



Carmignac Portfolio Grande Europe: Letter from the Fund Manager



Author(s)
Mark Denham

Published
July 17, 2023

Length
5

+3.91%

Carmignac Portfolio Grande Europe's performance

in the 2nd quarter of 2023 for the A EUR Acc Share class

+2.27%

Reference indicator's performance*

in the 2nd quarter of 2023

+8.91%

Annualised performance of the Fund since Mark Denham** vs +7.48% for the reference indicator

*During the second quarter of 2023, **Carmignac Portfolio Grande Europe** (A EUR Acc share class) rose 3.91%, providing a return above the reference indicator which rose 2.27%.*

Market environment during the period

After the strong performance of the previous two quarters, given many conflicting factors, European markets rose modestly in Q2 2023, trading in a tight range for the entire period. On one side, encouragingly, inflation everywhere is easing – albeit more slowly than we had hoped – and central banks are still expected to raise rates so to maintain its downward trajectory, before weaker inflation prints will be reflected in bond yields. On the other side, underlying economic data has clearly deteriorated, with declining manufacturing and economic sentiment indicators in contractionary levels, pointing to Europe soon being in recession.

Performance commentary / What you have done in this context?

In the period, sectoral performances were mixed. Travel & Leisure, Retail, and many Auto stocks were strong buoyed by higher-than-expected personal consumption despite the rising cost of living, as consumers ate into savings built during the Covid crisis. At the same time, Financials rebounded as Banks regained their poise from the funding crisis experienced only few months ago. Although we have little exposure to these areas of strength, we are well represented in **Technology, another sector that did well in the period** In this space, our long standing/high conviction holding in software name SAP rose after results underlined the progress made towards transitioning to a cloud-based model. While upgrading their mid-term targets, the company confirmed Cloud based revenues are rising more than 20% annually, comprising more than 40% group results already. To note, while in Europe we do not have direct exposure to the explosive opportunity in artificial intelligence (AI) highlighted by results among US names, the theme will lead to strong demand for silicon chip manufacturing equipment worldwide. As a result, our holdings in ASML and ASM International, both rose in the period.

Conversely, reflecting the increasingly uncertain economic backdrop, **Energy and Basic Materials performed poorly, both falling in the period.** As both areas do not meet our strict threshold for financial quality or sustainability, the impact to the portfolio is limited.

To note, **Healthcare was not particularly strong in the period, but some of our names did well** such as medical device manufacturers, Straumann (dental implants) and Alcon (ocular and contact lenses). The latter, which has been a laggard until recently, was one of the stocks we added to our Fund during 2022 volatility caused by rising interest rates. Thanks to recent product launches in both surgical and consumer segments, the company upgraded both medium term sales and profit targets. Novo Nordisk – the leading player in diabetes and obesity drugs – remains our largest holding. While only rising mildly after a strong prior period, in the first quarter results the company continued to impress and even upgraded their full year guidance, which now models a spectacular 24-30% growth in sales, driven by explosive demand for their leading products. Zealand Pharma – another drug company exposed to obesity drugs – registered a good performance ahead of strong clinical data. Finally, our smallest healthcare name, the biotech Merus, enjoyed a stunning rally as investors – including us – look forward to updates regarding all three of their leading clinical candidates' drugs for treating various cancers.

In recent years, our holdings in the renewables space have struggled Ever since the spectacular sprint enjoyed on the back of President Biden's election, the sector has been adversely affected by multiple factors: rising bond yields depressing valuation, uncertainty on future regulation (until the Inflation Reduction Act - US) and, most significantly, the huge Covid led disruption to supply chains which caused rising input costs and difficulty keeping projects profitable. As if all these concerns were not enough, our main holding here, utility Orsted, also had company specific project execution issues. **Nevertheless**, their last two quarters results have reassured investors that **the worst of these problems have passed** and that, thanks to a more beneficial treatment of tax credits on US projects, profitability will be achieved thanks to current wind farms and projects already under or close to development. At their recent Capital Markets Day, management also outlined the drivers of growth until 2030 and gave us enough comfort to significantly increase our holding size in the name as a result.

What is our outlook for the coming months?

Having added numerous names to the Fund in 2022, when we picked up many high-quality names oversold in the volatility caused by rising rates, we have made no large changes to the portfolio so far this year. Nevertheless, we have already seen the benefits of last year's activity (ie: Straumann and Alcon) and expect to continue reaping further rewards in the second half of 2023 and beyond. While we are primarily bottom up focused on high quality, sustainable businesses, with a long-term view, we would expect our Fund to benefit from the peak and subsequent fall in interest rates and bond yields warranted by the current economic environment. **The superior profit growth and visibility of sales and profits of our names is likely to be reflected in better performance – especially against an uncertain economic backdrop. However, we are not reliant on that. We have an investment horizon of 5 years, and we stick to our process focused on profitable companies with high returns on capital, reinvesting for growth. We believe these companies will continue to deliver attractive long-term returns for investors.**

*Reference indicator: Stoxx Europe 600 (NR, EUR). From 01/01/2013 the reference indicator is calculated net of dividends reinvested. ** Mark Denham took over the Fund on the 17/11/2016. Source: Company website, Bloomberg, Carmignac, 30 June 2023.

A high conviction, sustainable European equity strategy

[Discover the fund page](#)

Carmignac Portfolio Grande Europe A EUR Acc

ISIN: LU0099161993

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.

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](#).