



Carmignac Portfolio Emerging Discovery: Letter from the Fund Managers

Author(s)
Xavier Hovasse, Amol Gogate

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Length



+4.3%

Performance of Carmignac Portfolio Emerging Discovery A EUR Acc over the second quarter of 2023

+7.2%

Carmignac Portfolio Emerging Discovery's year-to-date performance

1st

Carmignac Portfolio Emerging Discovery is ranked 1st quartile for its volatility within its Morningstar Category over 1 and 5 years period

Carmignac Portfolio Emerging Discovery (A EUR ACC share class, ISIN LU0336083810¹) returned +4.30% during the second quarter of 2023 versus +4.18% for its reference indicator², taking its year-to-date performance to +7.23% versus +5.87% for its reference indicator. Additionally, the Fund was categorized as Article 8 under the European Sustainable Finance Disclosure Regulation (SFDR) with more than 50% of investments of the fund recognized as 'sustainable' and contributing to United Nations Sustainable Development Goals.

Quarterly Performance Review

During the second quarter of 2023, most major markets delivered positive absolute returns. The fund's holdings in India and Brazil delivered market beating returns while our holdings in Korea and Taiwan lagged their country benchmarks. The fund's holdings in the semiconductor supply-chain benefited from the rush to own businesses with exposure to Artificial Intelligence (AI).

The macroeconomic outcomes in first half of this year have generally caught the markets by surprise. The US consumer has turned out to be a lot more resilient while growth in China has disappointed. Our portfolio is not constructed with any specific macroeconomic outcome in mind. We remain focused on owning quality businesses which can compound growth significantly over many years to come. The Emerging Markets universe provides us ample opportunities to do so across geographies and sectors. We place a high bar on management teams we invest with and prefer businesses that generate sufficient cash-flows to fund their own growth. Due to this our portfolio tends to be more defensive compared to the reference indicator. But we also do not shy away from investing in businesses and countries that may be out of favour as long as we have conviction in the medium to long term outlook. A case in point has been our investments in Vietnam.

Fund positioning

Vietnam's fast-growing economy is creating a lot of attractive investment opportunities. Yet it is extremely difficult for foreigners to invest in Vietnam. Over the past few quarters, we have increased the fund's holdings of **FPT Corp.** FPT is one of the most respected technology companies in Vietnam. Founded by Mr. Truong Gia Binh three decades ago, FPT now has two main businesses: offshore IT Services and domestic broadband. India dominates offshore IT Services for North America and Europe. FPT has carved a niche for itself by focusing on customers in Japan. They are now expanding into the other developed markets. FPT also started Vietnam's first private university in 2006 and the education business continues to train a large number of skilled professionals for Vietnam's rapidly expanding information technology industry. Last year, Vietnam's markets were rocked by a crisis in the domestic bond market which was mainly linked to the real estate sector. We saw the ensuing sell-off as an opportunity to own more of FPT. We continue to look for similar opportunities in all our markets to own good quality business that have a long runway for growth.

Outlook

India remains our heaviest regional weighting and is an excellent market in which to find long-term growth stocks, but we also have to be careful with high valuations at a time when many developed countries are coming out of the very low interest rate environment of the previous decade. The fund continues to have a good mix of defensive holdings though investments in predictable return companies such as the Brazilian transmission utility company **Alupar**, that benefits from growing infrastructure demand with guaranteed regulated returns or **Fibra Terrafina**, one of the key players in Mexico's industrial real estate market, benefitting from the secular trend of Nearshoring.

Going forward, we expect heightened macroeconomic uncertainty to continue during the rest of 2023. But we also expect 2024 to mark the start of the new phase of growth for themes such as industrial automation, AI and semiconductors. We continue to review our current portfolio and new ideas to ensure we concentrate the portfolio in the highest conviction holdings for 2024 and beyond.

¹ Performance of the A EUR acc share class ISIN code: LU0336083810. Past performance is not necessarily indicative of future performance. The return may increase or decrease as a result of currency fluctuations. Performances are net of fees (excluding possible entrance fees charged by the distributor). From 01/01/2013 the equity index reference indicators are calculated net dividends reinvested.

² 50% MSCI EM SmallCap (EUR) + 50% MSCI EM MidCap (EUR) (Reinvested net dividends rebalanced quarterly).



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Carmignac Portfolio Emerging Discovery A EUR Acc

ISIN: LU0336083810

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.

EMERGING MARKETS: Operating conditions and supervision in "emerging" markets may deviate from the standards prevailing on the large international exchanges and have an impact on prices of listed instruments in which the Fund may invest.

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.

LIQUIDITY: Temporary market distortions may have an impact on the pricing conditions under which the Fund might be caused to liquidate, initiate or modify its positions.

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.

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