

# GAM Star Fund plc - GAM Star Cat Bond

Commentary July 2024

For professional intermediaries only

## Management team



**FERMAT**  
CAPITAL MANAGEMENT

Fermat Capital Management, LLC

## Monthly performance

Returns were solid over July as there were no major catastrophes while investors with cash from a) cat bond maturities, b) coupon payments, and c) FX-related movements eagerly sought to put the money to work in the secondary markets. The USD Institutional shares had a return of 125 basis points for the month.

## Portfolio changes

It was a fairly quiet month in terms of active trading. The portfolio is positioned to our satisfaction heading into the heart of the hurricane season. Compared to last year, the portfolio has slightly lower risk in terms of weighted average expected loss (EL) as well as peak peril exposures (so it is more diversified than last year), but is earning a slightly higher spread return.

## Catastrophes

There were no significant catastrophes in July that had any impact on the portfolio.

The most notable catastrophe event for July was the CrowdStrike cyber event which started on 19 July 2024. The event was inadvertently caused by a faulty update applied by CrowdStrike, a cybersecurity firm. Insurance industry loss estimates are in the USD 500 million to USD 1 billion range and therefore should not come close to attaching any of the cyber-focused 144A notes in the market.

July also saw several wildfires across the US and Canada, the most notable being the Park Fire which continues to burn in Northern California and has grown to circa 390,000 acres, making it the fifth largest wildfire in California's recorded history. The Park Fire, as well as all the other fires, remain restricted to mostly wildlands. We estimate the aggregate insured industry loss from these fires is currently below USD 1 billion and not a threat to any positions in the portfolio.

## Market conditions

As is typical, the new issuance pipeline will take a break for the summer and should start up again in late September to October. New issuance is poised to be very strong for the fourth quarter with cedants still eager to increase protection buying. Liquidity in the secondary market remains high, but trading is relatively slow. Overall, the market is waiting to see how the hurricane season plays out.

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