Recommended minimum investment horizon: 3 YEARS

LOWER RISK — HIGHER RISK: 1 2 **3** 4 5 6 7

SFDR Fund Classification** ARTICLE 8

MALTE HEININGER
Portfolio Manager

Q3 2023 QUARTERLY LETTER

Dear Investors,

Overall, we had a good third quarter with the fund** being up +1.42%, net of fees, while the Eurostoxx 50 was down -5.10%. As seen in the table below, **while our Core Long book generated a positive performance, driven by our large convictions in Alcon, Prada and Microsoft; our Alpha Shorts suffered from the Beta and Momentum driven market rally.**

YTD ATTRIBUTION BY BUCKET

CORE LONGS	+1.29
TRADING LONGS	-0.05
RELATIVE VALUE/ SPECIAL SIT	+0.17
ALPHA SHORTS	-0.94
HEDGING	-1.60

Data as of 30/09/2023. Source: Carmignac, 30/09/2023.

This quarter, our hit rate jumped back into the 60ies. The three prior quarters had been frustrating for us, as our historically very high hit rate dropped significantly below what we had delivered over the past several years.

We ascribe this period of underperformance to the delayed effect of the Pandemic which dis-synchronized the normal economic cycle and had profound impacts on companies' profits, cashflows and pricing power. The artificial supply shortage for many goods and services, which was triggered by supply chain disruptions, pent-up demand and changed order patterns, led to large backlogs and temporary pricing power for many commoditized businesses. These disruptions, and their impacts on companies' financials, lasted longer than we had anticipated and the disconnect between leading indicators and hard economic data made forecasting earnings particularly challenging.

*Source: Carmignac, 30/09/2023. ** Performance of the F EUR Acc share class ISIN code: LU0992627298. Past performance is not necessarily indicative of future performance.*

While shorts kept squeezing, as they benefitted from longer lasting dis-locations than we had anticipated, we struggled to fundamentally embrace the rally on many long positions, as we felt a lot of the factors that drove stocks higher were backward looking or mis-placed.

During the third quarter, we started to see a normalization of the trends described, with new orders declining, backlogs shrinking and pricing rolling over; while volumes stayed weak, due to a mixture of weak end-demand and de-stocking. While the recession that everyone expected last year never came and the market troughed in October 2022, many of the factors that led people to anticipate a recession back then, have not gone away.

Starting with the rates shock, after a temporary rally in bonds, long-term yields on both sides of the Atlantic are higher than they were in October. While people were concerned about the huge US fiscal deficit which needs to be financed, combined with the lack of demand from the largest US Treasury buyers, namely the Fed, Japan and China, the initial deficit was financed by spending down the Treasury General Account. Then, the Treasury General Account was refilled mainly through short dated treasury issuance that was hoovered up by money market funds that had seen huge inflows and moved out of the repo facility. While that delayed the problem, it did not solve it. While inflation has come down significantly in the last 12 months, the huge amount of longer dated supply that is coming to the market now in Q4 and next year is meeting a lack of demand that, together with a still strong US economy, is leading to higher yields. **The higher yields, together with the fact that it is driven by higher term premia/higher real rates rather than inflation expectations, is leading to a very attractive alternative to equities (on top of cash) and depressed the equity risk premia to multi decade lows, making equities look relatively unattractive vs bonds and cash.**

The intuitive multiple compression for the broader market now starts to come through. While rates had failed to have significant impact on corporates or consumers due to the longer maturities of their debt, higher for longer narrative does not only lead to multiple compression but also to a re-pricing of the medium-term interest expenses and hence earnings.

The consumer was the other surprise coming out of the 2022 inflation and rates shock. While the market was expecting a big squeeze and strain on consumption, the consumer held up much better than expected. Most consumers had used the last decade of low interest rates to refinance their debt into longer term, fixed rate debt, making them less sensitive to higher rates in the short term. On the other hand, they benefitted from high excess savings amassed during the pandemic that helped them keep up consumption. Lastly, the high backlogs in everything from housing to capital goods, together with a huge rebound in demand for services, led to a very tight labour market, wage growth and a feeling of job security. 12-month down the line, most of these excess savings has been spent and student loan repayment is resuming. While unemployment is still at record lows and the labour market is still very strong, this is a lagging indicator. **We have started seeing consumer weakness in the form of volume weakness in consumer staples to a normalizing of luxury demand, while service demand has started showing signs of weakness as well. Therefore, consumption is still in a decent shape, but we would not expect incremental strength from that side.**

Lastly, as discussed above, **companies have significantly benefitted from the supply shortages and the inflationary environment since the pandemic. While forward-looking indicators like PMIs predicted a poor outlook for orders, revenues, and profits last year, the high backlogs and the significant price increases led to rising revenues and margins.**

As expected, all good things must come to an end at some point. If any sector could give us a glimpse of the real demand environment and serve as a leading indicator, it was the chemicals sector. Due to the lack of a backlog and no supply chain issues, volumes in the sector have been miserable for almost a year now, due to a mix of weak end demand, de-stocking and pricing normalizing, leading to a flurry of profit warnings in the space. Several other cyclical sectors are starting to see similar patterns, as **supply starts to come back, just at a time when demand hits a double whammy of weak end demand and destocking, together with pricing rolling over. It will lead to weaker sales, margins and profitability that will usually be followed by lay-offs and hence, risking unemployment and weaker consumption.**

Finally, **the geopolitical situation has unfortunately not improved**. While a European energy crisis resulting from the Russia/Ukraine war was avoided, mainly due to the unseasonably warm weather which allowed Europe to fill their gas storages (at peak prices), Europe has not structurally solved their Energy problem and the resulting competitiveness of its manufacturing industry. Furthermore, the very unfortunate developments in the Middle East have the potential to create another energy crisis if the war spreads to the wider region and a proper oil price shock could trigger a recession.

A China/Taiwan escalation is not an if, but a when event, who's timing is hard to predict. That said, it would not be completely un-realistic for China to move onto Taiwan while the US is already fighting and financing two wars and is not ready to defend Taiwan yet, as their base case is that an invasion would not happen before 2027.

Overall, the environment remains very volatile and while there are a lot of moving factors, we feel more comfortable as supply chains and companies' financials have started to normalize from the aftermath of the pandemic. While we are aware of the macro environment, we keep our focus on company specific investment cases, and we are excited about the opportunities we see.

Wishing you a great Fall!

The European Long/Short Equity Team

STRATEGY REMINDER

- **Investment Objective**: The fund seeks to achieve a positive absolute return over a 3-year investment horizon through capital growth.
- A **European fundamental long/short equity strategy**
- **100% bottom-up and High Conviction**: 40 to 60 stocks on average
- **SFDR Article 8 Strategy** with a fully integrated SRI & low carbon approach**
- Dynamic and flexible market exposure -> Net Exposure limits [-20%; +50%]
- **A 7-year track record with Malte Heininger as Lead PM**

*Other investment restrictions apply. Please refer to the fund documentation for a complete description of the fund. ** SFDR Fund Classification: Article 8 starting 1st January 2022. Sustainable Finance Disclosure Regulation (SFDR) 2019/2088. For more information please refer to EUR-lex*

	Fund		
2014*	2.34%	**2019**	+0.32%
2015*	-7.67%	**2020**	+7.42%
2016	+9.99%	**2021**	+13.57%
2017	+16.73%	**2022**	-5.72%
2018	+5.15%		

**PM Change on January 1st, 2016. Malte Heininger became Lead Portfolio Manager.*
Disclaimer: Performance of the F EUR Acc share class ISIN code: LU0992627298. Past performance is e not a guide to future performance. The return may increase or decrease as a result of currency fluctuations.

Table of fees

Share Class	Bloomberg code	ISIN	Distribution policy	Entry charges	Exit charges	Conversion fees	Ongoing charges	Performance fees
F EUR Acc	CARPPFE LX Equity	LU0992627298	Accumulation	Max. 9.00%	0.00%	0.00%	1.15%	20.00%

Entry charges paid to distributors. No redemption fees. Conversion charges: this is the maximum that might be taken out of your money before it is invested / before the proceeds of your investment are paid out. Ongoing charges are based on the expenses for the last financial year ended. They may vary from year to year and do not include performance fees or transaction costs. Variable Management Charge: 20% of the outperformance once performance since the start of the year exceeds that of the reference indicator and if no past underperformance still needs to be offset. Source: Carmignac, 31/12/2022.

MAIN RISKS OF THE FUND

LONG/SHORT RISK: This risk is linked to long and/or short positions designed to adjust net market exposure. The fund may suffer high losses if its long and short positions undergo simultaneous unfavourable development in opposite directions. **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. **INTEREST RATE:** Interest rate risk results in a decline in the net asset value in the event of changes in interest rates. **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.

The Fund presents a risk of loss of capital.

DISCLAIMER

This is a marketing communication. Please refer to the (Key Information Document (KID) /prospectus of the fund before making any final investment decisions.

This document is intended for professional clients.

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