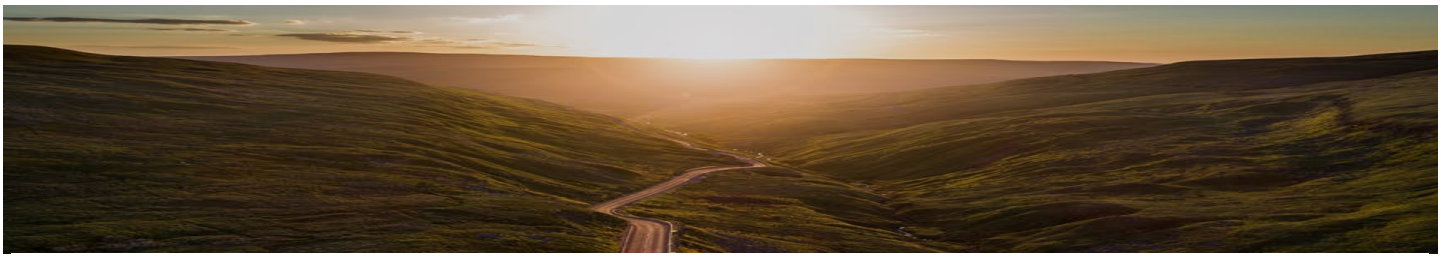
FLASH NOTE

28.04.2021



Carmignac Patrimoine: Letter from the Fund Managers

Q1 2021

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Market environment

Markets started out the year boosted by hopes of reopening economies, supported by vaccine roll-outs, highly accommodative Central bank policies as well as massive fiscal support. This backdrop led to a value-led equity market rally and to the worst quarterly return in the US Treasury market since 1980, down -4.6%. In this context, Carmignac Patrimoine[1] returned 1.18% in the first quarter 2021, while its reference indicator[2] rose by 3.47%.

Equity, fixed-income and forex markets showed major geographic dispersion as differing vaccination timetables suggested that economic recovery would be stronger in some countries than in others.

Portfolio allocation

Our interest-rate risk management, through short positions in US and German bonds has helped to generate positive return while its bond benchmark lost -0.95%. Despite this rise in interest rate, credit market has proved resilient, supporting our selective corporate bond picking. However, the equity rotation we experienced hurt the relative performance of the Fund despite some alpha generation in sectors where we have built an expertise, like healthcare, consumption and communication services. In addition, our Chinese growth companies have suffered from increased volatility in the region, due to profit-taking and the rise of uncertainties. Finally, our cautious stance on the dollar has penalized the relative performance of the Fund.

In light of the current US economic policy, the cyclical rise in inflation could be higher and longer than market expectations– genuine change of inflation regime seems possible – provided monetary and fiscal policy are coordinated well enough to keep them from cancelling each other out. This could lead to further upward movement in rates, probably driven more by an increase in real rates with a target close to 0 at the end of the year. We are accordingly sticking with our cautious stance, with bond portfolio duration remaining low or negative.

ADDITION/ REINFORCEMENT

- **Cash levels**
- **Short on core rates** (US/UK/Germany)
- **Dollar**
- **Equity hedges** (S&P 500, Nasdaq)
- **New equity positions:** Generation Bio, Carnival, Ryanair Novavax

PROFIT TAKING/ EXIT

- **Taking profit on high multiple names:** Go Daddy, Nintendo
- **Goldminers reduction**
- **EM bonds / currencies**
- **Periphery**

The portfolios of Carmignac funds may change without previous notice.
Source: Carmignac, 25/03/2021

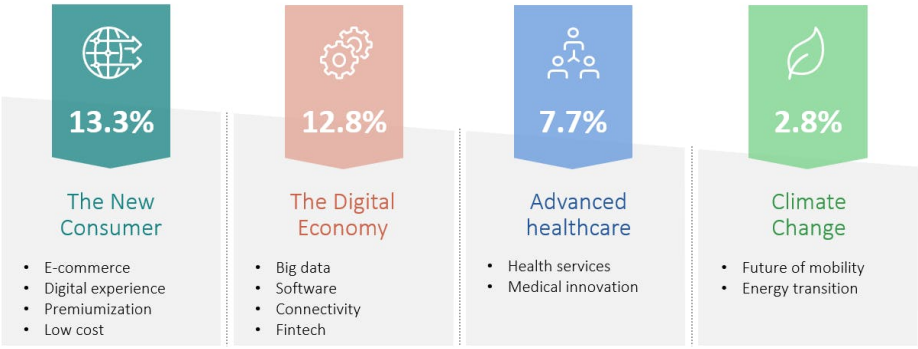
The differential in Gross Domestic Product (GDP) growth rates between Europe and the United States is likely to narrow as vaccination campaigns and the economic recovery gain traction. Eurozone interest rates have joined in the upward trend, albeit to a lesser degree owing to the region's slower economic recovery and the continued vigorous action by the European Central Bank (ECB). But we now see a clear catch-up opportunity and thus expect European yields to rise in the second quarter leading us to reduce our exposure to non-core European countries. On the contrary, this lag of Europe has created attractive opportunities on the equity front for a selected number of "reopening trades" in tourism. The airport operator **Aena** and the low-cost airline company**Ryanair** are examples of positions that we have built over the last months.

The Euro weakened against the US dollar over the quarter. However, as vaccination campaigns gather momentum and set the stage for an economic recovery, we could see the greenback lose ground against the single currency.

This dynamic would help Emerging markets where we remain very selective both on the equity and fixed income side. China remains our biggest conviction, with bonds offering a yield of close to 3% and a near-zero inflation rate. On equity, we remained positioned on secular growth names mostly in technology, consumption and healthcare. With the Chinese economy further ahead in the cyclical recovery than the rest of the world, we may be seeing a slowdown in the months to come that will work to the advantage of the names offering predictable earnings growth that we hold in our portfolio.

Outlook

While this environment remains challenging for fixed income, we find the equity risk premium and upside from owning secular growth franchises more appealing and key to our performance potential in 2021. Our research focuses on companies that will be able to keep profit margins up, particularly if inflation rises; and stand their ground even if GDP growth falls short of expectations – a scenario that can't be ruled out at this stage. Overall, we maintain a liquid and solid equity portfolio of strong convictions, diversified in terms of geography, sectors and themes. Indeed, our main thematics revolve around:

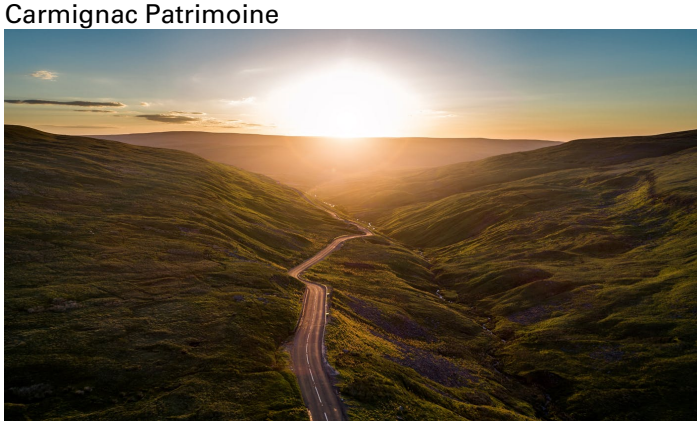


Source: Carmignac, 31/03/2021. Others: 5.3%. Portfolio composition can change over time and without prior notice.

Overall, the unusual nature of this cyclical shock and subsequent policy response has created the possibility of a variety of disparate outcomes, in particular relating to the deflationary output gap and explosion higher in Debt to GDP versus the inflationary co-ordinated policy response to support asset prices and materially increase the supply of money reaching the real economy.

Although the political noise might have recently died down, the re-opening path will be bumpy. Vaccine distribution and efficacy in light of new strains will remain challenging, and if both prove easy, we will be that much closer to less policy and therefore market support. We will stay open-minded and flexible. We will try to maintain a balanced portfolio construction across asset classes, risk factors, and time horizons.

Carmignac Patrimoine



Looking for best asset allocation in all market conditions

Multiple asset classes across the globe to capture opportunities in different market configurations
Risk management at the heart of the mandate
Dynamic and flexible management to quickly adapt to market movements

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[1] Carmignac Patrimoine A EUR Acc (ISIN: FR0010135103).

Past performance is not necessarily indicative of future performance. The return may increase or decrease as a result of currency fluctuations. The portfolios of Carmignac funds may change without previous notice. Performances are net of fees (excluding possible entrance fees charged by the distributor). Annualized performance as of 31/03/2021.

[2] Reference Indicator: 50% MSCI ACW NR (USD) (Reinvested net dividends) + 50% ICE BofA Global Government Index (USD). Quarterly rebalanced.

Carmignac Patrimoine E EUR Acc

ISIN: FR0010306142

Risico-indicator

Het indicator kan variëren van 1 tot 7, waarbij categorie 1 overeenkomt met een lager risico en een lager potentieel rendement, en categorie 7 met een hoger risico en een hoger potentieel rendement. De categorieën 4, 5, 6 en 7 impliceren een hoge tot zeer hoge volatiliteit, met grote tot zeer grote prijsschommelingen die op korte termijn tot latente verliezen kunnen leiden.

Laagste risico Hoogste risico

1	2	3*	4	5	6	7

Aanbevolen minimale beleggingstermijn

Voornaamste risico's

Risico's die in de indicator niet voldoende in aanmerking worden genomen:

KREDIETRISICO: Het kredietrisico stemt overeen met het risico dat de emittent haar verplichtingen niet nakomt.

TEGENPARTIJRISICO: Risico van verlies indien een tegenpartij niet aan haar contractuele verplichtingen kan voldoen.

Inherente risico's:

AANDELENRISICO: Risico dat aandelenkoersschommelingen, waarvan de omvang afhangt van externe economische factoren, het kapitalisatieniveau van de markt en het volume van de verhandelde aandelen, het rendement beïnvloeden.

RENTERISICO: Renterisico houdt in dat door veranderingen in de rentestanden de netto-inventariswaarde verandert.

KREDIETRISICO: Het kredietrisico stemt overeen met het risico dat de emittent haar verplichtingen niet nakomt.

VALUTARISICO: Het wisselkoersrisico hangt samen met de blootstelling, via directe beleggingen of valutatermijncontracten, aan andere valuta's dan de waarderingsvaluta van de ICBE.

RISICO VAN KAPITAALVERLIES: Dit deelbewijs/deze aandelenklasse biedt geen garantie voor of bescherming van het belegde kapitaal. U ontvangt mogelijk niet het volledige belegde bedrag terug.

Meer informatie over de risico's van het deelbewijs/de aandelenklasse is te vinden in het prospectus, met name in hoofdstuk "Risicoprofiel", en in het document met essentiële beleggersinformatie.

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