

# CARMIGNAC PORTFOLIO GLOBAL BOND: LETTER FROM THE FUND MANAGER

30/01/2025 | ABDELAK ADJRIOU

## -0.25%

Performance of the Fund in the 4<sup>th</sup> quarter of 2024 vs +1.42% for its reference indicator<sup>1</sup> (A EUR Acc Share class).

## +1.81%

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

## +11.62%

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

Over the fourth quarter of 2024, **Carmignac P. Global Bond** generated a performance of -0.25% (A EUR Acc), while its reference indicator returned 1.42%. Over 2024, the fund posted a performance of 1.81% (A 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 A EUR Acc share class, ISIN code: LU0336083497. <sup>1</sup>Reference indicator: JP Morgan Global Government Bond Index (coupons reinvested).

# CARMIGNAC PORTFOLIO GLOBAL BOND A EUR ACC

(ISIN: LU0336083497)

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 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 :** 2,00% 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 :** 1,20% 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 :** 1,36% 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: LU0336083497)

Calendar Year Performance (as %)	2016	2017	2018	2019	2020
<b>Carmignac Portfolio Global Bond</b>	+9.5 %	+0.1 %	-3.7 %	+8.4 %	+4.7 %
Indicateur de référence	+4.6 %	-6.2 %	+4.3 %	+8.0 %	+0.6 %

Calendar Year Performance (as %)	2021	2022	2023	2024
<b>Carmignac Portfolio Global Bond</b>	+0.1 %	-5.6 %	+3.0 %	+1.8 %
Indicateur de référence	+0.6 %	-11.8 %	+0.5 %	+2.8 %

Annualised Performance	3 Years	5 Years	10 Years
<b>Carmignac Portfolio Global Bond</b>	+0.3 %	+0.8 %	+2.1 %
Indicateur de référence	+3.1 %	+1.6 %	+1.0 %

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.**

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