

Breaking down European stereotypes: Carmignac Portfolio Patrimoine Europe

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Keith Ney and **Mark Denham** speak about their successful European multi-asset Fund and reveal how they plan to tackle challenges ahead while keeping intact their long-term investment themes.

The Fund has just been named the Best Balanced Fund in Europe by Lipper. To what do you attribute this success?

MD: Carmignac Portfolio Patrimoine Europe was launched in 2017 to provide investors with a moderate risk sustainable solution in a constantly changing European environment. Over the last four years, in spite of a very volatile context, the Fund has managed to minimize market declines and to participate in the upward phases, even in the eventful year of 2020 or the beginning of 2022. The fund offers investors an attractive risk/return profile, thanks to both our securities selection and our risk management strategies. The fund is more than the mere sum of an equity and a bond allocation. As securities pickers, we both carry out in-depth analysis on our investments without losing sight of possible overlap risks. Consequently, our risk management strategies have contributed positively to the fund's performance since its launch. The wide range of available tools has been useful in mitigating both the downside risks and generating positive gross performance. However, over the long-term, it is our bottom-up stock and bond picking that has contributed most significantly to the positive performance of the fund, and we are fine with it!

The Fund is based on the "Patrimoine" philosophy, characterised by an agile, multi-asset class and long-term approach. What makes Carmignac Portfolio Patrimoine Europe different from the flagship Carmignac Patrimoine?

KN: Indeed, sharing the same philosophy does not mean investing in the same manner. Carmignac Portfolio Patrimoine Europe was not created to be a carve-out of Carmignac Patrimoine. Alongside not having the same investment universe, which significantly influences the management, the Funds also differ in terms of bottom-up selection in both equity and fixed income. The particularly low growth rate in Europe implies a focus on secular growth stocks to offset this weakness in our investment universe. Conversely, in bonds, the financial repression and low interest rates environment calls for a more aggressive approach to the rates and credit markets and a search for higher yields through a more value-oriented approach. Consequently, the overlap between the funds is low, as well as their correlation, which makes them complementary in an investor portfolio.



Looking ahead, what are the biggest risks and how do you plan to tackle them?

KN: The Russo-Ukrainian conflict and associated economic sanctions induce a stagflation risk, i.e., an economic slowdown coupled with high inflation. The scarcity of available commodities could lead to major disruptions in supply chains, with negative effects on growth and further price increases. While the economic outlook for 2022 was already pointing to a slowdown in the pace of growth and resilient inflation, this conflict is amplifying economic trends that we had incorporated into our investment strategy. In the short-term, we are primarily concerned with managing the bear market and the associated high volatility. Over the long-term, this challenging environment will also be a driver to take advantage of a dramatic sell-off of corporate bonds and equities to cherry-pick some idiosyncratic stories and build the future return potential of the portfolio. Although Europe is particularly affected by this geopolitical crisis, a strong fiscal response by governments is expected and could benefit some sectors such as renewable energy.

Speaking of these promising sectors, could you tell us more about your long-term investment opportunities?

MD: In the past, the Fund has been exposed to forward-looking sectors such as Healthcare, Technology, and Renewable energy. Our approach to Europe is therefore very selective and based on a robust process. In the current environment, we remain committed to our core holdings, which are winners in their respective fields, but we also make some adjustment by increasing our defensive exposure for example. Thanks to the risk management strategies, we could build exposure to these promising sectors without increasing the short-term risk level of the fund.

Carmignac Portfolio Patrimoine Europe in a nutshell

The Fund was launched in 2017 to provide investors with a moderate risk sustainable investment solution in a constantly changing European environment. The fund is characterised by an agile, multi-asset class and long-term approach. The Fund's ambition is to find pockets of promising stocks within the European equity and bond markets, while adapting to different market configurations and to bear markets in particular. Exposure to the equity markets can therefore vary from 0% to 50% of the portfolio and we, as portfolio managers, have the possibility of modifying this exposure at any time, which enables us to react quickly and effectively when, in our opinion, economic, political or social conditions so require.



The proof of the Fund's ability to fulfil its mandate:

34%

Performance

since launch compared to 19% for the reference indicator¹.

1st quartile

Within its Morningstar

category for the performance, volatility, sharp and sortino ratio as well as max drawdown².

1st Place

Best Fund

over 3 years in Europe by Lipper Fund Award 2022³.

¹ 40% STOXX Europe 600 (Reinvested net dividends) + 40% ICE BofA All Maturity All Euro Government + 20% ESTER capitalised. Quarterly rebalanced. Launch date: 29/12/2017. Source: Carmignac 31.03.2022. Performance for share class A eur acc. ² Morningstar category „EUR Moderate Allocation“. The reference to a ranking or prize, is no guarantee of the future results of the UCIS or the manager. The return may increase or decrease as a result of currency fluctuations, for the shares which are not currency-hedged. **Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor).** Morningstar Rating™ : © 2022 Morningstar, Inc. All Rights Reserved.

³ Methodology: <https://www.lipperfundawards.com/Methodology>

Carmignac Portfolio Patrimoine Europe

Fund built to take advantage of Europe's many sectors and opportunities.

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