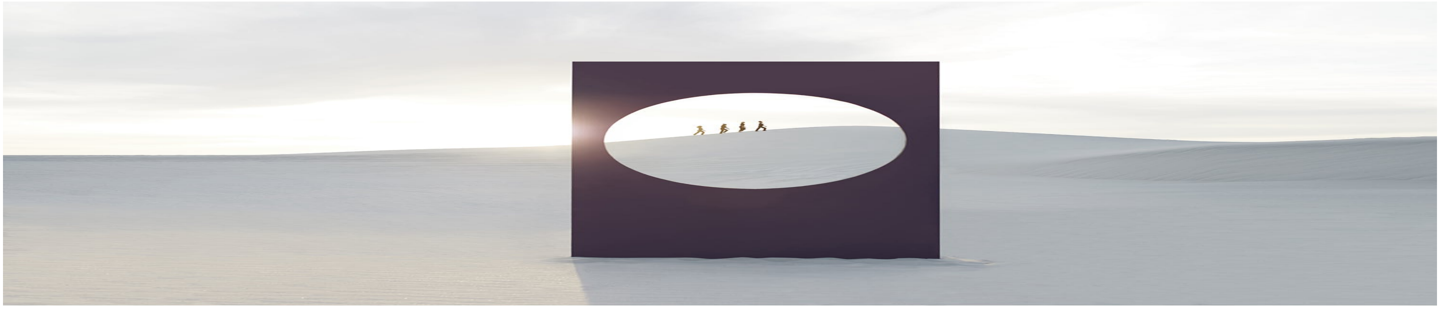

Carmignac Portfolio Human Xperience: Letter from the Fund Manager

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Length
5 minute(s) read

+8.47%

Carmignac Portfolio Human Xperience's performance in the 1st quarter of 2023 for the A EUR Share class

+5.41%

Reference indicator's performance in the 1st quarter of 2023 for MSCI ACWI

Carmignac Portfolio Human Xperience is a thematic global equity fund invested in companies that demonstrate strong customer and employee experience. This strategy is sector and region agnostic as it seeks to select best-in-class companies with attractive scores based on our proprietary database. The fund aims to outperform its benchmark over five years and is designed for investors looking to have a positive impact on society.

During the first quarter of 2023, the return of Carmignac Portfolio Human Xperience was 8.47%. This compares to a return on the funds reference indicator[1] of 5.41% over the same period.

Quarterly Performance Review

Global equity markets performed well in the quarter, driven, initially, by increased confidence in the economic outlook for the year, due to resilient consumer spending in US, falling energy prices in Europe and excitement at the prospect of China re-opening from lockdowns. Expectations of falling headline inflation were also positive as that would imply the worst of the interest rate rises is behind us. In March however, sentiment was dented by the collapse of three US banks and the forced acquisition of Credit Suisse by UBS, as tightening financial conditions start to take their toll. Although the market recovered as the month progressed, this was led by the less economically sensitive names reflecting heightened concern over the future trajectory of economic growth and corporate profit growth in second half 2023 and into 2024.

The market rally was led by the information technology sector, where whilst we typically only find modest exposure within our investible universe, we have significant exposure within the fund. **Nvidia** and Salesforce both rose +86% and +48% respectively as both had stellar quarters. Nvidia rose after full year results confirmed that the company is over the inventory correction and guidance implied an inflecting trajectory in demand in datacenter and gaming chips. Furthermore, the stock is the name most likely to benefit from the explosion in demand caused by progress in artificial intelligence (AI) through ChatGPT, as the number of graphics chips (GPUs) required will accelerate dramatically. Nvidia has a Carmignac Human Xperience score of 2 out of 100 highlighting both its strong customer and employee credentials e.g. from an employee perspective it is featured highly on both the Forbes, Fortune and Glassdoor top employer lists. Despite this we took the opportunity to trim the position. **Salesforce** which has a Carmignac Human Xperience score of 5 remains one of our long-term high conviction names. We increased our holding into their Q4 results on the belief that investors were underestimating their ability to improve and maintain their margins. They subsequently delivered a beat across the board with raised EBIT margin guidance for both 2023 and 2024.

The consumer sector was also a strong contributor over the quarter. The best holding within the fund in the period was cosmetics company **L'Oreal**, the parent company of the highly rated skincare company CeraVe rising +23%, and luxury company **LVMH** the owner of watch company Tag Heuer rising +24%. These names benefited from several factors: strong earnings reports for the final quarter of 2022, a less bleak outlook for consumers worldwide than thought several months ago as recession risks have abated, but also expectations that they will be prime beneficiaries of the reopening of the Chinese market. We believe this is a macro trend that will have continued tailwinds as from a macro perspective reduced inflationary pressures and stabilising interest rates vs. 2022 mean that there will potentially more money in consumers pockets in both 2023 and 2024. We believe that outside of the names mentioned above the likes of **Adidas** and **Puma** could be the biggest beneficiaries.

In terms of general activity, it was a very active quarter for the fund. We exited Block and Lululemon as both have Carmignac Human Xperience scores which had deteriorated enough that they no longer met the criteria of the fund (CHX scores > 30). We also exited Mercedes-Benz despite it having good long-term prospects from a Human Xperience perspective. Our fundamental view of the automobile sector turned more cautious as the announced price cuts from competitor Tesla put the pricing power and the margin story of Mercedes at risk. We started new positions in both **Home Depot** and **Sony Group** reinforcing our belief in the consumer led recovery for the inflation crisis of 2022 and also **Intel** which we see as one of the very few economic cyclicals which has seen a significant reduction in earnings expectations, hence a somewhat favourable risk reward profile.

Fund Positioning

We ended the quarter with 40% of the fund in both Consumer Discretionary and Consumer Staples stocks giving us a balance exposure to the consumer, with the more cyclical names to take advantage of an improving/less painful inflationary backdrop for consumers. Our Technology exposure at 34% is in-line with our long term held belief that these are some of the best companies when it comes to creating both product that people want and will be prepared to pay a premium for whilst doing their best to maintain their competitive advantage by retaining the best talent in the marketplace.

Outlook

We continue to remain underweight some of the most economically sensitive sectors such as Energy, Materials, Industrials and Financials/Banks as the opportunity set remains very narrow especially when it comes to the customer satisfaction component and in the case of the latter sector Financials/Banks this proved to have been a helpful contributor to performance in Q1.

[1] MSCI ACWI (USD) (Reinvested net dividends). Performance of the A EUR acc share class. Past performance is not a reliable indicator 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).

Carmignac Portfolio Human Xperience

A thematic fund focused on customer and employee experience

Discover the fund page

Carmignac Portfolio Human Xperience A EUR Acc

ISIN: LU2295992163

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.