



## Carmignac Portfolio Emerging Discovery: Letter from the Fund Managers

---

Author(s)

Xavier Hovasse, Amol Gogate

Published

November 1, 2022

Lei



---

**Carmignac Portfolio Emerging Discovery (A EUR ACC share class, ISIN LU0336083810<sup>1</sup>)** was up +3.91% during the third quarter versus -1,20% for its reference indicator<sup>2</sup>, making up for around half of the under-performance accumulated by the fund since the beginning of the year, which, as a reminder, was largely due to its Russian exposure. Since the beginning of the year, the fund returned -18.29% versus -12.65% for its composite reference indicator.

## Performance explanation

The past quarter's strong performance was mainly due to India. Two things played in our favor. Firstly, the fund had a significant overweight position in India, with an average exposure of 24% over the quarter to be compared with 18% for its reference indicator. And secondly, we were rewarded by our stock picking. Our Indian portfolio was up 31.9% over the quarter vs 17.6% for our reference indicator<sup>1</sup>.

More specifically, our consumer names **Sapphire Foods** and **Varun Beverages** were the top two contributors to the fund during the quarter. While most Asian countries are seeing their economic activity collapse as a consequence of weakening exports, India, on the other hand, is experiencing an uptick in domestic credit and investments. This is supporting domestic demand and consumption. Our Indian healthcare names also performed very well, especially Max Healthcare which was added to the fund during the summer. We bought a very large position in August when the company raised Equity.

**Max Healthcare** is the second largest hospital chain in India, with 17 facilities and a current capacity of 3,400 beds which is rising rapidly. The company acquired land with the intention to add 1,000 beds in Greenfield hospitals in highly attractive regions where penetration is low. Max Healthcare is a profitable business despite a very aggressive growth plan unveiled in the past three years that allowed its EBITDA to grow more than 50% per year. Max Healthcare has been displaying one of the best standards of clinical excellence and patient care among its peers, which is of prime importance in a country where there is little availability of quality healthcare. Note that Max Healthcare accounts for 8.2% of the fund, an illustration of our willingness to reduce the number of positions and have a more concentrated portfolio that focuses on our strongest convictions. Our top 10 positions account for 48% of the fund, the highest number in years.

During the quarter, we also added **Salik**, a toll road operator in Dubai. The macro backdrop in the UAE (United Arab Emirates) looks very positive, thanks to the obvious support of higher oil prices, but also to the Government's successful initiatives to attract business. Salik's traffic is driven by the demographics of the country, which is dynamic thanks to Dubai's popularity as a tourist and business hub. The Government put in place the Golden Visa program for retired people and remote workers, it decided to host more than 400 global events per year by 2025 to attract more visitors and launched the 2040 Urban Master Plan to develop and invest in five main urban centers, three of which will be connected to existing toll gates. This plan is expected to increase the population of Dubai to 5.8mn by 2040 from the current 3.4mn. Being a monopolistic State-Owned enterprise, we believe that Salik's business does not have a material regulatory risk and the valuation exercise is made easier by the automatic inflation adjustment to toll prices. We decided to buy in the IPO of the company because our analysis indicated an attractive Equity risk premium to sovereign yields, which we believe does not make sense with regards to the risk profile of the business.

## Outlook for the next months

Taking into account the much higher long term real yields in the US curve, we have decided to have a conservative approach, which is why we have put in place a hedging strategy on our Indian portfolio on both the currency and the Equity market for around 10% of the fund.

While we clearly like the names that we own in India, we acknowledge that Indian Equities have been holding up very well in relative terms, which brings the risk of a sudden draw-down which would affect the fund. We would like to take the opportunity to remind our investors that our hedging strategies are limited in both magnitude and time. They are used in exceptional circumstances for a limited amount of time when we believe that it is in the interest of the fund to use derivatives which are liquid and cost-free rather than move the portfolio directly. We have also reduced the risk of the fund by trimming some of our cyclical positions, especially in Korea and Taiwan, in the semi-conductor space for instance, which are deep cyclical names.

However, as we head into the 4th quarter, we are seeing some signs of capitulation in the market, usually an opportunity to re-expose the fund, which is why we are becoming more and more confident for 2023 and we believe our next moves will be bullish ones.

Sources: Carmignac, Bloomberg, 30/09/2022

[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).  
Bloomberg, 30/09/2022

# Crossing frontiers to discover small and mid-cap gems

[Discover the fund page](#)

## 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.**

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](http://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](http://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](http://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](http://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](#).