

GAM Abs Ret Europe Eq-GBP h

Share class Ah / Currency GBP

31.10.2017

Marketing Material

Comments

Market review

European equity markets further advanced in the past month supported by robust macro economic data and an overall good start into the earnings reporting season.

Performance contribution and portfolio changes

Long-/short pair trades in the consumer staples and information technology sectors delivered the biggest positive performance contribution while the pair selection in financials had the biggest negative effect. Pair trades in 6 sectors contributed positively while only 3 sectors had a negative impact. The hit ratio improved towards 60%. The Fund closed two long-/short pairs in the information technology sector and one in the financial sector while one new pair trade has been opened in the health care sector. The overall gross exposure has remained stable at around 98%

Outlook and strategy

Resilient macro economic data and an overall satisfying earnings season should support European equity markets towards year end, albeit that valuations may become a bit stretched in certain sectors.

Opportunities

The fund invests in a broadly diversified equity universe and seeks opportunities for returns wherever they exist.

A highly qualified and experienced management actively manages the fund on the basis of a fundamental valuation approach. The objective is to identify the potential investments that, in the Investment manager's opinion, are most attractive and to generate interesting and profitable opportunities for investors.

The fund primarily pursues a market- and sector-neutral long/short strategy, giving it the opportunity to profit from both rising and falling prices. The expected volatility is likely to be significantly lower than in traditional equity funds.

Risks

The fund invests in equities (directly or indirectly via derivatives) which may be subject to significant fluctuations in value.

The fund may invest in derivatives, which are subject to the risks of their underlying markets or underlying instruments as well as issuer risks and often involve higher risks than direct investments.

The fund may invest in assets denominated in various currencies, giving rise to exchange rate risks which may be hedged. If the currency in which the past performance is displayed differs from the currency of the country in which an investor resides, due to exchange rate fluctuations, the performance shown may increase or decrease if converted into the investor's local currency.

The fund primarily pursues a pairs trading strategy (long/short), which in certain circumstances is unable to limit the risk of events such as acquisitions and restructurings. There is no guarantee that the fund's investment objective will be reached. The fund has the option of increasing its exposure to equities beyond the net asset value. As a result, the value may rise or fall more sharply without such an exposure, which may give rise to short-term periods of increased volatility.

Glossary

Alpha (Jensen's): Jensen's Alpha measures the performance of an investment (fund) in relation to its benchmark. A positive alpha means that the value of the fund has generated a higher return than the benchmark.

Benchmark (BM): An index that can be used by an investment fund as the basis of comparison for assessing the performance achieved.

Beta: the beta coefficient describes to what extent the price of a share tracks the value of an index, i.e. if the share performs better or worse than the market.

Correlation: a statistic measurement which shows the linear relationship (or degree of parallel movement) between two series of figures, for example the performance of two equity investments.

Duration: refers to the period of time that capital is tied into a monetary or bond investment or in other debt securities, and determines the sensitivity of the price to interest rate changes. Unlike residual maturity, the duration also takes into account interest payments and other inflows from invested capital.

Funds of Funds: These are investment funds which invest their fund assets in other target funds.

High water mark: the high water mark principle establishes a cap on or allows for a potential rise in performance fees. According to this principle, the investment fund manager only receives the relevant remuneration when the fund exceeds the highest level of return that it has ever achieved.

Information ratio: the information ratio expresses the ratio of additional returns generated to the extra risk involved. The value generated can be used to evaluate active management.

Modified duration: a risk indicator that measures the effect of price fluctuations on a bond issue or a portfolio of bond issues.

Residual maturity: time remaining until a bond must be repaid.

Sharpe ratio: the Sharpe ratio (risk-adjusted performance) is generated by calculating the difference between the average annualised return and the risk-free return. The resulting figure is divided by the annualised standard deviation of the returns. The higher the Sharpe ratio, the better the fund performance in relation to the risk potential of its portfolio.

Total Expense Ratio (TER): the TER is a measure of the total annual expenses incurred by a fund and is expressed as a percentage. It allows an accurate comparison of the costs of funds from different companies to be made.

Tracking error: the tracking error measures the divergence between the return of a fund in relation to its benchmark.

Volatility: a risk indicator demonstrating the fluctuation range (for example of the price or return of a security or fund unit) over a defined period; volatility is most often calculated using standard deviation. The higher the volatility, the greater the fluctuation range.

Yield to maturity: the yield to maturity is the average yield generated by an investment each year if it is held until expiry.

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