

GAM Star Credit Opportunities (EUR)

Webinar, 16 März 2026

Why active management makes sense while investing in subordinated debt?

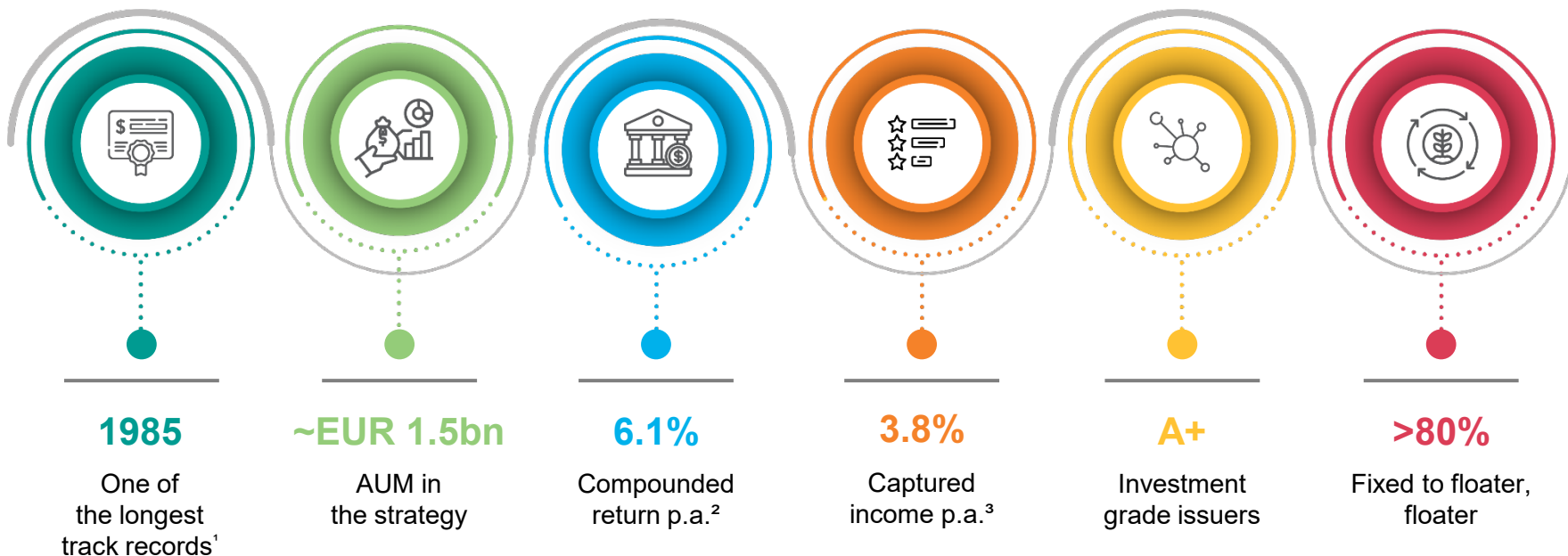
A background image showing light trails from a long-exposure photograph of a road at night. The trails are in shades of orange, yellow, and blue, curving through the frame.

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GAM Star Credit Opportunities (EUR)

Key points

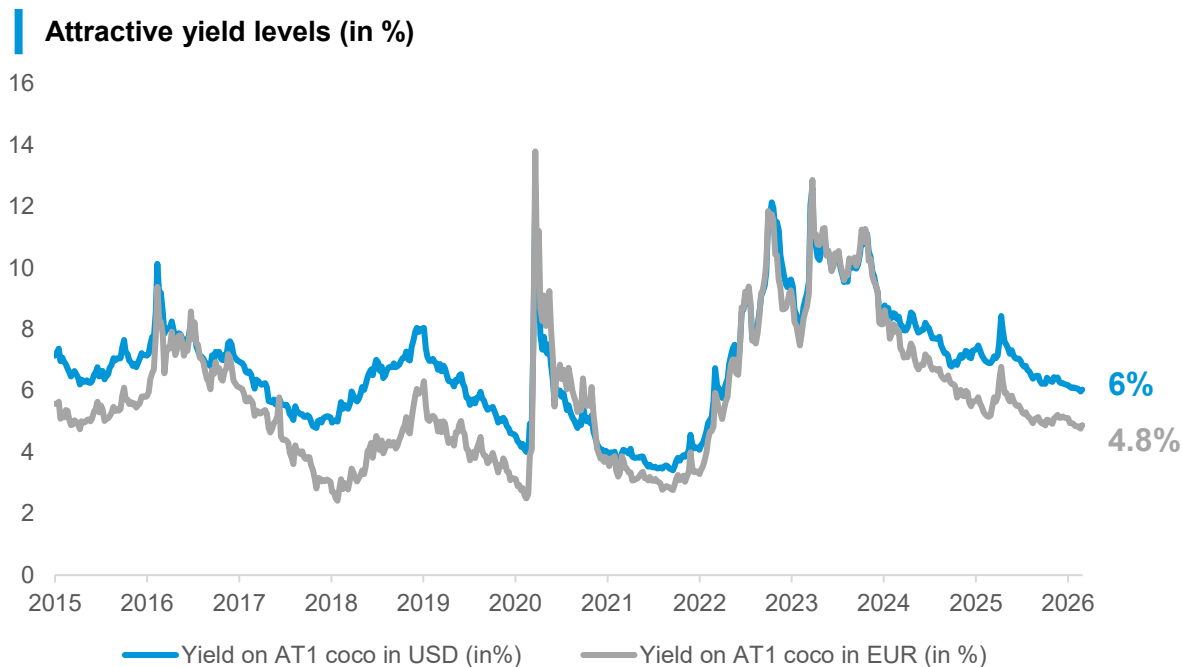


Past performance is not an indicator of future performance and current or future trends. The **gross** performance does not include the effect of commissions, fees and other charges, which will have a negative effect on the net performance.

Three powerful reasons to own sub debt from banks

... Yield, fundamentals and technicals

- 1 **Yields** remains elevated
- 2 **Fundamentals** are rock solid
- 3 **Technicals** are highly supportive

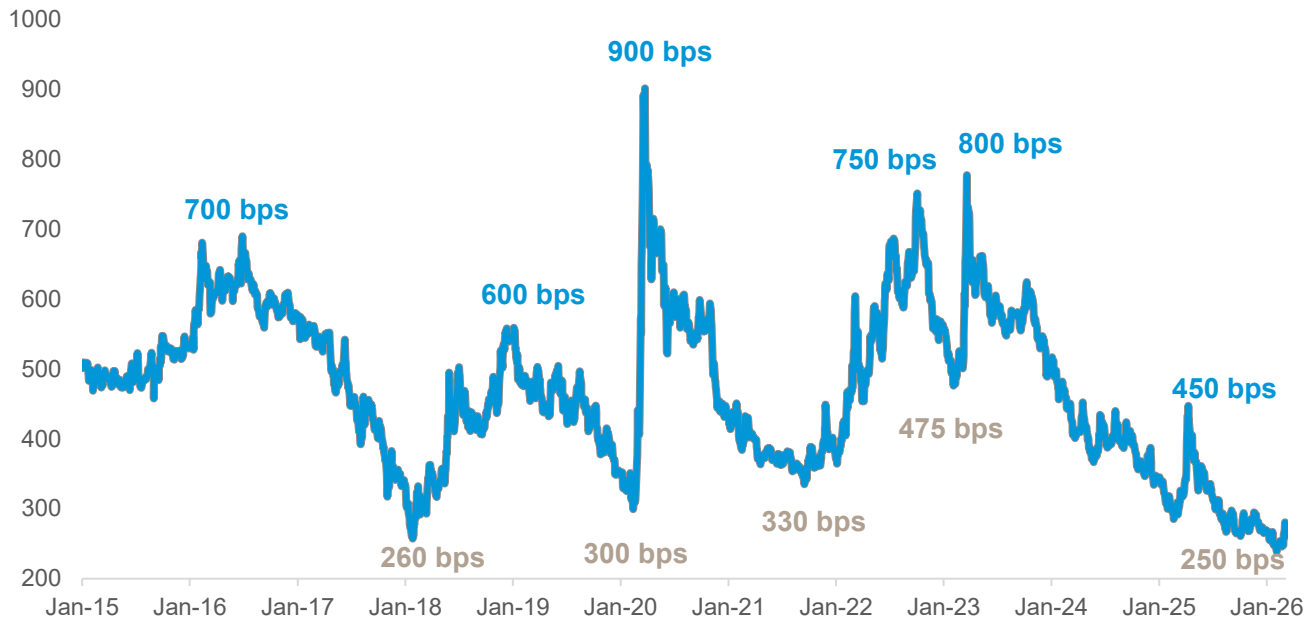


Past and current trends should not be relied upon as an indicator of future trends.

Spreads on AT1 cocos have been highly cyclical

...swinging between 250bps and up to 900bps

Spreads on AT1 cocos (in bps)



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Extension risk

Why AT1 prices can move sharply

What is extension risk?

- AT1 bonds are perpetual, but investors typically expect them to be called after five years
- Extension risk is the **risk that the bond might not be called**, and investors must hold it for much longer
- Note that 95% of AT1 cocos have always been called at first call date

Why does it impact AT1 bond prices?

- When **market sentiment** is negative and issuance cost rise, investors worry that banks may delay calling AT1s
- The bond is then priced as a perpetual rather than a 5-year bond, requiring a higher yield
- This cause price declines and higher volatility

AT1 performance is driven less by whether a bond is actually called, and more by how the market prices the risk of extension

Simplified example, new AT1 CoCo with a call date in 5 years, price of 100%, with a coupon of 5%

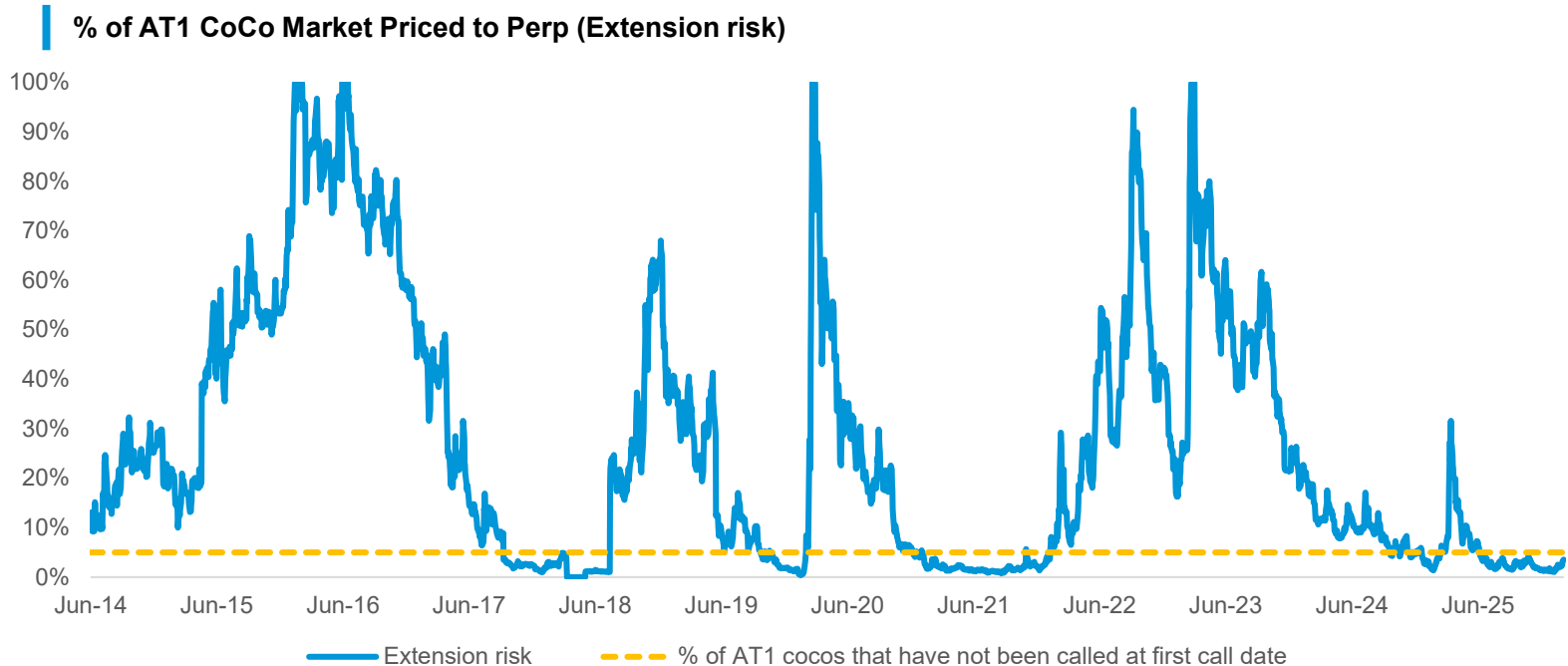
Scenario	Yield required by investors	Bond priced to call or perp?	Price of the bond
Bond issued	5%	Call	100%
Risk off event – Priced to Call	7%	Call	~90% (5% coupon + 2% of capital appreciation p.a. = ~7% yield)
Risk off event – Priced to Perp	7%	Perp	coupon/yield = 5/7 = 71%

Extension risk applies to “callable perpetuals” (AT1s, RT1s, etc.) and is the risk that the investors price the bond to next call date or to perpetuity, depending on market conditions.

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While 95% of AT1s have been called at 1st call date

Pricing of call risk has been swinging between 0% and 100%



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Relevance for portfolio construction

Finding the most attractive bonds on a “risk-adjusted basis”

Maximizing income...

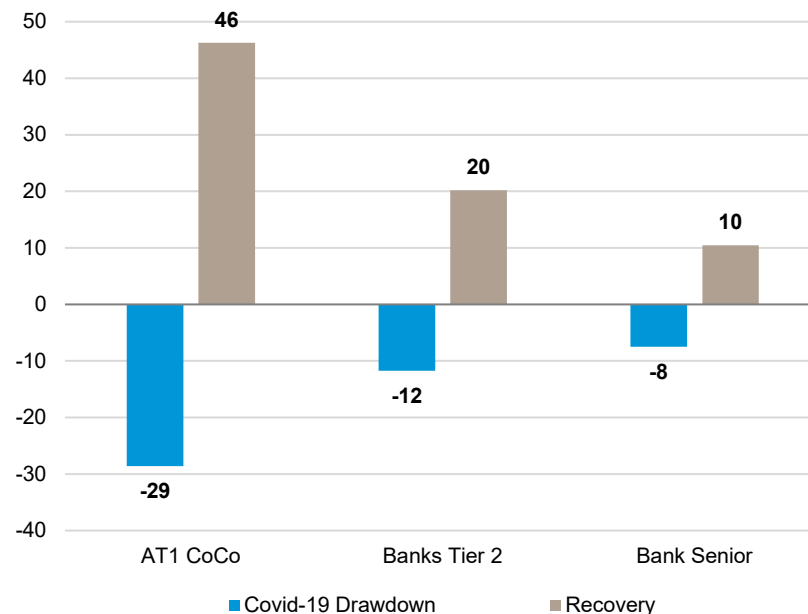
Issuer	Currency	Coupon	Capital Structure	Maturity	Next Call	Yield
BNP	USD	8.5%	AT1 CoCo	Perpetual	2028	5.6%
BNP	USD	4.375%	Tier 2	2033	2028	4.6%
BNP	USD	2.159%	Senior	2029	2028	4.2%

1%

0.4%

In this example, moving up the capital structure reduces carry modestly, but materially lowers price volatility, improving risk-adjusted returns

Without taking unnecessary volatility



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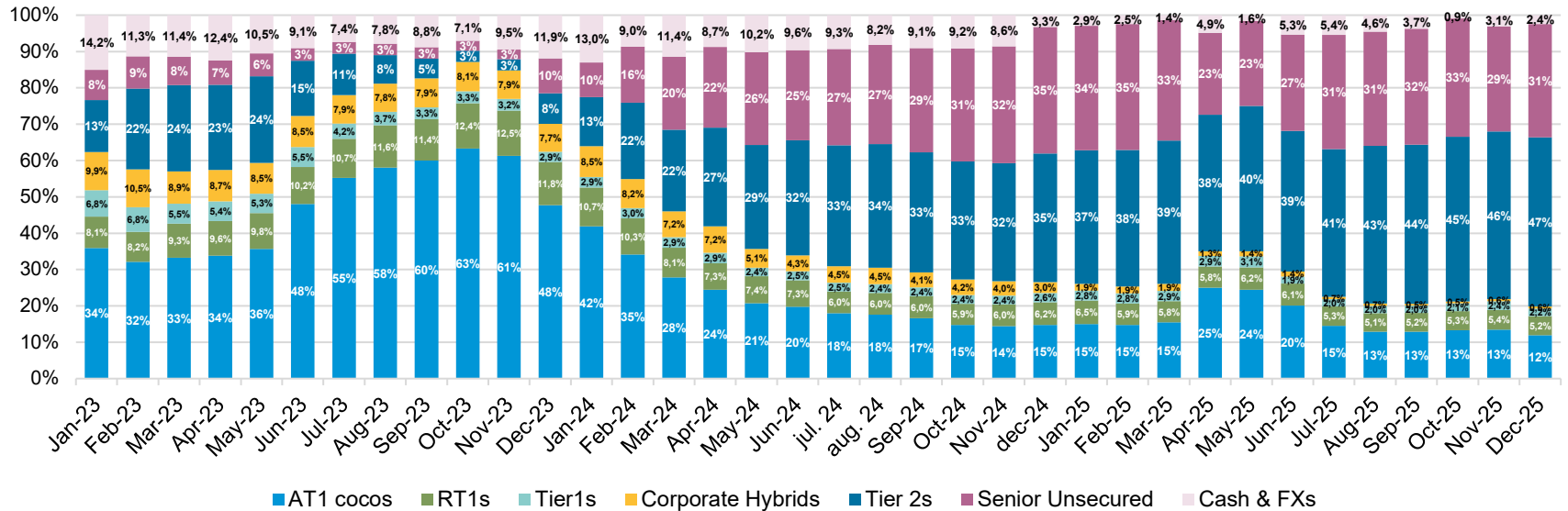
Source: Atlanticomnum and Bloomberg, December 2025. The views are those of the manager and are subject to change.

The mentioned financial instruments are provided for illustrative purposes only and shall not be considered as a direct offering, investment recommendation or investment advice. Past performance is not a reliable indicator of future results. There are no guarantees that the objectives of the investment strategy will be realized/achieved.

Actively managed strategy

Finding the best opportunities within the capital structure

Tactical asset allocation within capital structure



We adjust our allocation within the capital structure depending on market conditions, valuation levels as well as other factors such as extension risk.

Source: Atlanticomnum and Bloomberg as of 31 December 2025. The views are those of the manager and are subject to change.

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Case study – high vs low beta AT1 coco

Looking at two AT1 cocos from Commerzbank

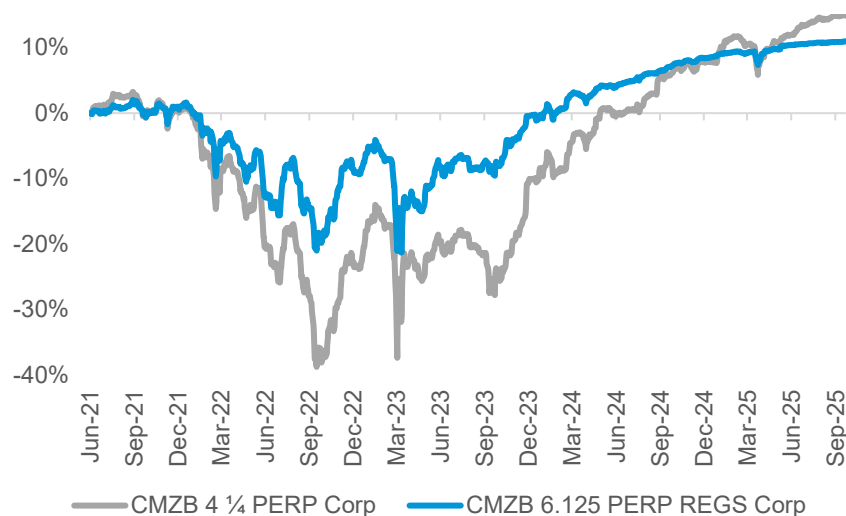
CMZB 4.25% NC27

- EUR 0.5bn, issued in 2021 with a spread of **440bps**
- Lower spread at issuance = higher beta i.e. higher price sensitivity due to extension risk

CMZB 6.125% NC25 (bond was called at par on first call date in October 2025)

- EUR 1.25bn, issued in 2020, with a spread of **636bps**
- Higher spread at issuance = lower price sensitivity to extension risk

Same performance with materially less price volatility

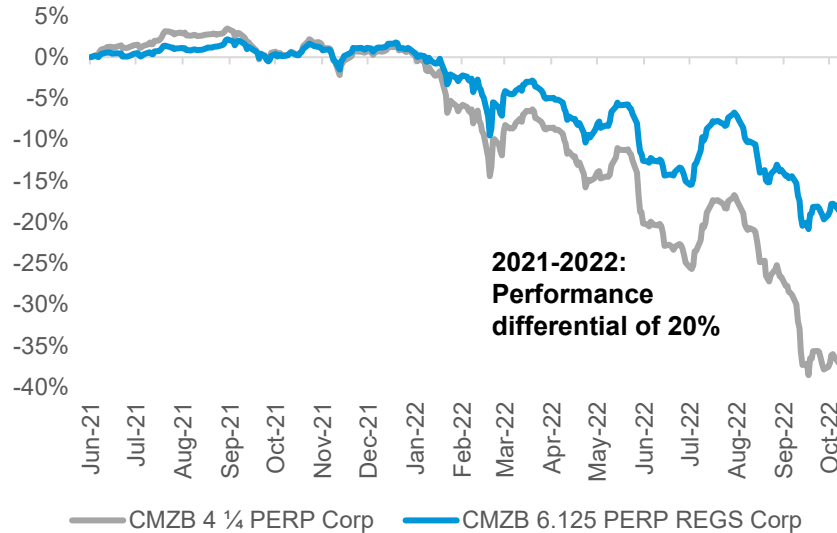


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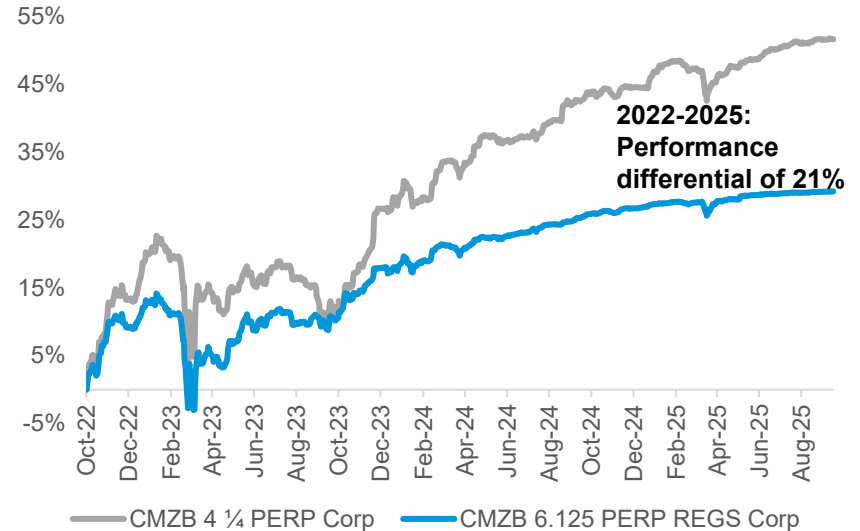
Case study – within the same issuer

A disciplined spread-at-issuance and beta analysis can consistently improve outcomes

During a risk-off, low beta AT1 coco (blue line) outperforms



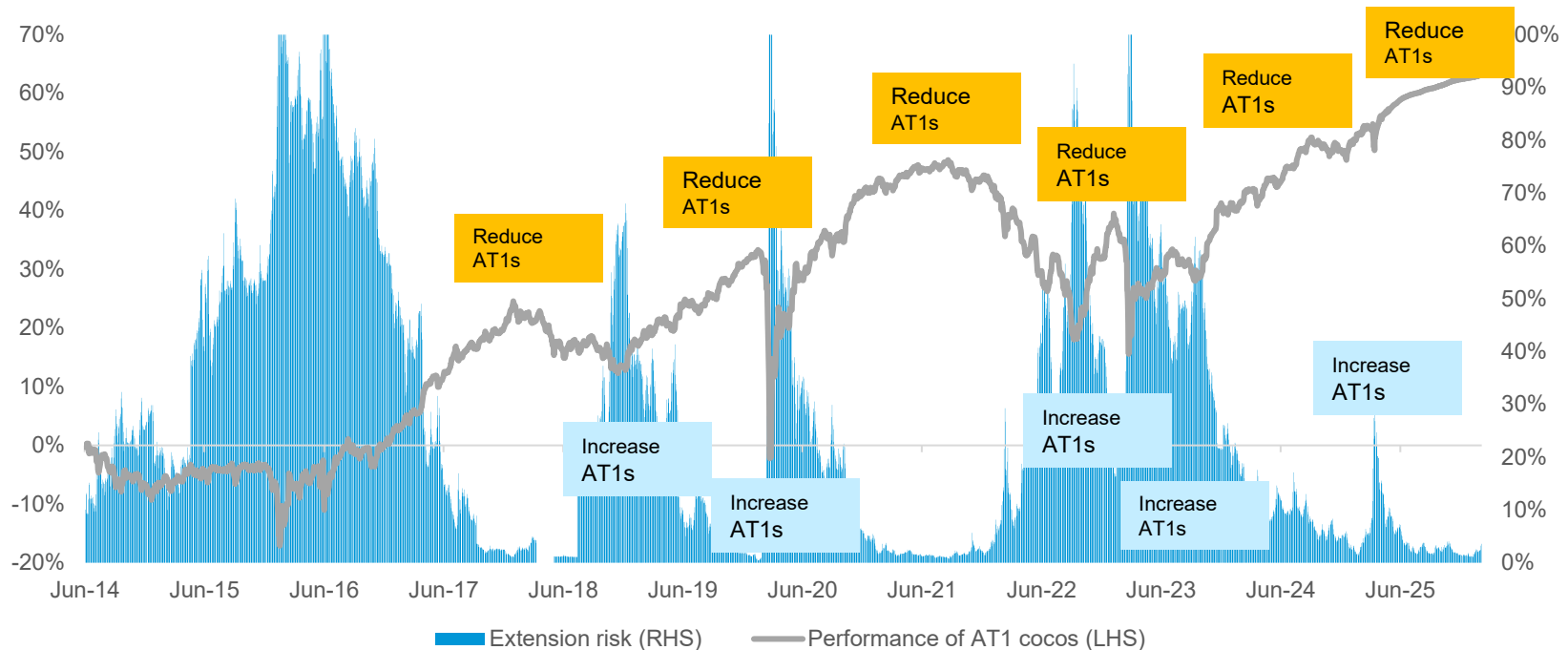
After a risk-off, high beta AT1 coco (grey line) outperforms



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Extension risk is a great buy/sell indicator

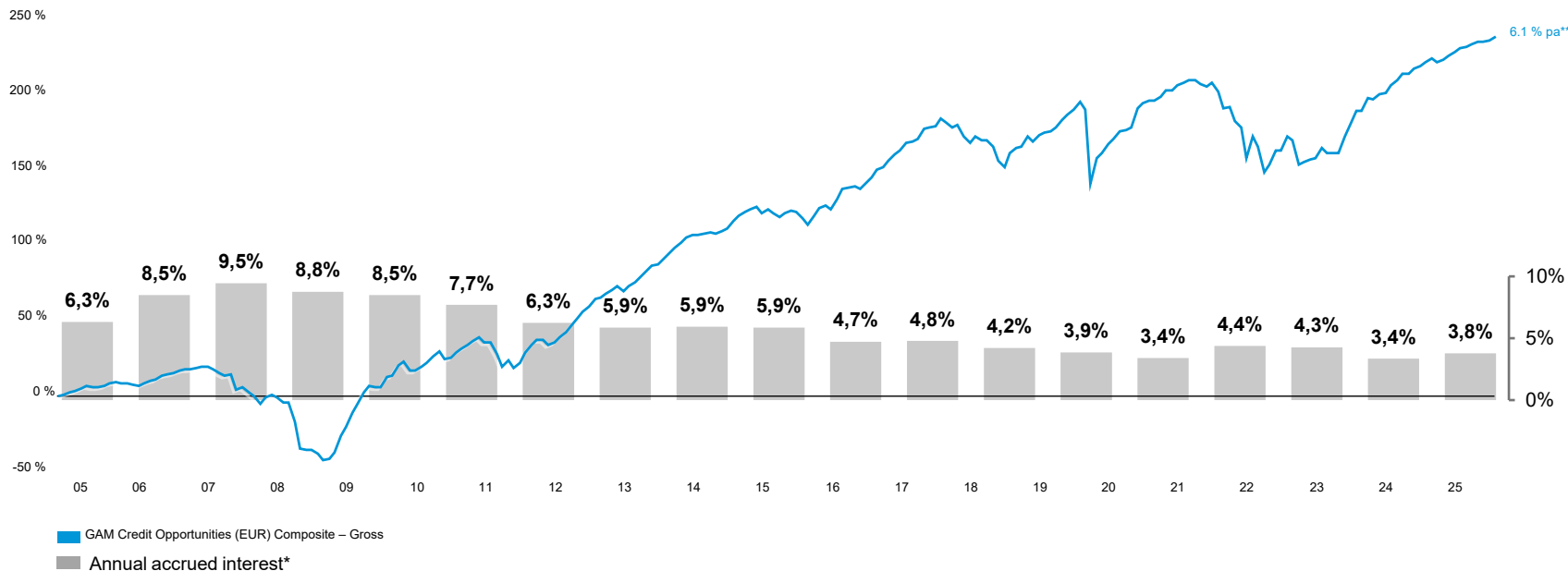
AT1 cocos are most risky once these reprice to next call date



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Long term track record

GAM Credit Opportunities (EUR) Strategy – Annual accrued interest and performance



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