Quarterly Meeting

4th quarter 2018



Didier Saint-Georges

Managing Director,
Member of the Investment Committee

Performance of our Fund Range in 2018

	EQUITY range	PATRIMOINE range	FIXED INCOME range
Global	C. Investissement -14.17%	C. Patrimoine -11.29% C. Investissement Latitude -16.05%	C. Portfolio Unconstrained Global Bond -3.66% C. Portfolio Capital Plus -3.40%
Europe	C. Portfolio Grande Europe -9.56% C. Euro-Entrepreneurs -15.68%	C. Long-Short European Equities +4.35% C. Portfolio Patrimoine Europe -4.27%	C. Sécurité -3.00%
Emerging	C. Emergents -18.60% C. Portfolio Emerging Discovery -8.90%	C. Portfolio Emerging Patrimoine -14.37%	
Thematic	C. Portfolio Commodities -17.70%		



relative to the reference indicator.



© Carmignac Portfolio Long-Short Global Equities



Huseyin YASAR
Fund Manager
Head of Equity Investment Process



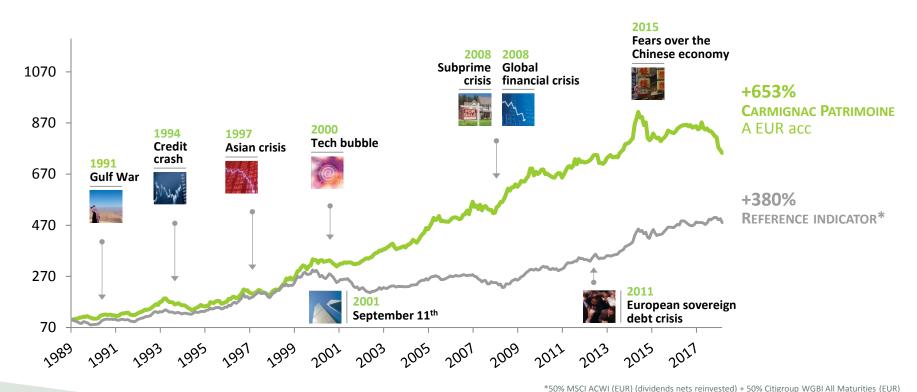


Pierre VERLÉ Fund Manager Head of Credit



Alexandre DENEUVILLE Fund Manager

More Than 27 Years of Convictions and Risk Management





The Role of "Strategic Investment Committee"



Edouard CARMIGNAC CIO



Rose OUAHBA Head of Fixed Income



David OLDER
Head of Equity



Guillaume HUTEAU Secretary of SIC Front office Risk manager



Frédéric LEROUX Head of Cross-Asset



Didier SAINT-GEORGESHead of Portfolio Advisors

GOALS:

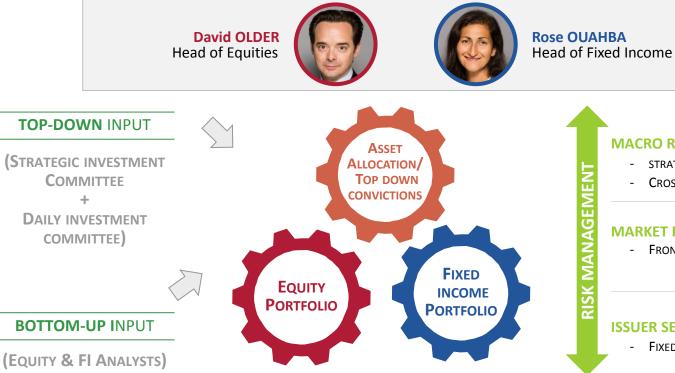
- ▶ Selection of medium-term top-down convictions, relying on a disciplined screening process, and a documented follow-up of positions
- ▶ Making sure that the conclusion of our analyses are well reflected in the portfolios

WEEKLY MEETING

RECOMMANDATIONS



Carmignac Patrimoine



MACRO RISKS

- STRATEGIC INVESTMENT COMMITTEE
- **CROSS ASSET TEAM**

MARKET RISKS (EQUITY, FIXED INCOME, FX)

FRONT-OFFICE RISK MANAGEMENT

ISSUER SELECTION

FIXED INCOME AND EQUITY ANALYSTS

Raphael Gallardo

Chief economist



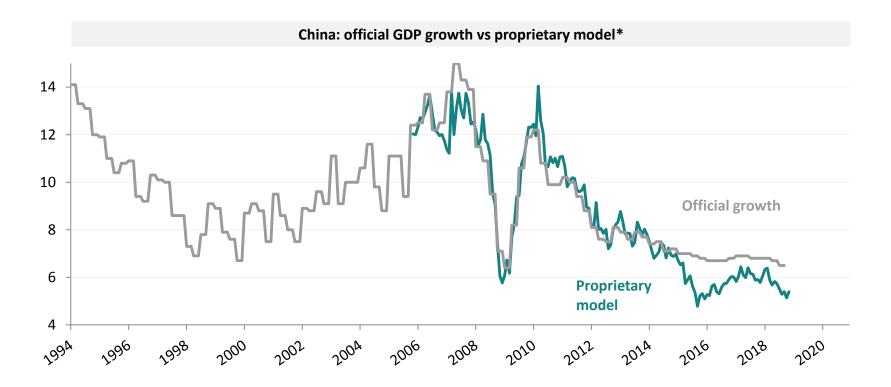
From « America First » to « Saving Private Yuan »



China

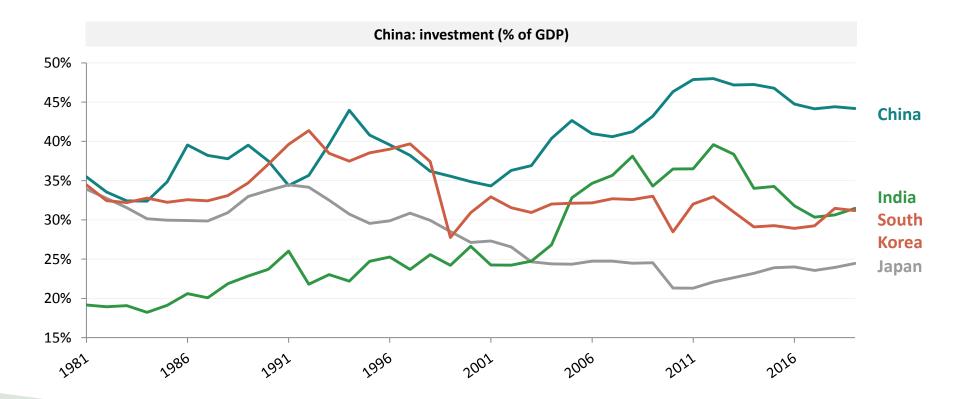


China: Growth Closer to 5% Than the Official Figure of 6.4%



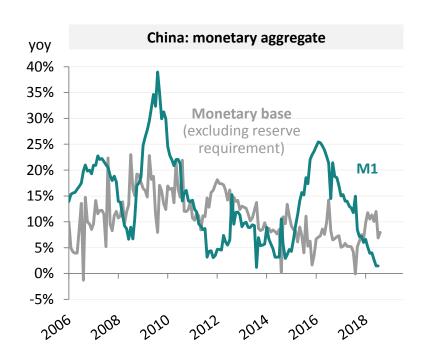


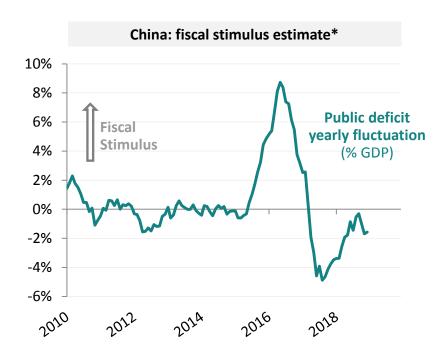
The Slowdown Threatens the Investment Bubble





China: Economic Policy Remains Extremely Tight

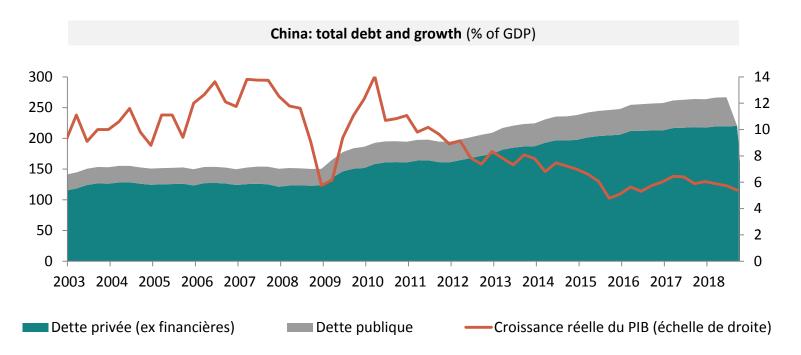






China: Economic Policy Under a Triple Constraint

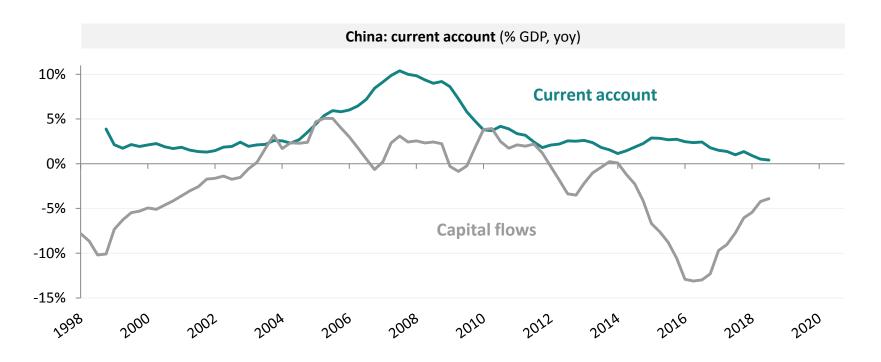
1) Internal Debt





China: Economic Policy Under a Triple Constraint

2) External Constraint





China: Economic Policy Under a Triple Constraint

3) Geopolitical Constraint (CNY level)



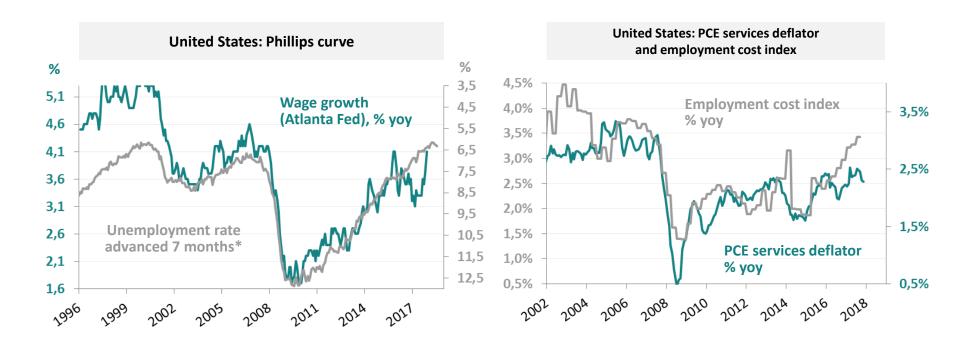




United States

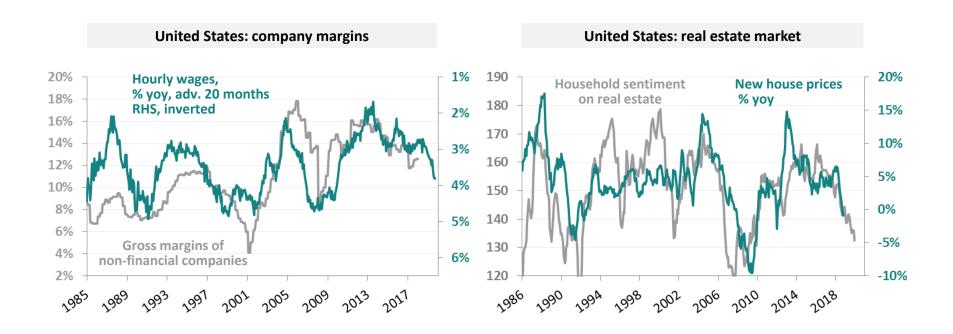


United States: a Stronger Chinese Stimulus is Conditional Upon a More Accommodative Fed





United States: Cyclical Downturn Factors are Already There



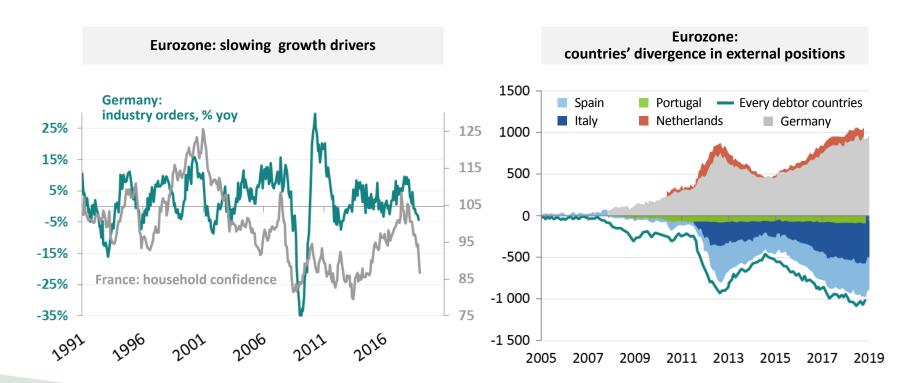




Eurozone

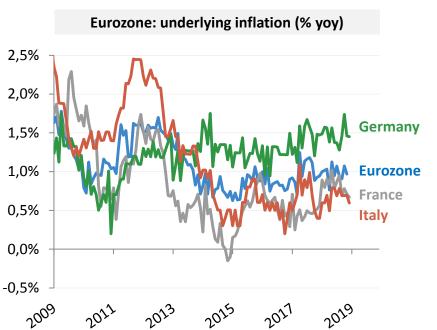


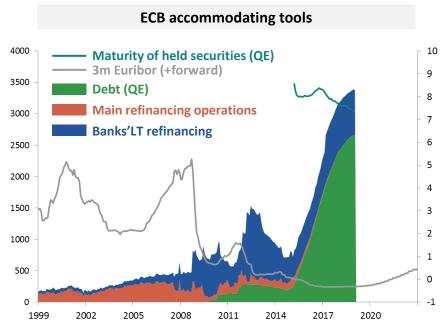
Eurozone: Cyclical Slowdown, Structural Imbalance





Eurozone: Subdued German Inflation Allows the ECB to Support Economic Conditions, yet its Capacity to Act is Limited







Conclusions macro-économiques



- ► Chinese growth dangerously low, but economic policy paralysis
- ► **Fed navigates in the fog,** preventing China from stimulating growth in the short term
- Europe in a bind (trade war, Chinese slowdown, elections), although a durably accommodative ECB and some room for German fiscal support

Frédéric Leroux

Global Fund Manager, Head of Cross Asset Team

2018: The Great Divergence Created by "America First" Got More Extreme...Until it Broke

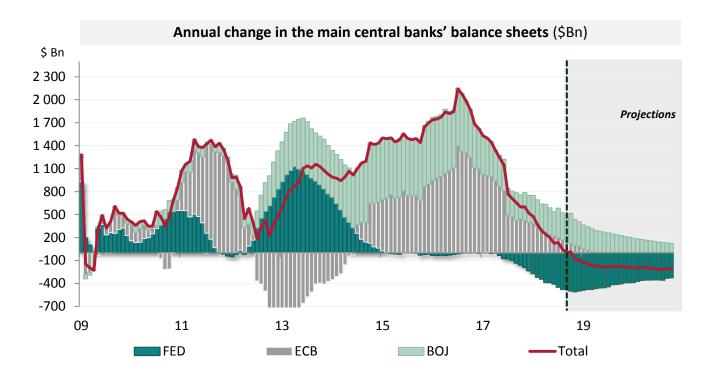
The closing of the output gap has started to weigh on margins





As in 2018, Liquidity Reduction Should Continue to Impact Markets This Year

Yet the Unwinding of Central Banks' Balance Sheet Should Slow Down

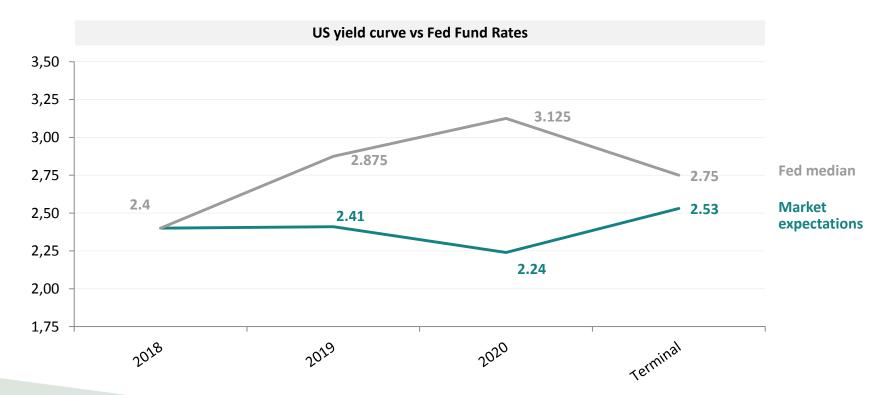






Strategic Considerations on Asset Classes

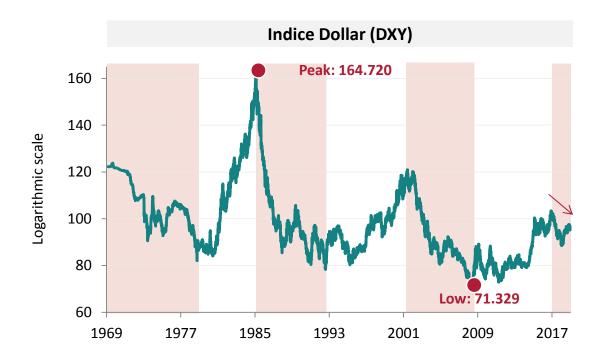
Fixed Income Markets: Investors are Probably too Complacent with the Fed. Possible Disappointment.





FOREX Market

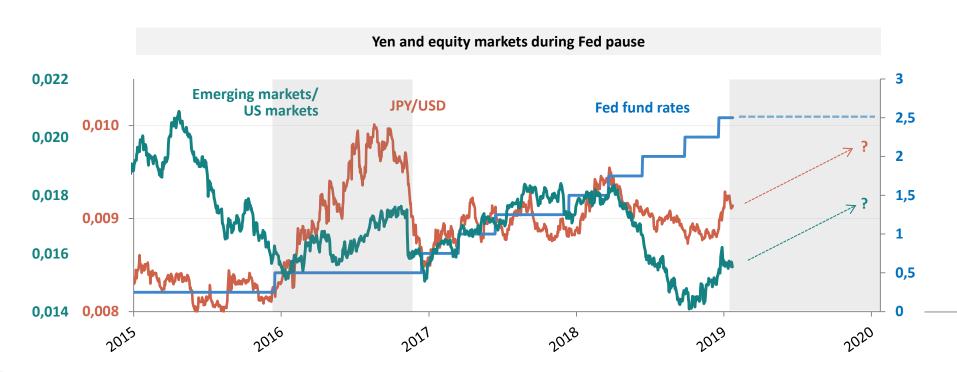
Our Long Term Vision is in Line with the USD Long Cycle: US Deficits Will Weigh, in Tendency





FOREX Markets: US Monetary Climate Must Allow for Yen and Emerging Markets Appreciation

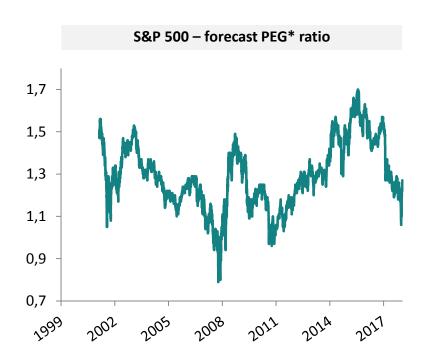
2019: remake of 2016?





Equity markets: Growth Has not been Sufficiently Priced and the 4th Quarter Correction was Indiscriminate: Rebound of Growth Stocks Justified!

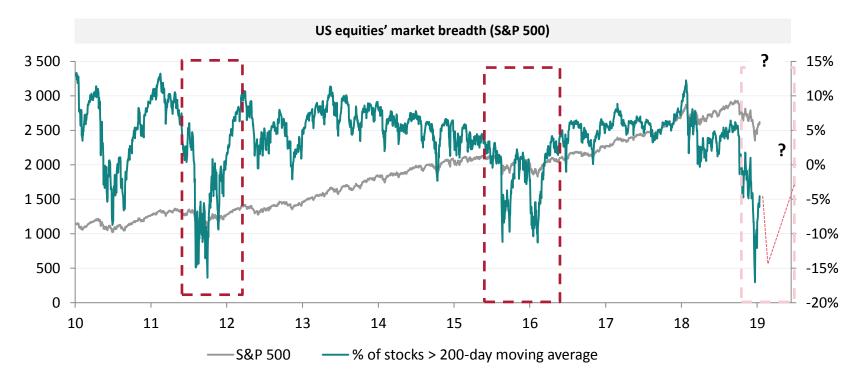






2018 Q4's Skepticism Could Echo in the First Half of The Year

In turn, this would lead to more accommodative monetary policies





Investment Strategy - Conclusions



Liquidity reduction could have less impact than in 2018

FIXED INCOME

Towards a steepening of the US curve

FX

Towards a weakening US dollar, in tendency

EQUITY

A renewed potential justifying a preference for growth stocks

Rose Ouahba

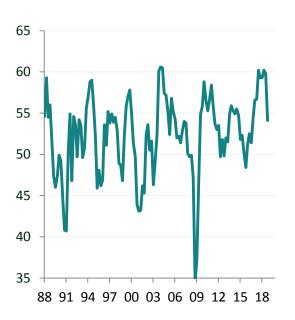
Head of Fixed Income

David Older

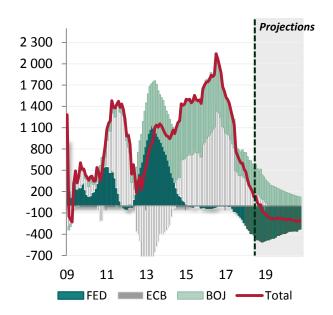
Head of Equity

In 2019, Flexibility will be Key

US: ISM Manufacturing



Annual change in the main central banks' balance sheets (\$Bn)



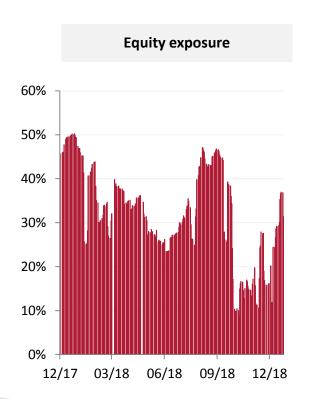
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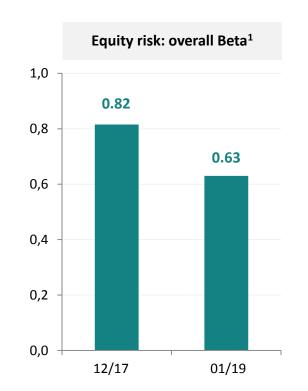
Political uncertainties

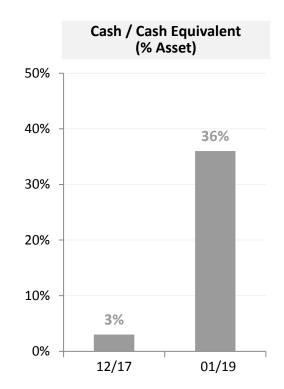




Carmignac Patrimoine: Entering 2019 with Reduced Equity Portfolio Risks

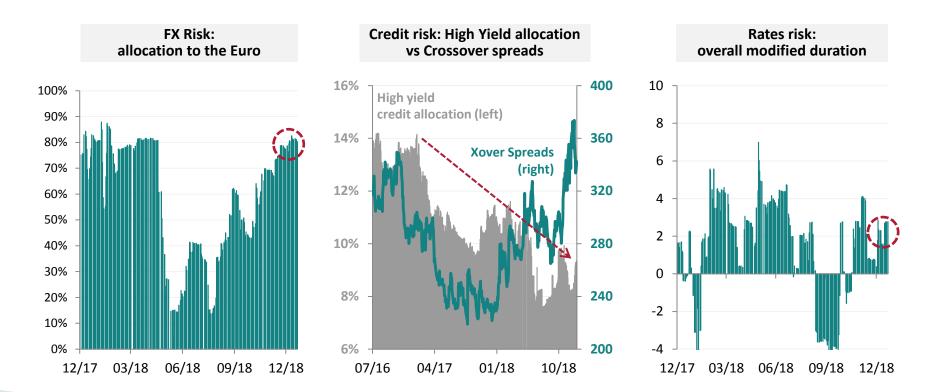








Carmignac Patrimoine: Entering 2019 with Reduced Fixed Income and FX Portfolio Risks

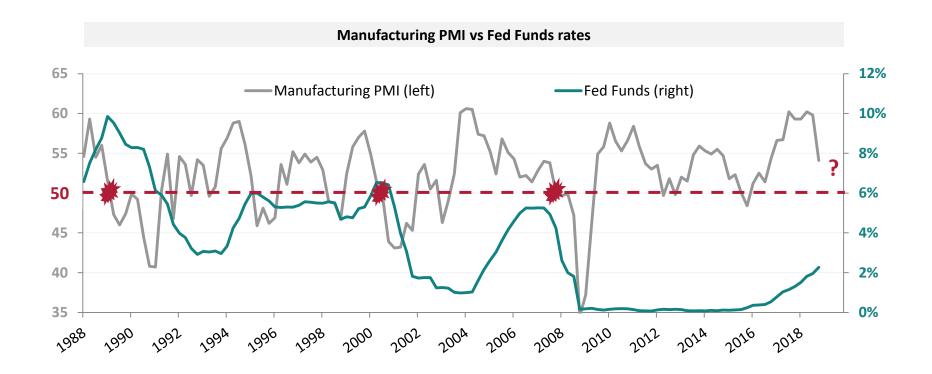






A Flexible Approach to Seize 2019 Opportunities

US Rates: Confirmation of Macro Deceleration Should Lead to Lower Short-Term Yields





US Rates: Steepening Strategies are Attractive in a Shaky Equity Environment

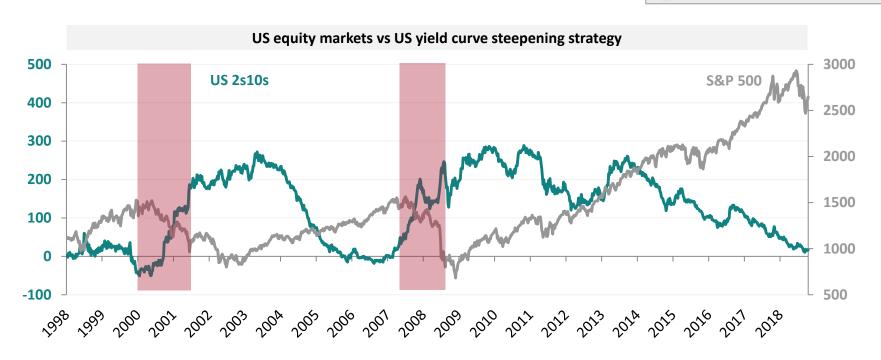
US yield curve steepening strategy:



Long US short-term yields

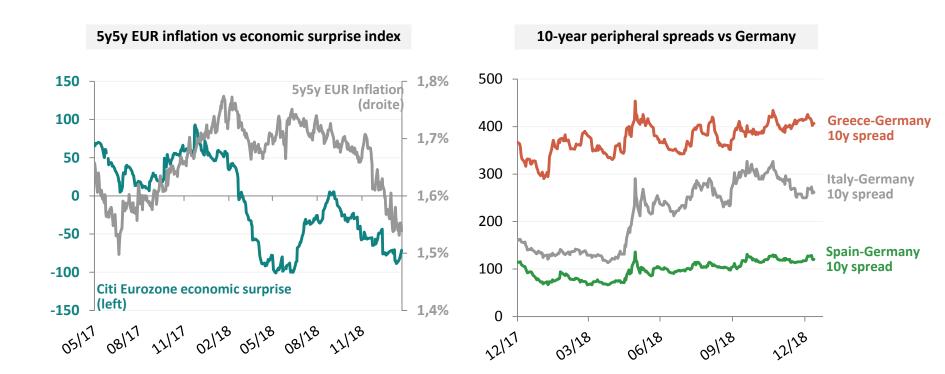


Short US long-term yields





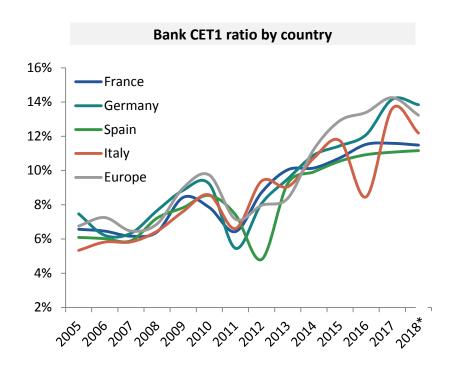
European Rates: A More Dovish ECB Stance Favours Carry Strategies

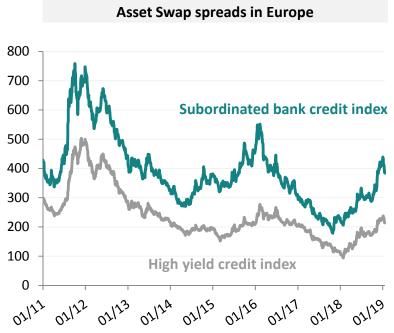




European Banks: Attractive Valuations and Continued Clean Up of Balance Sheets







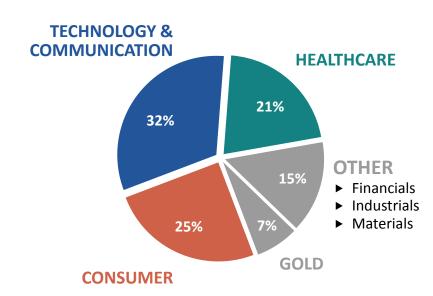
Carmignac Patrimoine's Main Performance Driver: High Quality Stocks

Style Concentration by sector (%)

Where do we find quality?

	Value	Growth	Rising Momentum	Falling Momentum	High Quality	Low Quality	Low Risk	High Risk
Energy	32%	59%	59%	2%	3%	7%	0%	75%
Materials	24%	19%	32%	9%	23%	2%	9%	20%
Industrials	8%	13%	33%	8%	39%	2%	37%	4%
Discretionary	17%	27%	33%	6%	40%	3%	30%	6%
Staples	2%	4%	5%	38%	29%	1%	63%	0%
Health Care	4%	13%	23%	12%	55%	1%	38%	3%
Financials	45%	11%	24%	12%	4%	25%	26%	4%
Technology	7%	37%	43%	8%	84%	0%	28%	5%
Telecoms	51%	2%	4%	27%	6%	3%	30%	1%
Utilities	19%	7%	5%	8%	2%	16%	7%	4%

Carmignac Patrimoine: exposure to high quality sectors (as % of equity component)





Ongoing Tightening Liquidity and Macro Risk don't Prevent Some Opportunities

S&P 500: 2019 earnings growth

Sector	October 1st 2018	Jan 11th 2019
Cons. Discr.	11.70%	8.60%
Energy	26.20%	0.90%
Finance	9.70%	9.00%
Healthcare	8.30%	7.60%
Materials	7.00%	5.60%
IT	8.50%	2.40%
Communications	11.60%	6.50%
S&P 500	10.20%	1 6.40%

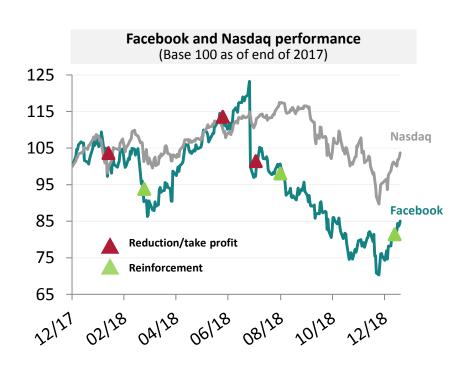






Oversold Segments: The Case of Tech

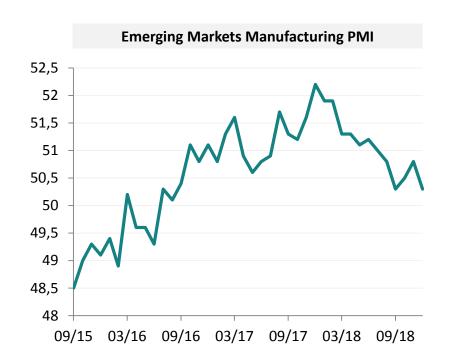
The example of Facebook

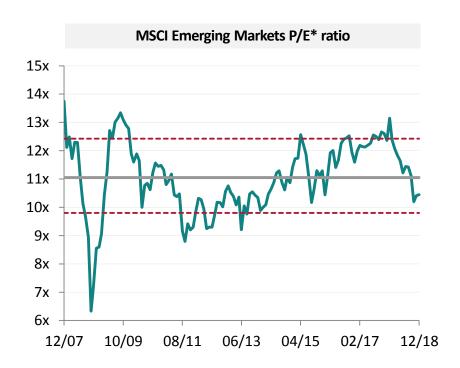


Very negative sentiment already priced in

- ► Reset revenue and margin on a compressed valuation multiple
- ► Engagement: slight move from Facebook to Instagram
- ► Advertising: superior capacity for targeted ads
- ▶ Instagram: new consumption habits

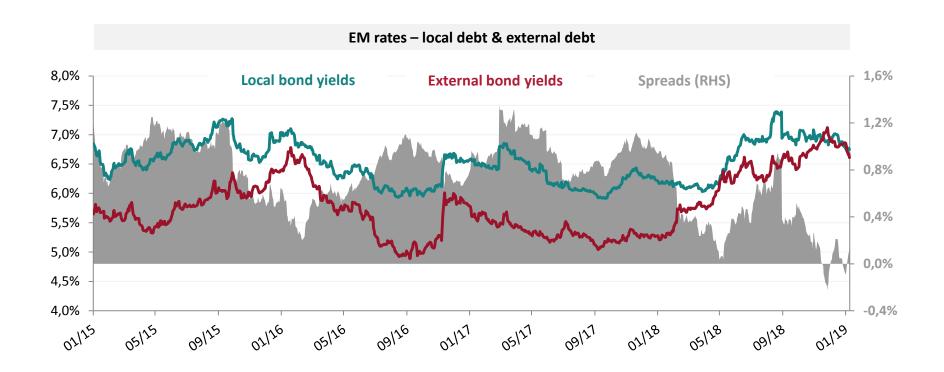
Emerging Markets Equity Valuations have Become Attractive Again But Headwinds Remain







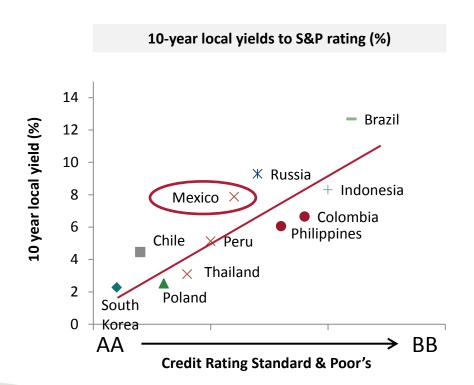
Emerging Markets: Hard Currency Debt at the Same Levels of Local Currency Debt





Emerging Markets: Some Idiosyncratic Stories are Offering Attractive Valuations





Mexican Bonos 7.5% 03/06/2027 – Yield to Maturity



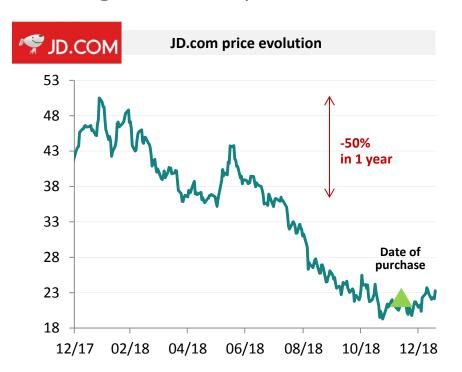


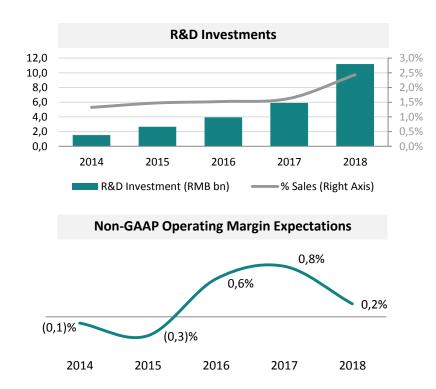


Chinese Tech: Opportunistic Entry Point in JD.com

Haiyan LI

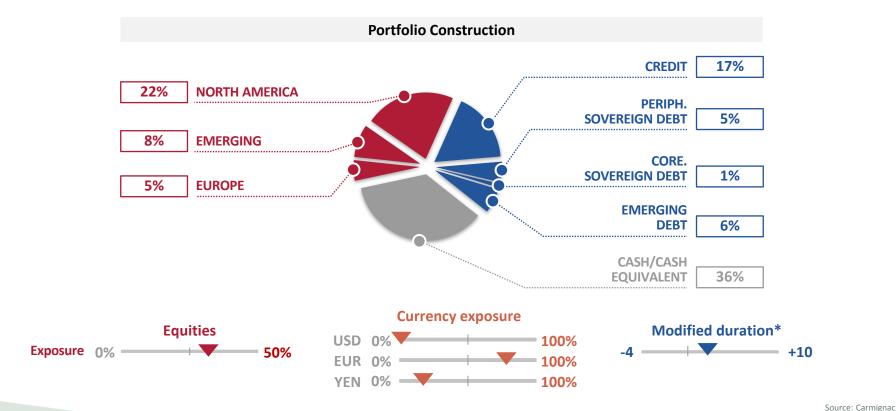
Leading e-commerce platform in China







Carmignac Patrimoine: Highly Selective Performance Drivers





Main Risks of Carmignac Patrimoine



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.

Interest rate

Interest rate risk results in a decline in the net asset value in the event of changes in interest rates.

Credit

Credit risk is the risk that the issuer may default.

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.



Main Risks of Carmignac Investissement Latitude



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.

Interest rate

Interest rate risk results in a decline in the net asset value in the event of changes in interest rates.

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.



Main Risks of Carmignac Portfolio Emerging Patrimoine



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.

Interest rate

Interest rate risk results in a decline in the net asset value in the event of changes in interest rates.

Credit

Credit risk is the risk that the issuer may default.

Emerging markets

Operating conditions and supervision in "emerging" markets may deviate from the standards prevailing on the large international exchanges and have an impact on prices of listed instruments in which the Fund may invest.



Main Risks of Carmignac Euro-Patrimoine



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.

Credit

Credit risk is the risk that the issuer may default.

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.



Main Risks of Carmignac Portfolio Long-Short Global Equities





Risk associated with the Long/Short strategy

This risk is linked to long and/or short positions designed to adjust net market exposure. The fund may suffer high losses if its long and short positions undergo simultaneous unfavourable development in opposite directions.

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.

Interest rate

Interest rate risk results in a decline in the net asset value in the event of changes in interest rates.

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.



Main Risks of Carmignac Sécurité



Interest rate

Interest rate risk results in a decline in the net asset value in the event of changes in interest rates.

Credit

Credit risk is the risk that the issuer may default.

Risk of capital loss

The portfolio does not guarantee or protect the capital invested. Capital loss occurs when a unit is sold at a lower price than that paid at the time of purchase.

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.



Main Risks of Carmignac Portfolio Unconstrained Global Bond



Interest rate

Interest rate risk results in a decline in the net asset value in the event of changes in interest rates.

Credit

Credit risk is the risk that the issuer may default.

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.

Main Risks of Carmignac Portfolio Capital Plus



Interest rate

Interest rate risk results in a decline in the net asset value in the event of changes in interest rates.

Credit

Credit risk is the risk that the issuer may default.

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.

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.



Main Risks of Carmignac Portfolio Unconstrained Credit



Credit

Credit risk is the risk that the issuer may default.

Interest rate

Interest rate risk results in a decline in the net asset value in the event of changes in interest rates.

Risk of capital loss

The portfolio does not guarantee or protect the capital invested. Capital loss occurs when a unit is sold at a lower price than that paid at the time of purchase.

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.

Main Risks of Carmignac Investissement



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.

Interest rate

Interest rate risk results in a decline in the net asset value in the event of changes in interest rates.

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.



Main Risks of Carmignac Emergents



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.

Emerging markets

Operating conditions and supervision in "emerging" markets may deviate from the standards prevailing on the large international exchanges and have an impact on prices of listed instruments in which the Fund may invest.

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.



Main Risks of Carmignac Portfolio Emerging Discovery



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.

Emerging markets

Operating conditions and supervision in "emerging" markets may deviate from the standards prevailing on the large international exchanges and have an impact on prices of listed instruments in which the Fund may invest.

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.

Liquidity

Temporary market distortions may have an impact on the pricing conditions under which the Fund might be caused to liquidate, initiate or modify its positions.



Main Risks of Carmignac Portfolio Commodities



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.

Commodities

Changes in commodity prices and the volatility of the sector may cause the net asset value to fall.

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.



Main Risks of Carmignac Portfolio Grande Europe



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.



Main Risks of Carmignac Euro-Entrepreneurs



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.

Liquidity

Temporary market distortions may have an impact on the pricing conditions under which the Fund might be caused to liquidate, initiate or modify its positions.

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.



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