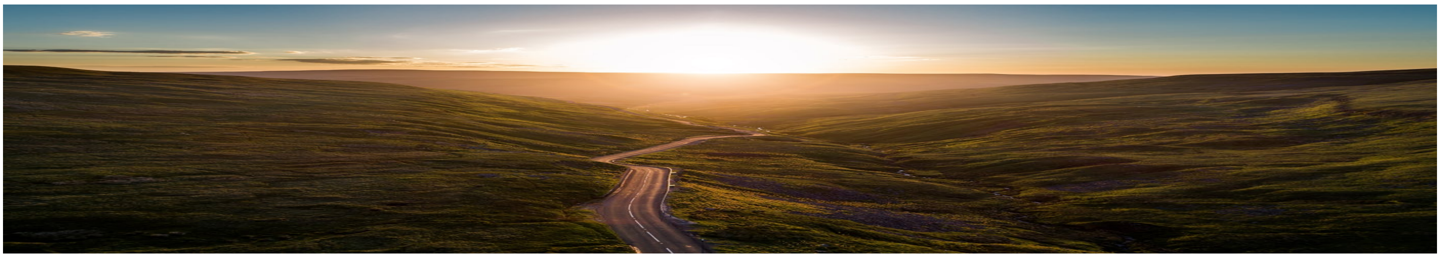
QUARTERLY REPORT

20.04.2023



Carmignac Patrimoine: Letter from the Fund Managers

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-0.05%

Carmignac Patrimoine's performance

in the 1st quarter of 2023 for the A EUR Share class

+7.46%

Carmignac Patrimoine's performance

over 3 years for the A EUR Share class

+12.94%

Carmignac Patrimoine's performance

over 10 years for the A EUR Share class

*Over the period, **Carmignac Patrimoine** recorded a performance of -0.05%, below that of its reference indicator (+2.75%).*

Market environment during the period

In January, markets were convinced that a soft landing was possible and that the worst might be behind us. This brought core bond yields down, supporting the performance of risky assets. The mood changed in February as strong employment figures and persistently high inflation led markets to raise their estimate for terminal rates. Against this backdrop, sovereign bond yields climbed, and equity markets corrected, except in Europe where growth prospects brightened as gas prices fell. Finally, March saw the appearance of stress within the US banking sector leading to wild swings in markets and violent risk-on and risk-off moves.

How did we fare in this context?

The cautious positioning of the equity portfolio, with average equity exposure of 41% over the period, did not allow the fund to participate in the market rebound. Indeed, in an environment characterized by sharp moves on both the upside and the downside, and yet markets globally posting positive performance, our hedges on Nasdaq, Euro Stoxx 50 and S&P 500 hurt the performance. The relative performance has also been penalized by our preference for quality companies and our underexposure to high valuation stocks in an environment where the level of rates remains high. Non-profitable tech, representative of characteristics we avoided, has seen strong returns so far this year.

However, our active management of the duration of the fixed income portfolio contributed to mitigate the record high volatility of the fixed income markets - government bonds' volatility reached levels last seen during the great financial crisis. Finally, our strategies on EM currencies in Latam and Easter Europe were a source of alpha.

Outlook

On the macro data front, inflation remains sticky both in the US and Europe. As a result, central banks continue to tighten their monetary policy and the transmission mechanism is showing the first signs of effectiveness. Bank lending conditions have been tightening since mid-22 on the back of rising rates - and this is about to accelerate. The US banking sector crisis will force restructuring of regional banks and a major tightening of lending standards, potentially triggering a credit crunch. Households and companies should be pushed to save more and spend less.

Therefore, our main scenario for the coming months remains that the US will enter recession in H2 2023 – while the probability to see a hard landing has picked up, a soft landing can still occur. In Europe, the willingness of the ECB to bring inflation to 2% sooner rather than later means that a tight monetary policy will continue to be a headwind for growth. Meanwhile, China remains desynchronized from the rest of the world and hence a silver lining of this cloudy outlook.

Such an environment calls for a selective approach to investment and also for an active management of exposures. Indeed, a window of opportunity has opened to invest in both equity and bond markets over the coming months and should be seized. The next sequence of events could see this window close again, as sticky core inflation could delay a Fed pivot, while recession risk looms.

Positioning

Our main performance drivers for the next months are the following:

- Within the fixed income portfolio, we have a balanced approach between duration (long position on core rates through real and nominal) and spreads (through a selection of credit and EM debt)
- Within the equity portfolio, we have a selection of equities that tend to do well in a recessionary backdrop, alongside interesting growth opportunities in the artificial intelligence and biotechnology sectors. We also have a exposure to Gold, which we see as benefiting from the low real rate backdrop that we anticipate as rates fall while inflation remains above target.
- We also have significant Euro exposure as growth and interest rates differentials should favor the old continent

Source: Carmignac, Bloomberg, 31/03/2023

Carmignac Patrimoine

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Carmignac Patrimoine A EUR Acc

ISIN: FR0010135103

Recommended minimum investment horizon

Lower risk Higher risk

Potentially lower return Potentially higher return

1	2	3	4*	5	6	7

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.