



## Carmignac P. Grande Europe: the Fund Manager's thought



Auteur(s)  
Mark Denham

Gepubliceerd  
30 Oktober 2020

Lege  
4

**During the third quarter of 2020, Carmignac Portfolio Grande Europe (A share class) returned +5.42%, beating its reference indicator\*, which rose by +0.64%.**

### Markets During Q3 2020

After the very strong market recovery in the previous quarter, Q3 was a more subdued period of consolidation in Europe, with the equity market plateauing and bound within a tight range. Ongoing declines in Covid infection rates at the start of the period had already been anticipated, as had final EU government approval of the €750bn EU Recovery Plan.

Even the lower than expected fall in Q2 company profits reported in July failed to drive markets higher.

As the summer progressed, rising Covid infection rates across Europe understandably suppressed the market. In September, the US Federal Reserve exercised restraint over increasing the level of its quantitative easing, causing growing concern in global markets over the lack of political agreement in relation to the US fiscal stimulus package.

Despite the stability of markets during the period, **there was considerable variation among sector returns**, with many economically sensitive areas such as Autos, Retail and Chemicals performing relatively well in anticipation of a recovery.

Within the Fund, **our economically sensitive exposure is primarily in the Industrial sector**, which also performed relatively well, rising 13% on aggregate. Many of our holdings in fact enjoyed the support assured by the Recovery fund and the EU Green Deal, including **Kingspan** (insulation) +35% share price increase, **Sika** (building materials) +22%, and **Vestas** (wind turbines) +53%\*. Consequently, this sector was the largest contributor to our outperformance in the quarter. In contrast, Financials continued its poor performance, falling -6% in the period as it bore the cost of the economic impact of Covid added to the manifold headwinds of the sector itself. Therefore, **the Fund's low exposure to Financials proved to be of significant benefit**. The only pure Banking player we hold is Bankinter, a Spanish bank which we progressively reduced in recent months following our concerns around provisioning guidance in Q4.

Our investment process held up well earlier in the year and, encouragingly, continued to perform in the third quarter despite the cyclical market tilt described above. **Technology names** SAP (+7%) and Adyen (electronic payments, +22%) **continued to gain value, as did** our largest Consumer holding **Puma** (sportswear, +12%). To add a bit of colour, the first two aforementioned were able to sustain stable secular growth throughout the crisis, whereas the latter demonstrated a boost in trading in June.

During the second quarter, we added four positions to the Fund as we felt valuations had fallen to attractive levels in line with our 3-5year time horizon. Although these names increased the Fund's sensitivity to an economic recovery from Covid, performances were varied over the period. Stock prices remained flat for catering company Compass and airline software leader Amadeus, while Informa fell 20% as expectations of a recovery in their exhibitions activity in the second half of 2020 were slashed. In contrast, **the fourth name AMS** (semiconductors) **recorded a stock price increase of +47%**. This company had a strong second quarter with sales growing 13% despite Covid, as their optical semiconductor and sensors penetrate more Android system handset manufacturers. In addition, their recently acquired automotive and industrial lighting company (Osram) upgraded full year guidance as the decline in automotive business is set to be less severe than anticipated.

**The worst performing stock in the Fund was** our biotech position **Galapagos**, falling 34% share price decrease. This slump followed the surprising decision from the US Food and Drug Administration (FDA) to not grant approval for their leading oral pill for Rheumatoid Arthritis, filgotinib. As a result, the company will have to run additional studies likely to delay approval by 2 years. Fortunately, prior to this event the stock had been a strong performer reaching high valuation prompting us to almost entirely sell down our holding. Therefore, we only had a c0.3% exposure to it during its dramatic fall.

**Activity in the Fund was much more modest than earlier in the year** We sold our remaining small holdings in Legrand (electricals) - favouring instead Schneider in this sector - as well as Galapagos. **We also added luxury goods company LVMH** following supportive signs from its resilient trading in China and the recovery of the US market.

The broad structure of the portfolio is unchanged and remains centred on our bottom-up stock picking process, with a focus on profitable companies with high return on capital.

**Discover the Fund's webpage:**

Carmignac Portfolio Grande Europe



\*Source: Carmignac, 30/09/2020. Mark Denham joined Carmignac in mid-September 2016 as Head of European Equities, Fund Manager. Performance Indicator : Stoxx Europe 600 (NR, 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 Portfolio Grande Europe

/S/N/

### Voornaamste risico's van het Fonds

**AANDELEN:** Aandelenkoersschommelingen, waarvan de omvang afhangt van externe factoren, het kapitalisatieniveau van de markt en het volume van de verhandelde aandelen, kunnen het rendement van het Fonds beïnvloeden.

**WISSELKOERS:** Het wisselkoersrisico hangt samen met de blootstelling, via directe beleggingen of het gebruik van valutatermijncontracten, aan andere valuta's dan de waarderingsvaluta van het Fonds.

**DISCRETIONAIR BEHEER:** Het anticiperen op de ontwikkelingen op de financiële markten door de beheermaatschappij is van directe invloed op het rendement van het Fonds, dat afhankelijk is van de geselecteerde effecten.

Het fonds houdt een risico op kapitaalverlies in.

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](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](http://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](http://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](http://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.