

Business

The Sunday Interview Edouard Carmignac

Cheeky art and a song in his heart: why step down if you're having fun?

The French billionaire and outspoken fund manager is excited about the presidential election, finds *Christopher Williams*

In a back office at the Paris headquarters of the asset manager Carmignac Gestion hangs a painting by the highly sought-after 1980s New York artist Keith Haring, famous for his colourful, graffiti-influenced dancing men. This acrylic, however, features one of the artist's trademark figures bursting triumphantly from a piece of male anatomy.

"Monsieur Carmignac asked us to hang it downstairs when some of the older, more conservative clients came to visit," says an aide to Edouard Carmignac, the firm's founder and principal. "He said it would make them feel alive still."

Carmignac appears to revel in the unexpected. While his explicit Haring is mostly out of sight, his firm's grand offices are festooned with edgy modern art.

According to Carmignac Gestion lore, it reflects the firm's mix of outspoken, counterintuitive investing and its focus on managing risks to conserve clients' cash. For Carmignac, to win on the markets is to not lose.

"We're seeing inflows now when most of our competitors are seeing outflows," says Carmignac from behind his desk. Aged 69, he remains in full control of the asset manager he started in 1989, taking daily decisions that can be as extreme as pulling out of equities entirely.

'I have high regard for British diplomatic abilities. Britain has too much to lose by going for a real Brexit'

Such a call in the run-up to the collapse of Lehman Brothers, combined with well-timed bets against US banks and retailers, meant Carmignac Gestion came through 2008 unscathed, while rivals were battered.

"It takes a little bit of balls to do it but I don't do it because I wake up in the morning and think the weather is strange, I do it because it is part of an ingrained communication with the investment team," says Carmignac. "Not that we are run by consensus."

Today the firm has €53.5bn under management in a handful of funds that make, in Carmignac's own terms, "a little

less money on an up year and protection when markets turn".

After eight years of rising markets, his economic analysts are now looking towards a potentially powerful confluence of negative forces at the turn of the year. The firm has "very substantially" reduced its exposure to China in the past year and is carefully watching the current trickle of worse-than-expected indicators from the US and Europe. Carmignac himself, a keen polo player who spends most weekends in spring playing in England, is still counting the profits he has made on the impact Britain's vote to leave the EU had on global markets.

On the day of the result, as European equities lost 9pc, Carmignac's flagship fund was flat. Since then, he says, it has piled into UK shares such as Shire, Reckitt Benckiser and the London Stock Exchange, which was particularly hard hit as investors feared its ongoing German takeover will be scuppered by Brexit.

"We have increased sizeably our investments," says Carmignac. "The UK fears are proving to be - what's the word - unfounded."

"First of all, if the Germans don't want the LSE somebody else will. Number two, there will be no real Brexit and the LSE will be unaffected."

"Brexit created double the amount of market opportunity, one because people were scared and number two because the central banks also got cold feet and started pumping more actively in Europe and Japan, and the US interest rate rises vanished as well."

Carmignac's confidence in the UK is not based on a belief that leaving the EU will trigger new prosperity, however. Along with many in the French elite, he believes that Britain simply cannot afford what he calls a "real Brexit".

He says: "I have the highest regard for British intelligence and diplomatic abilities, and Britain has too much to lose by actually going for a real Brexit."

"We all know that the UK is a service economy, that most of the services are financial. It's not easy to say from now on you cannot sell your financial products in Europe."

"It is so obvious that the role of financial services is so important to the UK that they will do all they can to preserve this gold mine."



CV

◆ Age: 69

◆ Education: Master of Economics, University of Paris, MBA, Columbia University, New York

◆ Family: divorced, five children

◆ Big break: appointed as an assistant director at Banque de la Societe Financiere Europeenne in 1976, where he was responsible for loans to the energy and mining sectors

The threat to the City's euro clearing market is an "inelegant" move by the French, he laments, but "at these difficult and trying times every country is bound to push its advantages as much as it can". In the end, Carmignac is betting there is a deal that allows Britain to retain access to the single market and governments across Europe to restrict immigration.

"I don't think that Europe will maintain the same freedom of movement in terms of populations so there will be a mutual compromise."

The firm is betting its own money as well as that of its clients. Carmignac Gestion's UK arm, which trades European equities and commodities, is still hiring and preparing to move into grand new accommodation next year on Carlton House Terrace, overlooking the Mall.

For now, he concedes that France has few advantages. Carmignac has been an outspoken critic of the Socialist

government's tax policies and attitudes to business. But he believes that with elections next year, the end is in sight. A more competitive France is on the way, Carmignac is certain.

"We have no choice," he says. "I think the French population is very eager to see a material change and we will have a material change."

"We need a more business-friendly government that understands the shape of things to come, including economically. One that will reform the labour laws, reduce the taxation burden and all those things."

He is even enthusiastic about Emmanuel Macron, François Hollande's former economy minister, who is seen as a soft-Left technocrat. The incumbent president is a "lame duck" and an "old guard Marxist".

Carmignac says: "The best thing about Emmanuel Macron is that he

In numbers

1989

Carmignac Gestion founded

£1.2bn

Personal net worth

€53.5bn

Assets under management

+0.01pc

Carmignac's flagship fund in 2008

-0.31pc

Performance the day after Britain's EU referendum

shakes up the traditional Left in France. We never had a Tony Blair experience and that is what we need, a rejuvenated Left that is business friendly, understands tech and globalisation.

"There is the notion that the rich people in France are inherited wealth. In most countries it is no longer the case, it is mostly self-created wealth."

"There is such an appetite in this country to change things and create jobs that entrepreneurs are becoming far more part of the public consciousness and more popular."

The international popularity of active fund managers such as Carmignac Gestion has been in question in recent years, as investors have wondered whether the higher fees they charge compared with passive index tracking funds are worth it. Yet with more money coming into the fund at present, Carmignac is insouciant, bidding good riddance to some of his rivals.

"We've had markets going up for the last eight years, so the cheapest way to make money was pretty much buying indices," he says. "But we know markets don't go in straight lines."

"There have been people supposedly offering good risk management through hedge funds which are proven to be poor risk managers and very expensive."

"So these are corrections. It's logic and it's fair. The difficulty we have as an active manager is since only the fittest are surviving, the competition is becoming tougher. But there are fewer and that helps."

Inevitable speculation over leadership succession has surrounded the firm for years now, and Carmignac's daughter, Maxime, who has been leading its UK push, is viewed as heir apparent.

He, however, still appears concerned that the ship is absolutely steady before he is relinquish command. For instance, a new head of European equities, Aviva fund manager Mark Denham, is due to start in October. Muhammed Yesilhark, his predecessor, departed earlier this year in controversial circumstances.

"The talent is there, it's frightening," says Carmignac. "I think the best service I can do for our clients is to pass on the baton when all the key echelons are properly provided for and everything is all right."

"One thing that is clear is that the firm will stay in the family. The family will keep on controlling it and my daughter is in the firm."

"Whether she will run the firm or not will depend on whether she has the eagerness as well as the talent. "I still look reasonably healthy and I'm still enjoying it very much."

That much is self-evident as he expounds the firm's current thesis on global markets by crooning "all you need is growth" to a tune of All You Need is Love. With a personal net worth estimated at around £1.2bn, you also tend to believe him when he adds, regarding keeping the business in the family rather than seeking a sale: "We don't need the money."