

CARMIGNAC P. FLEXIBLE BOND: LETTER FROM THE FUND MANAGERS

14/01/2025 | ELIEZER BEN ZIMRA, GUILLAUME RIGEADE

+0.37%

Carmignac P. Flexible Bond's performance in the 4th quarter of 2024 for the A EUR Share class.

+5.42%

Carmignac P. Flexible Bond's performance since the beginning of 2024 for the A EUR Share class.

+3.57%

Relative annualized performance of the Fund for A EUR shareclass versus ICE BofA ML Euro Broad index (EUR) over 3 years period.

*In the fourth quarter of 2024, **Carmignac Portfolio Flexible Bond** posted a net performance of +0.37% for the A shareclass, while its benchmark¹ was up +0.07%.*

THE BOND MARKETS TODAY

The last quarter of 2024 was characterised by volatility for bond assets. Despite the cuts in key rate by central banks on both sides of the Atlantic (-75bp respectively for the ECB and the FED in 2024), the configuration was tilted on the upside for euro and US bond yields in this final quarter. The spectrum of an economic slowdown in the United States, combining an easing of the labour market and consequently less vigour on the part of the US consumer, was completely dispelled at the end of the year with vigorous statistics on job creation and consumption. As a result, the US 10-year yield soared by +79bp over the quarter, accelerating sharply after the US central bank's last meeting at the end of December, which resulted in a hawkish message for the forthcoming sequence of rate cuts for 2025. In addition to the sustained pace of growth in the US economy, the resurgence of inflation is of particular concern to central bankers, who have been forced to revise upwards their inflation target for the months ahead. On the one hand, headline inflation rose again on both sides of the Atlantic in the last quarter, and on the other, core inflation continues to hover well above the central banks' target at 3.3% in the United States and 2.7% on the Old Continent. In addition, the forthcoming arrival of Donald Trump to the White House is also reinforcing the prospect of higher and lasting inflation in the future, fuelled by the prospect of a still high fiscal stimulus, a tight US labour market due to a lack of immigration and higher customs duties, which would spread inflation not only within the country but also to other regions. In the eurozone, the uptrend in yields was less vigorous, with the German 10-year yield gaining +24bp over the quarter, in line with growth that remained weak at 0.9% year-on-year. Nevertheless, leading indicators in the region seem to indicate that the low point has been reached, particularly in manufacturing, as do consumer data such as retail sales, which surprised on the upside during the third quarter. In contrast to interest rates, credit was once again particularly resilient in the final quarter, with credit spreads remaining stable thanks to technical factors that had a positive impact on the asset class.

ASSET ALLOCATION

During the last quarter, we once again used the leeway provided by our management mandate to deliver a positive absolute and relative performance. In an unfavourable market environment, the fund generated a positive performance of +0.37%, taking the strategy's annual performance to +5.42%. Our inflation-linked instruments were the best contributors to performance during the last quarter and have intact performance potential going forward, given the relatively low market expectations for the coming months. Our selection of credit issuers once again delivered an attractive performance through the carry component. Finally, in a rising interest-rate environment, our modified duration management was crucial in delivering a positive performance, which ranged from -0.8 to 1.5 at the end of the period. In addition, our short positions on euro and US long rates made a particularly significant contribution to the fund's performance. We also made other arbitrages, increasing our exposure to emerging assets by initiating new positions in Argentinian and Senegalese debt.

OUTLOOK

We are maintaining a similar investment thesis for the start of 2025, based on the following 3 performance drivers: yield curve steepening, carry play and inflation-linked instruments. We are therefore starting this new financial year with a cautious approach to the strategy's level of exposure to interest rates. Indeed, while in the short term the level of yield observable on the markets is no longer an argument for negative interest-rate sensitivity, we believe that it is too early to take an interest in the long end of the yield curve. The political situation on both sides of the Atlantic is likely to maintain a high volume of debt issuance, resulting in upward pressure on long yields. We also remain cautious about valuations across the credit spectrum: while the carry offered by this asset class remains attractive, the tightening of credit spreads seen over the last two years now leaves little room for future appreciation. Indeed, despite the robustness of the technical factors of this asset class, we favour the implementation of hedges to protect against a potential volatility shock. Finally, we remain constructive on inflation-indexed strategies, which offer substantial upside potential given market projections that remain too lenient for the future.

Source: Carmignac as at 31/12/2024. A EUR Acc shareclass¹ ICE BofA Euro Broad Market Index (coupons reinvested). On 30/09/2019 the composition of the reference indicator changed: the ICE BofA ML Euro Broad Market Index coupons reinvested replaces the EONCAPL7. Performances are presented using the chaining method. On 10/03/2021 the Fund's name was changed from Carmignac Portfolio Unconstrained Euro Fixed Income to Carmignac Portfolio Flexible Bond. **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 applicable entrance fee acquired to the distributor).**

CARMIGNAC PORTFOLIO FLEXIBLE BOND A EUR ACC

(ISIN: LU0336084032)

SFDR - Fund Classification** :

Article **8**



Recommended
minimum
investment horizon



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. **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. **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.

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 : 1,20% of the value of your investment per year. This estimate is based on actual costs over the past year.

Performance fees : 20,00% when the share class overperforms the Reference indicator during the performance period. It will be payable also in case the share class has overperformed the reference indicator but had a negative performance. Underperformance is clawed back for 5 years. The actual amount will vary depending on how well your investment performs. The aggregated cost estimation above includes the average over the last 5 years, or since the product creation if it is less than 5 years.

Transaction Cost : 0,38% 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: LU0336084032)

Calendar Year Performance (as %)	2016	2017	2018	2019	2020
Carmignac Portfolio Flexible Bond	+0.1 %	+1.7 %	-3.4 %	+5.0 %	+9.2 %
Indicateur de référence	-0.3 %	-0.4 %	-0.4 %	-2.5 %	+4.0 %

Calendar Year Performance (as %)	2021	2022	2023	2024
Carmignac Portfolio Flexible Bond	+0.0 %	-8.0 %	+4.7 %	+5.4 %
Indicateur de référence	-2.8 %	-16.9 %	+6.8 %	+2.6 %

Annualised Performance	3 Years	5 Years	10 Years
Carmignac Portfolio Flexible Bond	+0.5 %	+2.1 %	+1.3 %
Indicateur de référence	+3.1 %	+1.6 %	+1.2 %

Source: Carmignac at 31 Dec 2024.

Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor).

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.

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The Funds' prospectus, KIDs, NAVs and annual reports are available at 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, or upon request to the Management Company.
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- **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.

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