



Carmignac Portfolio Global Bond: Letter from the Fund Manager



Author(s)
Abdelak Adjriou

Published
July 12, 2023

Length
5

-0.60%

Carmignac P. Global Bond
(A Euro Acc) year-to-date
2023 performance.

-1.40%

Reference indicator's
(JP Morgan GBI Global
(EUR)) year-to-date 2023
performance.

+0.80%

Outperformance of the
fund
during the first half of the
year versus its reference
indicator.

***Carmignac Portfolio Global Bond** has realised a performance of -0.60% (class A Eur Acc shares) during the first half of 2023, outperforming its reference indicator (JP Morgan Global Government Bond Index (EUR)), which delivered -1.40%¹.*

The bond markets today

Bond markets continued to remain very volatile in Q2 2023.

The most important feature in this quarter have been central banks, most of which have remained hawkish. Consequently, in Q2 2023, the front-end part of the yield curves served as the primary cause of volatility and underperformance once more. In fact, the ongoing bear flattening of yield curves has been one of the most fundamental fixed income events this year. The US curve, for instance, is virtually as inverted as it was in the 1980s.

Another interesting development in 2023, especially in Q2 continues to be the robustness of the US economy and of the US job market, particularly after the offset of the banking sector crises in March, following which, all indicators were pointing to an abrupt decline in growth. On the contrary, we recently saw that the US GDP estimates for Q1 were revised higher, that unemployment claims had decreased dramatically, that durable goods orders had gotten stronger, and that consumer confidence had risen. Additionally, despite higher interest rates, even the housing market appeared to make some progress in Q2.

Parallel to this, we observed a sizable fraction of investors holding long positions in risky assets like stocks or corporate debt, which was reflected, among other things, in the corporate credit spreads' significant tightening during the quarter.

Fund performance

Carmignac Portfolio Global Bond generated a negative absolute performance in the second quarter, slightly below its benchmark. After a strong Q1 2023, Q2 was quite the opposite, and hence we gave back most of the gains that we had achieved in Q1. Having said that, year to date we remain well above the benchmark in relative terms. The main performance drags in Q2 were our long duration calls and the Yen as well as the US dollar to a lesser extent. The main sources of alpha were our credit positioning notably thanks to CLOs (Collateralized Loan Obligations), our emerging debt strategies and emerging market currencies.

Outlook

We still believe that the recession should come in the US towards the end of the year, despite the recent resilience of the economy and that of the job market. Although we think that we are now in a bear market rally, we also note that the global economy is slowing down and that a significant portion of market liquidity is being dried up by the US Treasury. In reality, the majority of economic indicators are also pointing towards a recession, including falling PMIs, an already-recessionary manufacturing sector, a sharp inversion of yield curves, a sluggish credit growth, etc. The job market is the last indicator to keep an eye on right now. It is obvious that wage increase is what keeps inflation high and economic growth afloat at the moment.

Our investment strategy in the fund continues to be consistent with the macroeconomic forecast. In terms of duration, we are long duration, particularly in the mid and longer-end parts of the US yield curve. Additionally, that part of the yield-curve often performs best if a recession occurs. We are also long of real rates, since these continue to be too high to be sustainable at current levels. Finally, we continue to own local currency debt issued by emerging markets.

In terms of credit, we are strategically bullish in the near term but quite cautious in the medium to long term. Due to the worsening macroeconomic statistics for the Euro Zone, we have marginally increased our US dollar exposure (against the Euro) to the upside at about 30%. In addition, we have taken profits in most risky currencies but maintain some exposure to the Brazilian Real or Norwegian Krone.

¹ Source: Carmignac, Bloomberg, 30/06/2023. Performance of the A EUR Acc share class ISIN Code A EUR Acc : LU0336083497. Reference Indicator: JP Morgan Global GBI (EUR). Past performance is not necessarily indicative of future performance. The return may increase or decrease as a result of currency fluctuations, for the shares which are not currency-hedged. Performances are net of fees (excluding possible entrance fees charged by the distributor). **Marketing communication.** Please refer to the KID/prospectus of the fund before making any final investment decisions

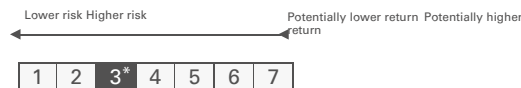
A global, flexible and macroeconomic approach to fixed income markets

[Discover the fund page](#)

Carmignac Portfolio Global Bond A EUR Acc

ISIN: LU0336083497

Recommended
minimum
investment horizon



Main risks of the Fund

CREDIT: Credit risk is the risk that the issuer may default.

INTEREST RATE: Interest rate risk results in a decline in the net asset value in the event of changes in interest rates.

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.

DISCRETIONARY MANAGEMENT: Anticipations of financial market changes made by the Management Company have a direct effect on the Fund's performance, which depends on the stocks selected.

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 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.

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](#).