, with the financial health and valuations of companies being our main considerations in portfolio construction, as evidenced by our top ten holdings, which are made up of companies in which we have great confidence in terms of valuation.

Carmignac P. Emergents fund positioning as of 31/03/2025

Sources: Carmignac, Bloomberg, company data, JP Morgan, BoAML, 31/03/2025.

[1]Excluding cash and FX forwards.

[2]Carmignac Portfolio Emergents F EUR Acc, ISIN: LU0992626480.

[3]Ref. indicator: MSCI EM NR (net dividends reinvested).

[4]Sources: EPFR, JP Morgan, March 2025.

[5]Carmignac, 31/03/2025, weighting of China and Hong Kong.

[6]Company data, BoAML, 31/12/2024.

CARMIGNAC PORTFOLIO EMERGENTS F EUR ACC

(ISIN: LU0992626480)

SFDR - Fund Classification** :

Article 9

LOWEST RISK — HIGHEST RISK

1	2	3	4*	5	6	7

Recommended minimum investment horizon 5 YEARS

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.

*Risk Scale from the KID (Key Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time. **The Sustainable Finance Disclosure Regulation (SFDR) 2019/2088 is a European regulation that requires asset managers to classify their funds as either 'Article 8' funds, which promote environmental and social characteristics, 'Article 9' funds, which make sustainable investments with measurable objectives, or 'Article 6' funds, which do not necessarily have a sustainability objective. For more information please refer to https://eur-lex.europa.eu/eli/reg/2019/2088/oj.

FEES

Entry costs : We do not charge an entry fee.

Exit costs : We do not charge an exit fee for this product.

Management fees and other administrative or operating costs : 1,15% of the value of your investment per year. This estimate is based on actual costs over the past year.

Performance fees : 20,00% when the share class overperforms the Reference indicator during the performance period. It will be payable also in case the share class has overperformed the reference indicator but had a negative performance. Underperformance is clawed back for 5 years. The actual amount will vary depending on how well your investment performs. The aggregated cost estimation above includes the average over the last 5 years, or since the product creation if it is less than 5 years.

Transaction Cost : 0,53% of the value of your investment per year. This is an estimate of the costs incurred when we buy and sell the investments underlying the product. The actual amount varies depending on the quantity we buy and sell.

PERFORMANCE (ISIN: LU0992626480)

Calendar Year Performance (as %)	2016	2017	2018	2019	2020
Carmignac Portfolio Emergents	**+1.7 %**	**+19.8 %**	**-18.2 %**	**+25.5 %**	**+44.9 %**
Indicateur de référence	+14.5 %	+20.6 %	-10.3 %	+20.6 %	+8.5 %

Calendar Year Performance (as %)	2021	2022	2023	2024	2025
Carmignac Portfolio Emergents	**-10.3 %**	**-14.3 %**	**+9.8 %**	**+5.5 %**	**-0.3 %**
Indicateur de référence	+4.9 %	-14.9 %	+6.1 %	+14.7 %	-1.3 %

Annualised Performance	3 Years	5 Years	10 Years
Carmignac Portfolio Emergents	**+3.6 %**	**+9.0 %**	**+3.6 %**
Indicateur de référence	+2.4 %	+8.3 %	+3.6 %

Source: Carmignac at Mar 31, 2025.
Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor).

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.

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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, 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.
- **In the United Kingdom:** the Funds' respective prospectuses, KIIDs and annual reports are available at www.carmignac.co.uk, or upon request to the Management Company, or for the French Funds, at the offices of the Facilities Agent at BNP PARIBAS SECURITIES SERVICES, operating through its branch in London: 55 Moorgate, London EC2R. This document was prepared by Carmignac Gestion, Carmignac Gestion Luxembourg or Carmignac UK Ltd. FP Carmignac ICVC (the "Company") is an Investment Company with variable capital incorporated in England and Wales under registered number 839620 and is authorised by the FCA with effect from 4 April 2019 and launched on 15 May 2019. FundRock Partners Limited is the Authorised Corporate Director (the "ACD") of the Company and is authorised and regulated by the FCA. Registered Office: Hamilton Centre, Rodney Way, Chelmsford, Essex, CM1 3BY, UK; Registered in England and Wales with number 4162989. Carmignac Gestion Luxembourg SA has been appointed as the Investment Manager and distributor in respect of the Company. Carmignac UK Ltd (Registered in England and Wales with number 14162894) has been appointed as a sub-Investment Manager of the Company and is authorised and regulated by the Financial Conduct Authority with FRN:984288.
- **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.
- **In Spain** : The Funds are registered with the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores) under the following numbers: Carmignac Sécurité 395, Carmignac Portfolio 392, Carmignac Patrimoine 386, Carmignac Absolute Return Europe 398, Carmignac Investissement 385, Carmignac Emergents 387, Carmignac Credit 2027 2098, Carmignac Credit 2029 2203, Carmignac Credit 2031 2297, Carmignac Court Terme 1111.

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INVESTING IN YOUR INTEREST