

GAM Star Fund Plc - GAM Star US All Cap Equity

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Market background

The S&P 500 Gross Total Return Index (USD) returned +2.43% in August. Early in the month an abrupt sell-off in the Japanese equity market saw the Tokyo Stock Price Index (TOPIX) index fall by more than 12% in local currency in a single day - partly reflecting news that the Bank of Japan had raised interest rates for only the second time in 17 years - and triggering a widespread global equity market slide. However, the weakness was short-lived and, after the initial spike in volatility, investors took comfort from the prospect of lower global interest rates as well as a solid Q2 earnings season that showed few signs of an imminent economic slowdown. This allowed most markets to recover their losses by the middle of the month, with the US S&P 500 Index ending August +2.43% firmer.

Healthcare was the best performing sector during the month, together with consumer staples as investors migrated to more defensive names. On the negative side were the consumer discretionary and energy sectors, weighed by concerns over consumer strength in the US for the former and lower oil prices for the later.

Fund Performance

The GAM Star US All Cap Equity fund (USD, Institutional) delivered a return of +2.86% over the month, outperforming its benchmark index.

Our off-benchmark holding in SharkNinja, a US mid-cap home appliance supplier which we recently added to the portfolio, was a key contributor to the fund's outperformance in August, aided by a significant increase in earnings guidance from the air fryer, juicer and vacuum cleaner maker.

Elsewhere, our stock selection within the health care sector was a further driver of fund returns, bolstered by our overweight exposure to pharmaceuticals heavyweight Eli Lilly, medication management system maker Omnicell and robotic surgery equipment specialist Intuitive Surgical.

On the downside, our favouring of semiconductor company Micron, computer components giant Intel Corp and Google-parent Alphabet weighed to some extent on fund returns.

Portfolio changes

Over the month, we made several adjustments to the portfolio.

We took advantage of the short-lived weakness in global equities early in the month, tactically adding exposure to AI-focused chipmaker Nvidia, before subsequently locking in gains as sentiment recovered.

Additionally, we took some profits in US online travel agent Expedia after a better-than-expected quarter. We are concerned that the business is no longer as attractive as it was; but it is for sale and therefore its improved recent operating performance may help it achieve a better price should it attract a credible bidder.

We also reduced exposure to Dell Technologies, reflecting our concerns over its exposure to the PC cycle.

Outlook

Looking ahead, the risk of volatility remains for the rest of the year as variable macro data, geopolitical uncertainties and skewed market positioning and valuations continue to weigh.

We remain constructive on the technology suite for the long term as insatiable appetite for data, behavioural change among consumers and challenged demographics in many parts of the world drive demand for ever-more-complex automation and digitisation. Nonetheless, we have reduced our exposure somewhat in the near term to reflect tactical concerns over valuations and growth expectations, choosing to book profits in several names with the willingness to increase positions on weakness.

As we restructure the portfolio, we will remain thoughtful about existing holdings and evaluate each on their individual merits, while gradually introducing the strongest conviction-led ideas of the GAM Global Equity team in a progressive and measured manner.



Paul Markham
Investment Director

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Currency Risk: Non Base Currency Share Class: Non-base currency share classes may or may not be hedged to the base

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