



## Carmignac Portfolio Grande Europe: Letter from the Fund Manager



Author(s)  
Mark Denham

Published  
January 19, 2023

Len

### +8.87%

Carmignac Portfolio  
Grande Europe  
performance  
in the 4<sup>th</sup> quarter of 2022  
for the A EUR Share class

### +9.84%

Reference indicator\*  
performance  
in the 4<sup>th</sup> quarter of 2022

### +7.52%

Annualised performance  
of the Fund  
since Mark Denham\*\* vs  
+6.31% for the reference  
indicator

*In the fourth quarter of 2022, **Carmignac Portfolio Grande Europe** gained +8.87%, while its reference indicator\* rose 9.84%. The Fund posted a performance of -21.09% over the year, compared with a decline of -10.64% for its reference indicator.*

## Quarterly Performance Review

### Market environment during the period

**Having had an extremely poor first 9 months, European markets rallied at the beginning of 4Q.** This was in expectation of an easing in US headline inflation which, once materialised in November, supported an even higher climb in anticipation of a Fed slowdown. A widespread effect despite the same set up was not characterising the Eurozone. Nonetheless, news flow that China was reopening allowed stock prices to rally, despite huge uncertainty over what higher rates will mean for economic growth and European company profits in 2023.

## Fund Positioning

### What you have done in this context / performance commentary

**Regardless of the change in market direction, the better performing sectors continued to be Financials, Energy, and Commodities, as they have been during the whole year.** Having little exposure in these areas – we believe they do not exhibit either the high-quality financial characteristics to generate long-term value, or sustainability criteria – we suffered performance wise not only in Q4, but during the entirety of 2022. **Despite this dynamic, we maintained our focus on quality, secular growth companies** and have continued to add new names to the Fund meeting our criteria, including life science equipment maker Sartorius, and pharma stock Zealand Pharma. Additionally, we used any weakness to reinforce other new names added during the year, such as contract drug manufacturer Lonza and contact lens company Alcon.

**As much as we had a sectoral headwind, many of our individual larger holdings had good returns in the quarter. Healthcare especially remained a source of positive contribution for the Fund.** Novo Nordisk rose as they confirmed ongoing strong growth of their diabetes franchise and the fact that Wegovy – their new obesity product – would be again available in the US market by year end. Novo remains one of our larger holdings as we think there is more potential growth in both these business areas going forward. Genmab also rose as sales of their cancer product Darzalex – which is partnered with J&J – exceeded expectations as well as due to investors' turning their attention to a rich pipeline of new cancer treatments. In Technology, SAP rose as momentum in their new cloud offering has been sustained despite economic uncertainty on the back of clients' need for better visibility on supply chains globally and access to real time ESG data. The company is more than halfway through a transition of its core ERP product to the cloud, which we believe means we should see it reflected on profit growth from 2023. As a result, the name remains a high conviction holding in our portfolio.

The luxury goods sector rose in the quarter, partly on optimism on resumed demand from Chinese consumers post their protracted lockdowns. Hermes, a name we added last summer after it suffered a large pull back, enjoyed a strong performance and exceeded our long-term fair value. A trigger for us to sell. Over 2022 we have been reducing many of the reopening names that we purchased 2 years ago when the Covid crisis hit, such as Compass Group, the contract caterer, which we eventually exited in Q4. We also sold a remaining small holding in Teleperformance – after progressively taking profits over the year on the back of a good performance – given negative news flow in November.

## Outlook

### How your portfolio is prepared for the following months?

As 2022 came to an end, it is clear how difficult the market environment has been for our strategy, in absolute and relative terms. However, **having an investment horizon of 5 years, we stick to our process and focus on profitable companies with high returns on capital, reinvesting for growth. We believe these companies can continue to deliver long-term returns for investors, and so the dramatic pullbacks in prices of these types of companies in 2022 have provided us with entry points in great businesses we had on our watchlist for a while. Additionally, as we move into 2023, we continue to reinforce our alignment to sustainable investments, in line with our Outcomes Framework based on the United Nations Sustainable Developments Goals.**

Going forward, we do not expect to see again such rotation away from high quality, in fact, in any case, 2022 magnitude cannot be replicate in an environment characterised by less upward pressure on interest rates and inflation. Instead, we believe that the superior profit growth and visibility of sales and profits of our holdings is likely to be reflected in more resilient performance – especially against an uncertain economic background.

Reference indicator: Stoxx Europe 600 (NR, EUR). From 01/01/2013 the reference indicator is calculated net of dividends reinvested. \*\* Mark Denham took over the fund on the 17/11/2016.  
Source: Company website, Bloomberg, Carmignac, December 2022

# A high conviction, sustainable European equity strategy

Discover the fund page

## Carmignac Portfolio Grande Europe A EUR Acc

ISIN: LU0089161993

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.

**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](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, KIDs 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](#).