QUARTERLY REPORT

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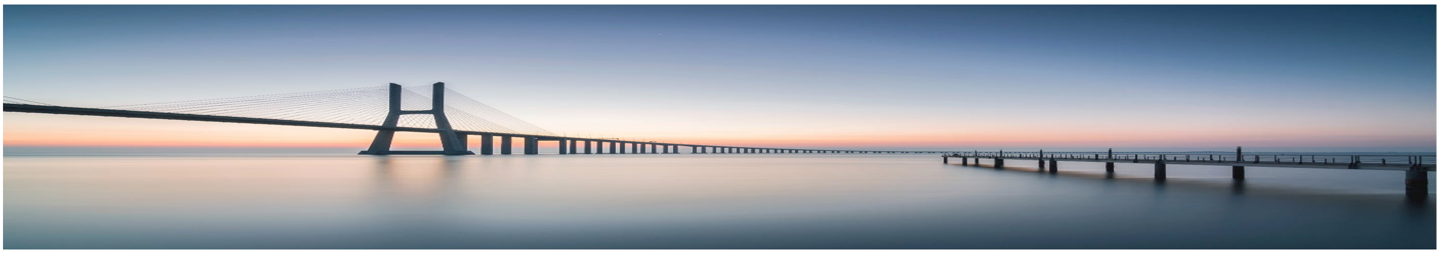

Carmignac P. Credit : Letter from the Fund Managers

Author(s)
Pierre Verlé, Alexandre Deneuville

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+2.81%

Carmignac P. Credit's performance

in the 4th quarter of 2022 for the A EUR Share class

+2.16%

Reference indicator's performance

in the 4th quarter of 2022 for the 75% ICE BofA Euro Corporate Index et 25% ICE BofA Euro High Yield Index

+0.65%

Outperformance of the Fund

on the quarter versus the reference indicator

Carmignac Portfolio Credit *A share in EUR was down 13.01% in 2022, vs. a 13.31% decline in its reference indicator[1]. In the fourth quarter, the EUR A share gained 2.81%, 65bp more than its reference indicator[1].*

Quick overview on 2022

2022 was a terrible year for credit markets globally.**No corners of the credit world were spared, with double-digit declines the norm across sub-asset classes.** We were disappointed by our deeply negative absolute return and are determined to recover the lost ground for our clients going forward – more on that below. We make plenty of mistakes every year; we are fully aware that we made too many in 2022, resulting in significantly lower outperformance than in previous years. That said, given the unprecedented circumstances and the long bias (with no currency exposure) embedded in our fund's mandate, we think our investment process has fared decently, and it has been strengthened by the lessons learned from our mistakes.

Performance review

Barring Russia, we saw more improved situations than default incidents among the companies in our portfolio. The financial health of a significant number of issuers whose bonds we own picked up as a result of inflation (especially in the commodities and finance sectors). **Our hedges played their role and contributed positively to our full-year return (one could argue that we should've hedged more but we were at the upper limit of our hedging capacity for a good part of the year)**. As discussed in previous quarterly reports, we misjudged how the war in Ukraine would play out, and have learned our lesson in terms of better controlling for country risk in the future. Most Russian issuers are still meeting their debt service obligations and the value of our investments there recovered in the second half. For bonds that were trading close to a conservative assessment of their fundamental value and for which there was enough market liquidity to sell, we took advantage of the opportunity to dispose of our holdings. We will continue to do so going forward.

What is our outlook for the coming months?

We are excited about the performance prospects for our portfolio as we head into 2023. It currently has an adjusted yield of more than 9% along with an average BB+ rating (but beyond ratings, we believe our portfolio is made up of companies with robust fundamentals whose risks are very well remunerated). **This level of carry is historically high and tilts the range of potential outcomes very much in favour of investors in our fund**. Even if credit markets experience another once-in-50-year bear market for the second year in a row, our portfolio's yield means we could withstand at least 200bp of further widening before our returns slide into negative territory. Such additional widening, whether it occurs in rates or spreads, would likely be devastating for many other asset classes (including private-market investments, which mostly didn't reprice in line with the fundamentals in 2022 and which could be due for a catchup if the environment deteriorates further). In such a scenario, we believe our hedges and our bond-picking would allow us to outperform, as we have in every calendar year since the fund was launched. Conversely, if spreads tighten across the credit space, it'd be hard not to imagine us delivering solid double-digit returns owing to both the resulting capital appreciation and the fixed income. **Attractive opportunities are to be found by staying rational when markets are driven by fear, and rarely in our careers have we seen such a good window of opportunity.**

In addition to today's favourable market climate, we're excited about what looks like the end of more than 10 years of financial repression. Now that the major central banks are injecting less liquidity, rates and spreads should settle in at structurally higher levels. **A more substantial cost of capital will cause average default rates to return to normal – and bring back meaningful alpha generation opportunities in restructuring situations along with generous risk premia**. In all, we believe Carmignac Portfolio Credit has the wind in its sails and offers much greater potential for delivering solid returns and outperforming in the years to come than ever before.

Sources: Carmignac, Bloomberg, 31/12/2022

Carmignac Portfolio Credit A EUR Acc

ISIN: LU1623762843

Lower risk Higher risk

Recommended minimum investment horizon

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.

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.

The Fund presents a risk of loss of capital.