



M. Denham

Recommended minimum investment horizon: **5 years**



# FUND SUSTAINABILITY QUARTERLY REPORT

MARCH 2021

## Report Overview

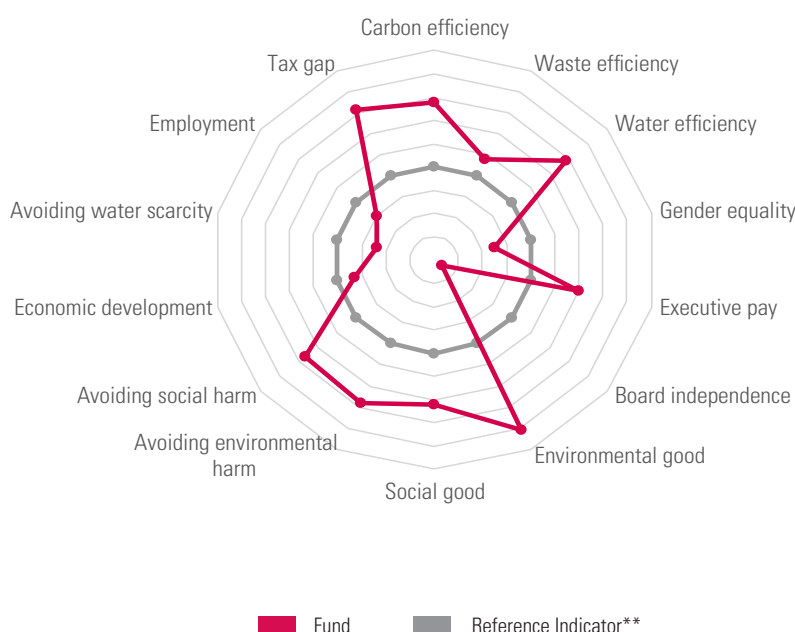
In addition to analysing financial metrics, we recognise the importance of assessing the sustainability of our investments. We do this by reviewing a company's operational practices (ESG indicators), their products and services' societal and environmental value (outcomes), and their alignment to achieving the UN Sustainable Development Goals (SDGs). Business activities have both positive and negative impact that varies in scale; by comparing the Fund with its Reference Indicator, we demonstrate the good, as well as the potential harm, associated with our active investment approach.

## PROFILE

- **Fund Inception Date:** 30/06/1999
- **Fund Manager:** Mark Denham since 01/11/2016
- **Fund AUM:** 788M€
- **Domicile:** Luxembourg
- **Reference Indicator:** Stoxx 600 (Reinvested Net Dividends)
- **Base Currency:** EUR
- **Fund Type:** UCITS
- **Legal Form:** SICAV
- **SICAV Name:** Carmignac Portfolio
- **Fiscal Year End:** 31/12
- **Subscription/Redemption:** Daily
- **Order Placement Cut-Off Time:** Before 18:00 (CET/CEST)
- **Morningstar Category™:** Europe Large-Cap Growth Equity
- **SFDR<sup>(1)</sup> Fund Classification :** Article 8

## Portfolio ESG indicators & outcomes

Many indicators can illustrate company sustainability performance. We focus on a subset that we believe are relevant, and for which we have coverage, for reporting ESG risks, opportunities and outcomes.



### HOW TO INTERPRET THIS GRAPH:

The centre of the circle corresponds to the lowest relative value, and the outer edge the maximum relative value, for each factor. The area outside the Reference Indicator (RI) line indicates positive ESG-related and outcomes performance versus the RI. Conversely, the area inside the RI line indicates negative performance versus the RI. For example, in the case of 'Carbon efficiency', if the Fund line is further towards the outer edge of the graph than the RI line, the Fund is more carbon efficient than its RI.

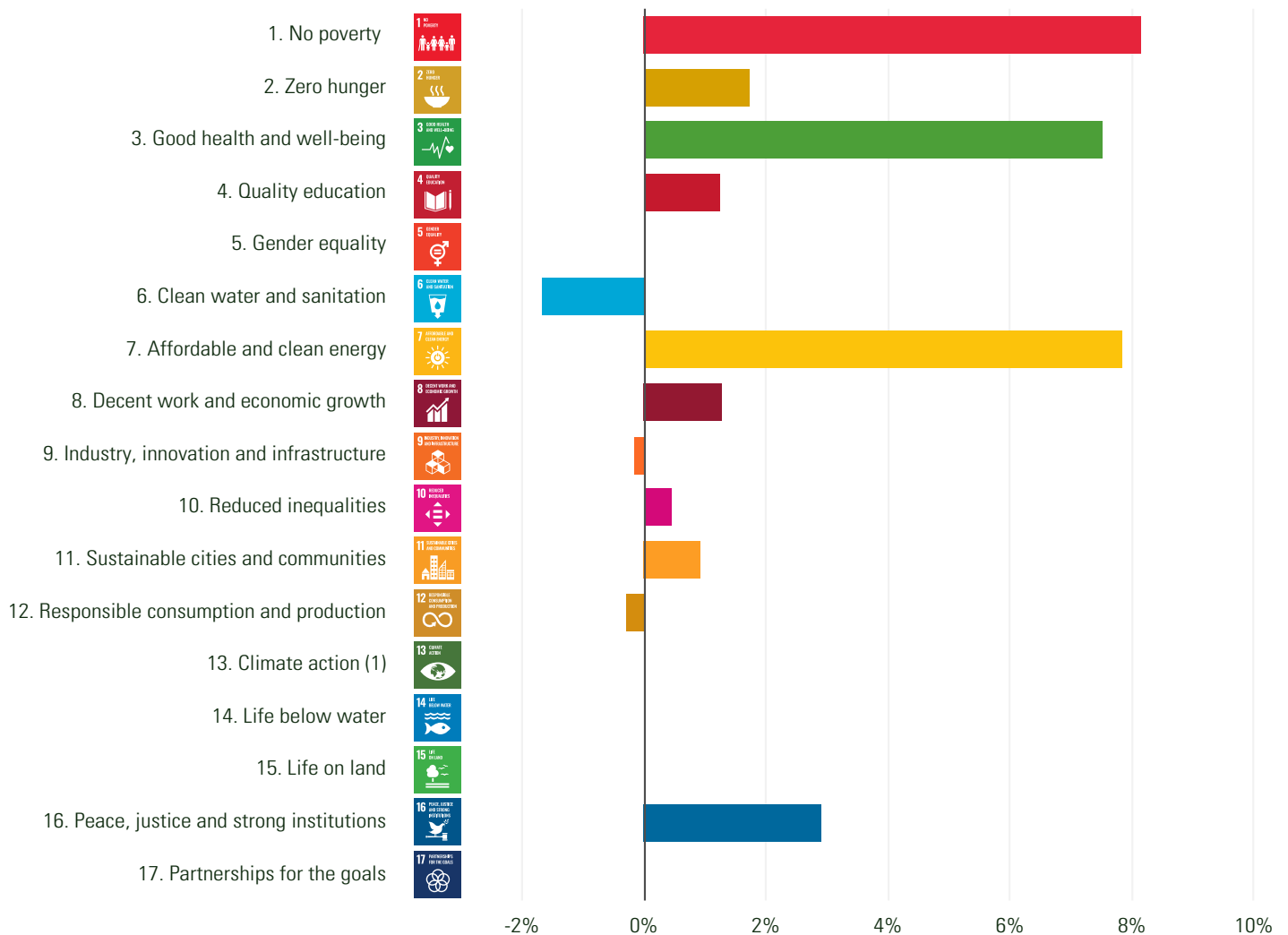
Please see the **Understanding the Graphs** and **Data Methodology** sections for further information.

Source: Impact Cubed and S&P Trucost as at 31/03/21. \*For the share class Carmignac Portfolio Grande Europe A EUR Acc. Risk Scale from the KIID (Key Investor Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time. \*\*Reference Indicator: Stoxx 600 NR. (1) Sustainable Finance Disclosure Regulation (SFDR) 2019/2088. For more information please refer to <https://eur-lex.europa.eu/eli/reg/2019/2088/oj>.

### Portfolio SDG alignment versus Reference Indicator

Companies can impact society and the environment both positively and negatively through the products they sell and services they offer. This impact can be shown by mapping the products and services to the UN’s Sustainable Development Goals (SDGs) and calculating the weighted average of revenue exposures for each SDG. This exercise is also completed for the Reference Indicator, which is subtracted from the Fund result to determine the net active SDG alignment. For more information regarding the SDGs please visit: <https://sdgs.un.org/goals>.

**% SDG alignment vs. Reference Indicator\*\*** (Misaligned <0%/ Aligned >0%)



#### HOW TO INTERPRET THIS GRAPH:













This graph is based on revenue calculations for companies with products and services that are deemed to be either aligned or misaligned to the SDGs. Negative values indicate lower alignment of the portfolio to an SDG than the Reference Indicator (RI). Positive values indicate higher alignment of the portfolio to an SDG than the RI. Each company revenue stream is considered either aligned, misaligned or neutral for each SDG. For example, in the case of SDG 1 “No poverty”, +10% means that on a net basis, the portfolio is 10% more aligned to eliminating poverty, compared to the RI; -10% means that on a net basis, the portfolio is 10% less aligned to eliminating poverty than the RI.

Please see the **Data Methodology** sections for further information.

Source: Impact Cubed and S&P Trucost as at 31/03/21. (1) In order not to duplicate SDG alignment attribution, business activities that are common to SDG 13 ‘Climate Action’ and SDG 7 ‘Affordable and Clean Energy’ are identified under SDG 7. \*\*Reference Indicator: Stoxx 600 NR.

## 10 most positively SDG-aligned holdings in the portfolio

The business activities shown are solely those that are positively contributing to the SDGs. A maximum of three positively-aligned SDGs are shown for each company.

Company	SDG	Business activity (% of revenue)	SDG	Business activity (% of revenue)
SCHNEIDER ELECTRIC SE	 7 AFFORDABLE AND CLEAN ENERGY	Power Trans & Distr Equip:76.89%	 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Industrial Automation Controls:23.11%
SAP SE	 8 DECENT WORK AND ECONOMIC GROWTH	Enterprise Software:84.97%		
KONINKLIJKE PHILIPS NV	 3 GOOD HEALTH AND WELL-BEING	Medical Equipment:98.01%	 11 SUSTAINABLE CITIES AND COMMUNITIES	Lighting Fixture:1.99%
NOVO NORDISK A/S	 3 GOOD HEALTH AND WELL-BEING	Large Pharma:100.00%		
VESTAS WIND SYSTEMS A/S	 7 AFFORDABLE AND CLEAN ENERGY	Wind Turbines:86.13% Operations & Maintenance:13.87%		
ESSILORLUXOTTICA SA	 3 GOOD HEALTH AND WELL-BEING	Ophthalmic Goods:39.05% Optical Goods Stores:35.84%		
ASSA ABLOY AB	 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Security Systems:74.93%		
KNORR-BREMSE AG	 11 SUSTAINABLE CITIES AND COMMUNITIES	Rail Track Components & Sys:54.20% Rolling Stock Components & Sys:45.79%		
SIKA AG	 11 SUSTAINABLE CITIES AND COMMUNITIES	Concrete Products:81.75%		
AMADEUS IT GROUP SA	 1 NO POVERTY	Non-Financial Data Processors:100.00%		

## Positive SDG alignment of the 15 largest positions in the portfolio

The holdings are sorted according to their weight in the portfolio. A maximum of three positively-aligned SDGs are shown for each company.

Company	Weight in the portfolio	SDG	Business activity (% of revenue)	SDG	Business activity (% of revenue)
COMPASS GROUP PLC	4.23%				
L'OREAL SA	4.02%				
LVMH MOET HENNESSY LOUIS VUITTON SE	3.98%				
NOVO NORDISK A/S	3.88%		Large Pharma:100.00%		
ASML HOLDING NV	3.67%				
AMADEUS IT GROUP SA	3.58%		Non-Financial Data Processors:100.00%		
ASSA ABLOY AB	3.49%		Security Systems:74.93%		
SCHNEIDER ELECTRIC SE	3.13%		Power Trans & Distr Equip:76.89%		Industrial Automation Controls:23.11%
EXPERIAN PLC	3.13%		Credit Agencies:100.00%		
ESSILORLUXOTTICA SA	2.96%		Ophthalmic Goods:39.05% Optical Goods Stores:35.84%		
PUMA SE	2.95%		Sports Apparel:37.71%		
SAP SE	2.88%		Enterprise Software:84.97%		
KINGSPAN GROUP PLC	2.86%		Insulation Products:80.95% Vinyl Flooring:4.88% Waste Management:4.43%		
TAYLOR WIMPEY PLC	2.82%		Homebuilding:100.00%		
BURBERRY GROUP PLC	2.69%				

## UNDERSTANDING THE GRAPHS

## Spider graph ESG Indicators and Outcomes explained

Factor	Measured by	Fund	Reference Indicator**	% data estimated	
				Fund	Ref. Indicator**
<b>Carbon Efficiency<sup>(1)</sup></b>	Tonnes of CO2 (scope 1 & 2 <sup>(2)</sup> ) emissions per €1m revenue	37.34	184.24	16.76%	5.31%
<b>Waste Efficiency</b>	Tonnes of waste generated per €1m revenue	3.79	427.56	19.90%	19.05%
<b>Water Efficiency</b>	Thousand cubic metres fresh water used per €1m revenue	0.27	8.61	40.33%	33.61%
<b>Gender Equality</b>	Percentage of women in boards and top management	26.34	27.63	1.28%	2.13%
<b>Executive Pay</b>	Ratio of executive level pay to average employee pay	49.84	58.19	1.57%	4.59%
<b>Board Independence</b>	Percentage of independent board members	65.24	72.49	3.86%	3.94%
<b>Environmental Good<sup>(3)</sup></b>	Percentage of portfolio allocated to environmental solutions	19.56	8.72	0.00%	0.00%
<b>Social Good<sup>(3)</sup></b>	Percentage of portfolio allocated to help alleviate social issues	15.45	10.19	0.00%	0.00%
<b>Avoiding Environmental Harm<sup>(3)</sup></b>	Percentage of portfolio allocated to environmentally destructive industries	3.00	8.94	0.00%	0.00%
<b>Avoiding Social Harm<sup>(3)</sup></b>	Percentage of portfolio allocated to industries aggravating social issues	0.43	5.27	0.00%	0.00%
<b>Economic Development</b>	Median income of portfolio weighted geography of economic activities (\$)	44486.13	43625.78	0.00%	0.00%
<b>Avoiding Water Scarcity</b>	Geographic water use (World Resource Institute scale 0-5 from least to most water scarce areas)	2.40	2.30	0.00%	0.00%
<b>Employment</b>	Percentage of unemployment in portfolio weighted area of economic activity	6.25	6.48	0.00%	0.00%
<b>Tax Gap</b>	Estimated % tax avoided by corporate tax mitigation schemes	2.05	2.99	0.00%	0.00%

Source: Data as at 31/03/21; sourced from Impact Cubed and Trucost. Please see the **Data Methodology** section for further information.

\*\*Reference Indicator: Stoxx 600 NR. (1) Trucost coverage of 97.7% of the portfolio. The carbon efficiency figure is then rebased to 100, (excludes cash, securities not in scope (sovereign bonds and derivative instruments). (2) Refer to **Glossary**. (3) Refer to **Data Methodology**. The information in this document relating to the sustainability of portfolios according to Impact Cubed IC (the "Information", "Impact-Cubed"), The Information has been obtained from, or is based on, sourced believed by Impact-Cubed to be reliable, but it is not guaranteed as to its accuracy or completeness. No representation, warranty, or undertaking, express or limited, is given as to the accuracy or completeness of the information or opinions contained in this document by Impact-Cubed, any of its partners or employees, or any third party involved in the making or compiling of the Information, and no liability is accepted by such persons for the accuracy or completeness of any information or opinions. None of the Information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. The Information is strictly confidential and is the property of Impact-Cubed. Any use of the Information requires a license from Impact-Cubed. The Information may not be reproduced, further distributed or published in whole or in part by any recipient without prior written permission from Impact-Cubed. The Information may not be used to create derivative works or to verify or correct other information.

## DATA METHODOLOGY

**Data:** Carbon data is sourced from S&P Trucost; for the carbon calculation methodology please see below. All other data is sourced from Impact Cubed.

**Estimated data:** This is the percentage of positions by weight in the portfolio that did not report the data used to calculate an indicator. Gaps in company reporting are estimated with proprietary models with quality checks run on reported data to identify outliers. In rare instances, the numbers reported by companies are implausible and these are replaced with more reliable estimates. The percentage of estimated data is disclosed in the *Understanding the Graphs* section in this report.

**Carbon emissions (S&P Trucost) methodology:** Trucost uses company disclosed emissions where available. In the instance it is not available, they use their proprietary EEIO model. The model uses the revenue breakdown of the company by industry sector to estimate the carbon emissions. For further information, please visit: [www.spglobal.com/spdji/en/documents/additional-material/faq-trucost.pdf](http://www.spglobal.com/spdji/en/documents/additional-material/faq-trucost.pdf). Although S&P Trucost does report Scope 3 emissions where available, such emissions are commonly considered to be poorly defined and inconsistently calculated by companies. As a result, we have chosen not to include them in our portfolio emission calculations. To calculate the portfolio carbon emissions, the companies' carbon intensities (tonnes of CO<sub>2</sub>e /USD mn revenues) are weighted according to their portfolio weightings (adjusted for holdings for which carbon emissions are not available), and then summed.

**Environmental & Social Good / Harm:** The four related factors are formed by categorising company products and services. By taking a conservative approach to linking company activities with environmental and social outcomes, around 10% of products and services are counted as creating environmental or social good, 10% as creating environmental or social harm, and 80% as neutral. The products and services are classified using a proprietary industry classification system and then mapped to the SDGs using official SDG documentation. A geographic component is incorporated for products and services which would only score positively in a limited number of countries; for example, access to telecommunications is a specific sub-category in the SDGs, but companies providing such services would only positively contribute to the SDGs if they operate in a country with limited existing services. For 'avoiding environmental harm' and 'avoiding social harm', a Fund scores better when avoiding companies with revenues from 'negative products'. See the Glossary for the definition on types of revenues that contribute to the factors.

**Portfolio ESG indicators & outcomes graph:** Standard deviations of each indicator are used to unify the scale of the graph.

**Portfolio SDG alignment versus Reference Indicator graph:** Company business activities are divided into business lines according to revenue. These business activities are mapped to the SDGs, and the weighted average of revenue exposures for each SDG is calculated. This incorporates the direct or indirect relationship between revenues and SDGs. This exercise is also completed for the Reference Indicator, which is subtracted from the Fund result to determine the net active SDG alignment.

**10 most positively SDG-aligned holdings in the portfolio table:** The business activities shown are solely those that are positively contributing to the SDGs. A maximum of three positively-aligned SDGs are shown for each company. To decide on which issuers to show, the percentage revenue is multiplied by the total revenue figure, and then summed for each issuer. These are then ranked according to the largest positively-aligned revenue amount.

**Positive SDG alignment of the 15 largest positions in the portfolio table:** The holdings are sorted according to their weight in the portfolio. A maximum of three positively-aligned SDGs are shown for each company.

## GLOSSARY

**ESG:** E for Environment, S for Social, G for Governance

### GHG Protocol scope definitions<sup>(1)</sup>

**Scope 1:** Greenhouse gas emissions directly generated from burning fossil fuels and production processes which are owned or controlled by the company.

**Scope 2:** Greenhouse gas emissions from consumption of purchased electricity, heat or steam by the company.

**Scope 3:** Other indirect greenhouse gas emissions, such as from the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities not covered in Scope 2, outsourced activities, waste disposal, etc.

**Environmental Good:** Benefits to the environment as a result of positive products i.e. clean technologies such as wind turbines, solar panels, water purification, waste management and electric vehicles.

**Social Good:** Benefits to society as a result of socially-positive products i.e. education, healthcare and access to financial services.

**Avoiding Environmental Harm:** Damage to the environment as a result of negative products such as coal mining, coal-based power generation and factory farming

**Avoiding Social Harm:** Damage to society as a result of socially-harmful products such as tobacco, alcohol, junk food and weapons.

## UN SDGs

	NO POVERTY		AFFORDABLE AND CLEAN ENERGY		CLIMATE ACTION
	ZERO HUNGER		DECENT WORK AND ECONOMIC GROWTH		LIFE BELOW WATER
	GOOD HELTH AND WELLBEING		INDUSTRY, INNOVATION AND INFRASTRUCTURE		LIFE ON LAND
	QUALITY EDUCATION		REDUCED INEQUALITIES		PEACE, JUSTICE AND STRONG INSTITUTIONS
	GENDER EQUALITY		SUSTAINABLE CITIES AND COMMUNITIES		PARTNERSHIPS FOR THE GOALS
	CLEAN WATER AND SANITATION		RESPONSIBLE CONSUMPTION AND PRODUCTION		

(1) for info direct from document <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>.

## 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.

**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.**

## Important legal information

Source: Carmignac at 31/03/21. The reference to a ranking or prize, is no guarantee of the future results of the UCIS or the manager. Copyright: The data published in this document are the exclusive property of their owners, as mentioned on each page. From 01/01/2013 the equity index reference indicators are calculated net dividends reinvested. 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. 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). 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 foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited.