

CARMIGNAC PORTFOLIO GLOBAL BOND: LETTER FROM THE FUND MANAGER

30/01/2025 | ABDELAK ADJRIOU

-0.37%

Performance of the Fund in the 4th quarter of 2024 vs +1.42% for its reference indicator¹ (FW EUR Acc Share class).

+2.06%

Performance of the Fund in 2024 vs +2.78% for its reference indicator (FW EUR Acc Share class).

+16.17%

Outperformance of the Fund over 5-year versus the reference indicator (FW EUR Acc Share class).

Over the fourth quarter of 2024, **Carmignac P. Global Bond** generated a performance of -0.37% (FW EUR Acc), while its reference indicator returned 1.42%. Over 2024, the fund posted a performance of 2.06% (FW EUR Acc) compared with 2.78% for its reference indicator.

MARKET REVIEW

As anticipated at the start of the year, 2024 saw a continuation of the trend that had prevailed in 2023, characterized by a gradual decline in inflation and resilient, albeit slower, growth. This environment allowed central banks to continue or begin a cycle of rate cuts.

However, despite the accommodative stance, with a final 100bps cut for the ECB and the Fed in 2024, the year on the rate front was particularly volatile. The envelope for rate cuts in 2024 fluctuated widely over the course of the year, from 7 to 1 in the US for example, influenced by resilient US activity at the start of the year, a growth scare in the summer, a turnaround in the narrative around the US election and its aftermath, and a more hawkish Fed at the December meeting. Although the short end of the yield curve has been well anchored (2-year US yields broadly unchanged and German yields down 32 bps), yields have risen at the longer end of the curve (+69 bps for the 10-year US yield and +34 bps for its German equivalent), posing a challenge for duration management.

On the other hand, the trajectory for credit assets was much more stable, except for a few days in early August, with spreads tightening sharply. The soft landing of the economy, declining inflation, dovish central banks, and demand for all-in-yield supported the asset class.

By contrast, the FX market was more erratic, with emerging currencies in particular unable to withstand the resilience of the US economy and the election of Trump, which significantly strengthened the dollar. In this context, Latin American currencies were the worst performers, hit as well by a combination of idiosyncratic and fiscal risks.

PERFORMANCE REVIEW

Against this volatile backdrop, we actively managed our duration with a long bias in order to support the monetary normalisation that was gaining momentum across the main central banks. Although our long duration position, albeit reduced at the start of the year, weighed on the portfolio over the first six months, it made a positive contribution in the second half against a backdrop of signs of a slowdown in the United States. This led to a sharp fall in yields, particularly on the short end, which benefited our long bias (the fund duration fluctuated between 4 and 6 over this period) positioned for a steepening of the curves in the United States and Europe. Additionally, long positions in Italy and Spain and local rates in Mexico made a positive contribution, while the portfolio was impacted by its positions in Brazilian rates and short positions in Japanese rates.

Having said that, the main drivers of this year's performance have been spread products, including corporate credit (Energy, financials) and hard currency external Emerging Debt (Argentina, Egypt, Mexico). The carry of these positions and the tightening of spreads throughout 2024 made a significant contribution to the fund's overall performance.

On the contrary, the currency effect had a negative impact on the portfolio this year, particularly our long positions in the Japanese yen and Brazilian real. We had anticipated earlier and stronger intervention by the Bank of Japan, while the Brazilian real was affected by fiscal-related market concerns, which weighed on the exchange rate and inflation expectations.

OUTLOOK

Looking ahead, we believe that global growth is set for another near-trend performance, driven by a consumer that remains resilient, particularly in the services sector, and inflation that continues its gradual decline. Given this scenario, we expect the Federal Reserve, albeit perhaps to a lesser extent than initially anticipated, and the European Central Bank to gradually continue their monetary easing, as will the central banks of the emerging markets. Against this backdrop, we expect duration assets to perform well, leading us to maintain a high duration, at around 6 years today.

In a nutshell, we favor real rates in the United States and steepening strategies in the United States and Europe. We are also focusing on central banks that are lagging the cycle, such as the UK, and on certain emerging countries, such as Brazil and Mexico, which benefit also from high real rates (7% and 5.5% respectively).

Overall, we are taking a more cautious approach to spread products (credit and EM hard currency debt). Although there are still opportunities in this segment, they are limited by historically tight spreads, so we are maintaining credit protection via CDS iTrax Xover at around 15% to protect the portfolio from the risk of spread widening.

Finally, as regards of the currency component, while it was disappointing last year we remain confident in the ability of this performance driver to bounce back. We currently have diversified exposure to currencies, with a moderate exposure to the USD following the strong rally triggered by Trump's election and some strong convictions. Our long positions in the Japanese yen should benefit from the fact that the Bank of Japan will be the only developed market central bank to hike interest rates next year, and some currencies that suffered last year, such as the Brazilian real, now offer a combination of attractive valuations and good fundamentals.

Source: Carmignac, Bloomberg, 31/12/2024. Performance of the FW EUR Acc share class, ISIN code: LU1623762769. ¹Reference indicator: JP Morgan Global Government Bond Index (coupons reinvested).

CARMIGNAC PORTFOLIO GLOBAL BOND FW EUR ACC

(ISIN: LU1623762769)

SFDR - Fund Classification** :

Article **8**



Recommended
minimum
investment horizon



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. **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 KIID (Key Investor 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

Maximum subscription fees paid to distributors : 0,00%

Redemption Fees : 0,00%

Conversion Fee : •

Ongoing Charges : 1.00%

Management Fees : 0,80% MAX

Performance Fees : •

PERFORMANCE (ISIN: LU1623762769)

Calendar Year Performance (as %)	2017	2018	2019	2020
Carmignac Portfolio Global Bond	-0.2 %	-3.2 %	+8.8 %	+5.6 %
Indicateur de référence	-1.4 %	+4.3 %	+8.0 %	+0.6 %

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).

Calendar Year Performance (as %)	2021	2022	2023	2024
Carmignac Portfolio Global Bond	+0.5 %	-3.7 %	+3.9 %	+2.1 %
Indicateur de référence	+0.6 %	-11.8 %	+0.5 %	+2.8 %

Annualised Performance	3 Years	5 Years	Since launch
Carmignac Portfolio Global Bond	+0.7 %	+1.6 %	+1.8 %
Indicateur de référence	+3.1 %	+1.6 %	+0.3 %

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.

This material may not be reproduced, in whole or in part, without prior authorisation from the Management Company. This material does not constitute a subscription offer, nor does it constitute investment advice. This material is not intended to provide, and should not be relied on for, accounting, legal or tax advice. This material has been provided to you for informational purposes only and may not be relied upon by you in evaluating the merits of investing in any securities or interests referred to herein or for any other purposes. The information contained in this material may be partial information and may be modified without prior notice. They are expressed as of the date of writing and are derived from proprietary and non-proprietary sources deemed by Carmignac to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. As such, no warranty of accuracy or reliability is given and no responsibility arising in any other way for errors and omissions (including responsibility to any person by reason of negligence) is accepted by Carmignac, its officers, employees or agents.

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.

Reference to certain securities and financial instruments is for illustrative purposes to highlight stocks that are or have been included in the portfolios of funds in the Carmignac range. This is not intended to promote direct investment in those instruments, nor does it constitute investment advice. The Management Company is not subject to prohibition on trading in these instruments prior to issuing any communication. The portfolios of Carmignac funds may change without previous notice. The reference to a ranking or prize, is no guarantee of the future results of the UCIS or the manager.

Morningstar Rating™ : © Morningstar, Inc. All Rights Reserved. The information contained herein: is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Access to the Funds may be subject to restrictions regarding certain persons or countries. This material is not directed to any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) the material or availability of this material is prohibited. Persons in respect of whom such prohibitions apply must not access this material. Taxation depends on the situation of the individual. The Funds are not registered for retail distribution in Asia, in Japan, in North America, nor are they registered in South America. Carmignac Funds are registered in Singapore as restricted foreign scheme (for professional clients only). The Funds have not been registered under the US Securities Act of 1933. The Funds may not be offered or sold, directly or indirectly, for the benefit or on behalf of a «U.S. person», according to the definition of the US Regulation S and FATCA.

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 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.
- **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.

The Management Company can cease promotion in your country anytime.

Investors have access to a summary of their rights in English on the following links: [UK](#) ; [Switzerland](#) ; [France](#) ; [Luxembourg](#) ; [Sweden](#).