

**SHINING A LIGHT ON THE.....
FP Carmignac Emerging Markets Fund**

AT A GLANCE

Investment Objective
The investment objective of the Fund is to achieve capital growth over a period of at least five years. The Fund will typically invest between 80% – 95% in shares, however, on rare occasions, such as when the markets are experiencing heavy turmoil, the Fund may decrease its exposure to company shares to no less than 51% and invest a greater proportion (up to 40%) in debt instruments.

Inception Date	15 th May 2019
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000013IVJ

Management	
Manager Name	Start Date
Xavier Hovasse	15 th May 2019

FUND PERFORMANCE

Performance from 15th May 2019 to 31st October 2020:

	2019	2020
FP Carmignac Emerging Markets Fund	13.37%	35.24%
iShares MSCI EM ETF	9.77%	2.31%

Performance over 12 months, and since launch:

	1 year	Since launch
FP Carmignac Emerging Markets Fund	44.71%	53.59%
iShares MSCI EM ETF	8.63%	12.30%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
7.98	80.51	176.94	59.68	83.33	1.09	28.26	Growth/Large

Volatility Measurements	
3-Yr Std Dev (volatility)	-
3-Yr Mean Return (average)	-

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Investment Style Details	
Giant	47.01%
Large	40.35%
Medium	3.58%
Small	0.00%
Micro	0.00%

Top 5 Holdings – 42 holdings		
JD.com Inc ADR	Consumer Cyclical	7.48%
Samsung Electronics Co Ltd Parti...	Technology	6.59%
Tencent Holdings Ltd	Communication Services	6.24%
58.com Inc ADR repr Class A	Communication Services	5.38%
Sea Ltd ADR	Communication Services	4.16%

Top 5 Sectors	
Communication Services	23.22%
Technology	19.89%
Consumer Cyclical	18.03%
Financial Services	12.32%
Healthcare	10.31%

Top 5 Regions	
China	44.89%
South Korea	18.88%
India	8.59%
Brazil	6.40%
Taiwan	5.56%

UPDATE....

These updates have been written at the time of the Coronavirus Pandemic of 2020, which has impacted the global financial markets in a way that has never been seen before.

This fund came on to our radar during recent research we were doing. The fund spins out of the Carmignac Emergents Fund. The two are the same but this fund has been developed for the UK market.

The Emergents Fund has a longer track record and we discussed some of this in the meeting. There are three elements of the strategy which make this an interesting option for investors. Firstly it has a high active share class. Secondly, although there is some crossover with other strategies, in the main the holdings are very different. Thirdly, it has at its heart a fully integrated SRI and low carbon approach.

The data shows how well the fund has performed since it was launched in the UK. The Emergents strategy has had a couple of years of underperformance. The first was in 2016 when there was a junk rally following the Chinese stimulus announcement, and the fund did not participate in this.

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The second was in 2018 where they were positioned for a less strong dollar with holdings in Argentina. They did not anticipate the Trump effect and the dollar appreciation which caused issues for the Argentinian economy and damaged investor confidence. In the first case where there was a junk rally the fund will always underperform. In the second case they have taken steps to understand where risk is coming from on the portfolio, including indirect correlations.

The head of the strategy is Xavier Hovasse and is supported by Haiyan Li-Labbe and Amol Gogate. The team also have information from across the organisation.

There are three pillars to the strategy:

Country Selection – they have a preference to those countries with strong macro fundamentals and healthy currencies. Therefore, the fund tends to favour Asian economies. South Africa is a country they do not currently invest in because they feel there are too many issues. But countries change and this can alter their investment view. An example would be India when the Central Bank Governor was appointed in 2013

Sector Selection – they are looking for underpenetrated sectors with long term growth potential within the regions they select. Example would be utilities in Brazil, and then on the other side of the coin, avoiding banks in China

Stock selection – they like capital light businesses. They look for long term growth opportunities, strong cash flow, business models that can self-finance growth and balance sheet quality

These pillars bring the investable universe to around 600 stocks where they overlay their ESG criteria. This includes exclusions, positive impact screening and controversies analysis and active voting and engagement. This then reduces the number of stocks to around 480. From this they look to build a high conviction fund of around 40 to 50 stocks.

We discussed whether they would invest in a company where carbon emissions were poor and they explained they may if the trajectory for change was there. We also discussed Samsung and issues with the management. They explained that they started investing in 2017 but they invested because there was a turnaround in the governance. Also, Samsung are producing something that has a positive impact and they have good environmental practices. The change is important, but it is the mix that is also important when making decisions.

In the discussion some of the key aspects which make this different are that this about backing new economy businesses. It looks to be less volatile and have strong downside capture. This is about a best in universe approach but also looking at those companies which have a positive impact on society.

Although country and sector selection are part of the process, they have a non-constrained approach to enable them to fund the companies they like.

They have zero exposure to old energy but would favour renewable energy if the investment was right. Backing new economy businesses does not exclude old businesses like TSMC, which have high barriers to entry.

They will also consider businesses which are likely to be long term winners, like NIO, who are a leading EV producer within they sector. With EV the Chinese have high ambitions and therefore NIO will benefit from this.

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In summary, whether as a blend or stand alone, this is different to many of the emerging market funds on offer. The fund has suffered underperformance and where they can they have looked at ways to avoid this in the future.

The difference in holdings, the sustainability aspect and high active share class together with the performance to support this makes this an interesting investment for potential clients. It is worth adding that there will be periods where this underperforms as this is focused on quality growth. If there is a junk rally, then this will underperform.

The investment management do invest in the funds, so they are aligned to client interests. This is also an independent company and it is fully owned by the top management, fund managers and staff.

The source of information in this note has been provided by Carmignac and is correct as at November 2020. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.