CARMIGNAC SÉCURITÉ: LETTER FROM THE FUND MANAGERS

11/07/2024 | MARIE-ANNE ALLIER, AYMERIC GUEDY

+0.92% Performance of the Fund in the second quarter vs +0.47% for its reference indicator[1] (AW EUR Acc Share class).	**+2.34%** Performance of the Fund year to date vs +0.34% for its reference indicator[1] (AW EUR Acc Share class).	**1 st quartile** of its Morningstar category over 1, 5 years and 10 years Morningstar category: EUR Diversified Bond – Short Term. (AW EUR Acc Share class).

In the second quarter of 2024, ***Carmignac Sécurité*** *posted a performance of +0.92%, while its reference indicator[1] returned +0.47%.*

WHAT HAPPENED ON THE FIXED INCOME MARKETS DURING THE QUARTER?

The second quarter must have been particularly welcome for central bankers on both sides of the Atlantic: inflation is falling, sometimes too slowly, but the trend is there, growth is slowing in the United States without risking recession and is rebounding gently in Europe. So their gamble seems to have paid off, bringing inflation back towards target without dragging the economy into recession. In the eurozone, the ECB even began its rate-cutting cycle with a 25 basis point cut on 6 June. However, the market continued to revise downwards the rate cuts for 2024, to take account of a Governing Council that seems determined not to let its guard down too soon. At the end of June, only one and a half rate cuts were expected. As for the Fed, it has its finger on the rate cut trigger, allowing the market to moderate overly strong economic data, and to react well to data that confirms the slowdown.

On the corporate side, the situation remains unchanged: credit spreads are tight but absolute yields continue to attract many investors, allowing supply to be very well absorbed by the market. Companies have understood this, with record issuance in the first half of the year, not to increase leverage, but to refinance and extend the maturity of their debt. Short maturities of less than 5 years are therefore benefiting from both strong demand and increased visibility, with the lengthening of the average maturity of debt providing de facto protection for shorter maturities.

The story of this second quarter would not be complete without a political component: in the United States, the Trump hypothesis is becoming more than likely, given that Joe Biden seems, even in the eyes of the Democrats, physically and intellectually incapable of assuming the role of leader of the world's leading power. In Europe, the markets were buoyed by the various elections, both scheduled and early. Firstly, the European elections confirmed the conservative right of the EPP as Europe's leading party. The consequences are minimal in the short term, but will probably involve less European integration and fewer forced ecological measures. Then there is the United Kingdom, where Labour has recorded an historic victory. This could lead to a more openly pro-European policy, especially as the EPP has historically been one of the most conciliatory parties with regard to Brexit. Finally, in France, the surprise dissolution of parliament following the European elections took everyone by surprise. The markets reacted quite strongly, with sovereign spreads rising (the French spread rose from 47bps against Germany to 81bps at its peak), credit spreads widening and German yields rallying.

PERFORMANCE

In April and May, in an environment characterised by upward pressure on interest rates and a resilient credit market, our positioning combining reduced exposure to core rates and exposure to credit, favouring the most defensive segments, enabled us to deliver a robust performance. During the quarter, we gradually increased the portfolio's duration from 2 to 2.5 at the end of June, favouring the short end of the curve as the market backed off on the number of central bank rate cuts for 2024, and we gradually increased credit protection as valuations on this market returned to tight levels. Finally, this portfolio construction showed its strong resilience in June, following the surprise dissolution of the French government. The fund benefited from its positioning on the short end of the German curve in a flight to quality, but also from our credit protection when the iTraxx Xover index widened by 42 basis points, generating a performance of +0.62% compared with +0.37% for its reference indicator (from 7 June to 30 June).

OUTLOOK & POSITIONING

The third quarter of 2024, particularly July and August, should be calmer, allowing the portfolio to benefit fully from the carry. Market expectations regarding the Central Banks are limited, as we are far from the exuberance seen at the start of the year. Moreover, the US elections are still a long way off and the markets have already partially anticipated a Trump victory. The composition of Carmignac Sécurité's portfolio, which focuses on short-term corporate credit (mainly up to 5 years) and German interest rates (also 2 to 5 years), will enable us to benefit from this environment. At the same time, exposure to inflation (via break-even and real rates) remains a safety net in case disinflation is slower than expected. The soft landing scenario that is emerging should be the one in which the portfolio performs best.

[1]Source: Carmignac, Bloomberg, 28/06/2024.

CARMIGNAC SÉCURITÉ AW EUR ACC

(ISIN: FR0010149120)

SFDR - Fund Classification** :

Article 8

LOWEST RISK — HIGHEST RISK

1	2*	3	4	5	6	7

Recommended minimum investment horizon 2 YEARS

MAIN RISKS OF THE FUND

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. **RISK OF CAPITAL LOSS**: The portfolio does not guarantee or protect the capital invested. Capital loss occurs when a unit is sold at a lower price than that paid at the time of purchase. **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.

The Fund presents a risk of loss of capital.

*Risk Scale from the KID (Key Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time. **The Sustainable Finance Disclosure Regulation (SFDR) 2019/2088 is a European regulation that requires asset managers to classify their funds as either 'Article 8' funds, which promote environmental and social characteristics, 'Article 9' funds, which make sustainable investments with measurable objectives, or 'Article 6' funds, which do not necessarily have a sustainability objective. For more information please refer to https://eur-lex.europa.eu/eli/reg/2019/2088/oj.

FEES

Entry costs : 1,00% of the amount you pay in when entering this investment. This is the most you will be charged. Carmignac Gestion doesn't charge any entry fee. The person selling you the product will inform you of the actual charge.

Exit costs : We do not charge an exit fee for this product.

Management fees and other administrative or operating costs : 1,11% of the value of your investment per year. This estimate is based on actual costs over the past year.

Performance fees : There is no performance fee for this product.

Transaction Cost : 0,24% of the value of your investment per year. This is an estimate of the costs incurred when we buy and sell the investments underlying the product. The actual amount varies depending on the quantity we buy and sell.

PERFORMANCE (ISIN: FR0010149120)

Calendar Year Performance (as %)	2015	2016	2017	2018	2019
Carmignac Sécurité	**+1.1 %**	**+2.1 %**	**+0.0 %**	**-3.0 %**	**+3.6 %**
Indicateur de référence	+0.7 %	+0.3 %	-0.4 %	-0.3 %	+0.1 %

Calendar Year Performance (as %)	2020	2021	2022	2023	2024 (YTD)
Carmignac Sécurité	**+2.0 %**	**+0.2 %**	**-4.8 %**	**+4.1 %**	**+2.3 %**
Indicateur de référence	-0.2 %	-0.7 %	-4.8 %	+3.4 %	+0.3 %

Annualised Performance	3 Years	5 Years	10 Years
Carmignac Sécurité	**+0.4 %**	**+1.0 %**	**+0.7 %**
Indicateur de référence	+0.5 %	+0.5 %	+0.1 %

Source: Carmignac at 28 Jun 2024.
Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor).