FP CARMIGNAC GLOBAL EQUITY COMPOUNDERS: LETTER FROM THE FUND MANAGERS

13/01/2025 | MARK DENHAM, OBE EJIKEME

+2.24%
Performance of the Fund in the Q4 vs +6.93% for its comparator benchmark[1] (A EUR Share class).

+17.63%
Performance of the Fund in 2024 vs +20.79% for its comparator benchmark.

+73.88%
Performance of the Fund since inception[2] vs +91.61% for its comparator benchmark.

*Over the fourth quarter, **FP Carmignac Global Equity Compounders** A GBP Acc recorded a performance of +2.24%, underperforming the MSCI World, which posted a gain of +6.93%. For the year 2024, the fund achieved a performance of +17.63%, compared to a rise of +20.79% for its comparator benchmark.*

MARKET ENVIRONMENT DURING THE PERIOD

The year 2024 witnessed a remarkable performance in equity markets, particularly in the United States (U.S)- where stock markets experienced robust growth, with major indices reaching unprecedented heights. This exceptional performance was driven by three key factors: strong corporate profits, easing monetary policy, and significant enthusiasm surrounding artificial intelligence (AI) technologies in the first half of the year. The latter half of 2024 saw market gains further bolstered by the prospects, and reaction to, a second Trump presidency. The AI boom led to a concentration of market gains in a handful of mega-cap tech companies, especially in the first semester. Later, a broadening of performance drivers was observed, with cyclical and unprofitable growth companies benefiting from the anticipation of a Trump 2.0 administration. However, the equity market landscape was not uniform globally. European equities notably underperformed compared to their U.S. counterparts, hampered by political instability, economic weakness, limited exposure to the AI sector and the attendant risk of tariff rises.

HOW DID WE FARE IN THIS CONTEXT?

The fund's performance in the year can be divided into two distinct phases. During the first half, global disinflation and U.S. economic resilience bolstered investor confidence, propelling the Fund's upward trajectory. In this period, the fund outperformed the MSCI World, primarily due to successful stock picking in the Technology, Healthcare, and Consumer Staples sectors. However, as the U.S. election approached, and despite initial rate cuts from the Federal Reserve and the European Central Bank, our quality companies underperformed the markets. Our decision to maintain a defensive bias proved detrimental amid a cyclical rebound. Sectors such as media, industrials, and consumer discretionary, where we had minimal to no exposure, were among the top performers during this period.

In our year-end review, Technology names emerged as a significant area of exposure and the main contributors to performance. Our active management of companies like Nvidia, a stock we've held since the portfolio's inception in 2019, proved successful. Nvidia once again topped the list of contributors for the year. Surprisingly, the second-best contributor was a European company: SAP. The German software giant continued to thrive with its transition to cloud-based solutions, reporting over 25% growth in cloud software and a 28% increase in operating profit, benefiting from earlier investments in cloud products. Other tech companies considered more defensive, such as Oracle, Microsoft, and ServiceNow, also had exceptional years, with performances ranging from 20% to 60%.

The Healthcare sector remained the fund's second-largest exposure area. Despite the broader sector's poor performance, our selected stocks performed well, making the sector a positive contributor overall. Companies like Lonza, Eli Lilly, and Stryker had very strong years, outperforming their peers. Our active management of Novo Nordisk also yielded positive results, contributing to the fund's overall performance despite a negative trend in 2024. Novo Nordisk has been a cornerstone of our fund for years, and we believe their GLP-1 products for diabetes and obesity will drive growth for years to come. However, during the second half of the year, we grew cautious ahead of a late-stage clinical trial for their next-generation product, Cagrisema, where expectations were already high. We reduced our holding from 9% at the year's start to about 2.5% before the trial results. The drug's performance, while impressive with 23% weight loss after a year, fell short of expectations, causing a sharp stock decline. We view this drop as an overreaction and have begun to increase our exposure again, believing the company can achieve 20-25% annual profit growth in the medium term as supply bottlenecks ease. Unfortunately, other favoured companies like Align Technology, Vertex, and Demant struggled and posted negative performances for the year.

In the consumer space, our U.S. staples convictions performed well, especially in the first half. However, several consumer names negatively impacted our fund's performance, with L'Oreal being the worst performer. The company reported disappointing organic growth, showing a sequential slowdown primarily due to weaker-than-expected Chinese demand. L'Oreal also projected that the industry would see growth normalize to pre-COVID levels of 4-5% from 2025 onwards. We maintain our exposure to the company, viewing these as modest growth fluctuations compared to other sectors, and find the current valuations appealing for long-term investors like ourselves.

OUTLOOK & POSITIONING

Our macro-overlay framework continues to suggest a defensive approach towards equity markets. Given the high valuations in the US, there is little room for earnings disappointments in 2025, making it crucial to focus on quality companies with strong profitability. This cautious stance is reflected in our portfolio adjustments and sector allocations.

Despite the recent turbulence in the healthcare sector following the proposed appointment of RF Kennedy Jr. as Head of Health and Human Services in the Trump administration, we maintain a strong conviction in this sector. The market's negative reaction to Mr. Kennedy's perceived stance on vaccinations is, in our view, an overreaction. We anticipate that his primary focus will be on the food and beverage sector and related ingredient issues, rather than on healthcare. Consequently, we continue to hold a significant proportion of our fund in pharmaceutical, medical device, and life science companies, confident in their long-term potential despite two years of underperformance relative to the broader market.

In recent months, we have strategically added several new names to our portfolio, particularly in the US market. Notable additions include Amazon and Home Depot, both of which we believe offer robust growth prospects and align with our focus on quality and profitability. Additionally, we have included Cadence, a semiconductor design software company, which we find attractive due to its market position and recent derating. However, we prudently reduced our position in Cadence following a rally after their Q3 numbers.

We have also increased our investment in Vertex Pharmaceuticals, despite a not unexpected disappointment over their pain drug trial result in LSR, a high-risk pain indication. We remain optimistic about Vertex's opportunities in acute pain and other areas, reinforcing our commitment to the healthcare sector.

Source: Carmignac, Bloomberg, data as of 31/12/2024. Performance of the A GBP Acc share class ISIN code: GB00BMGLBK75. [1] Comparator Benchmark: MSCI WORLD (USD, Reinvested net dividends). [2]15/05/2020. Past performance is no guarantee of future results. They are net of fees (excluding any entry fees applied by the distributor). **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).**

FP CARMIGNAC GLOBAL EQUITY COMPOUNDERS A GBP ACC

(ISIN: GB00BMGLBK75)

SFDR - Fund Classification :

Article -

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. **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 KIID (Key Investor Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time.

FEES

Maximum subscription fees paid to distributors : 0,00%

Redemption Fees : 0,00%

Conversion Fee : •

Ongoing Charges : 0.90%

Management Fees : 0,82% EXT

Performance Fees : •

PERFORMANCE (ISIN: GB00BMGLBK75)

Calendar Year Performance (as %)	2020	2021	2022	2023	2024
FP Carmignac Global Equity Compounders	**+23.1 %**	**+22.6 %**	**-19.0 %**	**+21.0 %**	**+17.6 %**
Indicateur de référence	+19.8 %	+22.9 %	-7.8 %	+16.8 %	+20.8 %

Annualised Performance	1 Year	3 Years	Since launch
FP Carmignac Global Equity Compounders	**+17.6 %**	**+4.8 %**	**+12.7 %**
Indicateur de référence	+20.8 %	+9.1 %	+15.1 %

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).