GAM STAR CAT BOND

Marketing material for professional/institutional/accredited investors only

GAM Star Cat Bond* is a UCITS-compliant fund seeking to capture long-term, positive returns through an actively managed portfolio of global catastrophe (cat) bonds. Managed by a recognised industry leader in the insurance risk sector, Fermat Capital Management, the strategy has over a 10-year track record of long-term positive results and exhibits low correlation to traditional asset classes.

Reasons to invest

- **Stable source of alternative returns:** cat bonds are a form of insurance-linked security (ILS) and provide an efficient solution for re/insurers to transfer insurance risk from their balance sheets to capital markets, while seeking to offer steady, attractive yields in a low yield environment.
- **Diverse return sources:** returns are linked to the occurrence of catastrophes – such as earthquakes or windstorms – rather than economic drivers and therefore cat bonds tend to perform independently of traditional asset classes.
- **Low exposure to traditional risk:** the uncorrelated nature of the asset class to the broader market means there is low exposure to credit, interest rate and financial market risk.
- **Solid track record:** a track record of delivering positive returns during differing market environments underpins the value of this asset class as a portfolio diversifier.

Our edge

- **Deep ILS experience:** established in 2001, Fermat's combined expertise in catastrophe re/insurance, investment, legal, trading, risk and insurance risk modelling enables it to fully analyse each ILS on an absolute and relative basis.
- **Active approach to ILS selection:** the team seeks the highest quality, most stable opportunities at any given time, with only ILS instruments providing the most attractive portfolio risk / reward impact selected for inclusion, rather than merely engaging in diversification for its own sake.
- **Unique risk modelling approach:** a proprietary modelling tool, combined with the output of three major commercial catastrophe risk management packages, seeks to identify unintended risk and correct any inconsistencies and biases. The combination of these tools gives the team an edge in accurate risk modelling and tactical portfolio decision making.

Investment team

Fermat is a recognised insurance-risk industry leader and highly experienced cat bond manager, based in the US. The portfolio managers, Dr John Seo, Nelson Seo and Brett Houghton, manage assets of approximately USD 6.7 billion and have over 50 years' combined experience in ILS markets and cat bonds, dating back to the inception of the market in the late 1990s.

This level of experience and in-depth market knowledge is critical to Fermat's ability to identify the true risks of each bond, as well as granting them ready access to new issuances.

Over time, the team has demonstrated their expertise by actively trading billions of dollars in catastrophe bonds through a series of large insurance industry events and natural catastrophes, while providing stable returns for clients and maintaining high levels of liquidity.

GAM Investments

Find out more gam.com/en/featured-funds

* Full legal name: GAM Star Fund plc. – GAM Star Cat Bond

Investment philosophy

The team believes returns from catastrophe investments are driven by a fundamental mismatch between re/insurance regulation and the demand for insurance created by rapidly rising coastal and urban concentrations of economic activity worldwide. They believe that through active bond selection and management, they can construct a portfolio of cat bonds with a risk-return structure that aligns with the best paying re/insurance risks, and therefore capture alternative beta at the optimal risk-return level. Their approach focuses on 'peak peril' exposures while maintaining a rational level of diversification.

Investment process

The team's process centres on extensive due diligence, deep market understanding and sophisticated risk modelling.
In-depth analysis of issues is performed by specialist investment and legal experts. In order to price and select those ILS that are taken forward for consideration, the team uses sophisticated risk modelling tools – focusing on ILS exceedance curve modelling, market exceedance curve modelling and implied yield curve modelling – to understand each bond's true risk. They seek to build a portfolio containing only clearly modelled, well-compensated risks that are supported by quality data, and then to actively manage risk. The resulting portfolio of approximately 150-200 positions is constructed on a bottom-up basis, with those bonds providing the most attractive portfolio risk / reward impact being selected for inclusion.

Fund facts

Fund type	UCITS
Fund manager	Fermat Capital Management, LLC
Inception date	31 Oct 2011
Currency classes [1]	USD (base), CHF, EUR, GBP classes are available
Index for comparison	3 month Libor
Dealing	Second and fourth Monday of each month and last business day of each month Subscriptions: one business day's notice Redemptions: six business days' notice
Investment manager and sponsor fees [2]	Institutional class: 0.95% Ordinary class: 1.45%
Performance fee	10% on the price appreciation over 3 month Libor on a high water mark basis

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

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Due Diligence

- Comprehensive review of structures, terms and risks
- Comparison versus existing market and new issue pipeline

2

Pricing and selection

- Sophisticated proprietary modelling of each investment
- Understanding risk is key to determining price

3

Portfolio construction

- Optimise portfolio's risk / return profile
- Active, ongoing risk management

"Fermat differentiates itself with a focus on adequate compensation for identifiable risk while avoiding uncompensated risk."

Dr. John Seo
Co-founder and managing director, Fermat Capital Management LLC.

For more information, please visit www.gam.com

Please read the legal information on the following pages.

Important legal information:

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.

Insurance-Linked Securities Risk: Cat bonds are exposed to catastrophes through which they may suffer substantial or total losses of amounts invested. In such an event or combination of events, which may happen at any time, the Fund's value may fall significantly and may not recover.

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.

Source: GAM, unless otherwise stated. (Where applicable and, unless otherwise noted, performance is shown net of fees, on a NAV to NAV basis). 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.

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