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Carmignac Emergents

Emerging market equity fund combining a fundamental top-down approach with a disciplined bottom-up analysis in order to identify the best opportunities within its investment universe by seeking companies offering long-term growth potential and attractive cash generation, in underpenetrated sectors and in countries with healthy fundamentals. The Fund aims to outperform its reference indicator over 5 years with lower volatility.

Carmignac Emergents was down -5.66% over the second quarter of 2018, compared to -2.92% for its reference indicator. That takes its performance since the start of the year to -11.76%, versus -4.00% for its reference indicator.

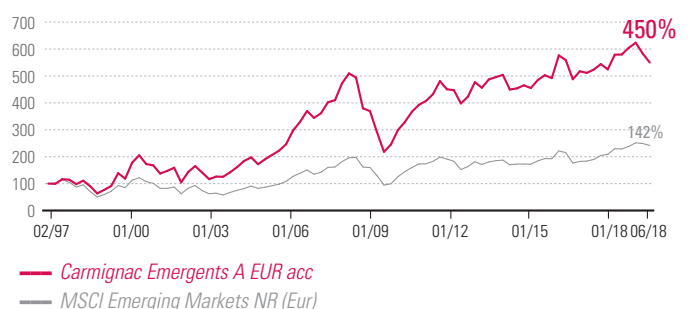
Sentiment towards emerging markets has been hindered by an increasing number of external obstacles – higher US treasuries, the stronger US dollar and mounting trade tension driven by the US – and that change of sentiment has in turn weighed on performance. The stronger US dollar in particular has investors questioning the fragility of emerging markets with the weakening of currencies from economies that run current-account deficits, such as the Turkish lira, the Brazilian real and the South African rand. We argue as before that emerging markets continue to possess better fundamentals than in previous periods of US dollar strength and tapering, and for that reason investors can rest assured that emerging markets overall should remain resilient to this risk factor. Carmignac Emergents has only 5% exposure to these traditional current-account deficit economies, versus 15% for the reference indicator.

The Fund's underperformance over the quarter is largely attributable to its exposure to Argentina (8.2% of the Fund's assets). Argentina's vulnerability mainly comes from its US dollar-denominated debt. Historically, the country has been unable to attract investors to long-term peso-denominated fixed-income securities because of its high inflation and weak institutions, which is why 65% of its debt is denominated in USD, the highest percentage among major emerging markets. When the dollar started to strengthen, the peso sold off aggressively, forcing the Central Bank of Argentina to hike interest rates to as high as 40%, creating a vicious cycle that ended up hurting GDP growth and the equity market. The IMF decided to step in, announcing in June a \$50 billion financing package that will allow Argentina to avoid tapping financial markets until 2020. IMF Managing Director Christine Lagarde has clearly expressed her confidence in the Macri administration's ability to deliver on the ambitious fiscal targets. We share that view, which is why we have kept our Argentine positions and believe 2019 could be a positive year for the country. In May 2019, Argentina will be included in the MSCI Emerging Market index, a change that should trigger inflows of around \$3 billion into the equity market. Furthermore, we believe Macri himself, or another market-friendly candidate from his party, will prevail in the October 2019 presidential election, as opinion polls show that opposition leaders have not benefitted from the recent currency crisis.

Elsewhere in Latin America, Brazil has also come under pressure due to weakening macroeconomic data and concerns over a prolonged slowdown, causing significant dip in Brazilian assets. The presidential election in the fourth quarter of 2018 could create a temporary source of volatility for local equities. We closed our position in BB Seguridade, leaving our Brazilian exposure at 4%. Mexico, on the other hand, has remained resilient. The worst of the NAFTA worries seem to have passed, and a sensible outcome appears to be taking shape. The newly elected President Andrés Manuel López Obrador, though not the market's favourite candidate, has reassured investors by advocating conventional fiscal and monetary policies.

The trade tension between the US and China has increased overall uncertainty, and there is concern over further escalation and contagion beyond the tariffs levied on \$34 billion worth of Chinese imports to date. Without major progress in negotiations, we expect these issues to continue to weigh on emerging markets. China's domestic economy has experienced a mild bout of weakness, but we continue to see government support with the injection of liquidity via a 50 basis-point cut to banks' reserve requirements. Through this proactive approach, China stands in contrast to other emerging markets, which are tightening monetary policy to forestall further currency devaluation. Beijing still has more than enough firepower to sustain domestic activity and domestic confidence, regardless of the external influences we have been witnessing. With 26.5% of the Fund's assets, China remains our primary allocation and our holdings are primarily focused on domestic names. We are still confident that China's closed economy will remain resilient to external stress and that the government will have the flexibility needed to stimulate growth when required. Over the quarter, after profiting from the good results achieved by e-commerce virtual store facilitator Baozun, we exited that position and invested in online flash sales leader VIPShop. Our investment conviction remains the same as when VIPShop was held in the **Carmignac Portfolio Emerging Discovery** portfolio. The company's strategic tie-up with JD.com and Tencent should bring it increased traffic, while protecting it from potential competition. We also added to our holding in **Hangzhou Hikvision Digital**, a leading video surveillance system developer currently evolving into an automation and robotics company to capture the increasing demand in automated manufacturing processes. At 38.6% of the Fund's assets, technology remains a core sector for Carmignac Emergents. We believe that the wave of digitalisation through e-commerce and social media platforms

Performance of the fund since its launch



From 01/01/2013 the equity index reference indicators are calculated net dividends reinvested. Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding applicable entrance fee due to the distributor).

* Risk scale from 1 (lowest risk) to 7 (highest risk); risk 1 doesn't mean an investment without risk. The risk category associated with this fund is not guaranteed and may change with time.

is creating new forms of domestic consumption. We have to realise that, since the inclusion of internet stocks, technology accounts for 28% of the MSCI Emerging Market Index, versus only 6% in 1998, which means that our perception of emerging markets as commodity- and investment-driven needs to change. Elsewhere on the technology front, our electric vehicle battery producer, **Samsung SDI**, has steadily gained ground as the global supply of electric cars expands. Higher oil prices will naturally favour the development of greener and more fuel-efficient modes of transport.

We are increasingly cautious about India. Despite a recovery in growth following demonetisation and the implementation of its national Goods and Services Tax (GST), the country's macro quality has deteriorated. India remains vulnerable to higher oil prices and increased inflation risk. The potential widening of the country's current-account deficit is putting the rupee under pressure, and has led to the Reserve Bank of India to raise rates, officially ending its loose monetary policy stance. We could see further defensive action in the form of higher base rates that could dampen growth. Having said that, India is still an extremely domestic-oriented economy that will likely remain relatively resilient to the current global trade tension. We therefore prefer to hold onto our Indian investments (12.9% of the Fund's assets) through this adjustment phase.

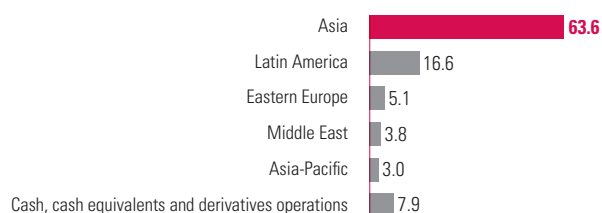
External influences are the main culprits behind the setback that has hit emerging markets and could temporarily hold back the acceleration of growth in these economies. In most of them, however, export volumes have continued to track well and consumption is still buoyant. Private investment remains subdued, but we are seeing signs of improvement. Once the focus switches back to the fundamentals and structural dynamics of emerging markets, investors will realise that these countries are only in the early stages of the economic cycle.

Here are some of our best-performing stocks in the quarter:

Stocks	Performance
Samsung SDI , electronic components, South Korea	+12%
HDFC Bank , banking and financial services, India	+12%
Fuyao Group Glass Industry , auto parts & equipment, China	+7%
Grupo Banorte , banking and financial services, Mexico	+5%
LINE Corp , software applications, Japan	+5%

Sources: Bloomberg, Carmignac, Morgan Stanley Research, 30/6/2018.

Geographic breakdown (derivatives excluded) (%)



Statistics (%)

	1 year	3 years
Fund volatility	13.53	12.27
Benchmark volatility	13.57	13.57
Sharpe ratio	-0.35	-0.02
Beta	0.93	0.82
Alpha	-0.20	-0.31

Calculation period: weekly (1 year) and monthly (3 years).

Quarterly gross performance contribution (%)

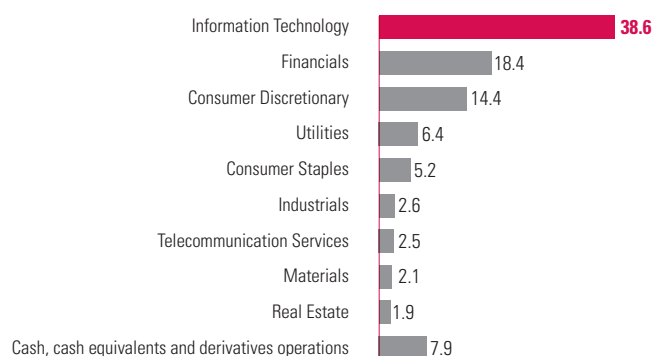
Equity Portfolio	Equity Derivatives	Currency Derivatives	Total
-5.13	-0.32	0.15	-5.30

Cumulative performance (%)

	Since 29/12/2017	3 months	6 months	1 year	3 years	5 years	10 years	Since the first NAV
Carmignac Emergents A EUR acc	-11.76	-5.66	-11.76	-5.13	-1.54	22.35	48.92	450.02
MSCI Emerging Markets NR (Eur)	-4.00	-2.92	-4.00	5.70	12.37	42.18	51.27	141.71
Category average*	-5.16	-3.53	-5.16	3.19	9.51	35.51	43.31	234.62
Ranking (quartile)	4	4	4	4	4	4	2	1

From 01/01/2013 the equity index reference indicators are calculated net dividends reinvested. * Global Emerging Markets Equity. Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding applicable entrance fee due to the distributor). 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.

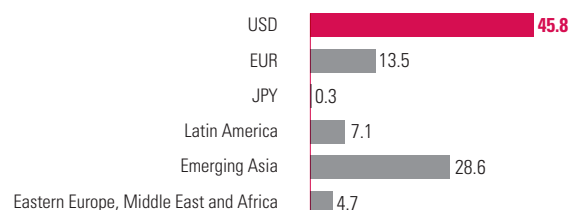
Sector breakdown (derivatives excluded) (%)



Value at Risk (%)

	Fund	Reference indicator
99% - 20 days (2 years)	8.28	7.96

Net currency exposure of Euro share classes (%)



EQUITY MANAGEMENT

HOLDINGS CARMIGNAC EMERGENTS AT 29/06/2018			Price in currencies	Total value (€)	% of net assets
Cash, cash equivalents and derivatives operations				74 603 483.49	7.94
Cash (including collateral cash from derivative positions)				74 603 483.49	7.94
Equities				865 348 043.62	92.06
Asia-Pacific				28 089 516.16	2.99
798 537	LINE CORP (Japan)	Information Technology	41.07	28 089 516.16	2.99
Latin America				155 828 122.74	16.58
181 250	BANCO MACRO (Argentina)	Financials	58.79	9 126 536.34	0.97
2 110 300	BANCO SANTANDER MEXICO (Mexico)	Financials	6.69	12 091 907.84	1.29
1 036 445	CIA DE ENER. ELEC. PAULISTA (Brazil)	Utilities	58.00	13 382 266.45	1.42
5 639 246	GRUPO BANORTE (Mexico)	Financials	117.07	28 767 488.38	3.06
1 664 223	GRUPO SUPERVIELLE SA CL-B (Argentina)	Financials	10.58	15 080 706.90	1.60
941 764	LOMA NEGRA CIA INDUSTRIAL AR (Argentina)	Materials	10.26	8 275 875.67	0.88
175 175	MERCADOLIBRE INC (Argentina)	Information Technology	298.93	44 850 381.35	4.77
5 825 963	TRANSMISSORA ALIANCA (Brazil)	Utilities	18.70	24 252 959.81	2.58
Asia				597 687 099.88	63.59
631 933	58.COM (China)	Information Technology	69.34	37 530 070.85	3.99
5 355 820	AIA GROUP LTD (Hong Kong)	Financials	68.60	40 110 399.29	4.27
4 536 369	AMBUJA CEMENTS (India)	Materials	207.45	11 764 151.24	1.25
25 678 899	ASTRA INTERNATIONAL (Indonesia)	Consumer Discretionary	6 600.00	10 129 747.89	1.08
6 231 141	BHARTI INFRAEL LTD (India)	Telecommunication Services	300.55	23 411 093.47	2.49
77 882	BITAUTO HOLDINGS LTD-ADR (China)	Information Technology	23.78	1 586 256.66	0.17
41 716 651	DALI FOODS GROUP CO LTD (China)	Consumer Staples	6.05	27 553 178.63	2.93
2 728 859	ENN ENERGY HOLDINGS (China)	Utilities	77.15	22 983 910.59	2.45
5 615 708	FUYAO GROUP GLASS INDUSTRY-A (China)	Consumer Discretionary	25.71	18 664 820.52	1.99
3 932 745	HANGZHOU HIKVISION DIGITAL-A (China)	Information Technology	37.13	18 877 216.67	2.01
1 048 307	HDFC BANK (India)	Financials	2 108.45	27 630 616.71	2.94
281 404	HERO MOTOCORP LTD (India)	Consumer Discretionary	50.70	12 219 014.56	1.30
1 070 431	HOUSING DEVELOPMENT FINANCE (India)	Financials	1 908.10	25 532 808.94	2.72
254 439	HYUNDAI MOTOR (South Korea)	Consumer Discretionary	125 500.00	24 539 846.20	2.61
1 593 378	KANGWON LAND (South Korea)	Consumer Discretionary	26 150.00	32 021 003.67	3.41
1 042 150	SAMSUNG ELECTRONICS (South Korea)	Information Technology	46 650.00	32 857 296.29	3.50
180 500	SAMSUNG SDI CO (South Korea)	Information Technology	214 000.00	29 684 887.70	3.16
1 830 471	TAIWAN SEMICONDUCTOR (Taiwan)	Information Technology	36.56	57 318 333.06	6.10
1 573 711	TENCENT HOLDINGS (China)	Information Technology	393.80	67 656 198.10	7.20
2 545 378	UNITED SPIRITS LTD (India)	Consumer Staples	664.95	21 158 275.46	2.25
4 015 210	VIPSHOP HOLDINGS ADR (China)	Consumer Discretionary	10.85	37 313 201.58	3.97
6 910 978	ZHENGZHOU YUTONG BUS CO-A (China)	Industrials	19.19	17 144 771.80	1.82
Eastern Europe				48 186 544.99	5.13
9 935 366	MOSCOW EXCHANGE (Russia)	Financials	108.58	14 735 788.71	1.57
1 087 895	YANDEX (Russia)	Information Technology	35.90	33 450 756.28	3.56
Middle East				35 556 759.85	3.78
128 728	CHECK POINT SOFTWARE (Israel)	Information Technology	97.68	10 769 689.56	1.15
15 447 939	EMAAR PROPERTIES PJSC (United Arab Emirates)	Real Estate	4.92	17 722 300.96	1.89
8 091 581	ENKA INSAAT VE SANAYI (Turkey)	Industrials	4.67	7 064 769.33	0.75
Portfolio value				865 348 043.62	92.06
Net assets				939 951 527.11	100.00