

GAM STAR MBS TOTAL RETURN

Marketing material for professional/accredited/certified investors

GAM Star MBS Total Return* seeks to deliver strong absolute returns through investing primarily in US residential mortgage-backed securities (RMBS). The strategy offers a differentiated fixed income proposition, with low overall volatility, modest effective duration and low correlation to traditional fixed income and equity markets. GAM Investments' specialist MBS investment team has successfully managed dedicated MBS mandates since 2002.

Reasons to invest

- **Large, liquid market:** the USD 8 trillion MBS market accounts for over 23% of the US bond market¹, and MBS exposure should be considered a key part of any diversified global bond portfolio.
- **Wide spectrum of instruments:** the scale of the asset class ensures a diverse range of instruments suited to various risk appetites and market environments, enabling skilled investors to add value versus the market.
- **Attractive yields:** MBS typically offer higher yields than US Treasuries and corporate bonds of comparable maturity and credit quality. Thus, compelling yields can be achieved without having to sacrifice credit quality.
- **Protection:** certain types of MBS have the potential to protect a fixed income portfolio from rising interest rates – such protection is not always possible with traditional bonds.

Our edge

- **Differentiated, highly active credit approach:** the fund seeks attractive, risk-adjusted returns focusing on non-agency mortgages with an average credit rating of BBB and no or low interest rate duration.
- **Solid track record:** the team has a 17-year track record of positive returns in every calendar year² and has demonstrated its ability to perform over three interest rate cycles.
- **Highly skilled:** active pre-positioning of a high conviction portfolio for changes in the market environment allows the team to access areas of frequent mispricing.
- **Downside protection:** the team builds a diversified portfolio of attractively priced bonds, complemented by derivatives for the active management of risk exposure. They continually reassess both the market and portfolio across the market cycle, with a strict focus on downside risk management.

Investment team



The fund is managed by GAM's MBS team, an exceptionally seasoned and stable investment team, led by Investment Directors Gary Singleterry and Tom Mansley and Investment Manager Chien-Chung Chen. The team joined GAM in June 2014 from specialist MBS manager Singleterry Mansley Asset Management, based in New York.

The team has over 60 years' combined RMBS experience and a strong skillset in assessing the impact of market, interest rate and credit cycles on RMBS. They manage approximately USD 1.7 billion in assets under management.

Their depth of experience in all aspects of portfolio, trading and risk management, including derivatives creation and structuring, dates back to the origins of the MBS market as an investable asset class.

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

* Full legal name: GAM Star Fund plc. – GAM Star MBS Total Return

¹ Source: The Securities Industry and Financial Markets Association, Dec 2018

² For GAM MBS Total Return Composite. The track record includes actual performance returns (unaudited) achieved by the investment team while at Singleterry Mansley Asset Management Company, LLC and its predecessor firms ('Singleterry Mansley'), using substantially the same investment strategy and management style from inception of the first account on 30 Sep 2002 to 20 Jun 2014, when the team and accounts joined GAM.

Investment philosophy

The team believes the inherent complexity in the US MBS market provides opportunities for specialist RMBS investors to add value. They believe an unconstrained, macro-driven total return approach, underpinned by a long-established process, is key to understanding how changes in the drivers of three key variables – credit dynamics, interest rates and mortgage prepayment rates – impact underlying risks in the market. As the structure of MBS instruments gets more complex, so does the embedded risk, together with the nuances of how each key variable impacts pricing behaviour. These under-researched, often mispriced instruments present attractive, alpha-generating opportunities.

Investment process

A combination of top-down market analysis and fundamental, bottom-up security selection ensures risk is actively managed in a diversified portfolio. The team conducts market analysis to form views on key economic variables, which determine allocation to different segments of the RMBS market and drive the focus of fundamental, bottom-up security analysis. Securities selected typically have attractive absolute and relative valuations, desirable interest rate sensitivity characteristics, robust underlying collateral, and strong liquidity and pricing features. Ongoing risk management and monitoring using a range of risk modelling and stress testing techniques ensure the portfolio is aligned with the team’s market views, including modelling the impact of parallel and non-parallel shifts in interest rates to stress test the portfolio.

1

Market analysis

Form views on interest rate cycles, credit environment, prepayment expectations and housing market

2

Security selection

Determine relative attractiveness of segments and conduct fundamental analysis of securities within segments

3

Portfolio construction

Diversified portfolio reflects views on credit risk, interest rate risk and prepayment risk

4

Risk monitoring

Ongoing risk management to review consistency with market views, exposure and diversification



The depth of the team’s experience and strong skillset in assessing the impact of market, interest rate and credit cycles on residential MBS is evidenced by a 17 year strategy track record of steady, incremental returns.”

Gary Singleterry
Investment Director

For more information, please visit www.gam.com

Please read the legal information on the following pages.

Fund facts

Fund type	UCITS
Fund manager	Gary Singleterry and Tom Mansley
Inception date	23 Jul 2014
Currency classes ¹	USD (base), CHF, EUR, GBP classes are available
Index for comparison	ICE BOFA Merrill Lynch US Mortgage Backed Securities Index
Dealing	Daily Subscriptions: one business day’s notice Redemptions: five business days’ notice
Investment manager and sponsor fees ²	Institutional class: 0.60% Ordinary class: 1.30%
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.

Important legal information:

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.

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.

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.

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

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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