

GAM Star Fund Plc - GAM Star US All Cap Equity

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Market background

Markets adopted a more sombre tone in December, following the exuberance that accompanied Trump's election victory in November. The focus shifted to the potential inflationary impact of the new administration's economic policies, which include tax cuts, tariffs and reductions in bureaucracy. Yields rose, and the S&P 500 Gross Total Return Index saw a decrease, returning -2.38% in USD over the month. Unsurprisingly, the interest rate-sensitive sectors of real estate and utilities experienced the most significant declines, while consumer discretionary and communication services, which include many technology heavyweights, outperformed.

Fund performance

The fund's USD institutional class returned -0.82% over the month, outperforming its benchmark by 156 basis points (bps). Among the top contributors were Alphabet, Broadcom and Marvell. Broadcom, a chip supplier for Apple and other big tech companies, led the contributors as the shares rallied after the company guided to a boom in demand for its artificial intelligence (AI) chips, further supported by President Biden's team launching a probe into Chinese-made chips. Taiwan Semiconductor posted strong results, bolstering expectations that big tech companies will continue to build and upgrade data centres at a rapid pace to propel AI development. Amazon also strengthened on recognition of the impressive growth generated by Amazon Web Services.

Our non-holding in the index heavyweight Tesla was again one of the largest drags on relative performance as the shares rallied further amid optimism that Elon Musk's close ties to President-elect Donald Trump will benefit the electric vehicle (EV) maker. We do not share this outlook, preferring to focus on the company's fundamentals, where growth is more challenging and valuation is rich.

Regions Financial was also a significant drag on performance. The company faced challenges due to a slowdown in loan growth, increased competition and exposure to commercial real estate. Despite these headwinds, we remain invested, seeing potential for recovery as the economic environment stabilises. Elsewhere, UnitedHealth Group proved a detractor this month, partially driven by the news of the targeted assassination on longtime company executive Brian Thompson, which sent reverberations across the city and corporate boardrooms globally.

Portfolio changes

In December, we reduced our positions in PayPal, ServiceNow, Novo Nordisk and Intuitive Surgical. Intuitive Surgical is an excellent company with a strong moat, which had performed exceptionally well in 2024 and was left on extremely high multiples. We like its model and technology, but given the growth priced in, the stock may be due for a pause to digest its multiples.

Outlook

The portfolio continues to evolve under the management of the GAM Global Equity team and is now largely restructured, featuring a carefully selected list of stocks that balances diversification with a conviction-driven investment strategy. As we move into 2025, we will remain discerning over valuation while using our thematic backdrop to aim at identifying compelling structural winners.



Paul Markham
Investment Director

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