GAM | Holding AG

Press Release

GAM Holding AG reports underlying net profit of CHF 202.2 million for 2010, up 35% year-on-year

Zurich, 1 March 2011

- **Assets under management of CHF 117.8 billion, a year-on-year increase of 4%.**
- **Strong net new money inflows of CHF 8.0 billion, on the back of continuing product diversification and broadening of distribution channels.**
- **Underlying net profit of CHF 202.2 million, up 35% year-on-year[1].**
- **Strong capitalisation, with tangible equity of CHF 1.07 billion. Investment in organic growth and search for targeted, accretive acquisitions ongoing.**
- **Proposed dividend of CHF 0.50 per share: intended to be paid from contributed capital reserves, making it tax-efficient for shareholders.**
- **Cancellation of 5% of outstanding shares repurchased under 2010 buy-back programme, to be approved at 2011 Annual General Meeting.**
- **New three-year share buy-back programme proposed for 2011 to replace current one: repurchase and cancellation of up to 20% of current shares in issue, subject to regulatory and shareholder approval.**

Assets under management for the Group grew by CHF 4.2 billion (4%) to CHF 117.8 billion[2] as at 31 December 2010. This growth was driven principally by strong net new money inflows of CHF 8.0 billion[2], supported by positive market performance. However, since the Group's assets under management are reported in Swiss francs, the weakening of the US dollar and the euro reduced these gains by CHF 9.1 billion.

Commenting on the Group's development in 2010, Chairman and CEO *Johannes A. de Gier* said: "Our first full year of independence was marked by solid results. This underscores the growth potential offered by our business model, and I am very pleased with the accomplishments of our operating businesses."

Net new money – GAM

GAM recorded net inflows of CHF 5.9 billion, a strong turn-around from the net outflows of CHF 4.2 billion experienced in 2009. Substantial net inflows were recorded into its fixed income range, including the funds GAM sub-advises for Swiss & Global Asset Management. While inflows into these fixed income absolute return products were somewhat slower in the second half of the year, inflows into its emerging markets strategies and its Asian and US equity products picked up considerably as the year progressed.

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[1] The underlying net profit of CHF 202.2 million excludes the CHF 180.3 million non-cash reduction in the carrying value of Artio Global Investors Inc. and the amortisation of customer relationships of CHF 11.7 million. Including these items, the Group's net profit as shown in the Consolidated Financial Statements and according to IFRS amounted to CHF 10.2 million.

[2] Group assets under management and net new money totals exclude the funds sub-advised by GAM and distributed by Swiss & Global Asset Management which are reported in both businesses. Including these assets, Group assets under management amounted to CHF 134.0 billion and net new money inflows to CHF 15.6 billion in 2010.

Strong contributors to net new money inflows included GAM's single manager absolute return UCITS III products. This highlights GAM's ability to capitalise on the ongoing shift in private client demand away from the historically dominant offshore structures towards investments that are regulated, liquid and offer a more favourable tax treatment. GAM has been dedicating its skills and experience in selecting investment talent to the permanent expansion of its range of onshore funds, drawing on both in-house and external managers. This will enable it to continue to benefit from the trend towards onshore investing in 2011 and thereafter.

In contrast to private clients, institutional investors continue to demonstrate strong interest in funds of hedge funds and are set to become the largest client group in GAM's multi-manager business. Benefiting from its proven risk and liquidity management, GAM achieved considerable mandate wins in the institutional segment in 2010 – especially for alternative strategies with a low correlation to equity markets – and has established a solid pipeline of business for 2011.

GAM's *assets under management* reached CHF 53.6 billion as at 31 December 2010, an increase of CHF 2.6 billion or 5% on year-end 2009.

Net new money – Swiss & Global Asset Management

Net new money inflows at Swiss & Global Asset Management rose 23% year-on-year and totalled CHF 9.7 billion. The greatest contributors to net new money, particularly in the first half of the year, were the fixed income funds sub-advised by GAM and distributed by Swiss & Global Asset Management. The physical precious metal fund range also continued to attract client assets, while inflows into equity funds remained muted throughout 2010.

Inflows from institutional clients, in particular in Germany, Chile and Peru, offset the closure of smaller mandates in Switzerland, resulting from efforts to reposition the business to focus on growth regions and on clients with a real interest in active investment management.

Net inflows into the private label fund business were solid – although somewhat lower than the extraordinary levels of 2009 – and its pipeline of future business remains healthy.

At Swiss & Global Asset Management *assets under management* at 31 December 2010 were CHF 80.4 billion, CHF 7.4 billion or 10% higher than a year earlier.

2010 Group results

Adjusted for non-cash items[3], *underlying net profit* for 2010 was CHF 202.2 million, up 35% from CHF 149.6 million in 2009, driven by a substantial increase in revenues. Reported on the same basis, earnings per share rose to CHF 1.03 (43% higher than in 2009) and return on tangible equity reached 19.0% (12.2% in 2009).

The Group's *operating income* for 2010 was CHF 712.5 million, up 21% compared to 2009. Net fee and commission income, which represents 80% of total operating income, rose on the back of asset growth.

[3] The **net profit for 2010** has been adjusted to exclude the reduction in the carrying value of the investment in associates (Artio Global Investors Inc.) of CHF 180.3 million and the amortisation of customer relationships of CHF 11.7 million. Including those non-cash items, the Group's net profit for 2010 as shown in the Consolidated Financial Statements and in accordance with IFRS amounted to CHF 10.2 million.
The **net profit for 2009** was adjusted to include income from associates (Artio Global Investors Inc.) but excludes the consolidation of Artio Global Investors Inc.'s results for 2009. It also excludes the amortisation of customer relationships and the elimination of non-recurring revenues paid to GAM Holding AG by Bank Julius Baer & Co. Ltd. during the period to September 2009. The Group's net profit for 2009 as shown in the Consolidated Financial Statements and in accordance with IFRS amounted to CHF 3,637.2 million.

Performance fees, mainly recorded at GAM, grew steeply to reach CHF 89.5 million (CHF 17.5 million in 2009), reflecting the success of the fixed income products as well as the contribution from GAM's internally managed hedge fund strategies. Growth of performance fees, which will continue to be an important revenue driver as the Group's asset base evolves, contributed towards a *gross margin* of 60.2 basis points for 2010, an increase of 4.5 basis points compared to that recorded in 2009.

The income from the retained 28% stake in Artio Global Investors Inc., reported as income from investment in associates, decreased by 13% to CHF 27.5 million. Derived from publicly available financial information, this income was negatively impacted by the weakening of the US dollar against the Swiss franc. Other operating income – which includes foreign exchange gains from hedging activities undertaken to mitigate the Group's currency exposure – rose by CHF 8.1 million year-on-year to reach CHF 25.1 million.

Operating expenses rose by 16% in 2010 to CHF 466.0 million, driven by an increase in personnel expenses and partly offset by a slight fall in general expenses. While fixed salary levels remained broadly stable, variable personnel expenses rose commensurately with the Group's financial results, mainly driven by contractual-based payments to investment professionals. Personnel costs also reflected the accounting impact of the options awarded to all employees under a long-term incentive plan introduced in 2009 following the listing of GAM Holding AG as an independent group.

The increase in operating expenses was outpaced by revenue growth, leading to an improvement in the Group's *cost/income ratio,* which fell from 68.0% in 2009 to 65.4% in 2010.

Group balance sheet and capital position

The Group's balance sheet remained strong, with *total assets* as at 31 December 2010 amounting to CHF 2,883.0 million. The cash position at year-end was substantial at CHF 819.1 million and the Group's outstanding debt amounted to CHF 63.2 million, reduced from CHF 245.6 million at the end of 2009. As pre-announced in November 2010, the carrying value of Artio Global Investors Inc., reported as investment in associates, was reduced by CHF 180.3 million to CHF 306.3 million.

Total equity amounted to CHF 2,451.7 million at the end of 2010. Excluding the GAM goodwill, customer relationships and brand, *tangible equity* stood at CHF 1,066.8 million. It was CHF 156.0 million lower than at year-end 2009, reflecting the increase in treasury shares resulting from the buy-back of own shares for cancellation under the 2010 programme and from hedging the economic exposure from the options granted under the 2009 long-term incentive plan.

Despite these effects, tangible equity still far exceeded the regulatory capital requirements of the Group, which amounted to approximately CHF 71 million at year-end 2010 (calculated by aggregating all of the regulatory requirements of the operating businesses), highlighting the Group's strong capitalisation and its capacity to invest in future growth.

On the Group's potential role as a consolidator in the asset management industry, *Johannes A. de Gier* commented: "The search for suitable acquisition targets remains on our strategic agenda, but we will not consider anything less than a compelling transaction. Any acquisition has to be strategically convincing and financially accretive for our shareholders."

Dividend distribution and share buy-backs

At the Annual General Meeting on 19 April 2011, the Board of Directors of GAM Holding AG will propose a *dividend* of CHF 0.50 per share for the financial year 2010. This will result in a distribution to shareholders equivalent to approximately half of its annual underlying net profit, in line with its previously stated commitment. The Board of Directors intends to pay this dividend from the Group's significant contributed capital reserves, making it exempt from Swiss withholding tax of 35% and from income tax for private shareholders resident in Switzerland.

Under its first *share buy-back programme* initiated on 26 August 2010, the Group had repurchased 10,330,756 shares at an average price of CHF 14.94 by year-end 2010, returning around CHF 154 million to its shareholders. Shareholders will be asked to approve the cancellation of these shares, which represent 5% of the total in issue, at the Annual General Meeting in April 2011.

The current share buy-back programme has a maximum buy-back limit of 10% of outstanding shares and is open until August 2012. However, in light of the strong capital and cash position of the Group, the Board of Directors proposes to replace the current share buy-back programme with a new scheme to be initiated after the Annual General Meeting in April 2011. The Board intends to utilise mainly contributed capital reserves for this new programme, thereby making it tax-advantageous and attractive for both private and institutional shareholders.

This new programme would run for three years to allow for maximum flexibility in the management of the Group's capital, without compromising the goal of maintaining a strong financial position or limiting potential M&A activity. Subject to regulatory and shareholder approval, the maximum buy-back limit would be set at 20% of current outstanding shares (which equates to 41.3 million shares).

Outlook

Johannes A. de Gier said: "Market flows indicate that investors are tentatively recovering their interest in equities and hedge funds. However, sentiment remains fragile due to persisting macroeconomic uncertainty and it is therefore too early to say whether this encouraging trend will be sustained for the rest of 2011."

"In addition, the strengthening of the Swiss franc against other currencies that make up a large part of our asset base will impact our revenues going forward and creates a hurdle that we must overcome as part of our business operations."

"Beyond these short-term challenges, we have what is required to make our Group a long-term success. The expansion of our distribution networks is well underway, investment performance across our product ranges is generally attractive, and we are strongly positioned to benefit from the emerging trends in market demand."

The presentation for media, analysts and investors on the financial results of GAM Holding AG for 2010 will be webcast on 1 March 2011 at 9:30am (CET). Materials relating to the results (presentation slides, Annual Report 2010 and press release) are available at www.gamholding.com.

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Notes to Editors

About GAM Holding AG

GAM Holding AG is an independent, well-diversified asset management group. Its operating businesses – GAM and Swiss & Global Asset Management – focus on the manufacturing and distribution of actively managed investment products and services.

GAM Holding AG 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 118 billion (as at 31 December 2010) and employs over 1,000 staff with offices in Zurich (head office), Bermuda, Grand Cayman, Dubai, Dublin, Frankfurt, Geneva, Hong Kong, London, Luxembourg, Madrid, Milan, New York and Tokyo.

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 fact. The Company has tried to identify those forward-looking statements by using the words '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.

Attachment: Key Figures 2010

Key Figures 2010

Consolidated income statement	2010 CHF M	2009 CHF M	Change in %
Net fee and commission income	570.4	523.1	9
Performance fees	89.5	17.5	411
Income from investment in associates	27.5	31.7	-13
Other operating income	25.1	17.0	48
Operating income	**712.5**	**589.3**	**21**
Personnel expenses	334.5	259.0	29
General expenses	124.5	130.6	-5
Depreciation and amortisation	7.0	10.9	-36
Operating expenses	**466.0**	**400.6**	**16**
Profit before taxes	**246.5**	**188.7**	**31**
Income taxes	44.3	39.1	13
Underlying net profit[1]	**202.2**	**149.6**	**35**
Gross margin (basis points)	60.2	55.7	-
Cost/income ratio	65.4%	68.0%	-
Pre-tax margin (basis points)	20.8	17.8	-

Client assets	2010 CHF BN	2009 CHF BN	Change in %
Assets under management[2]	117.8	113.6	4
Average assets under management	118.3	105.9	12
Net new money[3]	8.0	0.4	-

Personnel	31.12.2010	31.12.2009	Change in %
Number of full-time employees	1,052	1,023	3
in Switzerland	313	302	4
abroad	739	721	2

Consolidated balance sheet	31.12.2010 CHF M	31.12.2009 CHF M	Change in %
Total assets	2,883.0	3,161.4	-9
Total equity	2,451.7	2,619.3	-6
Tangible equity (total equity, excluding goodwill, customer relationships and brand)	1,066.8	1,222.8	-13
Return on tangible equity[4]	19.0%	12.2%	-

Share information	31.12.2010	31.12.2009	Change in %
Number of registered shares	206,630,756	206,630,756	0
Share capital (CHF m)	10.3	10.3	0
EPS[5] (CHF)	1.03	0.72	43
Book value[6] (CHF)	5.65	6.08	-7
Closing price (CHF)	15.45	12.59	23

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[2] Excludes CHF 16.2 billion of funds sub-advised by GAM and distributed by Swiss & Global Asset Management.

[3] CHF 15.6 billion in total before removing double count of net new money relating to funds sub-advised by GAM and distributed by Swiss & Global Asset Management, which are reported in both businesses.

[4] Underlying net profit / tangible equity.

[5] Underlying net profit / weighted average number of shares outstanding.

[6] Tangible equity / number of shares outstanding.