GAM Star Fund Plc - GAM Star MBS Total Return

Marketing material for professional / institutional / accredited investors only

Market environment

The third quarter was an overall strong period for equity and fixed-income assets, although it was not a smooth path for performance as there were several major periods of turmoil including weaker US employment data and the unwinding of the Japanese yen carry trade. Support for the financial markets came in the way of a Federal Reserve rate cut of 50 basis points (bps) in September and increased Chinese stimulus later in the quarter.

The S&P 500 gained 5.89% during the quarter and the US 10-year Treasury rate finished the quarter 62 bps lower at 3.78%. During the quarter, the 30-year fixed mortgage rate in the US declined around 80 bps, finishing at around 6.1%.

US housing prices experienced a 0.1% month-over-month increase and grew 5.0% on a year-over-year basis at the end of July, which was the most recent Case-Shiller Home Price Index release.

Performance

The GAM Star MBS Total Return (USD, Inst) fund had a net performance of 2.86% for the third quarter of 2024.

Performance contributors

The main contributors to the fund's performance during the quarter were the interest income generated by the fund's holdings, and the rally in US rates.

Performance detractors

There were no significant detractors to the performance of the fund during the quarter.

Positioning

The majority of the fund is invested in non-agency residential mortgage-backed securities issued prior to the 2008-2009 credit crisis (Legacy RMBS), resulting in a more substantial home equity buffer than recently issued mortgages. Approximately 10% of the fund is invested in commercial mortgages. These investments focus on apartment complexes that are currently benefiting from low vacancy rates. We continue to avoid large retail shopping malls and office buildings, anticipating further market adjustments due to unresolved problem loans in these areas.

Over 95% of the securities in the fund hold the most senior position in the capital structure. We feel that this defensive positioning is appropriate given that we can still achieve an attractive yield even with a conservative portfolio. In terms of duration, we continue to maintain a low effective duration of around one year.

Outlook

Our outlook for the US housing market remains positive. Home prices continue to increase due to the persistent lack of supply. Mortgage credit is still fundamentally sound, as mortgage foreclosure rates are still low and the increase in home prices gives homeowners a cushion of additional equity in their houses. We believe that US housing prices will be stable going forward.

In the non-agency RMBS space, we continue to see relatively stable spreads during the third quarter. Given the stability of the homes and the cash flows on the RMBS securities, we believe that RMBS spreads should be less sensitive to macroeconomic turmoil. For example, during the early part of August, when many risk assets sold off, we saw non-agency RMBS spreads remaining fairly stable.

We believe that non-agency RMBS spreads remain attractive given the strength of the housing market, especially relative to corporate credit in the United States. US High Yield spreads are near multi-year lows while non-agency RMBS spreads are still wider than pre-Covid levels.

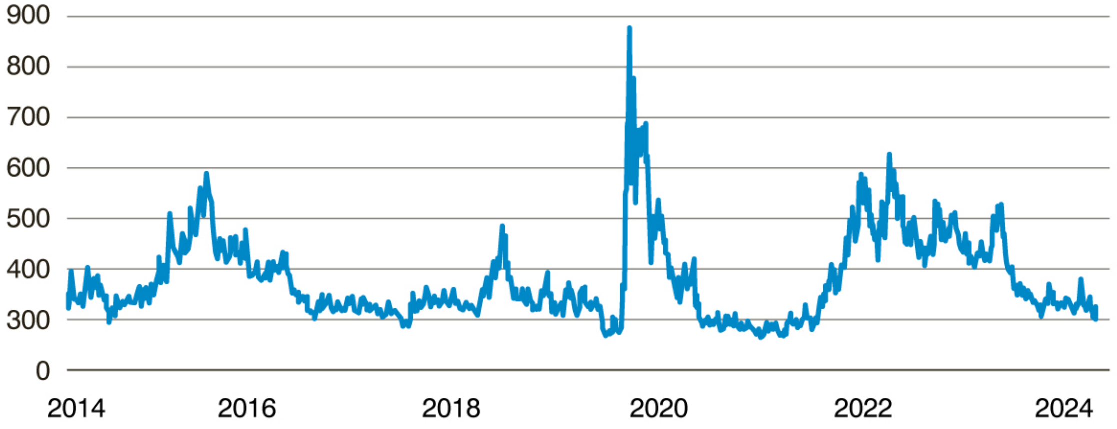
Tom Mansley
Investment Director

Chien-Chung Chen
Investment Director

Gary Singleterry
Investment Director

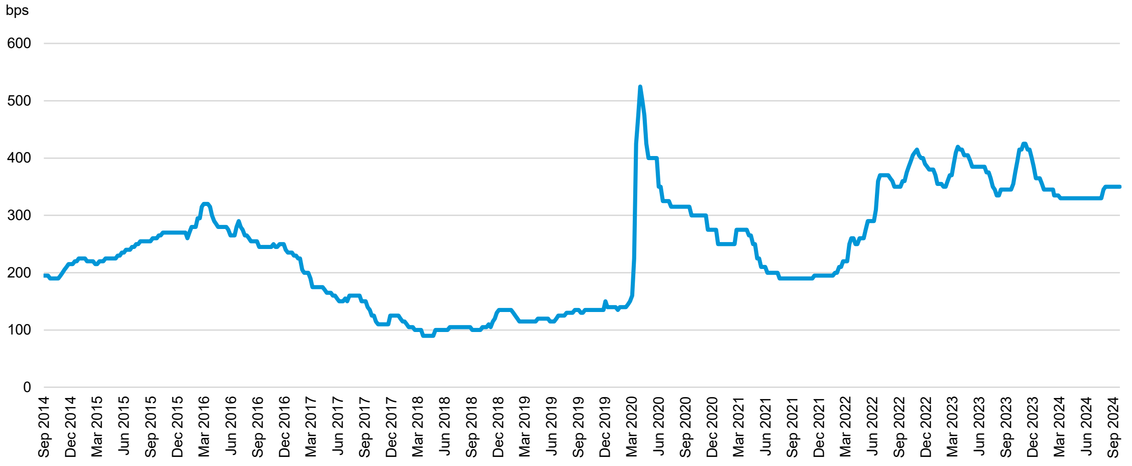
Past performance is not an indicator of future performance and current or future trends.
The performance is net of commissions, fees and other charges. The views are those of the manager and are subject to change. The mentioned financial instruments are provided for illustrative purposes only and shall not be considered as a direct offering, investment recommendation or investment advice. Allocations and holdings are subject to change. There is no guarantee forecasts or investment objectives will be achieved. Please see "Disclosures" at the end of this commentary.

Chart 1: High Yield spreads over 10 years



Source: Bloomberg, as at 30 September 2024.
For illustrative purposes only. Past and current trends should not be relied upon as an indicator of future trends.

Chart 2: Legacy RMBS spreads (Non-agency)



Source: TRACE, Wells Fargo Securities, as at September 27, 2024. Chart updated on quarterly basis.
For illustrative purposes only. Past and current trends should not be relied upon as an indicator of future trends.

The portfolio has a significant allocation to senior bonds backed by mortgages that have been outstanding for over 15 years, in which the homeowners have substantial equity in their houses. We believe that this large home equity in combination with low unemployment rates and low household debt levels should ensure the creditworthiness of the securities in the portfolio, even in the event of a recession.

For more information, please visit GAM.com

Important disclosures and information:

Counterparty / Derivatives Risk: if a counterparty to a financial derivative contract were to default, the value of the contract, the cost to replace it and any cash or securities held by the counterparty to facilitate it, may be lost.

Leverage Risk: derivatives may multiply the exposure to underlying assets and expose the Fund to the risk of substantial losses.

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.

Credit Risk / ABS / MBS: the issuer of mortgage or asset-backed securities may not receive in full the amounts owed to them by underlying borrowers, 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.

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 its ESG-focused investment strategy may select or exclude securities of certain issuers for reasons other than investment performance considerations. As a result, the Fund may underperform otherfunds that do not utilise an ESG-focused investment strategy. Certain ESG-focused investments may be dependent on government policies and subsidies, which are subject to change or elimination. Successful application of the Fund's ESG-focused investment strategy will depend on the Co-Investment Manager's skill in implementing its due dilligence system, and there can be no assurance that the strategy or techniques employed will be successful.

Disclosures:

Source: GAM, unless otherwise stated. Where applicable and, unless otherwise noted, performance is shown net of fees, on a NAV to NAV basis. Some of the statements and data included in this document may have been sourced from or based on information provided by external parties. While the managers believe it to be accurate at the time of writing, 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.

For Institutional Investors. This material has not been filed with FINRA or any other US regulatory body and cannot be used as sales literature with members of the public. This commentary has been prepared for sophisticated investors and the funds and views described may not be suitable for all investors.

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.***

The investments described herein are speculative and are not suitable for all investors. GAM products are only available to investors who are comfortable with the substantial risks associated with investing in such products or strategies. There are no guarantees that investment objectives of the Fund or the Strategy will be realized or that risk management techniques will limit or avoid losses.

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.

Nothing in this commentary should be construed as a solicitation, offer or recommendation to acquire or dispose of any investment or to engage in any other transaction.

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.***

Important information: Investments in the product mentioned in this material are speculative and involve a high degree of risk. An investor should not make an investment unless the investor is prepared to lose all or a substantial portion of the investment. The fees and expenses charged in connection with this product may be higher than the fees and expenses of other investment alternatives and may offset profits. Mortgage and asset-backed securities may be sensitive to changes in interest rates, subject to early repayment risk, their value may fluctuate in response to the market's perception of issuer creditworthiness; while generally supported by some form of government or private guarantee there is no assurance that private guarantors will meet their obligations. Derivatives may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested. The use of leverage may cause a portfolio to liquidate positions when it may not be advantageous to do so to satisfy its obligations or to meet segregation requirements. Leverage, including borrowing, may cause a portfolio to be more volatile than if the portfolio had not been leveraged.

This document may contain forward-looking statements relating to the objectives, opportunities, and the future performance of the U.S. market generally. Forward-looking statements may be identified by the use of such words as; "believe," "expect," "anticipate," "should," "planned," "estimated," "potential" and other similar terms. Examples of forward-looking statements include, but are not limited to, estimates with respect to financial condition, results of operations, and success or lack of success of any particular investment strategy. All are subject to various factors, including, but not limited to general and local economic conditions, changing levels of competition within certain industries and markets, changes in interest rates, changes in legislation or regulation, and other economic, competitive, governmental, regulatory and technological factors affecting a portfolio's operations that could cause actual results to differ materially from projected results. Such statements are forward-looking in nature and involve a number of known and unknown risks, uncertainties and other factors, and accordingly, actual results may differ materially from those reflected or contemplated in such forward-looking statements. Prospective investors are cautioned not to place undue reliance on any forward-looking statements or examples. None of GAM or any of its affiliates or principals nor any other individual or entity assumes any obligation to update any forward-looking statements as a result of new information, subsequent events or any other circumstances. All statements made herein speak only as of the date that they were made.

This document is 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.

This material/presentation mentions one or several sub-funds of GAM Star Fund p.l.c., registered office at Dockline, Mayor Street, IFSC, Dublin, D01 K8N7, Ireland, 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, Ireland.

Some of the sub-funds may not be registered for sale in all jurisdictions. Therefore, no active marketing must be carried out for them. GAM products are not available for sale in any state or jurisdiction in which such sale would be prohibited and are not aimed at persons in those jurisdictions and in those cases where the law prohibits this type of information from being provided. 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.

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. GERMANY: 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. 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, Ireland or on the internet at www.gam.com. 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. 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. SINGAPORE: In Singapore, this material is limited to institutional investors (as defined in the Securities and Futures Act (Cap.289)) ('SFA') only and does not constitute to an offer to subscribe for shares in any of the funds mentioned herein. OR for restricted recognized schemes: 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. 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. SWITZERLAND: The legal documents in German can be obtained free of charge, from the Swiss Representative: GAM Investment Management (Switzerland) Ltd., Hardstrasse 201, CH - 8005 Zurich or on the internet at www.gam.com. Paying Agent is State Street Bank International GmbH, Munich, Zurich Branch, Beethovenstrasse 19, CH-8027 Zurich. 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, 20 King Street, London SW1Y 6QY (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. This marketing document may not be reproduced or used for any other purpose, nor be furnished to any other person other than those to whom copies have been sent.

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

The third party distributor takes responsibility for ensuring that this document is not distributed in any jurisdiction except under circumstances that will result in compliance with all applicable laws and regulations.

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.

4530 15/10/24