CARMIGNAC PORTFOLIO GRANDCHILDREN: LETTER FROM THE FUND MANAGERS

16/04/2025 | MARK DENHAM, OBE EJIKEME

-7.50%
Performance of the Fund in Q1 2025 (A EUR Share class).

-5.86%
Performance of its reference indicator[1] in Q1 2025.

+12.82%
Annualized performance of the Fund over 5 years vs +16.48% for its reference indicator.

***Carmignac Portfolio Grandchildren** A EUR Acc delivered a performance of -7.50% in the first quarter of 2025, underperforming its reference indicator, which also declined by -5.86%.*

MARKET ENVIRONMENT DURING THE PERIOD

The macro environment in Q1 2025 was defined by heightened policy uncertainty, particularly in the United States, where aggressive new tariffs and protectionist trade measures under the new administration triggered volatility and a sharp shift in investor sentiment. While broad economic indicators remained stable, the threat of a trade war and geopolitical tensions led to a marked deterioration in consumer and business confidence, especially in the US. As a result, US equity markets experienced their worst quarter since 2022, with the S&P 500 falling -9.26% (in EUR[2]) and the tech-heavy Nasdaq 100 down over 11.13% (in EUR[2]), driven largely by steep declines in the “Magnificent Seven” mega-cap stocks. Following the DeepSeek news in January, there was a notable rotation out of crowded US technology and related sectors into other regions, particularly Europe

European equities outperformed, supported by fiscal stimulus, structural reforms?most notably Germany’s increased infrastructure and defence spending?and a weaker US dollar. Domestic sectors, particularly banks and defence companies, were the primary beneficiaries of these supportive trends. However, the tariff announcements at the end of March unsettled markets and triggered an early shift toward defensive positioning, reflecting heightened macroeconomic uncertainty and renewed concerns about global growth.

HOW DID WE FARE IN THIS CONTEXT?

During the first quarter of 2025, the fund declined and underperformed its reference indicator. The initial market rotation out of US technology stocks negatively impacted absolute returns. While the fund maintains positions in leading US technology companies such as Microsoft, Nvidia, and Amazon, we had proactively reduced our exposure to this sector towards the end of 2024. This adjustment helped mitigate some of the downside but did not fully offset the broader sector weakness.

In Europe, our allocation remained aligned with our investment process, which emphasizes high-quality market leaders. However, we had no exposure to the European sectors that led performance until March 2025?specifically defence (excluded for sustainability reasons), Banks, and Insurance (excluded due to our quality criteria). This under-exposure to the top-performing sectors was the primary driver of our relative underperformance year-to-date.

Our healthcare holdings also detracted from performance. In a challenging market environment, several of our healthcare companies underperformed. While pharmaceutical names such as Vertex delivered positive results, other high-quality holdings in the sector?including Thermo Fisher, Intuitive Surgical, and Align Technology?lagged. However, the sector remains an area of uncertainty. Although there were promises that tariffs would be announced "soon," it has now been clarified that this will not occur until the drug pricing hearing concludes. Consequently, Novo Nordisk continued to decline. Despite reducing our position to below 3%, it remained a drag on the fund's performance. The company's 2025 revenue growth guidance of 16–24% (with the midpoint marking the slowest growth in three years) disappointed investors, while the prospect of potential US tariffs on European pharmaceutical imports raised further concerns about cost pressures.

On a more positive note, our holdings in the financial sector ?particularly ICE and Mastercard, were among the main contributors to performance. Additionally, the consumer staples sector began to recover toward the end of the quarter, as the announcement of tariffs pressured broader markets but benefited select defensive names.

OUTLOOK & POSITIONING

In the coming months, a crucial consideration is whether tariffs will be implemented following the "90 days pause" and the extent of such tariffs. This ongoing uncertainty is influencing market sentiment. As a result of the recent sharp market correction, numerous companies have reverted to their five-year low valuations, creating attractive opportunities for us as long-term investors to increase our positions.

While our portfolio has minimal direct exposure to companies significantly impacted by tariffs, we acknowledge that the broader economic environment remains challenging. The negative sentiment surrounding global trade may particularly affect cyclical sectors. Consequently, we believe that high-quality, secular growth companies with superior visibility on sales and profits will perform well in this uncertain environment. These companies are likely to provide stability and growth potential, making them ideal candidates for our portfolio.

During the quarter, we took advantage of what we believe to be excessive weakness in selected technology holdings, notably Nvidia and Amazon, to materially increase our positions. We also added to our exposure in the electrical equipment sector through Prysmian on share price weakness. In healthcare, our new analyst initiated coverage on US drug distributors Cencora and McKesson, both of which scored well in our investment process. We have started to build small positions in these names. Additionally, we established a modest position in Unilever. These new investments were funded primarily through profit-taking in Mastercard and S&P Global within the financial sector.

Our macro-overlay framework continues to advocate for a defensive stance in equity markets, favouring sectors like consumer staples and healthcare – that tend to weather economic storms better than most. However, we remain agile and are prepared to tactically increase our biggest conviction positions when valuations become attractive, as we have done successfully during previous periods of market volatility.

[1]Reference indicator: MSCI WORLD (USD, net dividends reinvested). Past performance is no guarantee of future results. They are net of fees (excluding any entry fees applied by the distributor).

[2]Source: Bloomberg, data as of 31/03/2025.

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 : 0,28% 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
Carmignac Portfolio Grandchildren	**+15.5 %**	**+20.3 %**	**+28.4 %**	**-24.2 %**
Indicateur de référence	+15.5 %	+6.3 %	+31.1 %	-12.8 %

Calendar Year Performance (as %)	2023	2024	2025
Carmignac Portfolio Grandchildren	**+23.0 %**	**+21.9 %**	**-7.5 %**
Indicateur de référence	+19.6 %	+26.6 %	-5.9 %

Annualised Performance	3 Years	5 Years	Since launch
Carmignac Portfolio Grandchildren	**+6.0 %**	**+12.8 %**	**+11.4 %**
Indicateur de référence	+8.6 %	+16.5 %	+12.6 %

Source: Carmignac at 31 Mar 2025.
Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor).