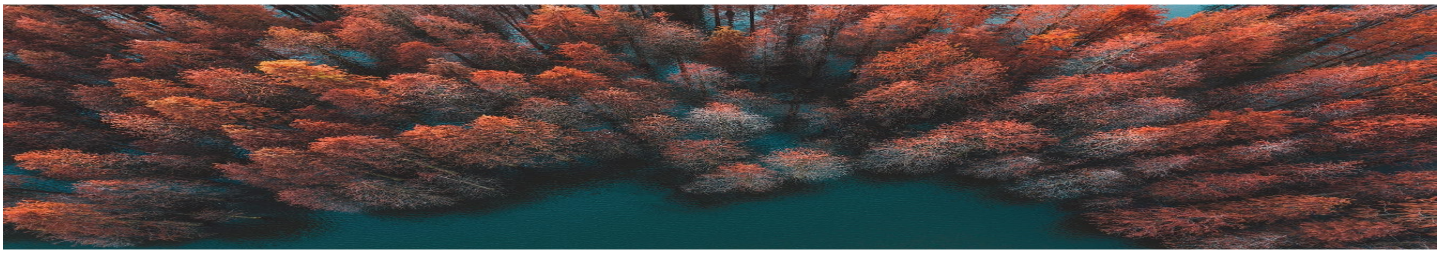
QUARTERLY REPORT

27.01.2023



Carmignac Portfolio Grandchildren: Letter from the Fund Manager

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Len

+1.37%

Carmignac Portfolio Grandchildren's performance

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

+0.76%

Reference indicator[1]'s performance

in the 4th quarter of 2022

+17.11%

Performance of the Fund

over 3 years vs +21.56% for the reference indicator (A EUR Share class)

During the fourth quarter of 2022, the total return of**Carmignac Portfolio Grandchildren** (A share class) was +1.4%. This compares to a return on the funds reference indicator of +0.8% over the same period.

Markets Review

Global equity markets regained their poise in the fourth quarter, rising modestly, having fallen dramatically in 2022 up to that point owing to rising interest rates pressuring valuations and the risk of the energy crisis and higher finance costs inducing a recession. The more optimistic tone starting in October was based on the prospect of headline inflation data easing in the US which subsequently came to pass in November. This was key in allowing investors to project a slower rate of future interest rate rises and alleviate the biggest headwind to equity markets. The end of the year consequently ended on a positive note despite remaining uncertainty over economic growth and corporate profitability into 2023.

Quarterly Performance Review

Despite the change in tone from a macroeconomic perspective, counter-intuitively, many of the better sectors in Q4 continued to be the winning sectors of the year, namely Energy, Commodities and Financials. These are areas where the fund, because of its focus on businesses with high consistent profitability, have little exposure and so this created a headwind. Another negative was concerns emerging among technology names which we favour, especially in software, of slowing end demand. However, this was more than offset by strong stock selection in the consumer areas. Significant contributions in the consumer sector came from luxury goods maker LVMH rising 12% in the period as investors anticipated stronger growth from China in the near future after encouraging signs of that economy re-opening post covid lockdowns. Staple name Procter & Gamble rose 11% after reported results showed they were able to sustain a decent 7% organic growth despite rising raw material costs and a weaker consumer environment, through strong price rises reflecting the strength of their brands, as well as maintaining full year guidance.

Healthcare continued to be a positive for us in the , as it has all year, with both Novo Nordisk and Eli Lilly rising 23% and 4% respectively, as both names innovative diabetes drugs continue to take market share reflecting their superior efficacy in controlling blood sugar and related weight loss. Elsewhere in Healthcare it was a mixed bag – especially in medical devices where the star was Intuitive Surgical, the robotic surgery specialist. The stock rose 30% having been a poor performer for some time, as investors appreciated their upgrade f expected procedure growth to between 17-18% for the full year, spread across all geographies and types of operation. On the negative side our large position in respiratory equipment specialist Resmed fell 12% as results showed that they are still hampered by supply chain disruption especially in the area of semi-conductors. Recovery of supply chains are taking longer than hoped preventing Resmed from taking even more share from Philips who are suffering from a product recall on safety grounds. Nonetheless we expect Resmed to emerge from the situation in a much stronger position than before the crisis in a market where penetration of potential patients is still low.

As mentioned above technology names were generally weak in the quarter, as ongoing concerns on valuations, especially in software, continued, and were augmented by signs of slowing end demand from some markets. Among the worst affected names in our fund were, security software name Palo Alto -22%, Alphabet -15%, accounting software name Intuit -8% and even Microsoft -5%. In many of these cases we have used any weakness to reinforce our holdings, especially in Microsoft where we see the long-term trend of growth in cud computing boosting their Azure business, and the enduring strength of their Office 365 product.

Outlook

Trading in the quarter was modest but we have used the macro-economic overlay which is in intrinsic part of our process, to de-emphasise cyclicality and increase defensive or less economically sensitive stocks. This is owing to the increasing uncertainty over economic activity into 2023. One of the main impacts here was to take profits in our profitable LVMH position mentioned above. We also sold out of Compass Group, the catering business. Among technology names we reduced exposure to some of the highest multiple software names including Salesforce, Service Now and Palo Alto. These monies were redeployed into Microsoft, contract drug manufacturer Lonza, Resmed and SAP, among others.

Our focus remains on identifying and owning the profitable companies with high return on capital companies we believe have the best prospects for a 5 year or longer time horizon and holding stocks over this time. Some of the other better relative performers in the quarter included.

Source: Carmignac, Bloomberg, 31/12/2022. Performance of the A EUR Acc share class ISIN code: LU1966631001. [1]Reference Indicator: MSCI WORLD (USD, Reinvested Net Dividends. Risk Scale from the KID (Key Investor Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time.

Carmignac Portfolio Grandchildren

A global, high-conviction equity fund for long-term investors

Discover the fund page

Carmignac Portfolio Grandchildren A EUR Acc

ISIN: LU1966631001

Lower risk Higher risk

Potentially lower return Potentially higher return

Recommended minimum investment horizon

1	2	3	4	5	6*	7

Main risk 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.

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.