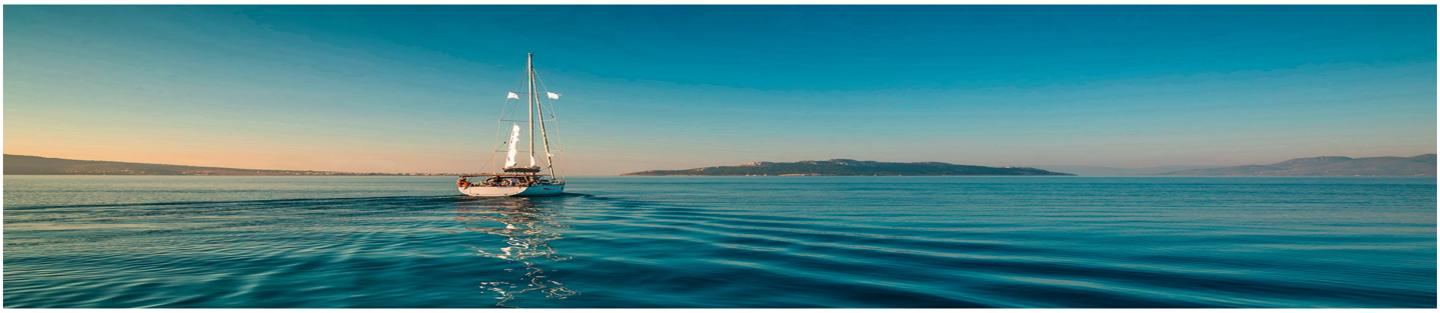

Fixed income markets: what if you didn’t have to pay excessive prices?

Published
May 5, 2021

Length
3 minute(s) read

A complex market environment – at first sight

Despite a deteriorating health situation in many countries with the arrival of new Covid-19 variants, the acceleration of vaccination programmes is setting the stage for a gradual reopening of economies. After the turbulent conditions of 2020, a broad worldwide economic upswing appears to be taking shape in 2021 against a backdrop of accommodative policies from the US and EU central banks.

Impact on fixed income markets:

A return to normal, with valuations for a large share of bonds recovering to where they stood before the crisis, which could be considered stretched.

Implications for investors:

A low interest-rate environment offering low returns, which not only fails to reward risk, but also provides inadequate protection to investors in the event of a hike in interest rates which could wipe out value.

Under these circumstances, how to find value in fixed income markets without having to pay an excessive price?

By opting for a flexible, actively managed fixed income asset allocation solution which is able to capture fixed income opportunities wherever they crop up, avoiding the pitfalls of traditional or passive investment styles.

Carmignac Portfolio Flexible Bond

A flexible approach to navigate global fixed income markets

Access the entire fixed income space with flexibility

Carmignac Portfolio Flexible Bond is an international fixed income fund fully hedged against currency risk. The Fund aims to outperform its reference indicator[1] and generate returns over a minimum recommended investment period of three years.

Carmignac Portfolio Flexible Bond is well-equipped to generate performance across different market environments:

Access to all fixed income market segments

The Fund is able to tap into the many investment opportunities fixed income markets have to offer (sovereign and corporate bonds, developed market and emerging market bonds, Investment Grade and High Yield bonds, etc.).

A benchmark agnostic approach

Unconstrained by benchmarks, the Fund's Managers are free to select the most attractive segments of the markets based on our macroeconomic outlook, the stage in the economic cycle and current valuations.

Active management of exposures

By actively managing their bond exposure, the Fund Managers can not only seize opportunities as they arise, but also reduce overall portfolio risk whenever they need to.

Selective bond-picking

The Fund benefits from the expertise of both its Fund Managers and our emerging markets, financials and credit specialists, in order to build a conviction-based portfolio and dodge the pitfalls of overpriced markets.

Worth mentioning:

Guillaume Rigeade and Eliezer Ben Zimra, co-managers of the Fund with over 8 years' of experience working on this fixed income strategy, have been able to generate performance over the years, whether interest rates were rising or stuck at extremely low levels.

Where do we find value today?

Carmignac Portfolio Flexible Bond is primarily invested in three major themes relating to where value lies. This enables the Fund to generate performance in a context of low yields on fixed income markets:

REOPENING THEME

Portfolio exposure: 9%

Yield-to-maturity: 5.9%

The gradual reopening of economies should benefit many sectors that, previously, were heavily impacted by the Covid-19 crisis. With that in mind, Carmignac Portfolio Flexible Bond has invested with extreme selectivity in corporate bonds in the airline, automotive and tourism sectors, while gaining exposure to the highly growth-sensitive energy sector.

SUBORDINATED FINANCIAL DEBT

Portfolio exposure: 11%

Yield-to-maturity: 4.6%

At a time of increasingly low yields on credit markets, European subordinated financial debt continues to offer value. That advantage is being driven by both short-term factors like European Central Bank support, attractive valuations, and long-term factors such as the high capital requirements imposed on this sector by EU regulations.

EMERGING MARKET DEBT

Portfolio exposure: 20%

Yield-to-maturity: 5.1%

The Fund Managers have also increased their exposure to emerging market debt, which should benefit from the global growth recovery, rising commodity prices and the intermediate-term prospects for a weaker dollar. Opportunities in this market are selected by our specialists of the emerging universe. Their current focus is on debt denominated in strong currencies rather than local currencies.

Source: Carmignac, 16/4/2021.

Interested in finding out more?

Contact us

Carmignac Portfolio Flexible Bond A EUR Acc

ISIN: LU0336084032

Lower risk Higher risk

Potentially lower return Potentially higher return

Recommended minimum investment horizon

1	2	3*	4	5	6	7

Main risks of the Fund

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.

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.

The Fund presents a risk of loss of capital.

[1] Reference indicator: ICE BofA ML Euro Broad Market Index (coupons reinvested).