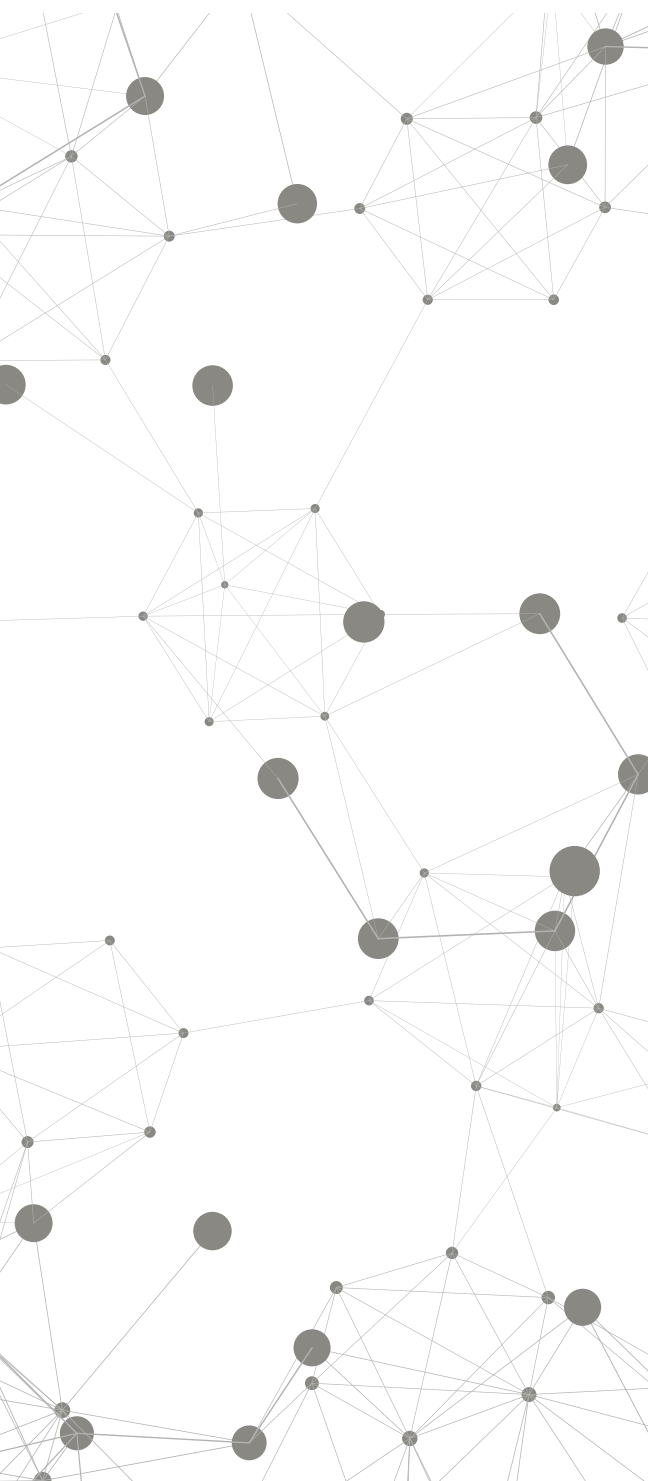


# GAM FUNDS: ASSESSMENT OF VALUE REPORT 2021



**FOR GAM FUNDS WITH THE ACCOUNTING YEAR-END AT 31 DECEMBER 2020**

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**GAM CREDIT OPPORTUNITIES (GBP)**

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**GAM CONTINENTAL EUROPEAN EQUITY**

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**GAM EMERGING EQUITY**

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**GAM GLOBAL DIVERSIFIED**

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**GAM NORTH AMERICAN GROWTH**

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**GAM UK EQUITY INCOME**

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# EXECUTIVE SUMMARY

GAM Investments' purpose is to protect and enhance our clients' financial future by attracting and empowering the brightest minds to provide investment leadership, innovation and sustainable thinking. By living our purpose every day, we believe that we can realise our vision of building the most respected specialist active investment manager and trusted solutions and services platform in the world.

For this reason, the Board of GAM Sterling Management Limited, the Authorised Corporate Director of GAM Funds, (the Board), takes seriously the UK regulator's, the Financial Conduct Authority (FCA), requirement for asset managers to produce a 'statement of value' for each fund they offer to investors in the UK. This report assesses seven key aspects of value on at least an annual basis, considering:

- Quality of service – an assessment of the range and quality of services being provided to investors.
- Performance – an assessment of whether a fund delivered on its stated performance objectives within an appropriate timescale, taking benchmarks and relevant peer group / sector performance into consideration.
- AFM (authorised fund manager) costs – consideration of whether the fees paid by investors are reasonable in comparison to the cost of the service the fund is receiving.
- Economies of scale – the extent to which an asset manager is able to pass on economies of scale to investors and how they have been achieved.
- Comparable market rates – a comparison of the charges applied by the fund in relation to the wider market place (i.e. an appropriate peer group / sector).
- Comparable services – an analysis of how charges compare against other comparable services provided by the asset manager in relation to mandates of a similar size and with comparable investment objectives.
- Classes of units – a review of existing share classes to ensure investors are being offered the most suitable share class in terms of value.

The Board<sup>1</sup>, which includes two independent non-executive directors to ensure both rigour and impartiality, assumed collective responsibility for this assessment and ultimately determined the value rating for each fund, as well as identifying areas for improvement where applicable. I, as chairman, agree with the conclusions of the Board.

We believe this assessment is in keeping with our own purpose and values and highlights how GAM aims to provide value to our investors across all areas of our business. Here we offer a summary of our analysis and trust you will find this a comprehensive, thorough and a fair assessment of the value we are providing.

**Kaspar Boehni**

Chairman of GAM Sterling Management Limited  
The Authorised Corporate Director of GAM Funds

April 2021

<sup>1</sup> Biographies of all Board members are available in the Appendix.



# OUR APPROACH

The Board's approach to assessing whether the six funds incorporated in the United Kingdom within the GAM Funds umbrella provide value to investors was to try and put ourselves in our investors' shoes and think about the questions they would ask. Our two independent, non-executive Directors were a critical part of this process, regularly challenging our evidence and making sure we were focusing on our investors' concerns rather than on business considerations.

To strengthen the independence of our assessment, we also used third party sources to gather evidence, access reports and utilise external surveys, as well as using direct feedback from our clients and investors.

In compiling this report, we have considered each of the FCA's criteria in detail from both a company perspective – for example what are the applicable services being offered by GAM Investments – as well as at an individual fund level. For ease of use, our conclusions are presented on a fund-by-fund basis in the rest of this report.

The following is an outline of the methodology regarding each pillar.



# QUALITY OF SERVICE

An assessment of the range and quality of services being provided to investors.

When addressing the concept of the quality of our service, we asked ourselves which areas have most impact for our investors. This highlighted three key areas of our business which are on the frontline of the service we provide:

- Distribution and Marketing
- Operational Services
- Investment Management

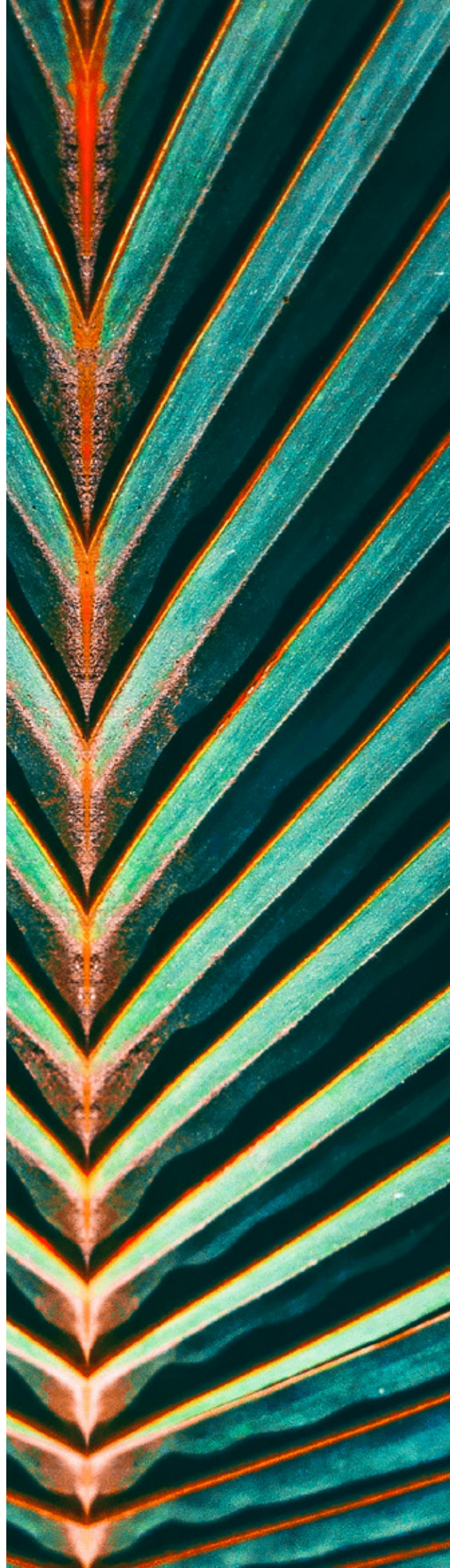
## Distribution and Marketing

Distribution and Marketing are the terms we use to convey how our products are promoted and sold externally and the information we provide to keep our clients informed about our investment products. This means they are at the forefront of our activity with investors and represent the investor-facing aspect of our service. GAM's business in the UK means that our Distribution and Marketing services are largely conducted via third party intermediaries, rather than directly to our end investors. We rely on the strong relationships we have with these third-party partners to make sure their clients have access to key product information.

The GAM Investments' website ([www.gam.com](http://www.gam.com)) is a useful tool for providing information to our clients. The website offers access to a wealth of educational, product and corporate information, in an easily navigable format. Additionally, we also actively support a selection of third party, market leading data vendors and online intermediary services to ensure information on our UK fund range is available on applicable external platforms.

In response to the challenges presented by the Covid-19 pandemic we set up a dedicated webpage to provide a regular flow of information on market developments. Recognising that clients would be concerned about the impact upon their investments, we enhanced our fund updates and introduced a programme of webcasts with investment managers to keep them well-informed.

For the purposes of this report, we also asked a third party to help validate our Distribution and Marketing activity.



## Operational Services

Operational services represent the administration of business services and aims to establish the highest level of efficiency possible.

The operational setup of the UK domiciled funds is embedded within GAM's global product framework and the Board has chosen to work with a comprehensive range of high quality, external service providers, including State Street Bank and Trust Company for the administration services in respect of the funds, while transfer agency services are delegated to GAM Fund Management Ltd, Dublin. GAM has established consistent processes to oversee and re-assess these relationships on a regular basis.

## Investment Management Services

Investment management services refers to the handling of financial assets and other investments by professionals, usually by devising investment strategies and executing trades within a portfolio.

GAM applies an active<sup>2</sup> approach to its investment management process and focuses on the delivery of superior investment returns in a bid to help our investors achieve their financial objectives. We also aim to incorporate sustainability and the integration of environmental, social and governance (ESG) factors into our investment decisions. Our Governance and Responsible Investment (GRI) team is committed to addressing ESG-related factors systematically and is seeking to expand our understanding of the investment challenges related to systemic issues – such as climate change, inequality and ecological degradation, among others – and champion the broader sustainability mindset throughout our business.

The management of all funds is monitored via rigorous internal processes to ensure ongoing effectiveness, cost efficiencies and portfolio construction standards are maintained.

<sup>2</sup>Active management consists of making buy and sell investment decisions based on research, conviction and other factors. This approach is in contrast with passive management, which generally seeks to mirror an established index, such as the S&P 500.



# PERFORMANCE

The consideration of whether a fund has delivered on its stated performance objectives within an appropriate timescale, taking benchmarks and relevant peer group / sector performance into consideration.

Our key consideration is to assess whether a fund provides a good level of performance in terms of its stated investment objectives, policy and strategy. In order to assess this, we focused on two distinct areas. Firstly, we measured how the fund has performed in relation to its stated benchmark and a relevant sector / peer group (in our analysis we used the UK Investment Associations (IA) sector averages) over a fair investment market cycle (we have adopted a time horizon of five years as being most applicable to the risk levels typically associated with these investment asset types).

Secondly, given our funds apply an active and often differentiated investment approach we wanted to measure whether this aim was being achieved. For this, we measured the 'active share' (a calculation which determines the extent of active management employed) for the funds, as we believe this is an effective indicator of whether a fund truly deviates from its benchmark and presents investors with a genuinely active investment proposition.





# AFM (AUTHORISED FUND MANAGER) COSTS

The consideration of whether the fees paid by investors are reasonable in comparison to the cost of the service the fund is receiving.

Our approach here was to consider whether the total internal costs per fund were reasonable in the context of the respective total charges paid by investors of the fund. We considered a number of charges for services provided by both internal and external partners. We wish to highlight that any third party research costs have been absorbed as part of GAM Investments' wider business since 3 January 2018. Additionally, there are no performance fees applied by the funds and, while the prospectus does include the possibility of initial charges to subscriptions, this cost element is not applied to the funds.

# ECONOMIES OF SCALE

The extent to which an asset manager is able to pass on economies of scale to investors and how they have been achieved.

In terms of economies of scale we considered two potential sources of cost savings:

- Those that could be sourced from GAM Funds being part of a larger financial organisation (in this instance GAM Investments).
- Those that could be achieved within the funds themselves.



## COMPARABLE MARKET RATES

A comparison of the charges applied by the fund in relation to the wider market place (i.e. an appropriate peer group / sector).

When considering comparable market rates, the Board recognised the importance to investors of our funds being priced fairly in comparison with other comparable funds.

## COMPARABLE SERVICES

An analysis of how charges compare against other comparable services provided by the asset manager in relation to mandates of a similar size and with comparable investment objectives.

In this section, the Board sought to consider whether investors are being offered fair investment terms in comparison to other investors, such as institutional and overseas investors. To do this the costs of all comparable funds were reviewed.

## CLASSES OF UNITS

A review of existing share classes to ensure investors are being offered the most suitable share class in terms of value.

The nature of this section is for asset managers to review the available share classes across their UK fund ranges to make sure that investors were getting the best value available from their investments in funds. This aligns with one of the recommendations in the FCA's Asset Management Market Study.



# VALUE ASSESSMENT – OVERALL RATING

The following table provides an easy-to-follow summary of our assessments across each of the seven criteria, as well as our final overall rating for each fund.

Our assessment has been measured using three distinct ratings:

- Provides Value – where we feel the value provided is of at least a fair standard
- Requires Action – where we have identified areas of improvement that have impacted the level of value delivered
- Poor – where we feel fair value has not been offered

Where any rating decisions are given below that of Provides Value, we have outlined the actions that will be undertaken in this report. Where these actions are ongoing, the Board will monitor these actions closely and will update in future reports.

## Value Assessment – Overall Rating

|                                   | GAM Credit Opportunities (GBP) | GAM Continental European Equity | GAM Emerging Equity | GAM Global Diversified | GAM North American Growth | GAM UK Equity Income |
|-----------------------------------|--------------------------------|---------------------------------|---------------------|------------------------|---------------------------|----------------------|
| <b>1. Quality of Service</b>      | ●                              | ●                               | ●                   | ●                      | ●                         | ●                    |
| <b>Distribution and Marketing</b> | ●                              | ●                               | ●                   | ●                      | ●                         | ●                    |
| <b>Operational Services</b>       | ●                              | ●                               | ●                   | ●                      | ●                         | ●                    |
| <b>IM Services</b>                | ●                              | ●                               | ●                   | ●                      | ●                         | ●                    |
| <b>2. Performance</b>             | ●                              | ●                               | ●                   | ●                      | ●                         | n/a                  |
| <b>3. AFM Costs</b>               | ●                              | ●                               | ●                   | ●                      | ●                         | ●                    |
| <b>4. Economies of Scale</b>      | ●                              | ●                               | ●                   | ●                      | ●                         | ●                    |
| <b>5. Comparable Market Rates</b> | ●                              | ●                               | ●                   | ●                      | ●                         | ●                    |
| <b>6. Comparable Services</b>     | ●                              | ●                               | ●                   | ●                      | ●                         | ●                    |
| <b>7. Classes of Units</b>        | ●                              | ●                               | ●                   | ●                      | ●                         | ●                    |
| <b>Overall</b>                    | ●                              | ●                               | ●                   | ●                      | ●                         | ●                    |

|                        |   |
|------------------------|---|
| <b>Provides Value</b>  | ● |
| <b>Requires Action</b> | ● |
| <b>Poor</b>            | ● |

Source: GAM

With regards to performance, we believe it is right to evaluate this over the appropriate timescales relevant to the risk profile of the product in question; where the fund’s track record is of an insufficient duration, we believe it is unfair to make an assessment at this time and is therefore marked as “n/a” (not applicable).



# GAM CREDIT OPPORTUNITIES (GBP)

| 1. Quality of Service | Distribution and Marketing | Operational Services | IM Services | 2. Performance | 3. AFM Costs | 4. Economies of Scale | 5. Comparable Market Rates | 6. Comparable Services | 7. Classes of Units | Overall |
|-----------------------|----------------------------|----------------------|-------------|----------------|--------------|-----------------------|----------------------------|------------------------|---------------------|---------|
| ●                     | ●                          | ●                    | ●           | ●              | ●            | ●                     | ●                          | ●                      | ●                   | ●       |

|                 |   |
|-----------------|---|
| Provides Value  | ● |
| Requires Action | ● |
| Poor            | ● |

Source: GAM

## Quality of Service

For GAM Credit Opportunities (GBP), the investment management of the fund has been delegated to a specialised third-party business, Atlanticomnum SA<sup>3</sup>. The Board remains satisfied that the highly experienced Investment Management team continues to operate on a robust, rigorous and risk-controlled basis and incorporates ESG criteria into its investment process. The Operational Services have been consistent over the past year and the Distribution and Marketing services have ensured that investors had access to a regular flow of relevant information throughout a particularly challenging year.

Overall, the Board concluded that the Quality of Service for GAM Credit Opportunities (GBP) provides value.

## Performance

The investment objective of the fund is to achieve capital gains through investment principally on a worldwide basis in fixed income securities. The fund manager adopts a flexible approach seeking opportunities globally across the whole credit spectrum, regardless of index weights but with a strong emphasis on the financial sector.

The fund is in the IA sector “Sterling Strategic Bond” and is benchmarked against the Bloomberg Barclays Sterling Aggregate Corporate Index.

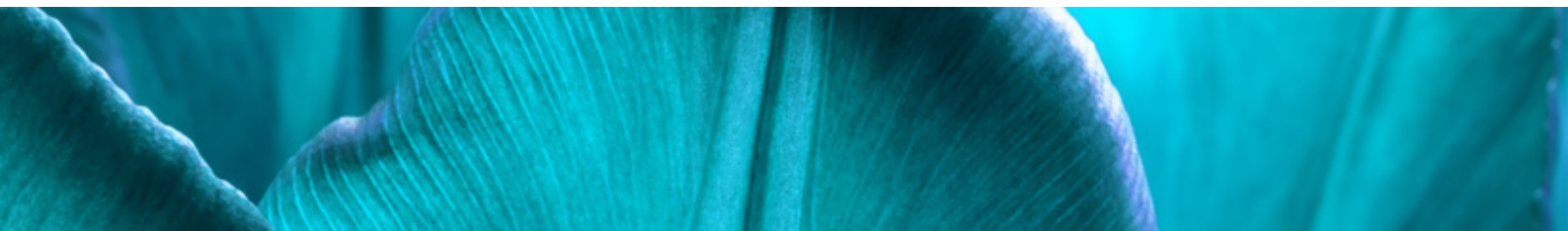
For the purposes of our analysis, we have adopted a time horizon of five years as being most applicable to the risk levels typically associated with these investment asset types. The track record for GAM Credit Opportunities (GBP) is less than the five-year time horizon. However, as GAM Credit Opportunities (GBP) is managed using a master / feeder structure<sup>4</sup> we have referenced the performance of its master fund (GAM Star Credit Opportunities, launched in July 2011) given the feeder fund seeks to replicate the master fund’s performance on a like for like cost basis and therefore provides a fair indication of the performance over the longer term.

Performance: The Board determined the fund has provided value given the long-term performance of the master fund (GAM Star GAM Star Credit Opportunities) was higher than the IA sector and the benchmark. The fund was also found to be managed on an active<sup>5</sup> basis.

<sup>3</sup> Domiciled and regulated in Switzerland.

<sup>4</sup> A master-feeder fund is a type of fund structure. Investors place their money into a feeder fund which then invests into a master fund. It is the master fund that actually invests in the market. All the market trading occurs at the master fund level. This approach reduces the costs to UK investors of being in a smaller fund which duplicates the same investment strategy.

<sup>5</sup> Active management consists of making buy and sell investment decisions based on research, conviction and other factors. This approach is in contrast with passive management, which generally seeks to mirror an established index, such as the S&P 500.



## **AFM (Authorised Fund Manager) Costs**

The Board was satisfied that the fund fees in comparison to the AFM costs incurred in running GAM Credit Opportunities (GBP) are fair and reasonable in terms of expectations<sup>6</sup>.

## **Economies of Scale**

The Board was satisfied that GAM Credit Opportunities (GBP) benefits from the economies of scale available to GAM Investments through the scale of its Dublin and Luxembourg-domiciled fund ranges and its process of rigorous negotiations with third party service providers.

At an individual fund level, the Board found that the fund currently has insufficient size to truly benefit from the available economies of scale, but was satisfied that these were available should the fund's size grow in future.

The Board pledged to remain vigilant in pursuing the potential for economies of scale as the size of the fund grows.

## **Comparable Market Rates**

When considering comparable market rates, the Board recognised the importance to investors of our funds being priced fairly in comparison with other comparable funds. The Board believes that while we have taken reasonable steps to ensure GAM Credit Opportunities (GBP) is priced at a level that reflects the active and differentiated offering it provides, it acknowledges the cost of this fund is at the higher end of its relevant sector peer group (using the UK Investment Association's (IA) sector averages). With this in mind, the Board has determined to carefully monitor how the fund is priced in line with its sector over the coming year while also being mindful that these universes of funds also include those taking a more passive approach.

Therefore, the Board concluded that while the higher cost of GAM Credit Opportunities (GBP) is reflective of the tasks given to the fund management team, to be active, exercise good judgement and secure the best returns for investors, it cannot be fairly considered to provide value at this time and has deemed it to require action, as described above.

## **Comparable Services**

GAM Credit Opportunities (GBP) is managed using a master / feeder structure<sup>4</sup>, with its master fund being the GAM Star Credit Opportunities. The Board found the cost structure of comparable funds, in this instance in other jurisdictions such as Ireland and Luxembourg, to be in line with those of GAM Credit Opportunities (GBP).

## **Classes of Unit**

GAM Investments regularly reviews its share class offering in a bid to ensure best value is being offered to all applicable investors<sup>6</sup>. In response to this analysis, the Board concluded that the current share class offering for GAM Credit Opportunities (GBP) is reasonably valued.

## **Assessment of Value Rating**

Overall, the Board is satisfied that GAM Credit Opportunities (GBP) provides value to its investors.

<sup>6</sup> A table showing the range of fees for each fund and share class can be found in the Appendix.

# GAM CONTINENTAL EUROPEAN EQUITY

|                       |                            |                      |             |                |              |                       |                            |                        |                     |         |
|-----------------------|----------------------------|----------------------|-------------|----------------|--------------|-----------------------|----------------------------|------------------------|---------------------|---------|
| 1. Quality of Service | Distribution and Marketing | Operational Services | IM Services | 2. Performance | 3. AFM Costs | 4. Economies of Scale | 5. Comparable Market Rates | 6. Comparable Services | 7. Classes of Units | Overall |
| ●                     | ●                          | ●                    | ●           | ●              | ●            | ●                     | ●                          | ●                      | ●                   | ●       |

|                 |   |
|-----------------|---|
| Provides Value  | ● |
| Requires Action | ● |
| Poor            | ● |

Source: GAM

## Quality of Service

For GAM Continental European Equity the Board remains satisfied that the highly experienced Investment Management team continues to operate on a robust, rigorous and risk-controlled basis and incorporates ESG criteria into its investment process. The Operational Services have been consistent over the past year and the Distribution and Marketing services have ensured that investors had access to a regular flow of relevant information throughout a particularly challenging year.

Overall, the Board concluded that the Quality of Service for GAM Continental European Equity provides value.

## Performance

The investment objective of the fund is to achieve capital appreciation by investing primarily in equity related securities listed on Recognised Markets within the EU and issued by companies with principal offices in Europe other than the UK. Company fundamentals will be considered in determining the allocation of investments and the fund manager will select investments using a fundamental, bottom-up<sup>7</sup> investment approach.

The fund is in the IA sector “Europe excluding UK” and is benchmarked against the MSCI Europe ex UK Index.

For the purposes of our analysis, we have adopted a time horizon of five years as being most applicable to the risk levels typically associated with these investment asset types. The track record for GAM Continental European Equity is less than the five-year time horizon. However, as GAM Continental European Equity is managed using a master / feeder structure<sup>8</sup> we have referenced the performance of its master fund (GAM Star Continental European Equity, launched in 2005) given the feeder fund seeks to replicate the master fund’s performance on a like for like cost basis and therefore provides a fair indication of the performance over the longer term.

Performance: The Board determined the fund has provided value given the long-term performance of the master fund (GAM Star Continental European Equity) was higher than the IA sector and the benchmark. The fund was found to be managed on an active<sup>9</sup> basis and the fund is currently rated ★★ ★ by Morningstar (source Morningstar as at 31 December 2020).

<sup>7</sup> Bottom-up investing is an investment approach that focuses on the analysis of individual stocks and de-emphasizes the significance of macroeconomic cycles and market cycles.

<sup>8</sup> A master-feeder fund is a type of fund structure. Investors place their money into a feeder fund which then invests into a master fund. It is the master fund that actually invests in the market. All the market trading occurs at the master fund level. This approach reduces the costs to UK investors of being in a smaller fund which duplicates the same investment strategy.

<sup>9</sup> Active management consists of making buy and sell investment decisions based on research, conviction and other factors. This approach is in contrast with passive management, which generally seeks to mirror an established index, such as the S&P 500.



### **AFM (Authorised Fund Manager) Costs**

The Board was satisfied that the fund fees in comparison to the AFM costs incurred in running GAM Continental European Equity are fair and reasonable in terms of expectations<sup>10</sup>.

### **Economies of Scale**

The Board was satisfied that GAM Continental European Equity benefits from the economies of scale available to GAM Investments through the scale of its Dublin and Luxembourg-domiciled fund ranges and its process of rigorous negotiations with third party service providers.

At an individual fund level, the Board found that the fund currently has insufficient size to truly benefit from the available economies of scale, but was satisfied that these were available should the fund's size grow in future.

The Board pledged to remain vigilant in pursuing the potential for economies of scale as the size of the fund grows.

### **Comparable Market Rates**

The Board concluded that the cost of this fund is in line with the sector average and align to the tasks given to the fund management team, which are to be active, exercise good judgement and secure the best returns for investors. The Board is satisfied that these costs are appropriate.

GAM conducts regular product reviews in line with its regulatory obligations where a number of factors, including the level of fees, are assessed in terms of our product offering versus the broader market. In late 2019, we made the decision to reduce the annual management charge for GAM Continental European Equity by 10bps. This change became effective on 1 January 2020.

### **Comparable Services**

GAM Continental European Equity is managed using a master / feeder structure<sup>8</sup>, with its master fund being the GAM Star Continental European Equity. The Board found the cost structure of comparable funds, in this instance in other jurisdictions such as Ireland and Luxembourg, to be in line with those of GAM Continental European Equity.

### **Classes of Unit**

GAM Investments regularly reviews its share class offering in a bid to ensure best value is being offered to all applicable investors<sup>10</sup>. In response to this analysis, the Board concluded that the current share class offering GAM Continental European Equity is reasonably valued.

### **Assessment of Value Rating**

Overall, the Board is satisfied that GAM Continental European Equity provides value to its investors.

<sup>10</sup> A table showing the range of fees for each fund and share class can be found in the Appendix.

# GAM EMERGING EQUITY

|                       |                            |                      |             |                |              |                       |                            |                        |                     |         |
|-----------------------|----------------------------|----------------------|-------------|----------------|--------------|-----------------------|----------------------------|------------------------|---------------------|---------|
| 1. Quality of Service | Distribution and Marketing | Operational Services | IM Services | 2. Performance | 3. AFM Costs | 4. Economies of Scale | 5. Comparable Market Rates | 6. Comparable Services | 7. Classes of Units | Overall |
| ●                     | ●                          | ●                    | ●           | ●              | ●            | ●                     | ●                          | ●                      | ●                   | ●       |

|                 |   |
|-----------------|---|
| Provides Value  | ● |
| Requires Action | ● |
| Poor            | ● |

Source: GAM

## Quality of Service

For GAM Emerging Equity the Board remains satisfied that the highly experienced Investment Management team continues to operate on a robust, rigorous and risk-controlled basis and incorporates ESG criteria into its investment process. The Operational Services have been consistent over the past year and the Distribution and Marketing services have ensured that investors had access to a regular flow of relevant information throughout a particularly challenging year.

Overall, the Board concluded that the Quality of Service for GAM Emerging Equity provides value.

## Performance

The aim of the fund is to achieve long-term capital growth by investing at least 70% of its assets in selected shares of companies in emerging economies. The highly experienced team uses a proven and repeatable process to profit from market inefficiencies and the inherent growth potential of emerging market economies.

The fund is in the IA sector “Global Emerging Markets” and is benchmarked against the MSCI Emerging Markets Index.

For the purposes of our analysis, we have adopted a time horizon of five years as being most applicable to the risk levels typically associated with these investment asset types. The track record for GAM Emerging Equity is less than the five-year time horizon. However, as GAM Emerging Equity is managed using a master / feeder structure<sup>11</sup> we have referenced the performance of its master fund (GAM Multistock – Emerging Markets Equity, launched in February 2015) given the feeder fund seeks to replicate the master fund’s performance on a like for like cost basis and therefore provides a fair indication of the performance over the longer term.

Performance: The Board determined the fund has provided value given the long-term performance of the master fund (GAM Multistock – Emerging Markets Equity) was higher than the IA sector and the benchmark. The fund was found to be managed on an active<sup>12</sup> basis and the fund is currently rated ★★★★★ by Morningstar (source Morningstar as at 31 December 2020).

<sup>11</sup> A master-feeder fund is a type of fund structure. Investors place their money into a feeder fund which then invests into a master fund. It is the master fund that actually invests in the market. All the market trading occurs at the master fund level. This approach reduces the costs to UK investors of being in a smaller fund which duplicates the same investment strategy.

<sup>12</sup> Active management consists of making buy and sell investment decisions based on research, conviction and other factors. This approach is in contrast with passive management, which generally seeks to mirror an established index, such as the S&P 500.



### **AFM (Authorised Fund Manager) Costs**

The Board was satisfied that the fund fees in comparison to the AFM costs incurred in running GAM Emerging Equity are fair and reasonable in terms of expectations<sup>13</sup>.

### **Economies of Scale**

The Board was satisfied that GAM Emerging Equity benefits from the economies of scale available to GAM Investments through the scale of its Dublin and Luxembourg-domiciled fund ranges and its process of rigorous negotiations with third party service providers.

At an individual fund level, the Board found that the fund currently has insufficient size to truly benefit from the available economies of scale, but was satisfied that these were available should the fund's size grow in future.

The Board pledged to remain vigilant in pursuing the potential for economies of scale as the size of the fund grows.

### **Comparable Market Rates**

The Board concluded that the higher cost of this fund is reflective of the tasks given to the fund management team, to be active, exercise good judgement and secure the best returns for investors. The Board is satisfied that these costs are appropriate.

### **Comparable Services**

GAM Emerging Equity is managed using a master / feeder structure<sup>11</sup>, with its master fund being the GAM Multistock – Emerging Markets Equity. The Board found the cost structure of comparable funds, in this instance in other jurisdictions such as Ireland and Luxembourg, to be in line with those of GAM Emerging Equity.

### **Classes of Unit**

GAM Investments regularly reviews its share class offering in a bid to ensure best value is being offered to all applicable investors<sup>13</sup>. In response to this analysis, the Board concluded that the current share class offering GAM Emerging Equity is reasonably valued.

### **Assessment of Value Rating**

Overall, the Board is satisfied that GAM Emerging Equity provides value to its investors.

<sup>13</sup> A table showing the range of fees for each fund and share class can be found in the Appendix.



# GAM GLOBAL DIVERSIFIED

|                       |                            |                      |             |                |              |                       |                            |                        |                     |         |
|-----------------------|----------------------------|----------------------|-------------|----------------|--------------|-----------------------|----------------------------|------------------------|---------------------|---------|
| 1. Quality of Service | Distribution and Marketing | Operational Services | IM Services | 2. Performance | 3. AFM Costs | 4. Economies of Scale | 5. Comparable Market Rates | 6. Comparable Services | 7. Classes of Units | Overall |
| ●                     | ●                          | ●                    | ●           | ●              | ●            | ●                     | ●                          | ●                      | ●                   | ●       |

|                 |   |
|-----------------|---|
| Provides Value  | ● |
| Requires Action | ● |
| Poor            | ● |

Source: GAM

## Quality of Service

For GAM Global Diversified the Board remains satisfied that the highly experienced Investment Management team continues to operate on a robust, rigorous and risk-controlled basis and incorporates ESG criteria into its investment process. The Operational Services have been consistent over the past year and the Distribution and Marketing services have ensured that investors had access to a regular flow of relevant information throughout a particularly challenging year.

Overall, the Board concluded that the Quality of Service for GAM Global Diversified provides value.

## Performance

The investment objective of the fund is to provide capital appreciation through investing at least two thirds of its assets in shares and other equity-orientated assets anywhere in the world. The fund manager selects companies on the basis of macroeconomic, fundamental and technical analysis seeking value in overlooked companies and identifying catalysts for change<sup>14</sup>.

The fund is in the IA sector “Global” and is benchmarked against the MSCI World Index.

Performance: The fund has underperformed the IA sector and the benchmark over the long term, although the fund was found to be managed on an active<sup>15</sup> basis. The fund is currently rated ★★ by Morningstar (source Morningstar as at 31 December 2020).

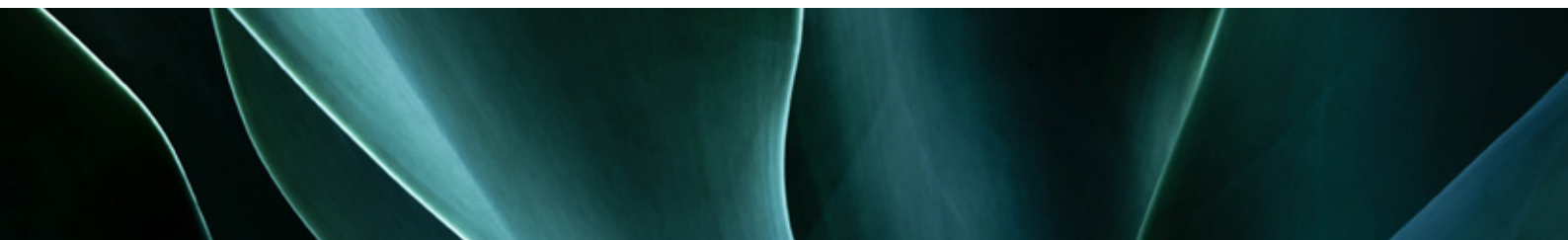
The Board concluded that while the team’s value approach has not been rewarded by markets in recent years, where growth-orientated<sup>16</sup> strategies have outperformed, the level of underperformance means that last year’s rating of Requires Action continues to be warranted.

A new fund management team assumed responsibility for the fund from 1 January 2018 and adopted a more flexible investment approach, which the Board believes is more suitable for the overall market environment. That said, the progress of the fund was actively monitored over the last twelve months, in light of last year’s value assessment, and such active monitoring will be continued going forward.

<sup>14</sup> Value investing: selecting stocks that appear to be trading for less than their apparent book value.

<sup>15</sup> Active management consists of making buy and sell investment decisions based on research, conviction and other factors. This approach is in contrast with passive management, which generally seeks to mirror an established index, such as the S&P 500.

<sup>16</sup> Growth investing: a stock buying strategy that aims to profit from companies whose earnings are expected to increase at an above average rate compared to the overall market.



### **AFM (Authorised Fund Manager) Costs**

The Board was satisfied that the fund fees in comparison to the AFM costs incurred in running GAM Global Diversified are fair and reasonable in terms of expectations<sup>17</sup>.

### **Economies of Scale**

The Board was satisfied that GAM Global Diversified benefits from the economies of scale available to GAM Investments through the scale of its Dublin and Luxembourg-domiciled fund ranges and its process of rigorous negotiations with third party service providers.

At an individual fund level, the Board found that the fund currently has insufficient size to truly benefit from the available economies of scale, but was satisfied that these were available should the fund's size grow in future.

The Board pledged to remain vigilant in pursuing the potential for economies of scale as the size of the fund grows.

### **Comparable Market Rates**

The Board concluded that while the higher cost of this fund is reflective of the tasks given to the fund management team, to be active, exercise good judgement and secure the best returns for investors, in this instance, the Board again concluded that further action would be required in terms of the value it provides to investors. Such ongoing action is currently focused on improving performance (as outlined in the Performance section of this report) and it is the Board's view that if the appropriate performance is delivered, the rates charged for the fund (which are only slightly above the sector average) would be justified.

### **Comparable Services**

In last year's report, individual share classes of GAM Global Diversified were found to Require Action to ensure they were in line with the overall cost structure of the fund. The Board is satisfied that the appropriate action has been undertaken to remedy this and that no further action is required at this time.

### **Classes of Unit**

GAM Investments regularly reviews its share class offering in a bid to ensure best value is being offered to all applicable investors<sup>17</sup>. As outlined in the Comparable Services section of this report, individual share classes of GAM Global Diversified were deemed to require action by the Board in last year's report to ensure they were in line with the overall cost structure of the fund. The Board is satisfied that the appropriate action has been undertaken to remedy this and that no further action is required at this time.

### **Assessment of Value Rating**

Overall, the Board believes that GAM Global Diversified Requires Action in terms of the value it provides to investors. This judgement was based on the Performance and Comparable Market Rates elements of this analysis, and further information regarding the planned actions can be obtained in the relevant sections of this report.

<sup>17</sup> A table showing the range of fees for each fund and share class can be found in the Appendix.

# GAM NORTH AMERICAN GROWTH

|                       |                            |                      |             |                |              |                       |                            |                        |                     |         |
|-----------------------|----------------------------|----------------------|-------------|----------------|--------------|-----------------------|----------------------------|------------------------|---------------------|---------|
| 1. Quality of Service | Distribution and Marketing | Operational Services | IM Services | 2. Performance | 3. AFM Costs | 4. Economies of Scale | 5. Comparable Market Rates | 6. Comparable Services | 7. Classes of Units | Overall |
| ●                     | ●                          | ●                    | ●           | ●              | ●            | ●                     | ●                          | ●                      | ●                   | ●       |

|                 |   |
|-----------------|---|
| Provides Value  | ● |
| Requires Action | ● |
| Poor            | ● |

Source: GAM

## Quality of Service

The fund management team for GAM North American Growth was replaced in November 2020 and the Board is satisfied that the new, highly experienced Investment Management team operates on a robust, rigorous and risk-controlled basis and incorporates ESG criteria into its investment process. The Operational Services have been consistent over the past year and the Distribution and Marketing services have ensured that investors had access to a regular flow of relevant information throughout a particularly challenging year.

Overall, the Board concluded that the Quality of Service for GAM North American Growth provides value.

## Performance

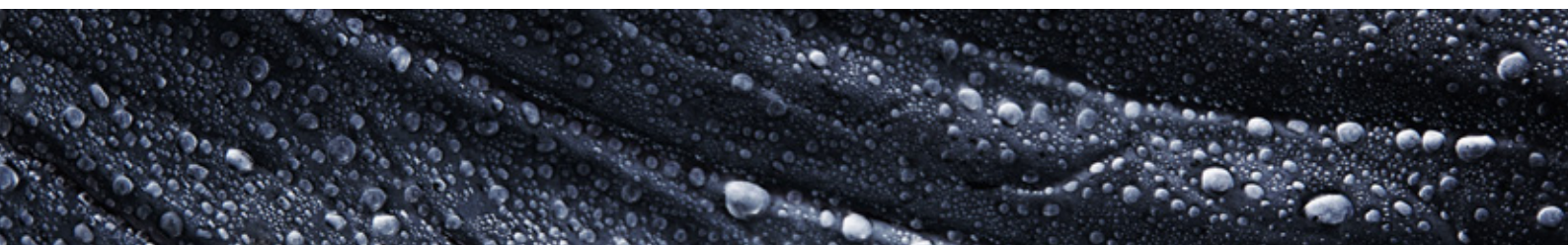
The investment objective of the fund is to provide capital growth through investing primarily in North American equities. The fund manager selects companies on the basis of rigorous company research and will not employ any industry or market cap bias. Companies are selected on merit, regardless of market outlook.

The fund is in the IA sector “North America” and is benchmarked against the S&P 500 Index.

Performance: The fund has underperformed the IA sector and the benchmark over the long term, although the fund was found to be managed on an active<sup>18</sup> basis. The fund is currently rated★★ by Morningstar (source Morningstar as at 31 December 2020).

Having been given a Requires Action rating in last year’s Assessment of Value report, it was determined that a new fund management team was the most appropriate action for this fund. The new team was put in place in November 2020 and has repositioned the fund so that it is more appropriately positioned to the benchmark to provide value to clients going forward. The Board will continue to actively monitor the strategy over the next year and therefore the Requires Action rating is maintained.

<sup>18</sup> Active management consists of making buy and sell investment decisions based on research, conviction and other factors. This approach is in contrast with passive management, which generally seeks to mirror an established index, such as the S&P 500.



### **AFM (Authorised Fund Manager) Costs**

The Board was satisfied that the fund fees in comparison to the AFM costs incurred in running GAM North American Growth are fair and reasonable in terms of expectations<sup>19</sup>.

### **Economies of Scale**

The Board was satisfied that GAM North American Growth benefits from the economies of scale available to GAM Investments through the scale of its Dublin and Luxembourg-domiciled fund ranges and its process of rigorous negotiations with third party service providers.

At an individual fund level, the Board found that the fund currently has insufficient size to truly benefit from the available economies of scale, but was satisfied that these were available should the fund's size grow in future.

The Board pledged to remain vigilant in pursuing the potential for economies of scale as the size of the fund grows.

### **Comparable Market Rates**

The Board concluded that the modestly higher cost of this fund is reflective of the tasks given to the fund management team, to be active, exercise good judgement and secure the best returns for investors. The Board is satisfied that these costs are appropriate.

### **Comparable Services**

The Board found the cost structure of comparable funds, in this instance in other jurisdictions such as Ireland and Luxembourg, to be in line with those of GAM North American Growth.

### **Classes of Unit**

GAM Investments regularly reviews its share class offering in a bid to ensure best value is being offered to all applicable investors<sup>19</sup>. In last year's report, individual share classes of GAM North American Growth were found to require action by the Board to ensure they were in line with the overall cost structure of the fund. The Board is satisfied that the appropriate action has been undertaken to remedy this and that no further action is required at this time.

### **Assessment of Value Rating**

Overall, the Board is satisfied that GAM North American Growth provides value to its investors.

<sup>19</sup> A table showing the range of fees for each fund and share class can be found in the Appendix.



# GAM UK EQUITY INCOME

|                       |                            |                      |             |                |              |                       |                            |                        |                     |         |
|-----------------------|----------------------------|----------------------|-------------|----------------|--------------|-----------------------|----------------------------|------------------------|---------------------|---------|
| 1. Quality of Service | Distribution and Marketing | Operational Services | IM Services | 2. Performance | 3. AFM Costs | 4. Economies of Scale | 5. Comparable Market Rates | 6. Comparable Services | 7. Classes of Units | Overall |
| ●                     | ●                          | ●                    | ●           | n/a            | ●            | ●                     | ●                          | ●                      | ●                   | ●       |

|                 |   |
|-----------------|---|
| Provides Value  | ● |
| Requires Action | ● |
| Poor            | ● |

Source: GAM

## Quality of Service

For GAM UK Equity Income the Board remains satisfied that the highly experienced Investment Management team continues to operate on a robust, rigorous and risk-controlled basis and incorporates ESG criteria into its investment process. The Operational Services have been consistent over the past year and the Distribution and Marketing services have ensured that investors had access to a regular flow of relevant information throughout a particularly challenging year.

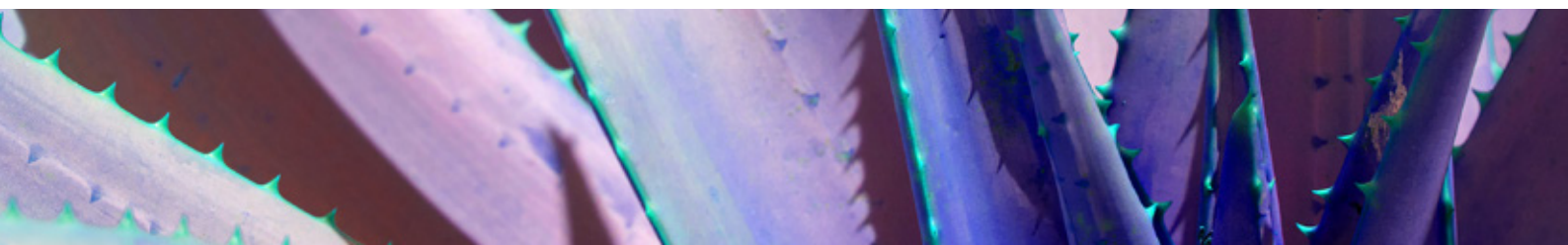
Overall, the Board concluded that the Quality of Service for GAM UK Equity Income provides value.

## Performance

The investment objective of the fund is to provide income and achieve capital appreciation through investing at least two thirds of its assets in UK equities without restrictions either by company, size or industry.

The fund is in the IA sector “UK Equity Income” and is benchmarked against the FTSE All-Share Index.

For the purposes of our analysis, we have adopted a time horizon of five years as being most applicable to the risk levels typically associated with these investment asset types. The track record for GAM UK Equity Income is less than the five-year time horizon, having only been launched in October 2017. Therefore, the Board felt this limited time period was insufficient for a fair assessment of performance over a market cycle.



### **AFM (Authorised Fund Manager) Costs**

The Board was satisfied that the fund fees in comparison to the AFM costs incurred in running GAM UK Equity Income are fair and reasonable in terms of expectations<sup>20</sup>.

### **Economies of Scale**

The Board was satisfied that GAM UK Equity Income benefits from the economies of scale available to GAM Investments through the scale of its Dublin and Luxembourg-domiciled fund ranges and its process of rigorous negotiations with third party service providers.

At an individual fund level, the Board found that the fund currently has insufficient size to truly benefit from the available economies of scale, but was satisfied that these were available should the fund's size grow in future.

The Board pledged to remain vigilant in pursuing the potential for economies of scale as the size of the fund grows.

### **Comparable Market Rates**

The Board concluded that the cost of this fund is in line with its sector and is reflective of the tasks given to the fund management team, to be active<sup>21</sup>, exercise good judgement and secure the best returns for investors. The Board is satisfied that these costs are appropriate.

### **Comparable Services**

The Board found the cost structure of comparable funds, in this instance in other jurisdictions such as Ireland and Luxembourg, to be in line with those of GAM UK Equity Income.

### **Classes of Unit**

GAM Investments regularly reviews its share class offering in a bid to ensure best value is being offered to all applicable investors<sup>20</sup>. In response to this analysis, the Board concluded that the current share class offering UK Equity Income is reasonably valued.

### **Assessment of Value Rating**

Overall, the Board is satisfied that UK Equity Income provides value to its investors.

<sup>20</sup> A table showing the range of fees for each fund and share class can be found in the Appendix.

<sup>21</sup> Active management consists of making buy and sell investment decisions based on research, conviction and other factors. This approach is in contrast with passive management, which generally seeks to mirror an established index, such as the S&P 500.

# NOTE FROM THE CHAIRMAN

We, as a Board, are satisfied that our value assessments show that the funds within GAM Sterling Management Limited offer value overall, but that a small number of action items have been identified. The Board has plans in place to monitor these actions over the next annual cycle and will relate their progress in the next report.



# APPENDIX

## Overview of share classes for GAM Funds

| Fund Name                                     | Accumulating<br>Yes/No | Max<br>Subscription<br>Fee | Periodic<br>Change | Custodian Fee | Ongoing<br>charges (OCF) |
|---|------------------------|----------------------------|--------------------|---------------|--------------------------|
| <b>GAM Continental European Equity</b>        |                        |                            |                    |               |                          |
| GAM Continental European Equity Inst GBP Acc  | Yes                    | 0%                         | 0.7000%            | 0.0160%       | 0.8600%                  |
| <b>GAM Credit Opportunities (GBP)</b>         |                        |                            |                    |               |                          |
| GAM Credit Opportunities (GBP) Inst Acc       | Yes                    | 0%                         | 1.0000%            | 0.0160%       | 1.1700%                  |
| GAM Credit Opportunities (GBP) Inst Inc       | No                     | 0%                         | 1.0000%            | 0.0160%       | 1.1700%                  |
| GAM Credit Opportunities (GBP) Z Acc          | Yes                    | 0%                         | 0.8000%            | 0.0160%       | 0.9700%                  |
| GAM Credit Opportunities (GBP) Z Inc          | No                     | 0%                         | 0.8000%            | 0.0160%       | 0.9700%                  |
| <b>GAM Emerging Equity</b>                    |                        |                            |                    |               |                          |
| GAM Emerging Equity Inst GBP Acc              | Yes                    | 0%                         | 1.0000%            | 0.0160%       | 1.1000%                  |
| <b>GAM Global Diversified</b>                 |                        |                            |                    |               |                          |
| GAM Global Diversified Inst GBP Acc           | Yes                    | 0%                         | 1.0500%            | 0.0160%       | 1.1400%                  |
| GAM Global Diversified Inst GBP Inc           | No                     | 0%                         | 1.0500%            | 0.0160%       | 1.1400%                  |
| GAM Global Diversified A GBP Acc              | Yes                    | 5.00%                      | 1.5000%            | 0.0160%       | 1.5900%                  |
| GAM Global Diversified A GBP Inc              | No                     | 5.00%                      | 1.5000%            | 0.0160%       | 1.5900%                  |
| GAM Global Diversified R GBP Acc              | Yes                    | 0%                         | 1.0500%            | 0.0160%       | 1.1400%                  |
| GAM Global Diversified R GBP Inc              | No                     | 0%                         | 1.0500%            | 0.0160%       | 1.1400%                  |
| GAM Global Diversified Z GBP Inc              | No                     | 0%                         | 0.4500%            | 0.0160%       | 0.5400%                  |
| GAM Global Diversified Z GBP Acc              | Yes                    | 0%                         | 0.4500%            | 0.0160%       | 0.5400%                  |
| GAM Global Diversified- ZII GBP Acc           | Yes                    | 0%                         | 0.8500%            | 0.0160%       | 0.9400%                  |
| <b>GAM North American Growth</b>              |                        |                            |                    |               |                          |
| GAM North American Growth A GBP Acc           | Yes                    | 5.00%                      | 1.5000%            | 0.0160%       | 1.5900%                  |
| GAM North American Growth A GBP Inc           | No                     | 5.00%                      | 1.5000%            | 0.0160%       | 1.5900%                  |
| GAM North American Growth Inst GBP Acc        | Yes                    | 0%                         | 0.9000%            | 0.0160%       | 1.0200%                  |
| GAM North American Growth Inst GBP Inc        | No                     | 0%                         | 0.9000%            | 0.0160%       | 1.0200%                  |
| <b>GAM UK Equity Income</b>                   |                        |                            |                    |               |                          |
| GAM UK Equity Income Inst Semi-Annual GBP Acc | Yes                    | 0%                         | 0.7500%            | 0.0160%       | 0.8320%                  |
| GAM UK Equity Income Inst Semi-Annual GBP Inc | No                     | 0%                         | 0.7500%            | 0.0160%       | 0.8320%                  |
| GAM UK Equity Income Z Semi-Annual GBP Acc    | Yes                    | 0%                         | 0.5500%            | 0.0160%       | 0.6300%                  |
| GAM UK Equity Income Z Semi-Annual GBP Inc    | No                     | 0%                         | 0.5500%            | 0.0160%       | 0.6300%                  |
| GAM UK Equity Income ZII GBP Acc*             | Yes                    | 0%                         | 0.075%             | 0.0160%       | 0.1600%                  |

Source: GAM

\* This share class is for internal use only



# BIOGRAPHIES FOR THE BOARD OF GAM STERLING MANAGEMENT LIMITED, THE AUTHORISED CORPORATE DIRECTOR OF GAM FUNDS



**Kaspar Boehni** is the Chairman for GAM Sterling Management Limited. He is also Head of Product & Fund Development at GAM Investments. He is responsible for the design and development of new products and he works closely with GAM's client facing teams to identify and develop innovative product opportunities in order to meet the diverse and evolving needs of our clients. Prior to joining GAM Investments in March 2014, he worked at LGT Capital Management as head of product development. Prior to that, he was a senior portfolio manager at ifund services AG. He started his career in 2003 as a senior portfolio consultant at Clariden Leu. Kaspar holds a MSc in Economics and Finance from St. Gallen University.

**Kaspar Boehni**  
Chairman for GAM  
Sterling Management  
Limited



**Charles Naylor** is the Chief Executive of GAM Sterling Management Limited. He is also the Head of Communications and Investor Relations at GAM Investments. Prior to joining GAM in February 2020, Charles was the interim head of corporate affairs and marketing at Puma Energy in Geneva. He has also worked at Credit Suisse Group as the chief communications officer between 2004 and 2011 based in Zurich. Charles has held the leading communications role at the Hess Corporation, Centrica, HSBC and the Confederation of British Industry. He holds a master's degree in History from the University of Cambridge and an MBA from Henley Business School. Charles is a UK citizen.

**Charles Naylor**  
Head of Communications  
and Investor Relations



**Simon Ellis**  
Non-executive director  
of GAM Sterling  
Management Limited

**Simon Ellis** is a non-executive director of GAM Sterling Management Limited. He has over 35 years' experience in financial services and has held various managing director and CEO roles in retail asset management organisations and global financial institutions. During his extensive career, Simon has acquired board level experience and a strong understanding of the investment, regulatory and risk relating to the operation of a financial institution and the needs of its clients, investors and stakeholders.

Simon acted as the Chief Executive Officer during his time at AXA Investment Managers (2004-2005) and at Fidelity International (2006-2009). He then moved to a Managing Director role at Legal and General Investments from 2009-2013 shortly before moving to HSBC as the Global Head of Client Segments where he was responsible for aligning the asset management client strategy with that of the broader bank. Simon was appointed as a Non-Executive Director and was also a member of the Global Product Committee, the leader of the UK Mentoring Programme and founder of the Innovation Forum.

In addition to his GAM appointment, Simon currently holds the following non-executive director positions:

- HSBC Retirement Services Ltd
- Morgan Stanley Investment Management (ACD) Limited

He has also been the Chair of Vision Independent Financial Planning, the IFA subsidiary of Rathbones plc, since April 2020.



**Dr Sybille Hofmann**  
Non-executive director  
of GAM Sterling  
Management Limited

**Dr Sybille Hofmann** is a non-executive director of GAM Sterling Management Limited. She has more than 25 years' experience as a senior executive in financial services and over 18 years in the global asset management industry with focus on the UK, Germany, Ireland and Luxembourg. During her extensive career at Deutsche Bank and Invesco, she has headed Operations and a number of control functions including Operational and Investment Risk Management, Anti-Money Laundering and Outsourcing Oversight. She was also responsible for the supervision of client assets and led major change initiatives.

Sybille has served on various boards at Invesco as an executive director in the UK, Ireland and Continental Europe and held various approved functions across Europe. Through her career, Sybille has acquired broad experience and extensive knowledge of the regulatory framework and the required governance structures in asset management to ensure good client outcomes.

In addition to her GAM appointment, Sybille currently acts as independent director on the supervisory board for two German entities of La Française Group.



**Darren Nicholls** is a director of GAM Sterling Management Limited. He is UK Head of Risk at GAM Investments. He is responsible for the oversight of risk management and a member of various boards and committees within the organisation. He provides oversight and challenge of the company's systems and controls, and seeks to ensure the adequacy of information, analysis, reporting and training surrounding material risks for the company. Prior to joining GAM Investments in September 2013, he was chief risk officer – Europe at AllianceBernstein. Prior to that, he was vice president – risk management at State Street Investment Manager Solutions Ltd and a consultant at Scudder Threadneedle Investments. He began his career at Assets International Management Plc. Darren holds a BSc (Hons) in Biophysics from Leeds University.

**Darren Nicholls**  
Director of GAM Sterling  
Management Limited



**Andrew Pratt** is a director of GAM Sterling Management Limited. He is UK Group Financial Controller and is responsible for the financial and regulatory reporting of the UK Group and has over 20 years of Financial Services experience. Andrew joined GAM in July 2019, before that he was Head of Finance for Sanlam Private Investments for 9 years. He has previously held Senior Finance positions with Merchant Securities Ltd, PYV Ltd, Alliance Capital Ltd, Matrix Securities Ltd and Hermes Medical Solutions Ltd.

**Andrew Pratt**  
Director of GAM Sterling  
Management Limited

For more on information on our responsible investment approach, please see the relevant section of our website [www.gam.com](http://www.gam.com)

**Important legal information:**

Source: GAM unless otherwise stated.

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