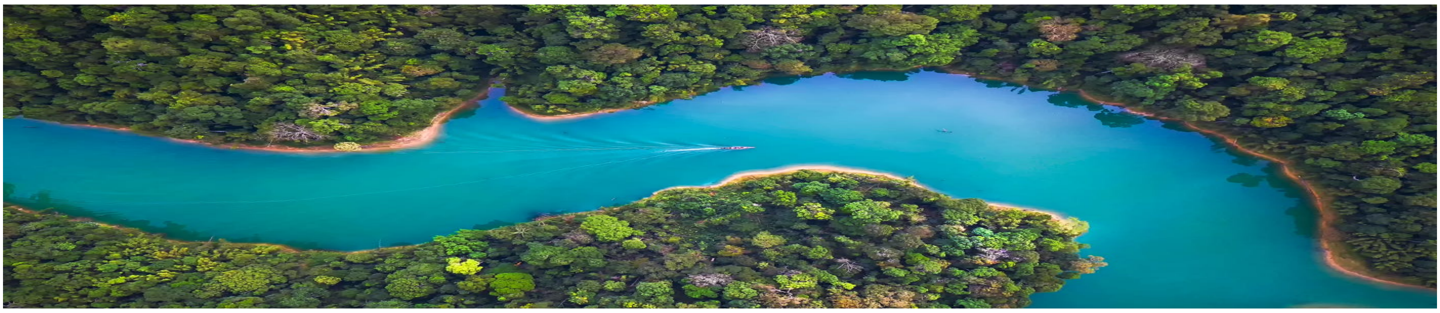

3 questions to Joseph Mouawad on Emerging Market Debt

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In a prolonged period of very low or even negative interest rates in developed markets, emerging market debt can play a key role in investors' fixed income allocation.

Discover the views of Joseph Mouawad, Fund Manager at Carmignac:

1. Why invest now in emerging market debt?

I would highlight three main reasons for investing in emerging market debt today:
The first one is to escape the financial repression: developed markets offer low and most negative yields adjusted for inflation since the second world war, while the emerging world is the only place that still offers positive yields even in real terms.
The second reason is because the market timing is right our central scenario for emerging markets is a constructive growth prospect with the continuation of the post-pandemic recovery and expansionary policy. This constructive growth narrative should not be impacted by the gradual Federal Reserve normalization. Furthermore, emerging markets tend to benefit from an inflationary environment as these countries are rich in commodities and manufactured goods which act as an inflation hedge.
And last but not least, the large investment universe and liquidity offered by emerging markets is a real bulk of opportunities. As an example, emerging market debt represents more than 30% of the global bond universe, with China being the second biggest bond market[1].

2. What is your view on the current environment?

The global recovery from the reopening of economies has resulted in a faster rebound in demand than in supply in many sectors creating several bottlenecks. These bottlenecks are expected to ease gradually, but inflationary pressures will persist to varying degrees in different regions, as demand remains extremely strong across the various regions. And the recent sell-off on rates largely reflects central banks turning more cautious with respect to elevated inflation levels globally. As an example, in this context, we have a cautious positioning on core rates via short positions on the short end of the US curve and we favor emerging local debt which is attractive in terms of fundamentals. Indeed, positive real yields are rare in the developed world where most interest rates are well below the inflation rates they are witnessing.

3. What is your approach to emerging market debt?

Our approach in our Carmignac Portfolio EM debt fund is quite unique, thanks to three main differentiating characteristics:

First of all, we implement **a highly flexible investment process**. The fund's value proposition is its flexibility to operate within a large investment universe while benefitting from a wide range of risk management tools, allowing it to build attractive risk-adjusted portfolios at any point in the cycle.

Also, **the strategy we deploy has a solid track record**, as it was initially run in our multi-asset emerging Fund Carmignac Portfolio Emerging Patrimoine since September 2015. This approach proved its capabilities by demonstrating attractive absolute and relative performance.

In recognition of the Fund's investment approach, Carmignac Portfolio EM Debt is rated 5 stars by Morningstar while I am rated AAA by Citywire[2].

Finally, **Carmignac Portfolio EM Debt has a sustainable objective:** the Fund follows a socially responsible investment approach and aims to invest in countries that are making progress in some or all of the three Environment (E), Social (S) and Governance (G) dimensions. The Fund is also classified Article 9 according to the SFDR[3].

> This approach proved its capabilities by demonstrating attractive absolute and relative performance

- Joseph Mouawad

Carmignac Portfolio EM Debt in a nutshell

Carmignac Portfolio EM Debt is an emerging market fund aiming to capture bond and currency opportunities with a sustainable approach in all market conditions. The Fund's mission is to outperform emerging fixed income markets (represented by the reference indicator[4] while having a positive impact on society and the environment. The strategy implements a total return approach striving to deliver sustainable positive returns with an attractive Sharpe ratio whatever the market environment over the investment horizon of 3 years.

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

45.3%
3-year cumulated performance[5]

1st percentile
of its Morningstar category[5] for its performance over 3 years

1st percentile
of its Morningstar category[5] for its Sharpe ratio over 3 years

Would you like to know more about Carmignac Portfolio EM Debt?

Visit the Fund page

Joseph
Mouawad
Fund Manager

Source: Carmignac, Morningstar, 30 September 2021.
(1) Source: Bloomberg, 30/09/2021
(2) Source and Copyright: Citywire. Joseph Mouawad is AAA rated by Citywire for his rolling three year risk-adjusted performance across all funds the manager is managing to 30th September 2021. Citywire Fund Manager Ratings and Citywire Rankings are proprietary to Citywire Financial Publishers Ltd ("Citywire") and © Citywire 2021. All rights reserved.
(3) Sustainable Finance Disclosure Regulation (SFDR) 2019/2088. For more information please refer to https://eur-lex.europa.eu/eli/reg/2019/2088/oj.
(4) Reference indicator: JP Morgan GBI –Emerging Markets Global Diversified Unhedged EUR Index
(5) Morningstar category: Global Emerging Markets Bond. Performance of the A EUR acc share class ISIN code: LU1623763221. **Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor). The return may increase or decrease as a result of currency fluctuations.**

Carmignac Portfolio Emerging Patrimoine A EUR Acc

ISIN: LU0592698954

Recommended minimum investment horizon

Lower risk Higher risk

1	2	3*	4	5	6	7

Main risks 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.

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.

The Fund presents a risk of loss of capital.