

# GAM STAR (LUX) EUROPEAN ALPHA

Marketing Material for professional / institutional / accredited investors

GAM Star (Lux) – European Alpha is a non-directional, equity long/short fund investing in core European markets. GAM's experienced non-directional equity team seeks to capture sustainable sources of alpha by identifying companies with positive or negative earnings surprises, attractive valuations and price momentum. The result is a diversified, low volatility portfolio that aims to deliver steady returns across all market environments.

## Reasons to invest

- **Academically proven:** the pursuit of sustainable, repeatable returns, based on fundamental differentiation in stock prices, is an approach proven by historic, academic research.
- **Alpha generation:** the analysis of company fundamentals and changing trends in earnings prospects can highlight both long and short alpha opportunities.
- **Absolute return focus:** by harnessing both long and short opportunities, the approach has the potential to generate positive returns in all market conditions with low volatility, without taking directional risk.
- **Favourable outcomes over time:** times when share prices and earnings momentum have become disconnected have historically led to opportunities for momentum recovery and sustainable returns.

## Our edge

- **Successful team approach:** the non-directional equity team has applied their disciplined and consistent approach to alpha generation since 2002, and has established a long-term, proven track record.
- **Skill in anticipating earnings revisions:** a wealth of experience, extensive local networks and long-term knowledge of markets and companies aims to provide an edge in anticipating earnings revisions.
- **Robust stock selection:** a clear focus on intensive fundamental stock analysis seeks to reflect only calculated, alpha-generating positions in the portfolio.
- **Strict focus on risk management:** a methodical and consistent risk management approach seeks to protect the portfolio during times of market volatility and economic turning points.

## Investment team



CIO of the non-directional equity team, Gianmarco Mondani, has been successfully managing GAM Star (Lux) – European Alpha since its inception in 2003. Together with co-managers, Roberto Cantaluppi and Paolo Longinotti, the team has a total of over 60 years' combined investment experience.

The team works collaboratively with an additional seven investment professionals to analyse changes in the drivers of company results and analysts' perceptions across global sectors and markets, as well as the timing of when these might materialise.

The team is based in Lugano, Switzerland and were formerly Arkos Capital SA, which was acquired by GAM in July 2012.

## Investment philosophy

The team believes that share prices reflect all available market information and this is reflected in analysts' consensus on earnings expectations. By correctly anticipating earnings surprises (ie changing expectations on future profits), returns can be captured as prices move in reaction to news. The 'herd mentality' of market participants means consensus views change slowly, therefore the team seeks to stay ahead of the crowd, forming independent 12-18 month views on companies and industries. By seeking to buy stocks they believe will beat consensus expectations during the investment cycle and selling short those they believe will miss them, they aim to deliver consistent returns irrespective of market conditions.

## Investment process

Methodical idea generation and fundamental analysis provide robust stock selection. Quantitative screening of 1,000+ European stocks is combined with research to identify stocks with desirable characteristics based on earnings revisions, valuation and price momentum. The team performs bottom-up, fundamental analysis on potential investments to understand factors influencing the P&L, balance sheet and cash flow. They cross-check their views against broker consensus, industry peers and contacts and select stocks likely to exceed/miss earnings targets. Trades are sized according to conviction, volatility and liquidity to build a low beta, diversified portfolio of 120-140 stocks. Risk management includes thorough pre-trade controls, while a risk manager has an independent supervisory function.

**1**

**Idea generation**

- Quant screen (StarMine)
- Targeted consensus screen
- Company meeting

**2**

**Stock selection**

- Fundamental analysis
- Company contacts

**3**

**Portfolio construction**

- Pre-trade risk analysis
- Sizing of positions
- Portfolio robustness continuous assessment

**4**

**Risk management**

- Pre-trade risk controls
- Daily independent risk oversight



Our edge lies in our ability to identify stocks that will surprise by exceeding or falling short of analysts' expectations."

**Gianmarco Mondani**  
CIO

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 managers	Gianmarco Mondani, Roberto Cantaluppi and Paolo Longinotti
Inception date	7 Apr 2003
Currency classes <sup>1</sup>	EUR (base), CHF, GBP, USD classes are available
Index for comparison	MSCI Europe
Dealing	Each business day
Investment manager and sponsor fees <sup>2</sup>	C and D classes: 1.75% I class: 1.25%
Performance fee	15% performance fee on a high water mark basis

<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 fees related to the administration and the custody of the fund – please see Prospectus for further details on fees.

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**Counterparty Risk / Derivatives:** 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.

**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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