

SHAREHOLDER COMMUNICATION

GAM Local Emerging Bond

Please note the fund benchmark is formally being changed from the JP Morgan Emerging Local Markets Index Plus (EMLI+) to the JP Morgan Government Bond Index – Emerging Markets (GBI-EM) Global Diversified with effect from 1 July 2019.

The reasons for this change are as follows:

- The fund benchmark is formally being changed from JP Morgan Emerging Local Markets Index Plus (EMLI+) to the **JP Morgan Government Bond Index - Emerging Markets (GBI-EM) Global Diversified** with effect from **1 July 2019**.
- The JP Morgan EMLI+ was originally chosen as it was the only proxy index available to broadly reflect the performance of local EMD when the fund was launched at the end of April 2000.
- As a purely synthetic index, reflecting the returns generated from 1-/2-/3-month rolling FX forward contracts for currently 23 EMs and with an ever more heavy tilt towards lower beta Asian currencies, the team has long felt the JP Morgan EMLI+ was a sub-optimal reference for the Local Emerging Bond strategy.
- Despite these obvious imperfections, the team has maintained the JP Morgan EMLI+ as the official benchmark during this time in order not to risk losing all or parts of their long-standing track record with certain investment platforms and/or not to unnecessarily unsettle existing investors. However, after extensive research, they are now confident that such risks can be negated.
- Since its launch on 31 December 2002, the **JP Morgan GBI-EM Global Diversified Index** has become the prevailing index within the asset class, being used today by over 85% of local EMD investors, according to JPMorgan surveys.
- The team believes both the **risk and reward** of the JP Morgan GBI-EM Global Diversified Index more **closely reflects how the fund *has always been run*** rather than the JP Morgan EMLI+. This can be clearly illustrated in the below charts.
- It should also be noted that the strategy has been **shadow-benchmarked** on a day-to-day basis against the much more relevant JP Morgan GBI-EM Global Diversified Index **since 30 June 2010** and that the **team has always been fully transparent with existing and/or potential investors regarding this matter**.
- This formal benchmark change has no effect on the team's long-standing, multi-award winning investment approach, which has been led by Paul McNamara for the past 19 years.

*****DISCLAIMER*****

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