

Carmignac Portfolio Grandchildren: Letter from the Fund Manager

Author(s)
Mark Denham, Obe Ejikeme

Published
January 27, 2023 

+1.37%

Carmignac Portfolio Grandchildren's performance

performance in the 4th quarter of 2022 for the A EUR Share class

+0.76%

Reference indicator's performance

in the 4th quarter of 2022

+17.11%

Performance of the Fund over 3 years vs +21.56% for the reference indicator (A EUR Share class)

During the fourth quarter of 2022, the total return of **Carmignac Portfolio Grandchildren** (A share class) was +1.4%. This compares to a return on the funds reference indicator of +0.8% over the same period.

Markets Review

Global equity markets regained their poise in the fourth quarter, rising modestly, having fallen dramatically in 2022 up to that point owing to rising interest rates pressuring valuations and the risk of the energy crisis and higher finance costs inducing a recession. The more optimistic tone starting in October was based on the prospect of headline inflation data easing in the US which subsequently came to pass in November. This was key in allowing investors to project a slower rate of future interest rate rises and alleviate the biggest headwind to equity markets. The end of the year consequently ended on a positive note despite remaining uncertainty over economic growth and corporate profitability into 2023.

Quarterly Performance Review

Despite the change in tone from a macroeconomic perspective, counter-intuitively, many of the better sectors in Q4 continued to be the winning sectors of the year, namely Energy, Commodities and Financials. These are areas where the fund, because of its focus on businesses with high consistent profitability, have little exposure and so this created a headwind. Another negative was concerns emerging among technology names which we favour, especially in software, of slowing end demand. However, this was more than offset by strong stock selection in the consumer areas. Significant contributions in the consumer sector came from luxury goods maker LVMH rising 12% in the period as investors anticipated stronger growth from China in the near future after encouraging signs of that economy re-opening post covid lockdowns. Staple name Procter & Gamble rose 11% after reported results showed they were able to sustain a decent 7% organic growth despite rising raw material costs and a weaker consumer environment, through strong price rises reflecting the strength of their brands, as well as maintaining full year guidance.

Healthcare continued to be a positive for us in the , as it has all year, with both Novo Nordisk and Eli Lilly rising 23% and 4% respectively, as both names innovative diabetes drugs continue to take market share reflecting their superior efficacy in controlling blood sugar and related weight loss. Elsewhere in Healthcare it was a mixed bag – especially in medical devices where the star was Intuitive Surgical, the robotic surgery specialist. The stock rose 30% having been a poor performer for some time, as investors appreciated their upgrade f expected procedure growth to between 17-18% for the full year, spread across all geographies and types of operation. On the negative side our large position in respiratory equipment specialist Resmed fell 12% as results showed that they are still hampered by supply chain disruption especially in the area of semi-conductors. Recovery of supply chains are taking longer than hoped preventing Resmed from taking even more share from Philips who are suffering from a product recall on safety grounds. Nonetheless we expect Resmed to emerge from the situation in a much stronger position than before the crisis in a market where penetration of potential patients is still low.

As mentioned above technology names were generally weak in the quarter, as ongoing concerns on valuations, especially in software, continued, and were augmented by signs of slowing end demand from some markets. Among the worst affected names in our fund were, security software name Palo Alto -22%, Alphabet -15%, accounting software name Intuit -8% and even Microsoft -5%. In many of these cases we have used any weakness to reinforce our holdings, especially in Microsoft where we see the long-term trend of growth in cloud computing boosting their Azure business, and the enduring strength of their Office 365 product.

Outlook

Trading in the quarter was modest but we have used the macro-economic overlay which is an intrinsic part of our process, to de-emphasise cyclicality and increase defensive or less economically sensitive stocks. This is owing to the increasing uncertainty over economic activity into 2023. One of the main impacts here was to take profits in our profitable LVMH position mentioned above. We also sold out of Compass Group, the catering business. Among technology names we reduced exposure to some of the highest multiple software names including Salesforce, Service Now and Palo Alto. These monies were redeployed into Microsoft, contract drug manufacturer Lonza, Resmed and SAP, among others.

Our focus remains on identifying and owning the profitable companies with high return on capital companies we believe have the best prospects for a 5 year or longer time horizon and holding stocks over this time. Some of the other better relative performers in the quarter included.

Source: Carmignac, Bloomberg, 31/12/2022. Performance of the A EUR Acc share class ISIN code: LU1966631001. ¹Reference Indicator: MSCI WORLD (USD, Reinvested Net Dividends. Risk Scale from the KID (Key Investor Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time.



Carmignac Portfolio Grandchildren

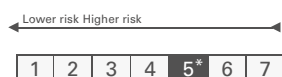
A global, high-conviction equity fund for long-term investors

[Discover the fund page](#)

Carmignac Portfolio Grandchildren A EUR Acc

ISIN: LU1966631001

Recommended
minimum
investment horizon



Main risk 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.

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.

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.

This material may not be reproduced, in whole or in part, without prior authorisation from the Management Company. This material does not constitute a subscription offer, nor does it constitute investment advice. This material is not intended to provide, and should not be relied on for, accounting, legal or tax advice. This material has been provided to you for informational purposes only and may not be relied upon by you in evaluating the merits of investing in any securities or interests referred to herein or for any other purposes. The information contained in this material may be partial information and may be modified without prior notice. They are expressed as of the date of writing and are derived from proprietary and non-proprietary sources deemed by Carmignac to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. As such, no warranty of accuracy or reliability is given and no responsibility arising in any other way for errors and omissions (including responsibility to any person by reason of negligence) is accepted by Carmignac, its officers, employees or agents.

Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor). The return may increase or decrease as a result of currency fluctuations, for the shares which are not currency-hedged.

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. The reference to a ranking or prize, is no guarantee of the future results of the UCIS or the manager.

Morningstar Rating™ : © Morningstar, Inc. All Rights Reserved. The information contained herein: is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Access to the Funds may be subject to restrictions regarding certain persons or countries. This material is not directed to any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) the material or availability of this material is prohibited. Persons in respect of whom such prohibitions apply must not access this material. Taxation depends on the situation of the individual. The Funds are not registered for retail distribution in Asia, in Japan, in North America, nor are they registered in South America. Carmignac Funds are registered in Singapore as restricted foreign scheme (for professional clients only). The Funds have not been registered under the US Securities Act of 1933. The Funds 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 FATCA. The risks, fees and ongoing charges are described in the KID (Key Information Document). The KID must be made available to the subscriber prior to subscription. The subscriber must read the KID. Investors may lose some or all their capital, as the capital in the funds are not guaranteed. The Funds present a risk of loss of capital.

The Funds' prospectus, KIDs, NAVs and annual reports are available at www.carmignac.com, or upon request to the Management Company. Carmignac Portfolio refers to the sub-funds of Carmignac Portfolio SICAV, an investment company under Luxembourg law, conforming to the UCITS Directive. The French investment funds (fonds communs de placement or FCP) are common funds in contractual form conforming to the UCITS or AIFM Directive under French law.

In France, Luxembourg, Sweden: The risks, fees and ongoing charges are described in the KID (Key Information Document). The KID must be made available to the subscriber prior to subscription. The subscriber must read the KID. Investors may lose some or all their capital, as the capital in the funds are not guaranteed. The Funds present a risk of loss of capital. The Funds' prospectus, KIDs, NAV and annual reports are available at www.carmignac.com, or upon request to the Management Company.

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 document was prepared by Carmignac Gestion, Carmignac Gestion Luxembourg or Carmignac UK Ltd. FP Carmignac ICVC (the "Company") is an Investment Company with variable capital incorporated in England and Wales under registered number 839620 and is authorised by the FCA with effect from 4 April 2019 and launched on 15 May 2019. FundRock Partners Limited is the Authorised Corporate Director (the "ACD") of the Company and is authorised and regulated by the FCA. Registered Office: Hamilton Centre, Rodney Way, Chelmsford, Essex, CM1 3BY, UK; Registered in England and Wales with number 4162989. Carmignac Gestion Luxembourg SA has been appointed as the Investment Manager and distributor in respect of the Company. Carmignac UK Ltd (Registered in England and Wales with number 14162894) has been appointed as a sub-Investment Manager of the Company and is authorised and regulated by the Financial Conduct Authority with FRN:984288.

In Switzerland: the prospectus, KIDs and annual report 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, Montrouge, Nyon Branch / Switzerland, Route de Signy 35, 1260 Nyon.

The Management Company can cease promotion in your country anytime. Investors have access to a summary of their rights in English on the following links: [UK](#) ; [Switzerland](#) ; [France](#) ; [Luxembourg](#) ; [Sweden](#).