CARMIGNAC PATRIMOINE: LETTER FROM THE FUND MANAGERS

09/01/2025 | CHRISTOPHE MOULIN, JACQUES HIRSCH, ELIEZER BEN ZIMRA, GUILLAUME RIGEADE, KRISTOFER BARRETT

+7.06%

Carmignac Patrimoine's performance in 2024 for the A EUR Share class.

+11.44%

Reference indicator's[1] performance in 2024.

+1.20%

Performance of the Fund in the fourth quarter of 2024 versus +3.25% for the reference indicator[1].

Carmignac Patrimoine *A EUR Acc achieved a performance of +7.06% in 2024, compared to an increase of +11.44% for its reference indicator.*

MARKET ENVIRONMENT DURING THE PERIOD

In 2024, the United States' economic trajectory diverged markedly from other major global regions. Despite mid-year apprehension, American economic exceptionalism persisted, defying expectations. In stark contrast, European economic momentum deteriorated substantially throughout the year. This transatlantic divide was further exacerbated by political upheaval in both France and Germany. In the first half of 2024, widespread disinflation was observed, leading central banks to feel confident enough by the summer to begin normalizing monetary policy. However, the last mile proved harder than markets anticipated and, outside of Europe, investors pared back their hopes for rate cuts. Meanwhile, in Asia, China's economic activity remained subdued, characterized by declining property values and lacklustre consumer sentiment.

2024 proved to be an exceptional year for financial markets, marked by strong performance across various asset classes. The U.S. stock market delivered robust returns, with major indices reaching new record highs. Three key factors drove market returns: strong corporate profits, easing monetary policy, and enthusiasm towards artificial intelligence (AI) in the first semester and anticipation of Trump 2.0 in the second semester. The AI fervour and other technological innovations led to a significant concentration of market gains in a few mega-cap tech companies, pushing their valuation multiples higher. After a Q1 synchronised rally, European equities lagged behind due to political instability, economic weakness, and limited exposure to AI, underperforming in a year of strong overall equity returns. Emerging market equities, bolstered by a late rally in Chinese stocks and strong results from India and Taiwan, also underperformed their U.S. counterparts.

The fixed income market experienced significant volatility and delivered mixed results, contrary to initial expectations of a strong year driven by anticipated interest rate cuts. European government bonds outperformed U.S. Treasuries as the weaker economic outlook translated into greater confidence in the downward trajectory of interest rates. American exceptionalism was also evident in currency markets, where the dollar outperformed by a wide margin. Strong risk asset performance carried over into fixed income markets, with high-yield bonds emerging as the top-performing sector. Commodities also saw increased investor interest.

HOW DID WE FARE IN THIS CONTEXT?

The fund's performance throughout the year can be distinctly categorized into two phases. In the first half of the year, our macroeconomic outlook was notably optimistic, particularly regarding the US economy. We anticipated robust growth coupled with a period of disinflation and foresaw a synchronized cycle of monetary easing, though to a lesser extent than the market anticipated. This positive outlook prompted us to maintain a significant exposure to risky assets, such as equities and credit, which ultimately proved to be a successful strategy. Our cautious approach to interest rates also posted positive results. During this period, the fund outperformed its benchmark, driven by strong performance in the technology sector, especially within the semiconductor value chain, as well as by carry strategies in credit and exposure to gold miners.

However, as we moved into the summer, we adopted a more cautious stance regarding the trajectory of disinflation and its potential impact on markets, particularly on risky assets. Consequently, we made two key adjustments to our strategy: reducing our equity exposure to around 35% and lowering the valuations of our convictions within the equity portfolio, with the average P/E ratio dropping from x25 in April to x18 in November while strengthening the quality bias of the portfolio. Unfortunately, these adjustments did not yield the desired results. The second half of the year was characterized by a US exceptionalism trade, notably influenced by Trump's election, which saw a significant rise in cyclical and unprofitable growth stocks. This development negatively impacted the portfolio's relative performance. Despite this, our active management of modified duration, which remained extremely low or even negative, along with a steepening strategy and exposure to inflation, proved beneficial. However, political instability in Europe and unfavourable economic figures weighed on the euro against the dollar, further impacting the fund's relative performance over the year.

OUTLOOK & POSITIONING

As we enter 2025, we are adopting a more selective approach to the US exceptionalism trade. Concerns about inflationary pressures and a significant yield disparity between short and long-term maturities may, over time, prompt investors to question the exceptional valuations of US equity markets. Consequently, we are shifting our focus towards lower-valuation US stocks and diversifying our exposure into Emerging Markets and Europe.

Otherwise, the Federal Reserve's policy shift has led to a reassessment of planned rate cuts for 2025, but it also increases its flexibility to address potential economic challenges during the year. Moreover, given the global increase in national debt and deficits, budgetary constraints will compel central banks (outside the US) to play a crucial role in providing economic support in 2025.

In this environment, we are maintaining exposure to credit, which continues to offer attractive yields and some visibility on potential performance. We remain cautious on sovereign bonds, favouring inflation-linked bonds over nominal rates. We are also transitioning from being negative on US duration to a more neutral position, while still anticipating a steepening of the yield curve, particularly in the United States. The market is currently pricing in fewer than two rate cuts for the entire year. Consequently, US Treasuries can serve as an effective hedge against risky assets in the event of any unexpected macroeconomic deterioration. To enhance the robustness of our portfolio's structure, we have finally implemented various diversification strategies. These include exposure to emerging market local interest rates, gold mining companies, South American currencies, and the Japanese yen.

Source: Carmignac, 31/12/2024, portfolio composition may vary over time. Carmignac Patrimoine, A EUR Acc. [1]Reference indicator: 40% MSCI ACWI (USD) (Reinvested net dividends) + 40% ICE BofA Global Government Index (USD) + 20% ESTER capitalised. Quarterly rebalanced. Until 31 December 2012, the reference indicators' equity indices were calculated ex-dividend. Since 1 January 2013, they have been calculated with net dividends reinvested. Until 31 December 2020, the bond index was the FTSE Citigroup WGBI All Maturities Eur. Until 31 December 2021, the Fund's reference indicator comprised 50% MSCI AC World NR (USD) (net dividends reinvested), and 50% ICE BofA Global Government Index (USD) (coupons reinvested). Performances are presented using the chaining method. From 01/ 01/ 2013 the equity index reference indicators are calculated net dividends reinvested. **Past performance is not necessarily indicative of future performance. The return may increase or decrease as a result of currency fluctuations. Performances are net of fees (excluding possible entrance fees charged by the distributor).**

CARMIGNAC PATRIMOINE A EUR ACC

(ISIN: FR0010135103)

SFDR - Fund Classification** :

Article 8

LOWEST RISK — HIGHEST RISK

1	2	**3***	4	5	6	7

Recommended minimum investment horizon **3 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. **INTEREST RATE**: Interest rate risk results in a decline in the net asset value in the event of changes in interest rates. **CREDIT**: Credit risk is the risk that the issuer may default. **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.

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 : 1,51% of the value of your investment per year. This estimate is based on actual costs over the past year.

Performance fees : 20,00% max. of the outperformance once performance since the start of the year exceeds that of the reference indicator and if no past underperformance still needs to be offset. 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 : 0,63% 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: FR0010135103)

Calendar Year Performance (as %)	2016	2017	2018	2019	2020
Carmignac Patrimoine	**+3.9 %**	**+0.1 %**	**-11.3 %**	**+10.5 %**	**+12.4 %**
Indicateur de référence	+8.1 %	+1.5 %	-0.1 %	+18.2 %	+5.2 %

Calendar Year Performance (as %)	2021	2022	2023	2024
Carmignac Patrimoine	**-0.9 %**	**-9.4 %**	**+2.2 %**	**+7.1 %**
Indicateur de référence	+13.3 %	-10.3 %	+7.7 %	+11.4 %

Annualised Performance	3 Years	5 Years	10 Years
Carmignac Patrimoine	**+0.3 %**	**+2.0 %**	**+1.3 %**
Indicateur de référence	+2.5 %	+5.1 %	+6.1 %

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).