FLASH NOTE

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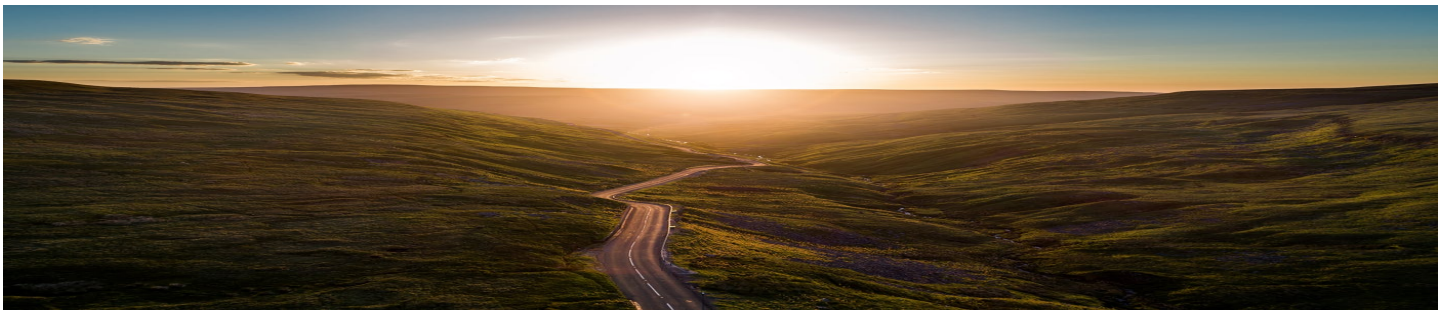

Investing today is all about flexibility and risk management

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The three managers of our FP Carmignac Patrimoine fund –Rose Ouahba, David Older, and Keith Ney – explain how they cope with the current challenging environment.

Russia's invasion of Ukraine, Covid-related lockdowns in China, rising prices, the global economic slowdown… The environment looks challenging. How do you cope with it?

Rose Ouahba: The clouds are beginning to gather. The horizon is getting darker as two main issues now threaten the financial markets: a risk of recession and a risk of inflation. Yet before any invasion or new lockdowns in China, our analysis and expectations were already pointing at slower economic growth and more persistent inflation than generally expected in 2022. The war in Ukraine and the Chinese lockdowns are merely accentuating these trends.

David Older: While March was challenging, April was a terrible month for investors. In the US, some stocks[1] had their worst month since October 2018. Despite good fundamentals – the vast majority of companies have reported better than expected results - financial markets continue to be driven by macroeconomic themes such as inflation. Against this backdrop, we are increasingly careful with regards to valuations and maintain a low exposure to equity markets.

Keith Ney: There is no safe place for investors as global bond markets also fell sharply in March and April. It's clear that investing today is all about flexibility and risk management. The current environment combining slow growth and high inflation made us invest in businesses that are either relatively immune to economic fluctuations or offering good visibility on their results. While our strong cash allocation gives us the agility we need to seize opportunities when the outlook brightens.

You have been managing FP Carmignac Patrimoine as a trio for one year, why is it an asset in this current environment?

R.O.: Since there are three of us, we have to be even more disciplined in our approach, which is a key element of the Carmignac investment process. It also opens up our minds to fresh opportunities and requires us to continually check that our investment hypotheses are still valid.

K.N.: I agree with Rose. Pooling our skills and insights on a daily basis helps us come up with different ways of investing in our selected themes. We spend a lot of time thinking about how the various parts of our Fund all fit together. That lets us manage the portfolio with a coherent, holistic view. This organisation reflects our willingness to provide our clients with the best flexibility, portfolio construction and risk management, key attributes of the Patrimoine range.

D.O.: I'd say we complement each other. And actually, it's not just three of us – there's a whole team of in-house analysts and experts at Carmignac who give us a 360° view of opportunities across financial markets. It's all about teamwork, geared towards our primary objective: managing our clients' saving over the long-term.

What's the investment philosophy you adopt in serving your clients?

R.O.: Our investment philosophy is based on long-term convictions with adequate diversification in terms of regions and sectors. We invest in bonds, equities and currencies. This broad range of asset classes gives us a variety of investment opportunities and lets us take advantage of market swings as they occur, yet through a disciplined approach.

K.N.: We look for the best investment opportunities around the world regardless of market conditions. This includes adapting quickly to changing market trends and keeping risk levels under control, with a view to achieving the optimal asset allocation at any given time. In the current context, this means using all the resources at our disposal to actively manage the many risks that have emerged in these new market conditions.

D.O.: We are long-term investors. So we don't hold stocks for just a few days in an attempt to make a quick profit. Of course, if we see that the investment case for one of our holdings no longer applies, we'll sell it in a timely manner. But when we invest in a company, we do so after performing an in-depth assessment and making sure the business is aligned with our convictions.

What would you say to someone who is thinking about investing in FP Carmignac Patrimoine?

K.N.: Thanks to our proactive, flexible investment approach, we're confident that we'll emerge from the current context even stronger and in an even better position to serve our clients' interests. Being able to invest in a variety of asset classes that gives a wide spectrum of possibilities, protecting the portfolio in the event of financial market downturns and reviving the performance drivers when the market recovers are vital to manage risks and take advantage of opportunities. This is what the Fund has been doing over 30 years now.

R.O.: We have the performance drivers and firepower to take advantage of the market rebound when it happens. It'll probably be triggered by new stimulus measures to reverse the economic slowdown in China as the Chinese authorities are starting to address a situation that could increase inflation pressure and reduce the potential growth.

D.O.: Given that many investors today are concerned about socially responsible investing, I'd add that FP Carmignac Patrimoine promotes environmental and social characteristics[2]. The inclusion of Environmental, Social and Governance (ESG) criteria in our investment process has been a key element in recent years and will continue to be so in the future, as we believe it fits perfectly with our active investor approach.

To learn more about FP Carmignac Patrimoine:

Click here

[1]The Nasdad-100 index which tracks the 100 largest non-financial companies traded on the Nasdaq stock market had its worst month since October 2018 with a 13.2% fall in April.

[2]The Fund is classified as an Article 8 fund under the EU's Sustainable Finance Disclosure Regulation (SFDR).

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