CARMIGNAC PORTFOLIO GRANDCHILDREN: LETTER FROM THE FUND MANAGERS

12/07/2024 | MARK DENHAM, OBE EJIKEME

+2.15%
Performance of the Fund in Q2 vs +3.42% for its reference indicator[1] (A EUR Share class).

+17.94%
Performance of the Fund since the beginning of the year vs +15.18% for its reference indicator.

+87.0%
Performance of the Fund over 5 years vs +85.4% for its reference indicator.

*Over the second quarter, **Carmignac Portfolio Grandchildren** posted a positive performance of +2.15%, underperforming its reference indicator (+3.42%). This brought the fund performance for the year to date to +17.94%, versus +15.18% for the reference indicator.*

MARKET ENVIRONMENT

The second quarter continued the positive trend of the first quarter with **equity markets delivering positive returns despite some volatility**. Monetary policy risk has gradually been replaced by political risk, which has led to dispersion across regions and sectors. Leadership among stocks and sectors constantly changed over the period and this was reflected in Energy and Financials as well as Healthcare and Technology being among the better performing sectors. Overall, **the US markets outperformed**, benefiting from the strong earnings of technology companies. Meanwhile, **Europe faced political instability** in June due to an unforeseen snap election called by Macron, which had a detrimental effect on the overall returns in the region.

HOW DID WE FARE IN THIS CONTEXT?

The fund's largest exposure remains in the **technology sector**, which also performed exceptionally well in the second quarter. **Nvidia's**impressive performance continued, with a 39% increase in the quarter, driven by strong and widespread demand for GPUs from major hyperscalers, enterprises, and sovereigns. This demand-supply balance is expected to remain tight for the rest of the year. The positive news flow in the semiconductor sector is evident through the performance of companies like **ASML** (+8%). However, towards the end of the quarter, we significantly **reduced our holding in Nvidia**, from an average weighting of around 5% to just 2% by the end of June. This decision was influenced by the stock's substantial 150% rise in 2024 alone, placing it at the higher end of its valuation range at approximately 50 times the estimated earnings for 2025. As a result, we decided to take some profits with a view to adding back on momentum reversal.

Our more **defensive stocks also demonstrated strong performance** throughout the quarter, particularly in the Consumer Staples and Healthcare sectors. Notably, **Colgate** experienced a 9% increase, following another quarter of better-than-anticipated results. Similarly, **Novo Nordisk** witnessed a 14% surge in value, driven not only by a robust financial report but also by the significant expansion of their supply for the previously limited obesity drug, Wegovy. This expansion was prompted by an overwhelming demand for the product.

However, there were also **some disappointing performances in the consumer and healthcare sectors** during the quarter. **Estee Lauder**, for example, experienced a significant decline of 29% in the quarter due to negative reaction to their quarterly results. Although the company confirmed a positive growth of 6% organic in their fiscal 3rd quarter to March, with expectations of further acceleration towards the end of the year as the over-stocking issue in Asian travel retail had been resolved, their full-year guidance fell slightly below expectations. This, combined with a lacklustre global consumer backdrop, triggered a sell-off. Healthcare companies with consumer exposure, such as **Align Technology**, specializing in orthodontics, and **Demant**, known for hearing aids, were also adversely affected by concerns about global consumer strength. As a result, their stocks plummeted by 25% and 12% respectively, even though there is currently no concrete evidence of any significant impact on their financial results.

OUTLOOK

Our macro overlay framework continues to indicate a **defensive stance** towards equity markets. In line with our cautious macroeconomic outlook, we have taken further steps to **reduce exposure to economically sensitive stocks**. During the second quarter, this involved reducing positions in high-valued software companies such as Palo Alto, ServiceNow, Salesforce, Intuit, Adobe, as well as AMD, Amadeus, TransUnion, and others. On the other hand, we have increased our holdings in consumer staples and healthcare stocks, particularly those we believe have been unfairly undervalued.

One notable addition to our portfolio is **Vertex Pharma**, a healthcare company that stood out in our screening process. This change represents the largest adjustment we have made. Vertex Pharma is one of the few large pharmaceutical stocks that performed well in our evaluation. Additionally, the company currently presents an attractive opportunity. It holds a strong position as a provider of drugs for cystic fibrosis (treatment, and we anticipate the approval of their next-generation drug later this year. Furthermore, Vertex Pharma has promising prospects in other therapeutic areas, including pain treatment and kidney disease.

Source: Carmignac, Bloomberg, data as of 30/06/2024. Performance of the A EUR Acc share class ISIN code: LU1966631001. Risk Scale from the KID (Key Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time. [1]Reference indicator: MSCI WORLD (USD, net dividends reinvested). **Past performance is not necessarily indicative of future performance. The return may increase or decrease as a result of currency fluctuations, for the shares which are not currency-hedged. Performances are net of fees (excluding possible entrance fees charged by the distributor).**

CARMIGNAC PORTFOLIO GRANDCHILDREN A EUR ACC

(ISIN: LU1966631001)

SFDR - Fund Classification** :

Article 9

LOWEST RISK						HIGHEST RISK
1	2	3	4	5*	6	7

Recommended minimum investment horizon 5 YEARS

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.

*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 : 4,00% 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 : 1,70% 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 : 0,26% 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: LU1966631001)

Calendar Year Performance (as %)	2019	2020	2021	2022	2023	2024 (YTD)
Carmignac Portfolio Grandchildren	**+15.5 %**	**+20.3 %**	**+28.4 %**	**-24.2 %**	**+23.0 %**	**+17.9 %**
Indicateur de référence	+15.5 %	+6.3 %	+31.1 %	-12.8 %	+19.6 %	+15.2 %

Annualised Performance	3 Years	5 Years	Since launch
Carmignac Portfolio Grandchildren	**+7.4 %**	**+13.3 %**	**+14.2 %**
Indicateur de référence	+10.5 %	+13.1 %	+13.9 %

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).