

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

Marketing material for professional / institutional / accredited investors

Macro backdrop

August was a positive month for fixed income despite the volatility we saw in equity markets at the beginning of the month, reflecting hard landing concerns in the US. US interest rates fell and we have generally seen a steepening of the curve. Credit spreads were relatively immune to the moves at the beginning of the month. Moreover, within US dollars, fixed income performed well as interest rates were falling. Credit markets have been largely immune to geopolitical tensions in the Middle East. As such market technicals remain strong.

Valuations and fundamentals

Q2 earnings from the financial sector remained in focus and were very strong from a credit perspective. For example, Barclays delivered a very robust set of results – ticking all the right boxes for bondholders. Earnings were well above consensus estimates, as the bank delivered an adjusted 11.8% return on tangible equity for the quarter. Barclays' Common Equity Tier 1 (CET1) ratio was up 10 basis points (bps) on the quarter to 13.6%, or roughly GBP 6 billion of excess capital to minimum requirements. Asset quality remains resilient, as provisions for loan losses declined in Q2 compared to the two previous quarters, and non-performing loans (NPLs) were roughly stable at 1.8% of total customer loans. In line with a number of other European banks, Barclays upgraded its Net Interest Income guidance for the full year 2024 – benefiting from the higher rates backdrop. Overall, the sector continues to deliver a very strong set of earnings – high levels of capital, strong earnings and resilient asset quality – these are credit positive.

Subordinated debt

The summer months have been fairly quiet. However, technicals on subordinated debt of financials remain positive, as we have continued to see strong demand for bonds on the secondary markets. These strong technicals lead us to believe that we should continue seeing price appreciation. We believe this should benefit the fund going forward, on top of the high income we are capturing.



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For more information, please visit [GAM.com](https://www.gam.com)

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

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

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