

Financial Year 2021

Chairman's statement David Jacob

Last year marked a turning point for GAM. Peter Sanderson and his team maintained a relentless focus on clients and implementing the strategic transformation of the firm, and there are clear signs that this is having the desired effect. We now have a new operating platform largely complete, with commensurate cost savings, a strong team, continuing good investment performance, and we have put the legacy issues behind us. Of course, there is more to do, and we have not yet delivered positive inflows or the financial results we believe are possible.

The product portfolio we have built is well suited to the new post-pandemic paradigm where clients are increasingly looking for alternative, sustainable, and high-conviction strategies and solutions to protect and enhance their financial future. The strategic transformation has been implemented in a largely remote working environment, and this means that our colleagues are highly skilled in working flexibly using a combination of face- to-face and virtual meetings to engage with clients and other stakeholders.

During the year, we continued to attract very experienced industry professionals to join GAM, including a Global Head of Sustainable and Impact Investment to spearhead our sustainability efforts both as an active steward of our clients' capital and the way we operate as a firm, a new Head of our Fund Management Services business (formerly Private Labelling) based in Luxembourg as well as new colleagues for our distribution and investment teams. The quality of these new hires is indicative of the enthusiasm of colleagues within and outside the firm for the opportunity ahead for GAM. Our recent employee survey shows that engagement has held up well during the pandemic, but we are very aware of the pressures that transforming the firm during a pandemic have put on our teams. These results compare favourably with the benchmarks and there is a particularly high score for satisfaction with our working arrangements.

We have been grateful for the trust and support of our shareholders during the past year and, in particular, for their support for our proposals at the 2021 Annual General Meeting. We have an experienced, diverse and independent Board of Directors well-suited to support the firm through its transformation. I am confident that the progress that GAM has made over the past year will be successful in allowing us to deliver long-term value for clients and shareholders alike.

I believe that long-term relationships with our shareholders and other stakeholders are fundamental for the sustained success of our business. Good corporate governance and transparent disclosure helps stakeholders assess the quality of our firm and assists investors in their decision-making. In this context, we are pleased that this year we are publishing our second standalone Sustainability Report. We believe that investing in sustainable solutions, and being a responsible corporate, is the key to navigating our transitioning world and helping our clients to protect their financial future. Last year saw us commit to become a net zero investor, release our first set of high-conviction sustainability products, and provide ESG summary reports for over two thirds of our funds to support our clients in better understanding the ESG characteristics of their investments. I was also pleased that GAM was rated best Swiss-listed financial services provider for governance for the third year running by Inrate, an independent Swiss sustainability rating agency.

Financial performance

Our business performance was encouraging and 2021 was a pivotal year of strategic progress as we continue to invest in the transformation of GAM. Although our financial performance continues to lag our strategic progress, we see further benefits from our new operating platform and the key to our future success will be increased levels of client interest delivering growth in our assets under management. The Board of Directors is confident that the strategy will deliver an acceptable and sustainable level of profitability.

The management team have delivered a further CHF 15.5 million of savings in fixed personnel and general expenses to add to the total cost savings of CHF 71.6 million in 2020 and CHF 57.8 million in 2019. In addition to streamlining our business, we have seen continuing strong performance from our investment teams with 68% of AuM performing above their benchmark over three years, which has driven client momentum and net inflows into our equities strategies for five consecutive quarters. However, despite this progress, for the third consecutive year, we will not be awarding any variable compensation to our Group Management Board members, reflecting the continuing financial underperformance. Our dividend policy remains unchanged with at least 50% of underlying net profit to be distributed to shareholders. However, recognising GAM's underlying loss in 2021, the Board of Directors proposes to shareholders that no dividend be paid for the financial year 2021.

Looking ahead

I am proud of what has been achieved by Peter Sanderson and his team, and the Board continues to have confidence that the strategy will deliver sustainable value for our shareholders. However, the current level of assets under management, means that it is appropriate to make an adjustment to our financial targets. By the end of the full year 2024, we now believe we can achieve an underlying profit of at least CHF 50 million, an operating margin of between 20%-30%, and an unchanged compensation ratio target of between 45%-50%. We will continue to drive efficiency gains to assist meeting these revised targets, but I am optimistic that they are realistic and are only a staging post en route for a destination that will see GAM deliver strong sustainable returns for our shareholders.

The continued collaborative spirit, tenacity, and determination of everyone at GAM remains remarkable and the Board is very grateful for their efforts. I would also like to thank our shareholders for their continued support and patience as we put GAM in the best position to deliver for our clients and generate sustainable financial returns for our shareholders.

With best regards,



David Jacob
Chairman

16 February 2022

Group Chief Executive's letter

Peter Sanderson

I write to you following a pivotal year of strategic progress for GAM. Although we are yet to achieve the financial results we believe are possible, I believe we are in an excellent position to deliver for our clients and grow our business in the new paradigm which is emerging from the pandemic. We are seeing an increased appetite for actively managed alternative, sustainable and high-conviction strategies and solutions. This plays to our strengths of delivering results beyond the ordinary, by thinking beyond the obvious. Our strategic progress puts us in a good position to capture these growth opportunities through our three core businesses: Investment Management, Wealth Management and Fund Management Services (formerly Private Labelling).

Transforming GAM

Over the past two years, we have continued to transform GAM. Our governance, risk and control frameworks have been enhanced, our technology platforms have been modernised, the business model has been simplified and we have invested in the people and products that will enable us to grow. We have also put the issues of the past behind us with the settlement reached with the UK Financial Conduct Authority in December 2021. We have evolved our governance and culture to embed the lessons learned from that period. We now have state-of-the-art systems and robust processes that allow us to deliver excellent service to our clients and to support growth. Our focus is now on excellence across our business while always striving for further operational improvements and cost savings as we refine and develop our business.

Pivoting to growth

In 2021, we saw strong recovery in investment performance from our fixed income strategies and continued good performance from our equities strategies. Client interactions have been very positive and have translated into net inflows into equities in 2021 leading to increased diversification. We have added new sustainable strategies to our product portfolio and strengthened our high-performing global equities team. We appointed a Global Head of Sustainable and Impact Investment to spearhead our sustainability efforts and a new Head of Fund Management Services who is focused on revenue growth using the full suite of GAM capabilities in response to client demand for an enhanced offering. We also announced an increased focus on Wealth Management with new leadership through internal mobility. We have reinforced our distribution and sales team with a new Head of Global Consultant Relations and new team members in Asia, Europe, and the USA.

We were also proud to have been recognised with a number of awards during 2021, which reflects both the strength of our client offering and our talented and diverse colleagues. Among these was an award from Citywire recognising the high proportion of our clients' assets managed by women, two awards for a single manager at the Investment Week Women in Investment Awards and two awards for our systematic products at the HFM European Quant Performance Awards.

All these factors have contributed to continuing strong levels of conversations with long-standing and potential clients, more opportunities to pitch investment proposals and subsequent client inflows. This encouraging picture has been obscured by outflows resulting in a reduction of concentration in some of our larger fixed income strategies. This reflects weaknesses across the sector and the relative underperformance of some of our strategies, not yet offset by the diversification of inflows into our equities strategies.

Delivering excellence through our new operating platform

During 2021, we began to leverage our new operating platform to provide enhanced client service and operational synergies. The new platform is now in operation across all equity and most fixed income portfolios in Investment Management to complement the existing platform in our Fund Management Services business; the remaining portfolios will be integrated during 2022. We have also implemented a new platform for our Wealth Management business and new systems for our Human Resources and Finance functions.

Further enhancing transparency

During 2021, we further enhanced our reporting to demonstrate accountability and build trust with all our stakeholders. We published our first-ever standalone Sustainability Report and an enhanced Stewardship Report as well as ESG summary reports for more than two thirds of our funds. At the end of the year, we reached a settlement with the UK Financial Conduct Authority concerning the operation of the conflicts of interest framework for our UK subsidiary GAM International Management Limited (GIML). In our announcement, we reminded the market that after the Absolute Return Bond funds were put into liquidation in 2018, we were able to return on average more than 100% of their value to clients. Since then, we have significantly strengthened our senior management, governance, control frameworks, policies, and training to ensure that all lessons learned from that period are fully embedded into our firm and culture. In this context, it was pleasing to see that GAM was rated best Swiss-listed financial services provider for governance for the third consecutive year by Inrate, an independent Swiss sustainability rating agency.

Smooth execution of operational changes

During the year, we also successfully managed some significant operational changes to better align our business to client demand. In March, we announced the orderly wind down of our supply chain finance fund, and we have just made the final payment which has seen clients receive over 100% of their investment. In April, we announced the realignment of our systematic capabilities and in September, we decided to close some of our long-short strategies. During the year, we merged a number of our European legal entities to create a simplified branch structure. The smooth execution of these changes was a reflection of the highly collaborative and supportive culture at GAM.

Our financial performance

We have continued to invest in transforming the business and have seen financial performance slightly improve with a reduced underlying loss of CHF 9.6 million for FY 2021 as compared to CHF 14.9 million for FY 2020. Our investment in these transformational changes have helped deliver CHF 15.5 million cost savings in fixed personnel and general expenses in 2021 and exceeded our guidance. This adds to the CHF 71.6 million of total expenses saved in FY 2020.

Our strategic progress in 2021 has put us in a good position to grow the firm. We believe that GAM will be able to deliver strong financial results, but we have revised our targets in the light of our current assets under management. We will continue to drive efficiency gains to help meet these revised targets and deliver sustainable returns for our shareholders.

Moving forward with confidence and unwavering focus on clients

We have made good strategic progress during 2021, thanks to the efforts of all my colleagues. This was achieved against the challenging backdrop of the pandemic but, with a highly committed leadership team, a deep bench of talented colleagues, a new operating platform together with great products and solutions for our clients, GAM has a powerful formula for success. Now that we have put the legacy issues behind us, we can move forward with confidence thanks to the hard work, unwavering focus on clients and dedication of the whole GAM team. I would like to thank all our stakeholders for their commitment and loyalty to GAM.

During 2022, I am looking forward to ensuring that GAM can deliver on our purpose to protect our clients' financial future and restoring value for our shareholders by focusing on what makes us different: thinking beyond the obvious.

With best regards,



Peter Sanderson
Group Chief Executive Officer

16 February 2022

KEY FIGURES 2021 (CONSOLIDATED)

Income statement

	2021 CHF m	2020 CHF m	Change in %
Net management fees and commissions	208.0	230.4	(10)
Net performance fees	19.3	2.8	-
Net fee and commission income	227.3	233.2	(3)
Net other expenses	(2.4)	(4.0)	(40)
Income	224.9	229.2	(2)
Personnel expenses	143.1	150.5	(5)
Fixed personnel expenses	104.8	118.3	(11)
Variable personnel expenses	38.3	32.2	19
General expenses	73.2	75.0	(2)
Occupancy	6.2	5.6	11
Technology and communication	16.3	15.2	7
Data and research	20.0	20.6	(3)
Professional and consulting services	7.8	8.3	(6)
Marketing and travel	5.8	7.0	(17)
Administration	5.2	5.5	(5)
Other general expenses	11.9	12.8	(7)
Depreciation and amortisation	18.2	18.6	(2)
Expenses	234.5	244.1	(4)
Underlying loss before taxes	(9.6)	(14.9)	(36)
Underlying income tax expense	(2.1)	-	-
Underlying net loss	(7.5)	(14.9)	(50)
Acquisition-related items	8.1	19.8	(59)
Non-core items	(13.7)	(402.4)	(97)
Tax on acquisition-related items	0.1	0.6	(83)
Tax on non-core items	0.4	1.7	(76)
Non-core tax item	(10.7)	6.8	-
IFRS net loss	(23.3)	(388.4)	(94)
Operating margin (%) ¹	(3.2)	(4.7)	-
Compensation ratio (%) ²	63.0	64.5	(2)
Personnel at the end of the year (FTEs)	605	701	(14)

'Forward-looking statements'

This letter to shareholders contains statements that constitute 'forward-looking statements', including statements on the future financial performance of GAM Holding AG (the Company), its plans and objectives and their anticipated effect on the Company's future business and development, as well as other projections and statements that are forward-looking or contain subjective assessments, regarding the intent, belief or current expectations of the Company. The Company has tried to identify those forward-looking statements by using words such as 'may', 'will', 'would', 'should', 'expect', 'intend', 'estimate', 'anticipate', 'project', 'believe', 'predict' and similar expressions. Such statements are made on the basis of assumptions, estimates and expectations which, although the Company believes them to be reasonable at this time, may prove to be erroneous or unfounded in the future, as forward-looking statements are subject to risks and uncertainties that could cause the actual development, results and financial position of the Company to differ materially from the information presented herein. If risks or uncertainties materialise or if underlying assumptions prove to be incorrect, actual outcomes may vary materially from those indicated in the forward-looking statements. Other than in accordance with the ad-hoc publicity rules of the SIX Swiss Exchange, the Company undertakes no obligation to release publicly any revisions or updates to any forward-looking statements herein to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events or to reflect any change in the Company's expectations.

Client assets – investment management

	2021 CHF bn	2020 CHF bn	Change in %
Assets under management at the end of the year	31.9	35.9	(11)
Average assets under management ³	34.2	37.9	(10)
Net flows	(4.4)	(10.6)	(58)
Total fee margin (bps) ⁴	57.0	52.5	9
Management fee margin (bps) ⁵	51.3	51.8	(1)

Client assets – fund management services

	2021 CHF bn	2020 CHF bn	Change in %
Assets under management at the end of the year	68.0	86.1	(21)
Average assets under management ³	81.2	83.4	(3)
Net flows	(20.5)	(0.4)	-
Management fee margin (bps) ⁵	4.0	4.1	(2)

Balance sheet

	31.12.2021 CHF m	31.12.2020 CHF m	Change in %
Net cash	234.8	270.9	(13)
Assets	755.2	820.2	(8)
Equity	478.5	473.9	1
Adjusted tangible equity ⁶	174.2	188.7	(8)

Share information

	2021	2020	Change in %
Number of registered shares at the end of the year	159,682,531	159,682,531	-
Share capital at the end of the year (CHF m)	8.0	8.0	-
Diluted underlying EPS (CHF) ⁷	(0.05)	(0.10)	(50)
Closing price at the end of the year (CHF)	1.36	2.16	(37)

¹ (Net fee and commission income – expenses) / net fee and commission income.

² Personnel expenses / net fee and commission income.

³ Average calculated with 13 month-end values (December to December).

⁴ Net fee and commission income / average assets under management.

⁵ Net management fees and commissions / average assets under management.

⁶ Equity excluding goodwill and other intangible assets as well as the financial liability relating to 40% of future GAM Systematic performance fees.

⁷ Underlying net profit / weighted average number of shares outstanding for diluted EPS. As a result of the underlying net loss reported for 2021, for the calculation of the diluted underlying EPS, the weighted average number of shares outstanding for diluted EPS equals the weighted average number of shares outstanding for basic EPS of 156.1 million.