

28 August 2018

## PRESS RELEASE

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### **GAM outlines liquidation plan for unconstrained/absolute return bond funds**

GAM Investments announced today that the suspended unconstrained/absolute return bond funds (ARBF) have obtained the applicable approvals to start the liquidation process.<sup>1</sup>

All fund investors will receive their proportionate interest in cash from the liquidation process. Each fund expects to be able to make the first payments in early September, returning between 74% and 87% of the Luxembourg and Irish-domiciled UCITS funds, and between 60% and 66% of the assets in the Cayman master fund and the associated Cayman and Australian feeder funds.

GAM's priority is to maximise value for the fund investors throughout the liquidation process, while ensuring equal and fair treatment to all. Because these funds have a mix of mainly liquid assets and some less liquid assets, GAM is focused on ensuring balance between value maximisation with speed of liquidation. The company expects to make a further distribution for each fund before the end of September, and continue distributions in the coming months, dependent on market conditions.

GAM also expects to offer alternative structures for investors who want to remain invested with the ARBF team. A UCITS fund is expected to be available for investors in the coming weeks, and the company is setting up a new Cayman fund as well.

**Group CEO Alexander S. Friedman said:** "The suspension and the subsequent decision to liquidate the ARBF funds has been a difficult process, but necessary to ensure that we deliver on our principles of acting in the best interests of all fund investors and treating them equally and fairly. This does not take away from the fundamental strength of GAM as a diversified asset manager.

"We have spent the past few years restructuring GAM into a more efficient business with a less volatile earnings profile, while continuing to build out high performing, specialist strategies that are relevant for our clients. This has made GAM better positioned to weather a challenging environment, and we believe we will continue to attract clients to our platform and deliver value to our investors in the years to come."

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<sup>1</sup> For the relevant Cayman funds a wind down process will be used initially, which will be followed by a formal voluntary liquidation.

## About GAM

GAM is one of the world's leading independent, pure-play asset managers. The company provides active investment solutions and products for institutions, financial intermediaries and private investors. The core investment business is complemented by private labelling services, which include management company and other support services to third-party asset managers. GAM employs over 900 people in 14 countries with investment centres in London, Cambridge, Zurich, Hong Kong, New York, Milan and Lugano. The investment managers are supported by an extensive global distribution network.

Headquartered in Zurich, GAM is listed on the SIX Swiss Exchange and is a component of the Swiss Market Index Mid (SMIM) with the symbol 'GAM'. The Group has assets under management of CHF 163.8 billion (USD 165.0 billion) as at 30 June 2018.

## Background to the liquidation of the ARBF funds

- On 31 July 2018 GAM announced the suspension of Tim Haywood, investment director from the ARBF team, following an internal investigation, involving external counsel. The investigation concluded that Mr Haywood may have failed to conduct or evidence sufficient due diligence on some of the investments that were made, or to make accessible internal records of documents relating to these; may have breached the firm's signatory policy by signing alone certain contracts where two signatures were necessary; breached the company's gifts and entertainment policy by not asking for required pre-approval; used his personal email for work purposes.
- When faced with a cumulative pattern of potential misconduct, the entire Board of Directors and management unanimously felt that suspension was absolutely the right course of action. Because Mr Haywood had responsibility for a significant proportion of GAM's assets under management, a public announcement regarding his suspension was required.
- Subsequently the ARBF received redemption requests in excess of 10% of their assets and had to be suspended to ensure fair and equal treatment of all investors. On 10 August 2018 the relevant fund boards decided to place the funds into liquidation to allow investors to receive proceeds in a more timely manner.
- The investments that were made in ARBF funds are not prohibited by any of the restrictions applying to the respective funds. The investigation did not conclude that there has been any departure from a legitimate investment strategy. GAM found no material client detriment to date, and is keeping this under review.
- No other employees are being investigated in relation to these matters and no evidence was found to indicate such an investigation regarding other employees was required. All other investment teams at GAM and third-party managers continue to manage client money as normal.
- GAM takes risk management and compliance very seriously and operates a standard three lines of defence model, with clearly defined roles and responsibilities. It keeps its processes and resources under ongoing review and has been moving regionally-based governance arrangements to a group level, by establishing a series of group oversight committees covering risk, compliance, investment, distribution and change activities. A number of measures have been taken to improve GAM's overall control functions:
  - A number of new roles have been created, including a head of investments to provide oversight across portfolio management and trading, a group head of compliance, a head of front office controls, and a head of trading;
  - The role of the group chief risk officer was elevated to the Group Management Board in 2017. This year, the compliance and legal functions were separated to underscore the importance of compliance, with the group head of compliance also joining the Group Management Board;
  - There have also been a number of new personnel additions that have further strengthened capabilities in areas including financial crime prevention, compliance monitoring and regulatory developments.

**Disclaimer regarding forward-looking statements**

This press release by GAM Holding AG ('the Company') includes forward-looking statements that reflect the Company's intentions, beliefs or current expectations and projections about the Company's future results of operations, financial condition, liquidity, performance, prospects, strategies, opportunities and the industry in which it operates. Forward-looking statements involve all matters that are not historical facts. 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', 'seek', 'plan', 'predict', 'continue' and similar expressions. Such statements are made on the basis of assumptions and expectations which, although the Company believes them to be reasonable at this time, may prove to be erroneous.

These forward-looking statements are subject to risks, uncertainties, assumptions and other factors that could cause the Company's actual results of operations, financial condition, liquidity, performance, prospects or opportunities, as well as those of the markets it serves or intends to serve, to differ materially from those expressed in, or suggested by, these forward-looking statements. Important factors that could cause those differences include, but are not limited to: changing business or other market conditions, legislative, fiscal and regulatory developments, general economic conditions, and the Company's ability to respond to trends in the financial services industry. Additional factors could cause actual results, performance or achievements to differ materially. The Company expressly disclaims any obligation or undertaking to release any update of, or revisions to, any forward-looking statements in this press release and any change in the Company's expectations or any change in events, conditions or circumstances on which these forward-looking statements are based, except as required by applicable law or regulation.