CARMIGNAC PATRIMOINE: 2015 PERFORMANCE AND CONVICTIONS GOING FORWARD

November 2015

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GLOBAL FUND

As of the 23rd of November 2015, the Fund posted a positive performance YTD of +2.22%, below its reference indicator (+11.67%).

The year was extremely frustrating in terms of performance. 2015 was a particularly turbulent year that included a strong influx of liquidity (QE announced by the ECB), the Greek debt saga and the devaluation of the Yuan. In this context, a number of technical and short term factors not only had a sharp effect on equity and fixed income markets, but also affected our conviction driven views over the course of 2015. Below, we detail the adverse effects on the Fund and its performance. And more importantly, we explain why we remain convinced that the Fund will be able not only to weather what we believe is a likely storm but also generate positive performance.

Equities

2015 in a nutshell

From January to July 2015, the scarce growth environment and the support from ECB had encouraged us to maintain a high equity exposure (close to 50%).

In order to manage our portfolio's risk, this exposure was counterbalanced by an overweight in high visibility stocks, which are capable of generating growth regardless of the economic cycle. This position had been fruitful as the Fund benefited from its global leaders within the health care, discretionary consumption and technology sectors.

In August, the decision by Chinese monetary authorities to devalue the Renminbi triggered sharp waves of risk aversion among equity markets in developed and emerging countries, which we initially underestimated. As an example, the US S&P Equity index lost 10% in one week. As a direct consequence, in August, the Fund posted a negative performance of -7.04%, against -4.55% for its reference indicator. On the equity front, we were penalized by our healthy exposure to markets on the back of a resolved Greek crisis.

Our exposure to emerging markets and to the commodity sector was also a source of weak returns. We made the mistake of being slow to realize that the Yuan's devaluation would destabilize global markets in a matter of days. The Yuan's downturn had a massive impact, triggering extensive capital outflows from China and weighing very heavily on global liquidity.

We reduced our equity exposure from 46% (as of the 31/07/15) to 9% at the end of August. Since August, we have kept a cautious positioning based on our conviction that equity market risks have considerably increased (see below). This cautious positioning has weighted on performance during the equity rebound of October/November.

Our convictions going forward

Despite six years of lax monetary policy, the global economy continues to suffer from lackluster growth and an inexorable rise in total debt. Weak activity and a lack of inflation raise the issue of how structurally sustainable global debt is at a time when the economy is showing signs of weakness in the United States and the Chinese governance is causing concern.

In fact, the global economic slowdown would be less of an issue if it did not occur at a time when confidence in central banks' ability to provide an effective solution is starting to be questionable.

These two trends are actually now on a collision course. It may be too soon to consider whether the correlation between negative economic news flow and positive news for risk-carrying asset prices- driven by the expectation of further monetary easing – is about to end. Monetary easing could continue in Europe and Japan. But it is harder to imagine in the United States, where the only debate within the Fed is the timing of a key rate increase.

We believe that the existing and up-coming QE is unlikely to have a positive effect on the real economy. This phenomenon, combined with the tightening in the US and strong disinflationary pressures is indeed worrying. Furthermore, a significant engine of global growth that was the emerging market region is slowing down and the Chinese economy remains a cause for concern.

Equity markets are unlikely to thrive in this context and hence the Fund's equity exposure is currently close to its minimum. We will not hesitate to increase our equity exposure when either the risks we identify have been priced, or if the circumstances change either on the economic or liquidity front.

In this slow growth environment, we have tailored our portfolio construction in order to generate alpha despite our low equity exposure. We have built our convictions on companies able to prosper in a deflationary environment. In this scarce growth context, we are convinced our stock picking will benefitfrom superior earnings growth and from a premium valuation given to high visibility stocks at the expense of risky stocks.

Fixed income and Currency

Over the course of 2015, which proved to be an extremely volatile one for bond and currency markets, the fixed income portion of Carmignac Patrimoine has contributed positive returns to the overall portfolio.

2015 in a nutshell

A significant portion of the strong returns emanated from our core convictions on bond markets, namely peripheral sovereign bonds and European financial credit. Since August 2012, following ECB chairman Mario Draghi's announcement that he would do "whatever it takes" to save the Euro, we have expressed strong conviction in government bonds of the European peripheral region. We maintained this conviction in 2015 and it was reflected in our significant allocation to the asset class.

In spite of the volatility in rate markets and the political instability in Greece, exposure to European peripheral sovereigns contributed positively to YTD performance. While the Greek crisis did generate a certain amount of turbulence and led to widening of yields over the summer, the temporary resolution of the negotiations in July led to significant appreciation of both Greek and peripheral bonds.

Our allocation to European financial credit also dates back to 2012, as banks in the region were reregulated and forced to de-leverage and de-risk their balance sheets. Since then, European banks have gradually but surely increased their capital ratios and their balance sheets have been shrinking.

As a result, financial corporate bonds have seen significant spread compression across the capital structure. Since the beginning of the year, our exposure to subordinated corporate bonds (including bank contingent convertibles) has yielded positive performance.

In line with our active investment philosophy, we have tactically managed the modified duration of the Fund (primarily making adjustments through our derivative strategies). The Fund had implemented a short position on the German Bund in the 1st quarter of 2015, in order to balance our core conviction positions on sovereign and credit markets.

Unfortunately, this position contributed negatively to performance, as core rates moved lower in Q1 on the back of ECB QE and disinflationary pressures. Finally, our exposure to the US dollar had a slight positive contribution. Strong volatility on the USD/EUR cross led to losses in the summer, but this was compensated by gains made earlier in the 1st quarter of 2015 as well as the recent appreciation of the greenback which outperformed the Euro.

Our convictions going forward

The global disinflationary pressures, fed by the on-going industrial over-capacity in China, lead us to believe that the long end of the US curve will continue to move lower. In spite of the imminent rate rise in the US, we believe that the curve will flatten amidst modest growth and inflation data. We had seen something similar during the previous rate hike in the US (2004-2006), where the short end moved up, but the long terms yields declined.

In this context, we maintain a positive duration to the long end of the US curve, while tactically shorting the lower end, which should move up along with a Fed rate liftoff. European peripheral bonds continue to offer some value, albeit lower than in 2014.

The political situations in Portugal and Spain have led yields to rise, thereby creating some opportunities for investors. Ultimately, the ECBs substantial bond buying program (which stands a good chance of being expanded) should push yields lower. On the corporate bond portion, we continue to see value in the European bank credit theme. With European banks going through the long process of de-risking and de-leveraging, brought on by the reregulation of the sector, corporate bonds in the sector should see spread

reduction.

We are focused on the subordinated debt, which present very attractive yields. We adopt a very opportunistic approach to the corporate bond universe, where selectivity has become extremely important. We have an exposure to structured credit, where we have chosen to include European CLOs. It is an asset class that has structurally improved (overcollateralization, increased transparency), and presents attractive spreads.

We also take advantage of single name opportunities that arise in the corporate bond market. On the currency front, we favour the US dollar which should benefit from the liquidity tug of war that this taking place between the US and Europe. With the Fed getting close to raising its interest rates (i.e tightening) and the ECB likely to announce and expansion of its QE (easing), the dollar should find significant support vs. the Euro.

Furthermore, the greenback is likely to act as a counter balance to our exposure to US rate markets, in case they are adversely affected by a rise in Fed rates.

We remain fundamental, conviction driven, while maintaining a flexible and active approach

The current overall allocation of Carmignac Patrimoine is extremely cautious, in line with our view that global markets today are facing a very unfavorable asymmetry between risks and potential returns.

We stand firmly behind our conviction that global growth remains fragile and deflationary pressures will continue to be very powerful. These trends are apt to collide with a less supportive liquidity environment.

Hence, in spite of the imminent rate hike, we believe that markets will come to terms with this vision, pushing equity markets and long term rates in the US lower. We of course realize that over the course 2015, the Fund has witnessed weak performance, and our convictions have not borne fruit.

Indeed, short term impediments such as extreme flows and positioning, driven by QE liquidity, have boosted equity markets. Furthermore, weaker secondary liquidity has exacerbated volatility on fixed income markets, which experienced unforeseen shocks in 2015.

These events have led to accidents in the Fund, adversely affecting performance, but we are convinced that our risk-return analysis justifies our current positioning. Hedging the Fund against the current market risks is essential to protect the portfolio and generate positive performance, and so is the portfolio construction, meant to deliver considerable alpha.

As always, if the headwinds we are seeing today subside and we are once again convinced of the growth potential of equity markets, we will not hesitate to re-expose the Fund in our quest to deliver positive performance. However, in the immediate future, we believe that our mandate to preserve capital should be given priority.

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