

Carmignac Sécurité: the Fund Manager's thought

Auteur(s)
Marie-Anne Allier, Keith Ney

Publié
30 Octobre 2020

Longu
3 n

The monetary and fiscal policies that took shape during the second quarter fully delivered their effects on financial markets in the third.

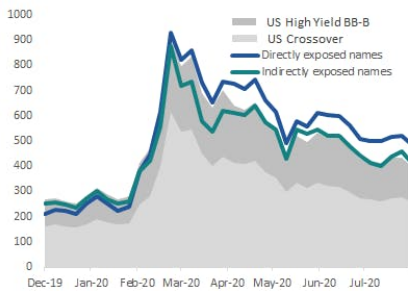
The assurance that the ECB would unfailingly buy financial assets, combined with the European Union's pledge to cover part of member states' financing needs as of 2021, was enough to keep German bond yields steady during the quarter. 5- and 10-year Bunds traded within a 15-basis-point range and ended the quarter practically where they had started, which was -0.50% in the case of 10-year paper. **This stability at markedly negative yields was what convinced us to hold no substantial positions in that market segment over the period.**

A different picture emerges, however, when you consider other eurozone countries, particularly those offering significant credit spreads at a time of negative interest rates – i.e., Italy, Greece, Portugal, Cyprus and Spain. **Bond yields in those countries fell consistently throughout the summer.** Those on Italian 10-year issues shrank from 1.3% to almost 0.7%. In response, we at Carmignac Sécurité stayed highly active in this corner of the fixed-income market, beefing up our holdings of sovereigns from Southern Europe and extending the maturities on them to between 5 and 7 years. **After the summer rally, we scaled back those positions, notably by selling off the shortest-maturity bonds paying negative yields.** At the end of September, Italian sovereign and quasi-sovereign debt accounted for the bulk of our government bond portfolio.

The other big winner in this policy mix has been corporate credit

Despite the unprecedented economic slump, companies managed from early April onwards to secure the funding they needed via primary issues. Our Fund invested extensively in them to access the relatively high yields on offer. Once the worst was over, the low overall level of so-called risk-free rates, combined with central-bank support through asset purchases, made it possible for corporate credit to book solid performance.

COVID-19 exposed names have further room to go

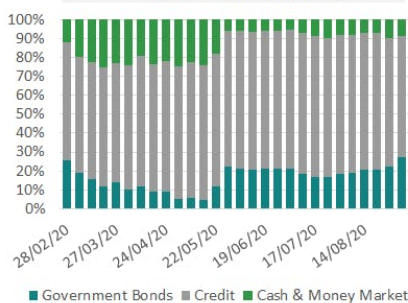


Credit spreads narrowed sharply in July and August, though September was more of a mixed bag. **Ever since April, we have been steadily raising our exposure to this kind of debt** to a high point at which it accounted for 67% of our total portfolio (not including investments in CLOs). That point was reached at end-July, with that allocation accounting for almost two thirds of the Fund’s total modified duration. From then on, we gradually reduced duration, and more markedly so in late August.

We mainly sold the longest maturities in our portfolio on negative-yielding bonds, as well as on issues that didn’t enjoy direct ECB support (chiefly bank bonds and bonds from non-eurozone issuers). At the same time, we have maintained our strong convictions on companies directly affected by the economic and public health crisis despite having extremely healthy balance sheets, which give them the cushioning needed to weather the storm. Names that come to mind include **Easyjet** and **Airbus** in aviation, the **Carnival** cruise line and **Pemex** in the energy sector.

At end-September, **corporate credit accounted for 56% of the Fund’s assets**. We made no change to our CLO allocation in the quarter. That asset class has one of the most attractive risk/return profiles in the euro market (particularly on the highest-rated CLOs), which is why we have kept our exposure at around 7.5% of our portfolio.

Asset class evolution in %NAV



In the last quarter of 2020, we will be in for a number of developments that stand a good chance of surprising the market. **The US presidential election, Brexit and a possible vaccine all have the potential to make financial asset prices more volatile.** By reducing portfolio risk while holding onto several strong convictions, we at Carmignac Sécurité should have the agility required in such an environment.

Discover the Fund's webpage:

Carmignac Sécurité

* Keith Ney arrival (22/01/2013). Performance Indicator: EuroMTS 1-3 years index (EUR). Performance of the A EUR acc share class. 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 Sécurité AW EUR Ydis

ISIN: FR0011269083
Indicateur de risque

L'indicateur peut varier de 1 à 7, une catégorie 1 correspondant à un risque plus faible et un rendement potentiellement plus faible et une catégorie 7 correspondant à un risque plus élevé et un rendement potentiellement plus élevé. Une catégorie 4-5-6-7 implique une forte à très forte volatilité, impliquant des fortes à très fortes variations de prix pouvant entraîner des pertes latentes à court terme.

Durée minimum de placement recommandée



Risques Principaux

Risques non suffisamment pris en compte par l'indicateur :

RISQUE DE CRÉDIT : Risque que l'émetteur ne puisse pas faire face à ses engagements.

RISQUE DE CONTREPARTIE : Risque de subir des pertes en cas de défaillance d'une contrepartie incapable de faire face à ses obligations contractuelles.

RISQUE LIÉ A L'IMPACT DES TECHNIQUES TELLES QUE LES PRODUITS DÉRIVÉS : Risques de fortes pertes liées à ces instruments.

RISQUE DE LIQUIDITÉ : Risque d'impact des dérèglements de marché ponctuels sur les conditions de prix auxquelles un OPCVM sera amené à liquider, initier ou modifier ses positions.

Risques inhérents :

RISQUE DE CRÉDIT : Risque que l'émetteur ne puisse pas faire face à ses engagements.

RISQUE DE TAUX D'INTÉRÊT : Risque d'une baisse de la valeur liquidative en cas de mouvement des taux d'intérêt.

RISQUE DE CHANGE : Risque lié à l'exposition, via les investissements directs ou l'utilisation d'instruments financiers à terme, à une devise autre que celle de valorisation de l'OPCVM.

RISQUE DE PERTE EN CAPITAL : Cette part/classe ne bénéficie d'aucune garantie ou protection du capital investi. Vous risquez de ne pas récupérer l'entièreté de votre capital investi.

Pour plus d'informations sur les risques de la part/classe, vous devez vous référer au prospectus et plus particulièrement à la section « Profil de risque » ainsi qu'au document d'information clé pour l'investisseur.

This document is intended for professional clients. This is an advertising document. This document may not be reproduced, in whole or in part, without prior authorisation from the management company. This document does not constitute a subscription offer, nor does it constitute investment advice. The Management Company can cease promotion in your country anytime. Investors have access to a summary of their rights in French, English, German, Dutch, Spanish, Italian on the following link: https://www.carmignac.com/en_US. Carmignac Portfolio refers to the sub-funds of Carmignac Portfolio SICAV, an investment company under Luxembourg law, conforming to the UCITS Directive. The Funds are common funds in contractual form (FCP) conforming to the UCITS Directive under French law. The return may increase or decrease as a result of currency fluctuations, for the shares which are not currency-hedged. The French investment funds (fonds commun de placement or FCP) are common funds in contractual form (FCP) conforming to the UCITS Directive under French law. 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. Access to the Fund may be subject to restrictions with regard to certain persons or countries. The Fund is not registered in North America, in South America, in Asia nor is it registered in Japan. The Funds are registered in Singapore as restricted foreign scheme (for professional clients only). The Fund has not been registered under the US Securities Act of 1933. The Fund 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/or FATCA. The Fund presents a risk of loss of capital. The risks and fees are described in the KIID (Key Investor Information Document). The Fund's prospectus, KIIDs and annual reports are available at www.carmignac.com, or upon request to the Management Company. The KIID must be made available to the subscriber prior to subscription. - In Switzerland, the Fund's respective prospectuses, KIIDs and annual reports 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, Paris, succursale de Nyon/Suisse, Route de Signy 35, 1260 Nyon. - 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 material was prepared by Carmignac Gestion and/or Carmignac Gestion Luxembourg and is being distributed in the UK by Carmignac Gestion Luxembourg UK Branch (Registered in England and Wales with number FC031103, CSSF agreement of 10/06/2013). - In Spain: Carmignac Patrimoine is registered with Comisión Nacional del Mercado de Valores de España (CNMV) under number 386, Carmignac Investissement under number 385, Carmignac Sécurité under number 395, Carmignac Emergents under number 387 and Carmignac Portfolio under number 392.