

Rating Report

Carmignac Portfolio EM Debt

ISIN: LU1623763221



Scope Analysis has assigned a top rating of B ("good") to Carmignac Portfolio EM Debt. The fund invests in corporate and government bonds in emerging markets. In doing so, ESG factors are included in the fund's analytical process. The actively and opportunistically managed strategy enables the fund to make allocation decisions with a high degree of freedom, driven by conviction. The fund aims to outperform its benchmark over the recommended holding period of three years.

Fund overview as of 07/31/2021

Fund	Peergroup	Volume (EUR m)	Total Expense Ratio	Inception year*
Carmignac Portfolio EM Debt	Bond Emerging Markets HC & LC	127.1	0.85%	2017

* The fund's relevant track record has been running since inception.

Rating

The table provides an overview of Scope's assessment of the key indicators. They form the basis of the overall rating.

Scope Rating overview

	Performance indicators	Risk indicators	Rating score
Points	88	51	76
Rating	A	C	B

Scope's evaluation as of 07/31/2021 was based on the fund's 48-month track record. It resulted in the quantitative metrics weighted at 47% and qualitative indicators weighted at 53%. Together, they result in a top rating of B ('good').

Selected aspects of qualitative fund evaluation

Company	Investment team	Investment process	Risk management
Very good	Very good	Good	Very good

Scope rates the business stability of Carmignac Gestion SA as „very good.“ The investment team ("superiority through fund management") is similarly rated "very good" by Scope. The team is highly experienced with an average investment experience of 18 years. In addition, the team's qualifications are above average. Scope rates the investment process ("assessment of long-term return potential") as 'good'. Scope rates the risk management ("risks from fund concept") as "very good".

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Bloomberg: RESP, SCOP

Company

Carmignac was established in 1989 and, after a successful phase of international expansion, has become one of the leading independent asset managers in Europe over the past decades. The fact that it is wholly owned by the firm's founder Edouard Carmignac and its employees, in Scope's view, gives the firm considerable business independence from third parties. Carmignac currently manages about EUR 41 billion through a total of 23 investment strategies. It currently has 289 employees, among them 45 fund managers and analysts.

With the gradual retirement of the firm's founder from portfolio management and the transfer of investment decisions to the respective portfolio managers, the transition in strategy and generations is now complete. Carmignac has expanded its research capacities considerably in recent years, distributed responsibility for platform strategies among several senior employees, and strengthened the role of portfolio manager.

Investment team

The fund is managed by Joseph Mouawad who is supported by James Blanning as EM Fixed Income Analyst.

Joseph Mouawad has more than 16 years of professional experience and joined Carmignac in 2015. He has extensive expertise in emerging market debt investing. Prior to joining Carmignac, he was Head of EM Structured Fixed Income and Interest Rates Derivatives Trader at renowned international financial institutions.

James Blanning joined Carmignac in 2016 and looks back on seven years of professional experience. He holds a master's degree in quantitative finance and has extensive expertise in sales & trading.

The team is supported by the firm's wider Fixed Income Platform. Carmignac draws a distinction between portfolio managers and analysts. The well experienced ten portfolio managers and four analysts of the Fixed Income Platform have an average experience of 18 years in investments. In Scope's view, this makes for a very good base for covering the investment universe independently of sell-side research. The team, complemented by the rest of the Fixed Income Platform, is highly experienced and has above average qualifications and is assessed as "very good" by Scope.

Investment approach and portfolio construction

The Carmignac Portfolio EM Debt fund is a bond fund with a socially responsible investment approach. It employs strategies relating to local and foreign currency debt instruments as well as emerging market foreign exchange while incorporating ESG criteria. The flexible and conviction-driven strategy allows the fund to exploit opportunities that arise in emerging markets in all market environments. The fund aims to outperform its benchmark (JP Morgan GBI – Emerging Markets Global Diversified Composite Unhedged EUR Index) over the recommended holding period of three years.

The investment philosophy is based on the exploitation of market inefficiencies and identifying investment ideas which go counter to the prevailing market sentiment. To this end, a top-down fundamental analysis generates macroeconomic signals, which, combined with a bottom-up analysis, leads to an assessment of risk-adjusted returns. From this analysis, the team derives the differences between the proprietary and the market's view, which lead to investment ideas. In executing these ideas, the team attempts to utilize a wide range of performance sources including currencies and rates. The team may also explicitly enter net short positions as part of the strategy.

To ensure a strong understanding of the issuers' business models and situation, the team personally meets with over 200 entities annually. Alongside an understanding of the business model, the analysis of a debtor's credit quality is essential.

Fund management is mostly unconstrained in executing the investment ideas generated from their prior analysis. The investment guidelines stipulate maximum exposures to coco-bonds, distressed credit, and credit derivatives. Moreover, a minimum average bond rating across the portfolio must be met. A significant part of portfolio construction lies in the allocation to countries and currencies. As far as position size is concerned, the team is largely free to act upon its conviction but takes into account the issuance's risk contribution. The resulting portfolio is commonly comprised of titles of about 40 issuers.

The portfolio's modified duration is a result of individual bonds selection and credit market views or as an active decision to technically position the portfolio. Modified duration usually is not being adjusted and ranges between -4 and +10.

A key element in the fund's investment process is Carmignac's proprietary ESG scoring approach. The investment guidelines mandate certain minimum scores on an individual title and the overall portfolio level. The main emphasis in the ESG scoring approach is the progress that a country has made rather than how it compares to other, particularly more developed countries. Among the factors used in ESG scoring are a country's use of renewable energy and the ease of doing business. In investing with a focus on sustainability, the team aims to allow for long-term sustainable returns.

Scope rates the investment process as 'good'. The systematic approach, which is driven strongly by fundamental analysis and conviction, is, in Scope's opinion, well suited to identify both market inefficiencies and mispricing. Scope also believes that the close contact with issuers and the positions taken against prevailing market opinion have significantly contributed to the strategy's success. For instance, bond markets are generally much less liquid than, for example, equity markets and thus fluctuate owing to the smaller market orders. These movements can be exploited by fundamentals-oriented and disciplined market players.

As at 31/07/2021, portfolio weights are 69% in government bonds, of which 65% in emerging markets. 30% of the portfolio are invested in corporate bonds, of which 25% in emerging markets, and the residual in cash. 44% of bond holdings are considered high yield and the average rating is "BBB-".

The fund achieved a performance of 5.5% p.a. over the track record of 51 months. As a result, Carmignac Portfolio EM Debt was able to significantly outperform the Scope Benchmark (2.5% p.a.) and the peer group average (1.5% p.a.).

After-cost returns in EUR as of 10/31/2021

	Return 1y	Return 3y (p.a.)	Return 51m (p.a.)	Return 5y (p.a.)
Carmignac Portfolio EM Debt	10.3%	11.9%	5.9%	-
Peergroup Benchmark*	3.1%	4.1%	2.5%	1.8%
Peergroup Average	4.1%	3.2%	1.5%	1.0%

* Benchmark: 50% JPM EMBI GI.Div.Index / 50% JPM GBI-EM GI.Div.



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Risk management and costs

In Scope's view, risk management is fully integrated on all relevant levels of the investment process, and is clearly defined, disciplined and comprehensive. It is thus rated "good".

The team focuses on fundamental and market risks when assessing a position's risk. This involves evaluating the credit risk of a credit instrument, interest rate risk as well as exchange rate risk. The risk of a potential position must be overcompensated for by an attractive carry before it can be considered as an investment opportunity. On the portfolio level, stress scenarios are tested, and risk contribution is analysed on a country, sector, and currency level.

In addition to market and credit risks, a risk management team that is independent of the portfolio management monitors counterparty risks and portfolio liquidity. An attribution analysis is undertaken weekly. Furthermore, stress and scenario tests are carried out weekly based on the RiskMetrics Tool, a leading third-party software solution.

Risk metrics in EUR as of 10/31/2021

	Volatility 3y (p.a.)	Volatility 51m (p.a.)	Max. loss 6M roll	Sharpe Ratio 51m
Carmignac Portfolio EM Debt	12.6%	11.5%	-15.9%	0.56
Peergroup Benchmark*	9.4%	8.3%	-13.8%	0.36
Peergroup Average	9.4%	8.3%	-13.6%	0.24

* Benchmark: 50% JPM EMBI GI.Div. Index / 50% JPM GBI-EM GI.Div.

The fund's annualized volatility of 11.5% far exceeds that of the peer group at 8.3% over the relevant track record of 51 months.

The fund's expense ratio is at peer group level. This is measured in terms of total expense ratio, with a value of 1.41%, while the peer group average is 1.42%.



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The fund rating

Scope's fund rating evaluates the quality of a fund relative to its peer group. Among other factors, the rating reflects long-term earnings power, the stability of fund performance, and timing and loss risks. The analysis incorporates both quantitative and qualitative criteria. For further detail, refer to [the methodology](#).

Rating agency Scope currently rates over 6,000 investment funds (UCITS) authorised for distribution in Germany. The funds collectively manage over EUR 4.0tn in assets.

Rating scale – investment funds (UCITS)		Score
A	Very good	100 - 78
B	Good	77 - 60
C	Average	59 - 41
D	Below average	40 - 23
E	Poor	22 - 1

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The publisher responsible for preparing and distributing this fund rating is Scope Analysis GmbH, Berlin, Germany, Local Court of Berlin (Charlottenburg) HRB 97933 B, Registered Office: Lennéstraße 5, 10785 Berlin, Germany, Managing Director: Florian Schoeller, Said Yakhloufi.

The present fund rating was generated and written by: Sina Hartelt, Associate Director, Lead Analyst.

Rating history

In case the fund has already been rated by Scope Analysis, its rating history can be viewed [here](#) upon entering its ISIN or name.

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Principal sources of the fund rating

The following principal sources of information were used to prepare the fund rating: prospectus, provider's website, annual/semi-annual reports of the investment fund, performance record, detailed information provided on request, data from external data providers, interview with the asset management company.

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Methodology

The methodology used for the fund rating can be viewed [here](#).

Information on the meaning of the rating scale used for the rating can be viewed on the website of Scope Analysis GmbH or [here](#).

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