



Risk oversight

Risk oversight lies at the heart of the investment process. It is inseparable from the search for performance. We pay close attention to identifying, quantifying and analysing the risks attached to our investment process. The Risk Oversight team is responsible for the day-to-day monitoring of portfolios' risk profile.

A team independent of the investment management team

The risk oversight team reports directly to the General Manager Carmignac Gestion, Christophe Peronin, and is completely independent of the investment management team. He also chairs the Risk Committee which is the main decision-making body for risk policy.

There are currently six people in the team, led by Patrick Temfack who has more than 10 years of experience in this field.



One system, two approaches

In the course of its work, the investment risk oversight team relies on two complementary forms of analysis wherever possible:

- a qualitative approach based on common sense, empirical observation or expert opinion based on experience,
- a quantitative approach using mathematical forecasting models.

Risk oversight also involves using leading applications/software programs:

- **Bloomberg Compliance Manager for investment restrictions monitoring**
- **MSCI Risk Managers (Riskmetrics) for global risk calculation and market risk monitoring**
- **MSCI LiquidityMetrics for the assessment and the management of liquidity risk.**

What are the primary risks and the main indicators used to measure them?

Market risk

Risk of loss due to fluctuations in the portfolio's market value

- Equity risk (equity exposure),
- Currency risk (currency exposure),
- Interest rate risk (modified duration),
- Credit risk (issuer or issue spread),
- Regional risk (emerging market exposure)
- Volatility, Value at Risk, Shortfall, Stress tests (mathematical forecasts)

One system, three levels of constraint

Throughout the day, the risk oversight team monitors compliance with the different investment constraints set for each fund, and provides investment management teams with a detailed report. These constraints generally take one of three forms:

- **Regulatory constraints :**

Laid down by the regulator in the fund's home country (AMF in France, CSSF in Luxembourg, ICB in Ireland and FCA in the UK), these apply to all asset management market participants.

- **Statutory constraints :**

These follow the description of the investment strategy, and therefore investment rules, set out in the fund prospectus and/or any other relevant documentation.

- **Internal constraints :**

Determined by Carmignac's Risk Committee, these are more restrictive internal rules aimed at reducing risks identified as being significant when taking macroeconomic conditions into account, even if they would be permissible from a regulatory and statutory point of view. These rules may be reviewed and if necessary adjusted at the Risk Committee's discretion.

Real-time risk management, oversight monitoring

The risk oversight team has real-time access to the investment management team's portfolios. This arrangement allows it to be more responsive and even proactive by immediately identifying risks of non-compliance with the investment mandate. An escalation procedure can be followed to immediately bring such situations to a fund manager's attention and quickly report them to senior management if they persist or reoccur.

Beyond the investment management team, which is responsible for preliminary risk management, there are three levels of risk oversight:

Level one

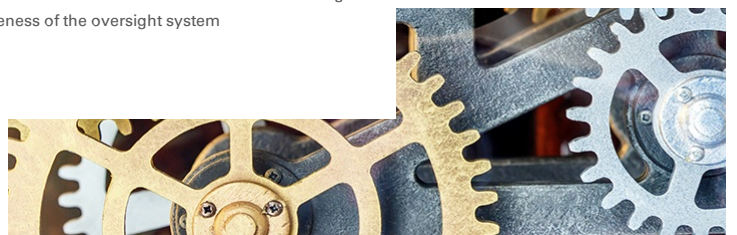
- The risk oversight team monitors compliance with constraints on a daily basis
- The risk oversight team reviews the oversight system (application settings, procedures) on a regular basis

Level two

- The internal control and compliance team monitors the proper application of the level one control system

Level three

- Risk oversight and internal compliance teams also use external investment rule monitoring services to independently assess the effectiveness of the oversight system



Risk management, an integral part of the investment process

The risk oversight team supervises the investment management team's work on investment strategy compliance.

Investment selection

A portfolio manager wishing to invest in certain securities may request the opinion of the risk oversight team to check the impact of this choice on the portfolio's risk profile.

Risk Committee

The Risk Committee's role is to analyse risks associated with the investment process for each portfolio. Each month, it reviews the main risk indicators and positions requiring special attention.

The Committee also studies all new product requests to approve or reject them. Members of the management team and investment committee receive a list of recommendations after this meeting.

With ten permanent members, the Risk Committee is led by Christophe Peronin, Deputy Managing Director Carmignac Gestion, and sits in the presence of:

- **Eric Helderlé**, Managing Director Carmignac Gestion Luxembourg
- **Maxime Carmignac**, Managing Director Carmignac UK
- **Patrick Temfack**, Head of Risk Management
- **Cyril de Girardier**, Chief Financial Officer Group, Conducting Officer Carmignac Gestion Luxembourg
- **Jacqueline Mondoni**, Internal Audit
- **Guillaume Edery**, Product Manager
- **Abdellah Bouziane**, Global Head of Compliance
- **Guillaume Huteau**, Front Office Risk Manager
- **Julien Chéron**, Analyst

The teams of those in attendance (Risk Oversight, Compliance, Front Office Risk Management) also participate and present their analyses. One or more members of the investment management team may also be invited when an issue requires their presence.

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