CARMIGNAC P. EMERGENTS: LETTER FROM THE FUND MANAGERS

31/07/2024 | XAVIER HOVASSE, HAIYAN LI-LABBÉ

+44,2%

Return of Carmignac Portfolio F EUR Acc since the beginning of the year (compared with +23.8% for its reference indicator).

1 st quartile

Ranking of Carmignac Portfolio Emergents compared to its Morningstar category over its 5 year performance, Sharpe ratio and Sortino ratio.

100%

100% of the companies (excluding cash) we invest in have a positive, measurable outcome through the goods and services they produce (in line with the Sustainable Development Goals)[1].

*Over the second quarter of 2024, **Carmignac Portfolio Emergents** gained +0.17%[2] compared with +6.10%[3] for its reference indicator, bringing its year-to-date performance to +5.61% compared with +10.79% for its index. This underperformance relative to our reference indicator stems from our Chinese and Latin American portfolios.*

CHINESE PORTFOLIO

After the solid rebound of Chinese equities in March/April, the positive momentum was reversed, and the Chinese markets suffered from gloomy economic data and fears linked to the US elections. The country also continued to suffer from the fragility of its property sector, with prices continuing to fall. As for the government's stimulus measures, China faces a dilemma between maintaining monetary independence and the stability of the foreign exchange market, which is reaching a critical point as the yen continues to depreciate.

Against this backdrop, consumer stocks lagged, while cyclical sectors performed better. As a result, we saw our holdings in **Vipshop, New Oriental Education and Anta Sports**go down.

We believe that the downturn is excessive, and we are maintaining our positions in our top Chinese convictions, some of which have only a third of their market cap in cash and are making share buybacks (e.g. **Vipshop**). The fund's China weighting is now in line with its reference indicator (25% as of 28/06/2024).

LATIN AMERICAN PORTFOLIO

After two excellent years on the equity markets, Brazil (8.9% of the fund's net assets) and Mexico (8.2%) fell sharply in the first half of 2024. These declines were partly due to falling commodity prices, particularly agricultural commodities (in the case of Brazil). But the main factor behind these downturns is political.

In Mexico, although Claudia Sheinbaum's victory in the presidential elections last June was expected by the markets, but her score was much higher than expected. The legislative elections, which took place on the same day, gave the ruling Morena party a super-majority in Congress, enabling them to change the Constitution. However, a constitutional reform proposed in February by the incumbent President Lopez Obrador was perceived as market unfriendly. The election result led to a correction in the equities market, which penalized the fund. Nevertheless, we remain confident in the Mexican market's ability to perform well in the years ahead, thanks to the benefits of nearshoring[4] (the relocation of production lines), which should accelerate after the US presidential election.

In Brazil, the bond market fell sharply, which also led to a fall in the equities market, due to fears over fiscal slippage reminiscent of those of the previous Workers' Party government under President Dilma Roussef, which swept away our two holdings, **Eletrobras and Equatorial**. However, we believe that President Lula will adopt a more pragmatic approach, and we expect a return to fiscal and monetary orthodoxy, which should enable our stocks to rebound. **Eletrobras and Equatorial** are strong convictions with attractive valuations and significant potential for a rebound over the coming months.

OPPORTUNITIES IN SOUTH-EAST ASIA

South-East Asia markets performed well over the quarter. India continues to benefit from its large domestic market and is expected to have the world's highest GDP growth 2024. Also, the political continuity, with Narendra Modi sworn in as India's prime minister for a record third time, signals a continuation of economic reforms, and therefore bodes well for the markets.

In the second quarter, we benefited from the progress of our Indian investments, in particular our positions. We therefore benefited from our positions in the consumer goods company **Dabur India**, the insurer **ICICI Lombard** and the quality real estate company **Macrotech Developers**.

As for Taiwan, the country continues to benefit from its technological advances in the semiconductor industry, driving local markets higher.

In this region, our portfolio delivered a positive performance over the period, particularly Taiwan Semiconductor, the world leader in the foundry business, which continued to benefit from strong demand for AI-related chips.

Given our strong conviction in these economies, we have increased our allocation to India (16% of the Fund) and Taiwan (13%).

In this respect, we initiated two Taiwanese positions, both operating in the semiconductor sectors: **Elite Material and Lite-On**.

Elite Material is a Taiwanese mid-cap company manufacturing Copper Clad Laminates for printed circuit boards (PCB). The company has a high-end positioning in the supply chains of the world's biggest companies, such as Apple, Google and Cisco. Their customers also include major Chinese manufacturers such as Oppo and Vivo. The company meets the requirements of our investment process, with a healthy balance sheet, high margins (around 28%[5]) and a return on invested capital (ROIC) averaging 18% over the last two years, consistently higher than their cost of financing. In addition, Elite Material has a net cash position, enabling it to invest and improve its competitiveness (new plants in Malaysia).

The second company, Lite-On, is a manufacturer of electronic components, also operating in the cloud market. The company manufactures opto-semiconductors, power products for PCs (customers include HP, Dell, Lenovo) and game consoles (Sony, Nintendo), as well as automotive lighting products. It is a mid-cap company with a market capitalization of $7.7 billion but an enterprise value of $5.5 billion[6]. It therefore has a net cash position on its balance sheet, the result of a very solid cash generation profile and quality management.

CONCLUSION

After a good start to the year, we cannot be satisfied with the Fund's recent performance. After adjustments, we are confident in the Fund's current positioning and remain convinced that sticking to our investment process is the best way to deliver strong risk adjusted returns over the long-term.

We are maintaining a concentrated portfolio (35 stocks) with a balanced exposure, combining quality stocks with high visibility (Asian Tech, India, Mexico) with quality companies trading at very attractive valuations (China, Brazil).

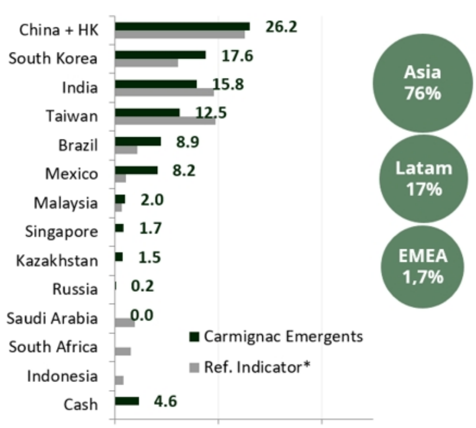
After nearly 16 years of pronounced underperformance by emerging countries, the financial markets seem to have little appetite for this asset class, which presents significant political, geopolitical and macroeconomic risks, in addition to the traditional financial risks. We note, however, that this is reflected in very low valuations, sometimes even absurd ones, as in China and Brazil. We therefore believe that our portfolio should include good growth stories from countries such as India, Taiwan and South-East Asia. But also, stocks in less attractive markets whose valuations are clearly attractive, especially when corporate governance gives us confidence in the return to shareholders in the form of dividends or share buybacks.

POSITIONING OF THE FUND AS OF 28/06/2024

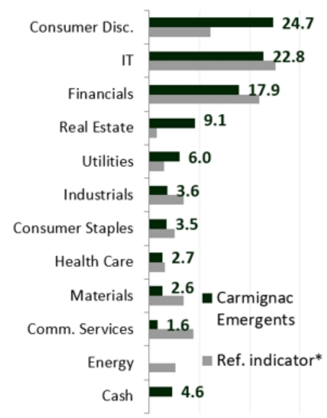
Top 10 – main positions of the Fund

	Stock	Country	%Assets
1	**TMSC**	Taiwan	9,8%
2	**SAMSUNG ELECTRONICS**	South Korea	9,8%
3	**VIPSHOP**	China	6,0%
4	**GRUPO BANORTE**	Mexico	5,7%
5	**HYUNDAI MOTOR**	South Korea	5,1%
6	**EMBASSY REIT**	India	4,0%
7	**ELETROBRAS**	Brazil	4,0%
8	**ICICI LOMBARD**	India	3,9%
9	**KOTAK MAHINDRA**	India	3,7%
10	**MINISO**	China	3,1%
	TOTAL		55,1%

By country (none rebased)



By sector (none rebased)



[1]Excluding cash.

[2]Carmignac Portfolio Emergents F EUR Acc, ISIN : LU0992626480.

[3]Reference indicator: MSCI EM NR Index.

[4]Relocation of production lines.

[5]Source: Sources: Bloomberg, company data, June 2024.

[6]Source: Sources: Bloomberg, 20/06/2024.

CARMIGNAC PORTFOLIO EMERGENTS F EUR ACC

(ISIN: LU0992626480)

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. **EMERGING MARKETS**: Operating conditions and supervision in "emerging" markets may deviate from the standards prevailing on the large international exchanges and have an impact on prices of listed instruments in which the Fund may invest. **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 : We do not charge an entry fee.

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

Management fees and other administrative or operating costs : 1,32% 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 : 0,37% 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: LU0992626480)

Calendar Year Performance (as %)	2015	2016	2017	2018	2019
Carmignac Portfolio Emergents	**+3.9 %**	**+1.7 %**	**+19.8 %**	**-18.2 %**	**+25.5 %**
Indicateur de référence	-5.2 %	+14.5 %	+20.6 %	-10.3 %	+20.6 %

Calendar Year Performance (as %)	2020	2021	2022	2023	2024 (YTD)
Carmignac Portfolio Emergents	**+44.9 %**	**-10.3 %**	**-14.3 %**	**+9.8 %**	**+5.6 %**
Indicateur de référence	+8.5 %	+4.9 %	-14.9 %	+6.1 %	+10.8 %

Annualised Performance	3 Years	5 Years	10 Years
Carmignac Portfolio Emergents	**+5.6 %**	**+7.6 %**	**+5.5 %**
Indicateur de référence	+1.8 %	+4.4 %	+5.3 %

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).

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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Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor). The return may increase or decrease as a result of currency fluctuations, for the shares which are not currency-hedged.

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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.

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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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