GAM Multistock - GAM Luxury Brands Equity

Marketing material for professional / institutional / accredited investors

Market environment

In November, the S&P Global Luxury Index (EUR) rebounded from its October losses, rising by 4.7%. Volatility persists as the market attempts to digest the potential impacts of the China stimulus announced in September. This performance was also bolstered by the strong rally in US markets following Trump's decisive presidential win, while simultaneously reflecting increased political instability in France.

Performance

The GAM Luxury Brands Equity fund (EUR, C shares) outperformed the benchmark index by 28 basis points (bps). Although volatility remained high across different geographies, there was reassuring performance from the more cautious stance taken on China and the increased exposure to the US cluster. On the positive side, recent additions such as Amer Sports, Viking Holdings, Ralph Lauren and Tapestry performed strongly. Along with our overweight position in On Holding and non-holdings in Mercedes-Benz, these made up the top contributors.

Detractors for the month included The Italian Sea Group, which suffered from a degree of stock rotation after outperformance earlier this year, and Prada, which faced challenges due to its Hong Kong listing and the resulting limited liquidity. However, we remain very positive on Prada's operational momentum and valuation. Our non-holdings in Tesla, Royal Caribbean, Carnival, and Williams-Sonoma also detracted from relative performance.

Porfolio changes

In November, we added to Amer Sports and Tapestry, which we bought after the collapse of the bid for Capri, a bid we did not support. We also added to Richemont, reducing the underweight position. Additionally, we reduced our holdings in Lindt, Hyatt Hotels and On Holding but remain net overweight.

We made two divestments, exiting our remaining small positions in Campari and Pernod Ricard, as we continue to prefer Diageo while remaining significantly underweight in the category.

Outlook

As outlined last month, we have not changed our view that luxury consumption in China is under considerable pressure, and we expect a high-teen drop in spend this year. The start of the Q4 reporting season flagged an easing of the pressure, and undemanding comparisons will result in improving momentum, but not enough to take a more positive stance just yet in the absence of further stimulus-like measures.

Momentum in the US had been slowly improving for some time, and the outcome of the election has delivered a stock market bounce again, which reinforces a more positive momentum. That said, uncertainty over the outcome of the possible implementation of tariffs adds volatility.

Our full-year forecast for growth in luxury spend stands at +0% to +1%, which we continue to argue is in line with expected normalisation and should lead us to a 2023 to 2025 average growth back at +5% to 6%.

We retain our view that a sharp polarisation in performance will continue to characterise the sector for some time unless the magnitude of the China stimulus effort is significantly enhanced. We continue to monitor volatility to identify opportunities in the names where we have high conviction and seek opportunities as we have recently done in US-listed names.

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GAM Investments

For more information, please visit GAM.com

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S&P Global Luxury Index tracks the performance of 80 of the biggest publicly traded companies that produce or distribute luxury goods or services.

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