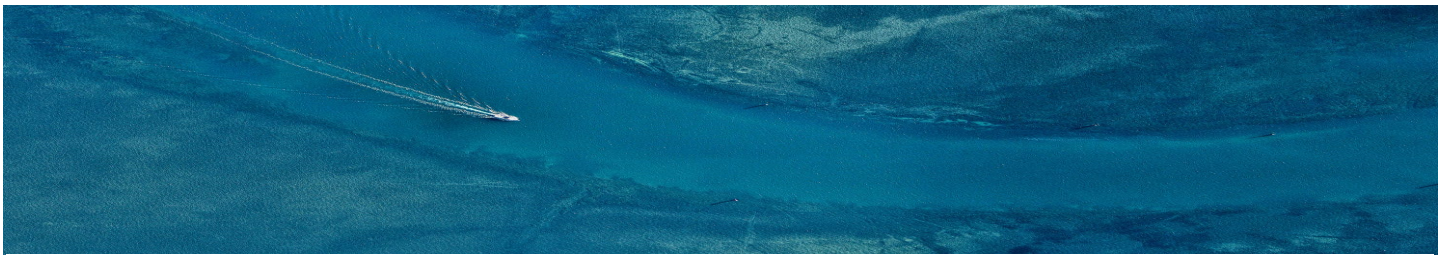
QUARTERLY REPORT

13.04.2023



Carmignac Global Bond: Letter from the Fund Manager

Author(s)
Abdelak Adjriou

Published
April 13, 2023

Leng
4

+2.38%

Carmignac P. Global Bond (A Euro Acc)

performance during the 1st quarter of 2023

+1.26%

Reference indicator's performance

in the 1st quarter of 2023 for JP Morgan GBI Global (EUR)

+1.12%

Outperformance of the fund

during the year versus its reference indicator.

Carmignac Portfolio Global Bond *was up by +2.38% (class A shares) in the first quarter of 2023, and it outperformed its reference indicator (JP Morgan Global Government Bond Index (EUR)), which delivered +1.26%.*

The bond markets today

Bond markets were very volatile in Q1 2023. We could divide the quarter into three different phases:

January was dominated by the soft-landing story with encouraging disinflation numbers in the US and with no recession priced in. Rates in the US dropped 30 bp and credit markets outperformed with spreads tighter by 50 bp. China reopening also sustained emerging markets with higher commodity prices (oil and copper).
February was the complete opposite with the same dynamics that we saw last year. Strong job markets and higher inflation surprises pushed yields and credit spreads higher. Financial conditions tightened with market pricing a terminal rate closed to 6% in the US and 4% in the Eurozone. Chinese data were still weak, and markets started to be impatient about the reopening effects.
March was the classical risk off environment with the collapse of SVB bank and followed by the merge of Credit Suisse and UBS. The SVB bank failure has pushed the Fed to revise the well telegraphed 50 bp hike by 25 bp. Credit markets deepened. The Credit Suisse collapse penalized AT1 holders and the banking sector overall. Government bonds were the winners with US rates dropping by more than 50 bp.

The failure of the regional US banks in Q1 2023 signalled the end of the bear bond cycle. In fact, Fed rate cutbacks are now priced for as early as this summer. As a result of the issues at Silicon Valley Bank, Signature, and Credit Suisse, there is now considerable uncertainty around the banking sector, which has only increased demand in money market funds that pay out more than bank deposits. If such bank withdrawals persist, a banking crisis can develop further. Europe has proven to be more resilient, so the ECB remains hawkish. Core inflation dynamics are still uptrend. Data are rebounding with commodity prices collapsing which helped the euro to outperform.

Fund performance

Carmignac Portfolio Global Bond generated a positive return in the first quarter. The three sources of performance (duration, currencies, and credit) contributed positively. We took advantage of the interest rate fall and the rally of the Emerging market currencies. Government bonds in the US, Canada and Germany were the biggest contributors. For the currency markets, Latam currencies (Mexican Peso, Brazilian Real, Chilean Peso) and the Indonesian Rupiah benefited from the China reopening and the high real rates those countries are giving. Our credit positioning also contributed positively thanks to CLOs (Collateralized Loan Obligations).

Outlook

We still believe that the recession is coming in the US this year. The bank regional crisis is telling us that the Fed has over hiked, and the recession is near. The banks will have to tighten their credit conditions and slow the financing of the real economy.

Inflation is the last shoe to fall with the job market still strong. We expect that the job market should start to suffer with tighter financial conditions and allow the inflation coming down. The housing market and the manufacturing sector are already in recession territories. The service sector is still holding thanks to the excess savings coming from the government checks, but we expect them to be near zero at the end of this year.

The positioning is in line with this economic deterioration. The fund positioning is defensive. We have increased our duration and our core government bonds exposure. We have bought credit protection to neutralize the credit book. In the FX markets we are long the yen and the Swiss franc that should outperform in the recession context. We have low exposure to the dollar because we don't think it will protect the fund as the recession will come first from the US. We have reduced our exposure to Latam currencies after a strong first quarter and because they might suffer in this context.

Source: Carmignac, Bloomberg, 31/03/2023. Performance of the A EUR Acc share class ISIN Code A EUR Acc : LU0336083497. [1]Reference Indicator: JP Morgan GBI Global (EUR).

Carmignac Portfolio Global Bond

A global, flexible and macroeconomic approach to fixed income markets

Discover the fund page

Carmignac Portfolio Global Bond A EUR Acc

ISIN: LU0336083497

Recommended minimum investment horizon

Lower risk Higher risk

1	2*	3	4	5	6	7

Main risks of the Fund

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.

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.

The Fund presents a risk of loss of capital.

Marketing communication. Please refer to the KID/KIID, prospectus of the fund before making any final investment decisions. This document is intended for professional clients.

This material may not be reproduced, in whole or in part, without prior authorisation from the Management Company. This material does not constitute a subscription offer, nor does it constitute investment advice. This material is not intended to provide, and should not be relied on for, accounting, legal or tax advice. This material has been provided to you for informational purposes only and may not be relied upon by you in evaluating the merits of investing in any securities or interests referred to herein or for any other purposes. The information contained in this material may be partial information and may be modified without prior notice. They are expressed as of the date of writing and are derived from proprietary and non-proprietary sources deemed by Carmignac to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. As such, no warranty of accuracy or reliability is given and no responsibility arising in any other way for errors and omissions (including responsibility to any person by reason of negligence) is accepted by Carmignac, its officers, employees or agents.

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, for the shares which are not currency-hedged.

Reference to certain securities and financial instruments is for illustrative purposes to highlight stocks that are or have been included in the portfolios of funds in the Carmignac range. This is not intended to promote direct investment in those instruments, nor does it constitute investment advice. The Management Company is not subject to prohibition on trading in these instruments prior to issuing any communication. The portfolios of Carmignac funds may change without previous notice. The reference to a ranking or prize, is no guarantee of the future results of the UCIS or the manager.

Morningstar Rating™ : © Morningstar, Inc. All Rights Reserved. The information contained herein: is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Access to the Funds may be subject to restrictions regarding certain persons or countries. This material is not directed to any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) the material or availability of this material is prohibited. Persons in respect of whom such prohibitions apply must not access this material. Taxation depends on the situation of the individual. The Funds are not registered for retail distribution in Asia, in Japan, in North America, nor are they registered in South America. Carmignac Funds are registered in Singapore as restricted foreign scheme (for professional clients only). The Funds have not been registered under the US Securities Act of 1933. The Funds may not be offered or sold, directly or indirectly, for the benefit or on behalf of a «U.S. person», according to the definition of the US Regulation S and FATCA. The risks, fees and ongoing charges are described in the KID (Key Information Document). The KID must be made available to the subscriber prior to subscription. The subscriber must read the KID. Investors may lose some or all their capital, as the capital in the funds are not guaranteed. The Funds present a risk of loss of capital.

The Funds' prospectus, KIDs, NAVs and annual reports are available at www.carmignac.com, or upon request to the Management Carmignac Portfolio refers to the sub-funds of Carmignac Portfolio SICAV, an investment company under Luxembourg law, conforming to the UCITS Directive. The French investment funds (fonds communs de placement or FCP) are common funds in contractual form conforming to the UCITS or AIFM Directive under French law.

In France, Luxembourg, Sweden: The risks, fees and ongoing charges are described in the KID (Key Information Document). The KID must be made available to the subscriber prior to subscription. The subscriber must read the KID. Investors may lose some or all their capital, as the capital in the funds are not guaranteed. The Funds present a risk of loss of capital. The Funds' prospectus, KIDs, NAV and annual reports are available at www.carmignac.com, or upon request to the Management.
In the United Kingdom: the Funds' respective prospectuses, KIIDs and annual reports are available at www.carmignac.co.uk, or upon request to the Management Company, or for the French Funds, at the offices of the Facilities Agent at BNP PARIBAS SECURITIES SERVICES, operating through its branch in London: 55 Moorgate, London EC2R. This document was prepared by Carmignac Gestion, Carmignac Gestion Luxembourg or Carmignac UK Ltd. FP Carmignac ICVC (the "Company") is an Investment Company with variable capital incorporated in England and Wales under registered number 839620 and is authorised by the FCA with effect from 4 April 2019 and launched on 15 May 2019. FundRock Partners Limited is the Authorised Corporate Director (the "ACD") of the Company and is authorised and regulated by the FCA. Registered Office: Hamilton Centre, Rodney Way, Chelmsford, Essex, CM1 3BY, UK; Registered in England and Wales with number 4162989. Carmignac Gestion Luxembourg SA has been appointed as the Investment Manager and distributor in respect of the Company. Carmignac UK Ltd (Registered in England and Wales with number 14162894) has been appointed as a sub-Investment Manager of the Company and is authorised and regulated by the Financial Conduct Authority with FRN:984288.
In Switzerland: the prospectus, KIDs and annual report are available at www.carmignac.ch, or through our representative in Switzerland, CACEIS (Switzerland), S.A., Route de Signy 35, CH-1260 Nyon. The paying agent is CACEIS Bank, Montrouge, Nyon Branch / Switzerland, Route de Signy 35, 1260 Nyon.

The Management Company can cease promotion in your country anytime. Investors have access to a summary of their rights in English on the following links: UK ; Switzerland ; France ; Luxembourg ; Sweden.