GAM's Hepworth: My top fund picks for DFM range

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Charles Hepworth, investment manager in charge of GAM's discretionary fund management (DFM) offering for UK IFAs launched in November, has revealed his top fund picks for the range.

Hepworth aims to have funds in his top ten holdings that "people have never heard of" to differentiate GAM's offering from the competition.

One of his top fund picks is the Pareturn Barwon Private Equity fund run by Barwon's Sam Armstrong, which is a listed private equity fund domiciled in Luxembourg.

"Many private equity firms have recovered from last year's losses now and are up 15%-20% since December," Hepworth said.

"People tend to think of private equity as an illiquid investment, but if you are investing in big private equity outfits, there are no liquidity issues."

Another top fund pick is GAM's own GAM Star Continental Europe Equity fund, run by Niall Gallagher, which ranked top of the IMA Europe ex UK sector last year, returning 24% over the year versus a sector average of 11%.

"Europe did very well last year, but the GAM fund bounced back quicker than others because it invests in global mega caps that have exposure to global growth," Hepworth said.

In the fixed income space, Hepworth favours less traditional investment options, such as emerging market debt, mortgage- backed securities and strategic bond funds.

One of his top five funds is the Alma DoubleLine Core Plus Bond fund, which invests in US government-backed securities, mortgage-backed securities, global credit and EMD.

In the equity space, Hepworth likes the Prusik Asian Equity Income fund, which soft-closed in December after surpassing the $400m AUM mark, but is still accessible for GAM.

Hepworth said he likes the track record and experience of the manager Tom Naughton, as well as the stability of the team and its investment process.

He prefers more boutique names over larger funds in the market, as he does not want to be invested in huge funds that may encounter liquidity issues.

However, the manager does have some well-known funds in his top picks, such as Richard Plackett's BlackRock UK Special Situations, which is a consistent outperformer, returning 61% over three years versus the IMA UK All Companies sector average of 40%.

The fund range consists of five strategies: the GAM MPS Global Equity, Growth, Balanced, Cautious and Defensive portfolios.

They allocate in different measures to risk assets, ranging from 15% equity in the Defensive strategy to around 85% equity in the Global Equity fund.

Since its launch in November, the discretionary fund management offering has already attracted £60m of new money from IFAs globally.

Five top fund picks

1. Pareturn Barwon Private Equity fund
2. GAM Star Continental Europe Equity fund
3. Alma DoubleLine Core Plus Bond fund
4. Prusik Asian Equity Income fund
5. BlackRock UK Special Situations fund

GAM discretionary fund management range

GAM MPS Balanced Strategy

Volatility target: 10.4%-13% pa
Balance of capital protection and participation in equity market growth.
Medium attitude to risk
Equity: 62.6%

GAM MPS Cautious Strategy

Volatility target: 7.8%-10.4% pa
Strong focus on capital protection, moderate participation in equity market growth.
Low attitude to risk
Equity: 47.6%

GAM MPS Defensive Strategy

Volatility target: 5.2%-7.8% pa
Strong focus on capital protection, limited participation in equity market growth.
Low attitude to risk
Equity: 15.4%

GAM MPS Global Equity Strategy

Volatility target: 15.6%-18.2% pa
For clients seeking to participate in global equity growth.
High attitude to risk
Equity: 85.1%

GAM MPS Growth Strategy

Volatility target: 13%-15.6% pa
Primarily in global equity market growth with an element of capital protection.
Equity: 82.2%