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CARMIGNAC P. CREDIT: LETTER FROM THE FUND MANAGERS

11/04/2025 | ALEXANDRE DENEUVILLE, PIERRE VERLÉ

+1.80%
Carmignac P. Credit's performance in Q1 2025 for the A EUR Share class.

+1.53%
Relative performance of the Fund for A EUR shareclass versus reference indicator [1]in the 1st quarter of 2025.

+5.50%
Of annualized performance since launch of the fund (31/07/2017)[2], compared to +1.25% for its reference indicator.

***Carmignac Portfolio Credit** was up 1.80% during the first quarter of 2025 vs. 0.27% for the reference indicator, for an outperformance of 1.53%. This is a satisfying performance in a turbulent quarter during which credit markets went sideways.*

REVIEW OF Q1 2025 PERFORMANCE

The biggest contributor to performance was an investment in a restructuring situation in the healthcare industry which was a detractor to performance in 2024. Our investment thesis is starting to play out and we expect further performance during 2025. As we wrote in our 2024 annual letter in January, it is in the nature of special situations and restructuring to be more volatile but this is also a corner of the credit markets where experienced investors can harvest a lot of alpha.

The rest of the portfolio performed well during the quarter and outperformed meaningfully the reference indicator on its own. This performance was the result of consistent bond picking across a diversified portfolio of more than 250 bonds from more than 150 issuers and was achieved while maintaining a defensive stance, with a level of hedging through HY CDS indices above 21%. Despite this quarter's volatility, the hedging position resulted in a small loss but we expect it to protect the portfolio in the future and to give us precious dry powder to reposition the fund through periods of market volatility.

OUTLOOK

We are currently going through a period or heightened uncertainty, which does not only manifest itself through changes of expectations about the cycle or the general strength of the global economy but also at the microeconomic level, especially with an elevated risk of trade disruptions for specific industries and companies.

Trade disruptions have featured prominently in recent crises, be it in 2018 or 2022. We always stress-test our investment theses for risky dependences to unreliable markets on the demand or supply side, as well as the capacity to absorb input cost volatility. We have been investing constantly in the natural resources sector over the past decade, generating alpha regularly. The ability to withstand commodity price volatility is a key criteria selection for our positions in this corner of the economy. The financial institutions we invest in combine healthy liquidity and capitalization as well as disciplined underwriting and should withstand a recession without major issues. Finally, our CLO exposure stands at c. 8.5%, a mutli-year low for the fund. We have actively selected CLO tranches with more defensive risk characteristics, namely instruments with shorter spread duration and/or high coupons, and our exposure is well diversified across over 45 tranches.

Thus, we believe the credit worthiness of our portfolio investments should remain fundamentally resilient throughout this period and the cost of risk, on average, should stay at moderate levels. The high level of diversification of the fund should mitigate the impact of accidents. We also believe headlines, overreactions and volatility are likely to be a big source of opportunities.

In the past days, high yield spreads have widened substantially, while still remaining far from the wides typically observed near the bottom of credit cycles. Primary markets look closed for now, especially for new or more difficult situations. Complexity premia in general have reinflated, which is great news for us, and it is easier than a few months ago to find attractive risk-rewards. We have started after the end of the quarter to monetize our hedging position. We will continue if spreads continue to widen and will reallocate the proceeds towards attractive opportunities.

As we write, the portfolio sports a 7.0% yield for an average rating of BBB-. Including the cost of hedging, the net yield is in excess of 6.3% with an average robust investment grade rating. We think this is an attractive level of carry that should ensure solid outcomes within our investment horizon in a wide range or market scenarios. If the current turbulence turns into a dislocation, the carry should mitigate to a great extent a repricing of the portfolio with a 12 months horizon, giving us leeway to reposition. Conversely, in a stable to tightening market, one could easily envision a mid to high single digit return.

Finally, we expect restructurings to be an incremental source of alpha in tough markets making refinancings more difficult. Companies that overlevered during the decade of very low cost of capital preceding 2022 are increasingly having to resize and restructure their balance sheets. This has started already in 2024, with a number of companies managing to take semi-consensual routes to liability management exercises. We expect 2025 to see more proper restructurings as it is becoming more and more difficult for a number of companies to kick the can down the road and we can think of a number of large balance sheets where investors are likely too complacent about the magnitude of adjustments needed to get to sustainable quanta of debt. This should provide us with asymmetric opportunities to generate meaningful alpha, as distressed debt can be one of the most attractive sectors of the credit world at the right moments of the cycle.

In conclusion, we think our selective bond picking, high level of diversification and prudent positioning should help us weather rough credit markets and put us in the position to seize on the resulting opportunities.

CARMIGNAC PORTFOLIO CREDIT A EUR ACC

(ISIN: LU1623762843)

SFDR - Fund Classification** :

Article 6

LOWEST RISK — HIGHEST RISK

1	2*	3	4	5	6	7

Recommended minimum investment horizon 3 YEARS

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.

*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 : 2,00% 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 : 0,25% 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: LU1623762843)

Calendar Year Performance (as %)	2017	2018	2019	2020	2021
Carmignac Portfolio Credit	**+1.8 %**	**+1.7 %**	**+20.9 %**	**+10.4 %**	**+3.0 %**
Indicateur de référence	+1.1 %	-1.7 %	+7.5 %	+2.8 %	+0.1 %

Calendar Year Performance (as %)	2022	2023	2024	2025
Carmignac Portfolio Credit	**-13.0 %**	**+10.6 %**	**+8.2 %**	**+1.8 %**
Indicateur de référence	-13.3 %	+9.0 %	+5.7 %	+0.3 %

Annualised Performance	3 Years	5 Years	Since launch
Carmignac Portfolio Credit	**+4.1 %**	**+6.8 %**	**+5.5 %**
Indicateur de référence	+1.8 %	+2.3 %	+1.2 %

Source: Carmignac at Mar 31, 2025.
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 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.
- **In Spain** : The Funds are registered with the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores) under the following numbers: Carmignac Sécurité 395, Carmignac Portfolio 392, Carmignac Patrimoine 386, Carmignac Absolute Return Europe 398, Carmignac Investissement 385, Carmignac Emergents 387, Carmignac Credit 2027 2098, Carmignac Credit 2029 2203, Carmignac Credit 2031 2297, Carmignac Court Terme 1111.

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