

## Carmignac Portfolio Emerging Discovery : Letter from the Fund Managers

---

Author(s)

Xavier Hovasse, Amol Gogate

Published

April 24, 2023

Length

5

---

**Carmignac Portfolio Emerging Discovery**<sup>1</sup> returned +2.8% during the first quarter of 2023 versus +1,6% for its reference indicator<sup>2</sup>.

During the first quarter of 2023, the fund's investments in Taiwan, Mexico and South Korea contributed positively to overall returns. The fund was also able to sell down legacy Russian holdings at a profit relative to the value they were written down to a year ago. While returns of the broader Indian market were negative in absolute terms, the fund's holdings in India delivered good relative gains.

## Performance explanation

This year, equity markets are being shaped by two contrasting forces. On one hand, we are seeing tailwinds from the reopening in China and continued growth, albeit at a slower pace than 2022, across much of the rest of our emerging markets universe. The interest rate cycle getting closer to its peak across many geographies is also helping equities. On the other hand, increasing signs of an economic slowdown in the US are keeping us on our toes. We remain focused on identifying businesses that have a combination of a long runway for growth ahead of them, sustainably profitable business models and management teams we can trust. We hope to use the volatility in the markets to buy more of these businesses at attractive valuations.

One of the businesses that we have gradually built a position in recent quarters is **Policybazaar (PB Fintech)**. Policybazaar is India's leading online insurance agent. India has a very low penetration of term life insurance and health insurance. Policybazaar started as a price comparison site allowing customers to compare offerings of various insurers. But over the years they have built capabilities to help customers complete the entire process of purchase of insurance online. This is particularly relevant for term life and health insurance where customers need advice and significant handholding in choosing the right product. Policybazaar has sometimes gone even further and identified products for which there was unmet demand and advised insurers to build such products and offer them on Policybazaar. We have tracked Policybazaar since the time they were a private company and have greatly come to respect their founders and management. There was a meaningful sell-off in the shares of Policybazaar towards the end of last year and early this year, which allowed us to build a position at very attractive prices.

Another area of continued interest for us has been electric vehicles (EV). Both China and South Korea have established themselves as leaders in EV battery supply chain. EV batteries are set for strong growth in the coming years given active policy support for EV adoption globally, especially in the US with generous subsidies announced under the 'Inflation Reduction Act'. Our focus has been to identify high barrier-to-entry business models within the EV supply chain. The fund currently has investments in **Chunbo** and **Daejoo Electronic Materials**. There has recently been euphoria surrounding cathode makers in South Korea, but our preference has been for businesses with clear technology leadership who can sustain attractive margins and return-on-capital over the long term.

## Outlook going forward

During the first quarter of 2023, we have added to the fund's higher conviction holdings whenever the opportunity has arisen, we also have taken profits on some of our long-term holdings such as **Varun Beverages**. India remains an excellent market to find long term compounders, but we are also wary of high valuations at a time when many major economies around the world have exited the very-low-interest-rates regime of the previous decade. The fund continues to have a good mix of defensive holdings though investments in predictable return companies such as the Brazilian transmission utility **Alupar**, where growth is somewhat lower but even then, the guaranteed regulated returns are very attractive.

As we head into the second quarter of 2023, the fund's focus on small and mid-caps in Emerging Markets continues to offer us a diversity of opportunities across themes in our major geographies – from leaders in export of services and resultant domestic consumption in India and ASEAN to goods export powerhouses of China and Vietnam and their domestic consumption; from advanced technology ecosystems in South Korea and Taiwan to economies enriched by critical commodities across Latin America, Middle East and Africa. We aim to continually strengthen the fund's portfolio by taking advantage of opportunities offered by dislocations in any specific geography or theme.

<sup>1</sup>Performance of the A EUR acc share class ISIN code: LU0336083810. Past performance is not necessarily indicative of future performance. The return may increase or decrease as a result of currency fluctuations. Performances are net of fees (excluding possible entrance fees charged by the distributor). From 01/01/2013 the equity index reference indicators are calculated net dividends reinvested.

<sup>2</sup>50% MSCI EM SmallCap (EUR) + 50% MSCI EM MidCap (EUR) (Reinvested net dividends rebalanced quarterly).

Sources: Carmignac Bloomberg, CLSA, BoAML Research, company data, 31/03/2023

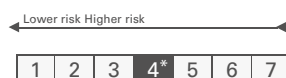
# Crossing frontiers to discover small and mid-cap gems

[Discover the fund page](#)

## Carmignac Portfolio Emerging Discovery A EUR Acc

ISIN: LU0336083810

Recommended  
minimum  
investment horizon



### 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.

**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.

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](http://www.carmignac.com), or upon request to the Management Company. 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](http://www.carmignac.com), or upon request to the Management Company.

**In the United Kingdom:** the Funds' respective prospectuses, KIIDs and annual reports are available at [www.carmignac.co.uk](http://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](http://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](#).