

What are the benefits of a long-short approach?



Author(s)
Malte Heininger

Published
August 31, 2020



As investors, equities represent a crucial driver of long-term capital appreciation. However, equity markets can go through periods of high volatility and not always deliver the expected positive returns. For investors seeking this equity exposure but looking for a better downside risk mitigation – long-short equity strategies can become a key pillar in their asset allocation.

Increase diversification

Our long-short strategies will buy stocks we expect to outperform the market (long positions) and will sell stocks we expect will underperform (short positions), based on our company analysis. This expands our investment universe and create a more diversified portfolio, less sensitive to equity market moves.

Well positioned during down markets

We rely less on upward markets as we can profit from both rising and falling prices. Our strategy provides an element of protection, or hedge, when markets decline because gains on short positions will dampen losses on long positions.

Lower the overall portfolio volatility

In addition to this ability to profit from falling prices, we are not required to maintain a static exposure and can adjust our risk profile in response to market volatility. The result is noticeable... This flexibility has provided higher returns than the market with half the volatility and only a quarter of the drawdown.

While long-short equity strategies can seem more complex than traditional long only strategies, the flexibility they offer can be a true benefit in a diversified allocation, particularly in difficult or neutral market conditions.

Focus on Carmignac Long-Short European Equities

A strategy to manage its European equity market's downside...

Over the last 3 years, our European Long-Short Equity strategy's sensitivity to the European equity market has been very low at 0.2; which means that if the European equity market loses 1%, our strategy would lose 0.2% on average. This shows how the Fund can behave quite differently while still being exposed to European equities.

While outperforming the market over a 3-year period

The flexibility of its risk profile has provided higher returns than the market with half the volatility and only a quarter of the drawdown.

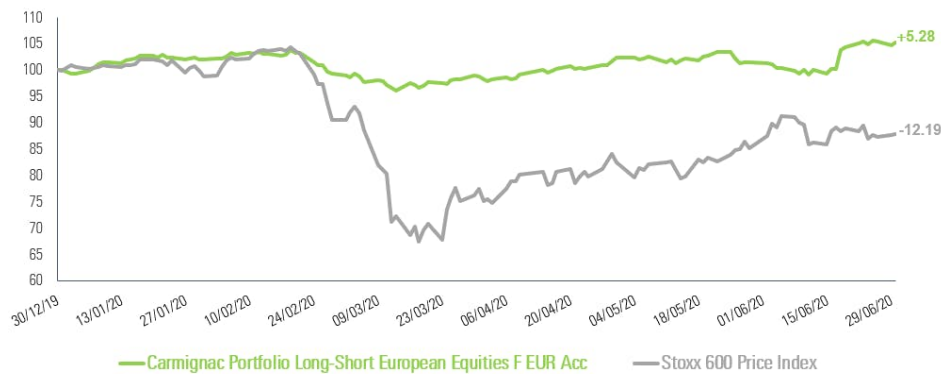
3-year data as of 30/06/2020	Carmignac Portfolio Long-Short European Equities ⁽¹⁾	Stoxx 600 ⁽²⁾	Risk mitigation effect
Cumulative return	24.00%	2.80%	21.20%
Volatility	7%	22%	-15%
Max drawdown	-9%	-35%	-26%

Annualised performance as of 30/06/2020	YTD	3 years	5 years	10 years
Carmignac Portfolio Long-Short European Equities ⁽¹⁾	5.18%	7.41%	4.75%	-
Reference indicator ⁽³⁾	-1.62%	0.12%	0.70%	-

¹ F EUR Acc share class ISIN code: LU0992627298. Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor). The return may increase or decrease as a result of currency fluctuations. The fund presents a risk of capital loss. ² The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region. ³ Reference indicator : 85% Eonia compounded + 15% Stoxx 600 (Reinvested net dividends). Quarterly rebalanced.

How the Fund navigated the Covid-crisis

The protection provided by its short positions as well as the ability to mitigate the drawdown during the first semester of the year have enabled us to provide positive returns, while the market was down close to -12%.



*F EUR Acc share class ISIN code: LU0992627298. Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor). The return may increase or decrease as a result of currency fluctuations. The fund presents a risk of capital loss.

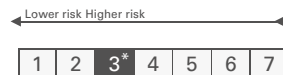
Discover the Fund's webpage:

[Carmignac Portfolio Long-Short European Equities](#)

Carmignac Portfolio Long-Short European Equities F CHF Acc Hdg

ISIN: LU0992627371

Recommended minimum investment horizon



Main risk of the Fund

RISK ASSOCIATED WITH THE LONG/SHORT STRATEGY: 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.

Recommended
minimum investment
horizon:



* Risk Scale from the KIID (Key Investor Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time. F EUR Acc share class ISIN code: LU0992627298

Source: Carmignac, 31/08/2020

This is an advertising document. 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. Carmignac Portfolio refers to the sub-funds of Carmignac Portfolio SICAV, an investment company under Luxembourg law, conforming to the UCITS Directive. The return may increase or decrease as a result of currency fluctuations, for the shares which are not currency-hedged. 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, 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, 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, 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). In Spain: Carmignac Portfolio is registered with Comisión Nacional del Mercado de Valores de España (CNMV) under number 392.