GAM Star Fund plc – GAM Star Credit Opportunities (GBP)

Marketing material for professional / institutional / accredited investors

Anthony Smouha
Atlanticomnium

Grégoire Mivelaz
Atlanticomnium

Patrick Smouha
Atlanticomnium

Romain Miginiac
Atlanticomnium

Macro backdrop

Even though the fund's performance was solid in June, sentiment was weaker, mainly driven by political risk in France – as spreads on European bank Additional Tier 1 (AT1) Contingent Convertibles (CoCos), widened, by close to 25 basis points (bps), to 364 bps. Markets were caught off-guard as President Macron dissolved the national assembly (lower house) and called for snap elections – following weak results for the presidential coalition in the European Parliament elections. Markets have been worried about (1) the rise of populism in France and anti-EU rhetoric from the far-right populists, and (2) a 'gridlock' scenario that reduces Macron's ability to contain the budget deficit. The results of the first round of the elections (30 June) have partly alleviated some market concerns as the far right's lead came in lower than expected. This decreases the likelihood of a relative majority for the far right – albeit with significant uncertainty. French assets underperformed, with OAT spreads widening materially over the month, as much as 35 bps (to 82 bps) versus German bunds. Otherwise, rates declined over the month (10-year bund yields fell 16 bps in June) given supportive inflation and labour market data in the US and Eurozone, as well as the European Central Bank delivering its first 25 bps rate cut.

Valuations and fundamentals

In a month that was all about French politics, the fund's performance was solid, up around 0.2% in June (GBP A share class), reflecting the conservative positioning (exposure to AT1 CoCos had been gradually reduced to around 20% following the strong rally in Q4 23 and H1 2024) and limited exposure to French bank AT1 CoCos.

French banks and insurers have very strong fundamentals, providing them with ample headroom to manage ongoing uncertainty. For example, BNP is a globally diversified bank where France represents only a third of credit exposures and the bank's exposure to French government bonds is low (EUR 13 billion compared to EUR 93 billion of Common Equity Tier 1 (CET1) capital at the end of 2023 and EUR 11 billion of net income per annum). On the insurance side, we own Restricted Tier 1 (RT1) bonds from MACIF, a leading domestic French life and non-life insurer. The group's Solvency II ratio of 178% (EUR 5 billion excess capital) would drop by less than 3% with the current moves in French government bonds, and even in a scenario where French government bonds were stressed like Italian government bonds at the peak of the eurozone crisis – the group's SII ratio would remain comfortably above regulatory requirements. Overall, we remain very comfortable on French issuers' fundamentals.

Subordinated debt

In a sign of strong technicals in the subordinated debt market, there were several new AT1 deals printed in June - more than USD 4 billion in total versus a demand on the primary market of more than USD 20 billion. As an example, Commerzbank printed a new 7.875% perpetual AT1 CoCo in EUR with a first call date in 2031 (coupon resets to the five-year EUR swap rate + 5.129% if not called), attractive at more than 500 bps of spread and close to 8% yield. The deal was oversubscribed by around 10 times, as the issuer attracted close to EUR 7 billion of demand for the new deal, reflecting the continued strong technicals. As such we expect to continue seeing price appreciation. We believe this should benefit the fund going forward, on top of the high income we are capturing.

GAM Investments

For more information, please visit GAM.com

Important legal information:

Credit Risk / Debt Securities: Bonds may be subject to significant fluctuations in value. Bonds are subject to credit risk and interest rate risk.

Credit Risk / Non-Investment Grade: Non-investment grade securities, which will generally pay higher yields than more highly rated securities, will be subject to greater market and credit risk, affecting the performance of the Fund.

Interest Rate Risk: A rise or fall in interest rates causes fluctuations in the value of fixed income securities, which may result in a decline or an increase in the value of such investments.

Liquidity Risk: Some investments can be difficult to sell quickly which may affect the value of the Fund and, in extreme market conditions, its ability to meet redemption requests.

Concentration Risk: Concentration in a limited number of securities and industry sectors may result in more volatility than investing in broadly diversified funds.

Capital at Risk: All financial investments involve an element of risk. Therefore, the value of the investment and the income from it will vary and the initial investment amount cannot be guaranteed.

ESG-focused investing risk: The Fund is subject to the risk that adherence to the Sustainability Exclusion Criteria detailed in the Appendix to the Supplement may result in the exclusion of securities of certain issuers for reasons other than investment performance considerations. As a result, the Fund may underperform other funds that do not utilise sustainability exclusions. Successful application of the Fund's Sustainability Exclusion Criteria will depend on data from third party sources and there can be no assurance that the strategy or techniques employed will be successful.

Important legal information

The information in this document is given for information purposes only and does not qualify as investment advice or as meeting any particular financial objectives, risk profiles, sustainability preferences or sustainability-related objectives of the recipient. There is no assurance that any sustainability-related objectives, if applicable, will be achieved. Further information on GAM's approach to responsible investing can be found here:

https://www.gam.com/en/corporate-responsibility/responsible-investing https://www.gam.com/en/policies-and-disclosures#sfdr

The investment strategy described in this document may involve the selection, prevent the acquisition of or require the disposal of securities of certain issuers for reasons other than investment performance or other financial considerations. As a result, the strategy may underperform other strategies with a similar financial objective or policy that do not utilise an ESG-focused investment strategy and may suffer investment losses if it is required to dispose of a security as a result of non-financial considerations.

The investment strategy described in this document may be reliant on sustainability-related data. The quality, timeliness, completeness and availability of sustainability-related data may not be comparable with the general quality, timeliness, completeness and availability of more standardised and traditional financial data. The implementation of the investment strategy may be adversely impacted as a result and may result in losses (including loss of opportunity) as a result of investment decisions taken in reliance on sustainability-related data which may not be accurate, complete or timely or if decisions are taken which do not correctly assess the impact of such data. Estimates, proxies and subjective judgements may be used when assessing sustainability risk or applying an investment strategy which, if incorrect, may result in losses (including loss of opportunity).

The Co-Investment Manager may rely on third parties for inputs used in its investment decisions including data vendors and ESG ratings providers. The data and ratings provided by such third parties may be impacted by the quality, timeliness, completeness, and availability of sustainability related data available to them.

ESG ratings generally assess the impact of environmental, social and governance (ESG) factors on a company and/or a company's impact on the outside world and provide an opinion, expressed as a rating, of such impacts. ESG ratings may not capture all sustainability risks or impacts of a particular company. As different ESG ratings may rely on different data sources and calculation methodologies (including the weightings applied to ESG factors), the ratings applied to one company by a ratings provider may be different to the rating applied to the same company by another provider. The businesses of ESG ratings and ESG data providers are generally unregulated. ESG ratings may be provided by third parties that have an existing relationship with the companies that are being rated (and may have been engaged by that company to provide ESG ratings), which can create a conflict of interest for the ESG ratings provider. ESG ratings providers may also not make timely changes in a rating to reflect changes to the relevant company, sustainability risks or other external events. The investment strategy may suffer losses (including loss of opportunity) and its ESG performance may be different from that intended because of reliance on data or ratings which prove inaccurate, incomplete, or out of date or if the Co-Investment Manager does not correctly assess the impact of such data.

The Portfolio ESG Rating, where applicable, stated in respect of the strategy is derived from ratings provided by a third party in respect of the investments and is designed to help investors understand the resiliency of the portfolio to long-term ESG risk and opportunities.

A strategy with a high Portfolio ESG Rating implies that its investments are perceived to have a strong or improving management of financially relevant ESG risks and may be more resilient to disruptions from ESG events. However, the investments of a strategy with a high Portfolio ESG Rating may still create significant negative externalities on environmental or social factors such as pollution and poor labour practices. Further, a strategy with a high Portfolio ESG Rating does not necessarily achieve or seek any positive ESG or sustainability impact. There can be no assurance that the Portfolio ESG Rating correctly represents the strategy's exposure to financial loss because of ESG risks.

The strategy described in this document may invest in economic activities which are aligned with the EU Taxonomy. Alignment of investments with the EU Taxonomy is calculated by specific metrics (such as revenue or expenditure) and determined by data most recently disclosed or provided by investee companies or collected by third parties in relation to those economic activities. Such metrics are calculated and disclosed, provided, or collected as at a point in time for each investee company and are based on the activities of those investee companies which may vary over time or be impacted by external events. As a result, any taxonomy-alignment of the strategy will be indicative only and will not be a true reflection of the taxonomy-alignment of the strategy as at a point in time or over a particular reference period. The strategy may involve investment decisions based on the taxonomy alignment of an investment and the impact of such decisions may result in the strategy generating lower financial returns than if the taxonomy alignment were not considered.

The strategy described in this document may include sustainable investments as defined in the EU's Sustainable Finance Disclosure Regulation (EU 2019/2088) ("SFDR"). A sustainable investment is an investment in an economic activity which contributes to an environmental or social objective, which does not significantly harm any environmental or social objective and where the investee company follows good governance practices. SFDR does not provide for objective criteria to determine the contribution of an economic activity to a particular environmental or social objective or set thresholds for identifying whether an economic activity causes significant harm to an environmental or social objective. As a result, the definition of "sustainable investments" is not standardised and requires firms to make subjective decisions. Firms subject to SFDR may take different approaches to categorising such investments. There can be no guarantee that a sustainable investment will attain its environmental or social objective or avoid harm to any particular environmental or social objective. The strategy may involve investment decisions based on the whether or not an investment is determined to be a “sustainable investment” and the impact of such decisions may result in the strategy generating lower financial returns than if it did not consider such determination.

The strategy described in this document may be intended to have an ESG-related impact. Any impact will be calculated based on sustainability-related data, and will be subject to the data limitations outlined above. Any ESG-related impact may not be as expected and there is no assurance that any ESG-related impact will be achieved.

Source: GAM, unless otherwise stated. (Where applicable and, unless otherwise noted, performance is shown net of fees, on a NAV to NAV basis). GAM has not independently verified the information from other sources and GAM gives no assurance, expressed or implied, as to whether such information is accurate, true or complete.

This material is confidential and intended solely for the use of the person, persons or entities with nationality of or respectively with their residence, domicile or registered office in a State or Country in which such distribution, publication, making available or use is not contrary to laws or other regulations, and may not be reproduced, copied or given, in whole or in part, to any other person. It is aimed at sophisticated, professional, eligible, institutional and/or qualified investors/ intermediaries appointed by GAM who have the knowledge and financial sophistication to understand and bear the risks associated with the investments described.

Nothing contained herein constitutes investment, legal, tax or other advice, nor is it to be solely relied on in making an investment or other decision. This document qualifies as marketing material.

The views expressed herein are those of the manager at the time and are subject to change. The price of shares may go down as well as up and the price will depend on fluctuations in financial markets outside GAM’s control. As a result an investor may not get back the amount invested. Past performance is not indicative of future performance and reference to a security is not a recommendation to buy or sell that security.

This document is a mere advertisement and not an invitation to invest in any GAM product or strategy. Investments should only be made after a thorough reading of the current prospectus, the collective investment agreement (contractual funds), the articles of association/investment regulations/company agreement (corporate funds), the Key Investor Information Document (“KIID”, “BIB” or similar) and the current annual and semi-annual reports (the “legal documents”), as well as after consulting an independent finance and tax specialist. The legal documents can be obtained in hard copy and free of charge from the addresses indicated below.

Some of the sub-funds may not be registered for sale in all jurisdictions. Therefore, no active marketing must be carried out for them. Subscriptions will only be received and shares or units issued on the basis of the current fund prospectus.

Shares of the fund have not been registered under the US Securities Act of 1933, as amended (the “Securities Act”) and the fund is not registered under the US Investment Company Act of 1940, as amended (the “Company Act”). Accordingly, such shares may not be offered, sold or distributed in the United States or to US persons unless an exemption from registration under the Securities Act and the Company Act is available. In addition, certain GAM products are closed to all US investors.

This material/presentation mentions one or several sub-funds of GAM Star Fund p.l.c., registered office at GAM Fund Management Limited, Dockline, Mayor Street, IFSC, Dublin, D01 K8N7, an umbrella investment company with variable capital and segregated liability between the sub-funds, incorporated under the laws of Ireland and authorised by the Central Bank of Ireland (CBI) as a UCITS Fund in accordance with the Directive 2009/65/EC. Management Company is GAM Fund Management Limited, Dockline, Mayor Street, IFSC, Dublin, D01 K8N7.

SWITZERLAND: The legal documents can be obtained in German, free of charge, from the Swiss Representative: GAM Investment Management (Switzerland) AG, Hardstrasse 201, CH - 8005 Zurich or on the internet at www.gam.com. Paying Agent is State Street Bank International Bank GmbH, Munich, Zurich Branch, Beethovenstrasse 19, CH - 8027 Zurich.

GERMANY: The legal documents in English and the KIID in German can be obtained free of charge, from the information agent GAM (Luxembourg) S.A. - Zweigniederlassung Deutschland, Bockenheimer Landstraße 51-53, 60325 Frankfurt am Main or on the internet at www.gam.com. Paying Agent is DekaBank Deutsche Girozentrale, Hahnstrasse 55, D-60528 Frankfurt am Main.

AUSTRIA: The legal documents in English and the KIID in German can be obtained free of charge, from the Paying Agent in Austria, Erste Bank der oesterreichischen Sparkassen AG, Graben 21, A-1010 Vienna or on the internet at www.gam.com.

BULGARIA: The English version of the prospectus and the Bulgarian version of the KIID can be obtained, free of charge, on the internet at www.gam.com.

DENMARK: This document is destined exclusively for professional or institutional investors in Denmark and shall not be passed on to third parties. Particularly, this document shall not be used as advertising material for distribution to retail investors or any other kind of public offering of the funds, their sub-funds or share categories. The English version of the prospectus, the articles of association and the most recent published annual- and semi-annual report, as well as the Danish version of the KIID, can be obtained free of charge on the internet at www.gam.com.

FINLAND: The English version of the prospectus and the Finnish version of the KIID can be obtained, free of charge, on the internet at www.gam.com. FRANCE: The prospectus, the annual report and the most recent half-yearly report in English and the KIID in French can be obtained free of charge from the centralising agent in France, CACEIS Bank, 1-3, place Valhubert – 75013 Paris or on the internet at www.gam.com.

IRELAND: The legal documents in English can be obtained free of charge from the Management Company GAM Fund Management Limited, Dockline, Mayor Street, IFSC, Dublin, D01 K8N7 or on the internet at www.gam.com.

LIECHTENSTEIN: The legal documents in English and the KIID in German can be obtained free of charge, from the representative and paying agent Liechtenstein LGT Bank AG, Herrengasse 12, FL-9490 Vaduz or on the internet at www.gam.com.

LUXEMBOURG: The legal documents in English can be obtained free of charge, from the Paying Agent in Luxembourg J.P. Morgan Bank Luxembourg S.A., 6, route de Trèves, L 2633, Senningerberg or on the internet at www.gam.com.

NETHERLANDS: The English version of the prospectus and the Dutch version of the KIID can be obtained free of charge on the internet at www.gam.com.

NORWAY: The English version of the prospectus and the Norwegian version of the KIID can be obtained, free of charge, on the internet at www.gam.com.

PORTUGAL: The English version of the prospectus and the Portuguese version of the KIID can be obtained, free of charge, on the internet at www.gam.com.

SPAIN: The legal documents in English and the KIID in Spanish can be obtained free of charge from the representative in Spain, ATL 12 Capital Inversiones A.V., S.A., Montalbán 9, 28014 Madrid or on the internet at www.gam.com.

SWEDEN: The English version of the prospectus and the Swedish version of the KIID can be obtained free of charge from the Paying Agent MFEX Mutual Funds Exchange AB, Linnégatan 9-11, SE-114 47 Stockholm or on the internet at www.gam.com.

UK: As far as UCITS described herein are recognised schemes under section 264 of the Financial Services and Markets Act 2000: Copies of the legal documents can be obtained in English, free of charge, from the Facilities Agent GAM Sterling Management Limited, 8 Finsbury Circus, London EC2M 7GB (authorised and regulated by the FCA) or on the internet at www.gam.com. Investments in the funds are not protected by the Financial Services Compensation Scheme.

ITALY: This document is destined exclusively for internal use by intermediaries appointed by GAM and/or institutional or qualified investors and shall not be passed on to third parties. Particularly, this document shall not be used as advertising material for public distribution or any other kind of public offering of the funds, their sub-funds or share categories. The Prospectus, the Key Investor Information Document – KIID, the annual, the semi-annual reports as well as the subscription form and the Italian distribution partners’ list of each subfund are not included in the above mentioned restriction. The English version of the prospectus and the Italian version of the KIID can be obtained, free of charge, on the internet at www.gam.com.

HONG KONG: In Hong Kong, this material is restricted to professional investors (as defined in the Securities and Futures Ordinance (Cap 571)) only.

JAPAN: In Japan, the funds mentioned herein are not registered for public sale or private placement (except for some of the funds, if applicable) pursuant to the Law on Investment Trusts and Investment Companies and shall not be disclosed publicly pursuant to the Financial Instruments and Exchange Law (the "FIEL"). Therefore, none of the Shares of the funds mentioned herein may be solicited in Japan or to residents in Japan. This material is intended for circulation to professional, institutional and/or qualified investors only. Any person in receipt of this material is not allowed to distribute it to residents in Japan nor communicate to residents in Japan about the funds mentioned herein.

SINGAPORE: In Singapore, shares of the fund may only be offered to institutional and accredited investors (as defined in the Securities and Futures Act (Cap.289)) ('SFA') and this material is limited to the investors in those categories.

ASIA PACIFIC: In other countries in Asia Pacific, this material should only be distributed in accordance with the applicable laws in the relevant jurisdiction.

Within the UK, this material has been issued and approved by GAM London Ltd, 8 Finsbury Circus, London EC2M 7GB, authorised and regulated by the Financial Conduct Authority.

4274 08/07/24