

# GAM STAR EUROPEAN EQUITY

Marketing material for professional/institutional/accredited investors

GAM Star European Equity\* seeks to deliver attractive, risk-adjusted returns through active investment in a large, liquid universe of pan European stocks. GAM's European Equity team, led by Niall Gallagher, uses a high conviction approach to construct a concentrated portfolio of 'value creators' – businesses that exhibit a Return On Capital Employed (ROCE) above their Cost of Capital.

## Reasons to invest

- **Global exposure:** European companies are often exposed to long-term, global secular growth trends, for example, accessing emerging markets middle class growth via the luxury goods market.
- **Potential earnings growth:** underlying earnings growth is accelerating from a depressed level and compelling opportunities can be sought in certain domestic consumer and industrial cyclical stocks.
- **Market opportunity:** algorithmically-driven investment activities and those aligned to factor risks are increasingly impacting on short-term European equity movements, creating market inefficiency and therefore opportunities for long-term investors.
- **Select buying opportunity:** the team views a bearish environment as being an opportunity to invest in 'value creating companies' on a highly selective and active basis.

## Our edge

- **Innovative, risk-driven portfolio construction:** a combination of rigorous, bottom-up stock selection and dynamic management of stock specific and factor risks is designed to deliver stock-specific alpha.
- **Experienced, high calibre team:** Niall Gallagher has over 21 years of European equity investing expertise and has built a skilled team with strong experience and previous research coverage of the sector.
- **Active stock selection:** the team has a clear vision of the types of companies it seeks to own and avoid, based on strict investment criteria and an understanding of trends in select areas of the market.
- **360 degree view on companies:** we believe strong reliance on expert network firms is a vital research component when building a full understanding of industry and company dynamics on the key aspects of a business.

## Investment team



GAM Star European Equity is led by Niall Gallagher, Investment Director, who is supported by three investment managers, Swetha Ramachandra, Chris Legg and Chris Sellers.

The team works as a focussed, nimble group of investors bound together by a highly collaborative, tight-knit culture. A focus on short lines of communication within the team promotes quick decision making. Although research responsibilities are split by broad sector specialisations, team members also work interchangeably across the market. This makes for a stronger and more flexible team, drives interaction and enables knowledge sharing of specific sectors.

The team draws on its long-standing relationships with an international network of industry experts, economists and analysts, as well as a six-year relationship with leading expert network company Thirdbridge, which is used extensively for 'triangulation', the independent verification of management or consensus data.

Find out more [gam.com/en/featured-funds](http://gam.com/en/featured-funds)

\* Full legal name: GAM Star Fund plc. - GAM Star European Equity

## Investment philosophy

The team believes reliance on the compounding effect of high return companies is the most consistent method of achieving capital growth and above average equity market returns. Therefore they seek to target 'value creators' – businesses that exhibit a Return On Capital Employed (ROCE) above their Cost of Capital – and purchase companies at a discount to intrinsic value. The team believes that understanding the risks behind each stock's fundamental prospects and carefully considering the economic correlations between them is key to creating strong, risk-adjusted returns.

## Investment process

The process combines fundamental analysis with risk-based portfolio construction. Following the identification of 'value creators', industry and company level research is combined with 'triangulation'. The team typically participates in over 300 meetings annually. This enables them to identify a company's future earnings prospects, while an absolute valuation approach seeks to determine whether a stock is attractively valued on a fundamental basis. Positions are explicitly sized in a bid to maximise stock-specific alpha, minimise factor risk and avoid unintended risk concentrations. Each stock is expected to contribute significantly to returns in a concentrated portfolio of 30-50 stocks. No individual stock or factor may contribute more than 10% to tracking error, while the fund has a typical tracking error of 4-6% per annum.

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| <p><b>1</b></p> <p><b>Identify 'value creators'</b></p> <ul style="list-style-type: none"> <li>• Excluding companies where ROCE is below Cost of Capital</li> <li>• Focus on balance sheets, competitive positioning, management and franchise strength</li> </ul> | <p><b>2</b></p> <p><b>Intensive stock specific analysis</b></p> <ul style="list-style-type: none"> <li>• Strategic industry analysis and company specific research</li> <li>• Absolute stock valuation based on cash flow</li> </ul> | <p><b>3</b></p> <p><b>Risk-based portfolio construction</b></p> <ul style="list-style-type: none"> <li>• ≥50% stock specific risk target; detailed analysis of 47 BARRA risk factors</li> <li>• Dynamic adjustment of position sizes to maintain desired risk/return trade-off</li> </ul> |
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The most consistent method of achieving capital growth and above average returns is to rely on the compounding effect of high return companies.”

**Niall Gallagher**  
Investment Director

For more information, please visit [GAM.com](http://GAM.com)  
Please read the legal information on the following pages.

## Fund facts

Fund type	UCITS
Fund manager	Niall Gallagher
Inception date	1 Feb 1990
Currency classes <sup>1</sup>	EUR (base), CHF, GBP, USD classes are available
Index for comparison	MSCI Europe Index Net
Active share	>80%
Dealing	Each business day
Investment manager and sponsor fees <sup>2</sup>	Institutional shares: 0.85% Ordinary shares: 1.35%

<sup>1</sup> Currency hedging may be employed to protect against exchange rate risk. Please contact your client manager for an exhaustive list of currency classes available.  
<sup>2</sup> Excludes administration and custodian fee – please see the Prospectus for further details on fees.



**Important legal information:**

**Currency Risk - Non Base Currency Share Class:** Non-base currency share classes may or may not be hedged to the base currency of the Fund. Changes in exchange rates will have an impact on the value of shares in the Fund which are not denominated in the base currency. Where hedging strategies are employed, they may not be fully effective.

**Equity:** Investments in equities (directly or indirectly via derivatives) may be subject to significant fluctuations in value.

**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.

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