



Carmignac Patrimoine: Letter from the Fund Manager

Author(s)
Rose Ouahba, David Older

Published
January 13, 2023 

+4.3%

Carmignac Patrimoine performance

in the 4th quarter of 2022
for the A EUR Share class

-1.4%

Reference indicator's performance

in the 4th quarter of 2022
for the A EUR Share class

+3.2%

Performance of the Fund over the semester versus -2.2% for the reference indicator

Over the period, **Carmignac Patrimoine** recorded a performance of +4.31%, above that of its reference indicator (-1.37%). In 2022, it returned -9.38% vs -10.25% for its reference indicator and ranks first quartile in its Morningstar category*.

*EUR Moderate Allocation - Global

Market environment

As US inflation peaked over the quarter, markets celebrated hopes of a future pivot by central banks, despite hard data pointing to the resilience of the US consumer. Towards the end of the year, the Fed dashed market hopes by putting rate cuts off the table, albeit confirming a slowdown in its pace of tightening. In China, recession risks led the government to lift its zero-covid restrictions, which boosted hopes of a recovery. Despite a correction at the end of the year, this quarter's dynamic supported the performance of risky assets, with credit and equities surging from yearly lows as rate' volatility came down, as well as with major currencies regaining some of their yearly losses against the US Dollar.

How did we fare in this context?

Carmignac Patrimoine recorded a solid positive performance over the period, thanks to dynamic management of our hedging strategies that allowed us to both fully benefit from the market rebound, but also mitigate the end-of-year market correction. Our contributors to performance can be broken down as followed:

Equity book (++): Energy, aircraft manufacturers, luxury, healthcare, and gold

Equity derivatives (-): short position on US small cap index (lifted in October)

Fixed income book (++): Credit, Russian assets

Fixed income derivatives (+): Long duration on US sovereign debt

FX derivatives (+): positioning favoring the Euro over the US Dollar

Carmignac Patrimoine successfully leveraged on its flexibility and diversification to generate positive absolute and relative returns over the period.

Outlook

After a year focused on inflation, all eyes will be on slowing growth in 2023. In the US, a resilient consumer should force the Fed to tighten more for longer, causing a 2H recession. Although warm temperatures and fiscal support allow Europe to avoid a hard recession, the recovery will be shallow due to the European Central Bank entering restrictive territory, fiscal policy becoming a burden, and the external environment becoming more difficult due to unresolved gas issues. China's reopening after years of covid lockdown should support consumption in the service sectors, while the regulatory headwinds of recent years seem to be abating.

Our strategy going into 2023 more than ever relies on diversification and active management. The return of inflation, which should remain structurally higher, means a return of the business cycle. A newly cyclical economy requires both vision and proactive management skills from investors. In such environment, a flexible mixed asset strategy like Carmignac Patrimoine should stand out in the same way it has in 2020, in 2H 2022 or in earlier periods.

We anticipate our performance drivers for next year to be the following:

In equities:

Our view as we enter the first quarter is that equity markets, especially in the US, don't fully price in an earnings recession. This leads us to maintain moderate equity exposure and a focus on companies and sectors best able to withstand an economic slowdown such as healthcare, consumer staples and gold.

Geographically, we favor Europe and China over the US and have added exposure to Japanese banks which we see as benefiting from a steepening yield curve.

We also remain constructive on the energy sector where the structural supply/demand imbalance remains intact.

We balance the portfolio with selective exposure to idiosyncratic opportunities generally overlooked by investors. We anticipate a strong 2023 for Chinese equities, with an end to covid Zero and a better regulatory backdrop. We are also constructive on US industrial companies, poised to benefit from the onshoring trends.

In fixed income:

The credit asset class already reflects growth worries, and well compensates investors for it, leading us to keep a large unhedged allocation to the segment.

Rate markets are in our view too early in pricing a Fed pivot in the coming two years. As a result, short term maturities could suffer. Conversely, at such levels, longer term maturities offer a good buffer against slower growth.

Opportunities have arisen in Japan, where the central bank could operate a reversal of its monetary policy in response to inflation. The yield of our fixed income portfolio revolves around 5.4%.

Finally, our currency exposure favors the Euro to the Dollar; indeed, unlike in the US, European inflation has yet to peak, which should pressure the ECB to tighten more than the Fed and keep rates relatively higher.

Looking for optimal asset allocation in different market conditions

[Discover the fund page](#)

Carmignac Patrimoine A EUR Acc

ISIN: FR0010135103

Recommended
minimum
investment horizon



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.

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.

The Fund presents a risk of loss of capital.

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.

This material may not be reproduced, in whole or in part, without prior authorisation from the Management Company. This material does not constitute a subscription offer, nor does it constitute investment advice. This material is not intended to provide, and should not be relied on for, accounting, legal or tax advice. This material has been provided to you for informational purposes only and may not be relied upon by you in evaluating the merits of investing in any securities or interests referred to herein or for any other purposes. The information contained in this material may be partial information and may be modified without prior notice. They are expressed as of the date of writing and are derived from proprietary and non-proprietary sources deemed by Carmignac to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. As such, no warranty of accuracy or reliability is given and no responsibility arising in any other way for errors and omissions (including responsibility to any person by reason of negligence) is accepted by Carmignac, its officers, employees or agents.

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.

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. The reference to a ranking or prize, is no guarantee of the future results of the UCIS or the manager.

Morningstar Rating™ : © Morningstar, Inc. All Rights Reserved. The information contained herein: is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Access to the Funds may be subject to restrictions regarding certain persons or countries. This material is not directed to any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) the material or availability of this material is prohibited. Persons in respect of whom such prohibitions apply must not access this material. Taxation depends on the situation of the individual. The Funds are not registered for retail distribution in Asia, in Japan, in North America, nor are they registered in South America. Carmignac Funds are registered in Singapore as restricted foreign scheme (for professional clients only). The Funds have not been registered under the US Securities Act of 1933. The Funds may not be offered or sold, directly or indirectly, for the benefit or on behalf of a «U.S. person», according to the definition of the US Regulation S and FATCA. 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 Company. 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 Company.

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.

The Management Company can cease promotion in your country anytime. Investors have access to a summary of their rights in English on the following links: [UK](#) ; [Switzerland](#) ; [France](#) ; [Luxembourg](#) ; [Sweden](#).