13 December 2018

PRESS RELEASE

GAM Holding AG provides an estimate on its 2018 results and announces a comprehensive restructuring programme as well as a proposed suspension of the 2018 dividend

GAM Holding AG (GAM) today provides an update on its assets under management, an estimate of its 2018 results, and announces comprehensive measures to strengthen the core business and reduce costs to support profitability.

- Group assets under management[1] (AuM) of CHF 139.1 billion at 30 November 2018, down from CHF 146.1 billion as at 30 September 2018, mainly driven by net outflows of CHF 4.2 billion in Investment Management
- Group-wide restructuring programme launched to enhance efficiency, support profitability and simplify the organisation, while repositioning GAM for future growth with an expected reduction in fixed personnel and general expenses of at least CHF 40 million by end-2019 – the savings are expected to be fully reflected in the 2020 results
- Underlying profit before taxes for 2018 expected to be approximately CHF 125 million (including approximately CHF 3 million of performance fees), compared with CHF 172.5 million (including CHF 44.1 million of performance fees) in 2017
- Estimated IFRS net loss of approximately CHF 925 million for 2018, driven by:
  - Expected goodwill impairment charge for the Group of approximately CHF 885 million
  - Expected impairment charge of approximately CHF 62 million in second half 2018 related to Cantab investment management and client contracts
  - These impairment charges will not impact the Group’s tangible equity or cash position
  - A non-recurring charge of approximately CHF 30 million is expected in relation to the implementation of the restructuring programme and the professional costs in connection with the absolute return/unconstrained fixed income strategy (ARBF)
- Given the significantly lower levels of AuM and the phasing of the cost reduction programme, GAM expects its 2019 financial results to be materially below those of 2018
- Recognising GAM’s expected 2018 results and the profit outlook for 2019, the Board of Directors remains committed to rebuilding capital buffers and expects to propose to shareholders that no dividend be paid for 2018 in order to accelerate the capital rebuild programme, while revising the dividend policy for 2019 and beyond to target a minimum pay-out of 50% of underlying net profits

[1] Excluding ARBF related assets in funds and mandates of CHF 2.3 billion (CHF 2.1 billion in liquidation) as at 30 September 2018 and CHF 1.7 billion (all in liquidation) as at 30 November 2018.

David Jacob, Group CEO, said: "With today's announcement we are seeking to give our shareholders and our clients the clearest assessment of our financial situation. We are taking decisive action to rebase costs and support profitability, whilst maintaining our focus on client service and control functions. We are determined to do everything it takes to rebuild the trust of our stakeholders. We are fortunate to have excellent talent across our business, the ability to continue to invest in areas of strength and an attractive product range to build upon as we reposition GAM for future sustainable growth."

Update on AuM

Assets under management movements (CHF bn) – Investment Management

Capability	Opening AuM 30.09.2018	Net flows	Market/FX movements	Closing AuM 30.11.2018
Absolute return (excl. ARBF)	2.6	(0.5)	(0.2)	1.9
Fixed income	35.3	(3.0)	(0.1)	32.2
Equity	11.0	(0.4)	(0.8)	9.8
Systematic	4.6	(0.1)	(0.2)	4.3
Multi asset	8.6	(0.1)	(0.3)	8.2
Alternatives	4.5	(0.1)	-	4.4
Total excluding ARBF*	**66.6**	**(4.2)**	**(1.6)**	**60.8**

* see footnote on previous page

At 30 November 2018, AuM for Investment Management stood at CHF 60.8 billion, down from CHF 66.6 billion as at 30 September 2018, mainly driven by net outflows of CHF 4.2 billion and negative market and foreign exchange movements of CHF 1.6 billion. While the net flow trend was improving in the first three weeks of October 2018, with net outflows diminishing, it worsened thereafter as the market environment remained challenging for the industry.

The absolute return capability recorded net outflows of CHF 0.5 billion, mainly driven by the GAM Star (Lux) – Merger Arbitrage and the GAM Absolute Return Europe Equity funds. In fixed income, net outflows totalled CHF 3.0 billion, which was mainly driven by the GAM Star Credit Opportunities and the GAM Local Emerging Bond funds. Net outflows of CHF 0.4 billion in equity was mainly driven by the GAM Star Continental European Equity fund, while the GAM Star Japan Equity and the GAM Emerging Markets Equity funds recorded net inflows. Systematic net outflows of CHF 0.1 billion were mainly related to the GAM Systematic Quant fund, while in alternatives, the main net outflows of CHF 0.1 billion came from the GAM Physical Gold fund. Multi-asset saw redemptions of CHF 0.1 billion, mainly driven from institutional mandates in Switzerland.

The liquidation of the ARBF is continuing, ensuring that all investors are treated fairly. As at 12 December 2018, between 89% and 92% of Luxembourg and Irish-domiciled funds, and 66% to 72% of the assets in the Cayman and Australian feeder funds have been returned to clients. GAM is currently working on a plan with a target to complete the liquidation process in the first quarter of 2019, subject to market conditions.

Assets under management movements (CHF bn) – Private Labelling

Fund domicile	Opening AuM 30.09.2018	Net flows	Market/FX movements	Closing AuM 30.11.2018
Switzerland	34.3	1.0	(0.9)	34.4
Rest of Europe	45.0	0.0	(1.1)	43.9
Total	**79.3**	**1.0**	**(2.0)**	**78.3**

AuM in Private Labelling, which provides management company services for third parties, totalled CHF 78.3 billion as at 30 November 2018 compared to CHF 79.3 billion as at 30 September 2018. Net inflows amounted to CHF 1.0 billion, while foreign exchange and market movements led to a CHF 2.0 billion decrease in AuM.

Estimated 2018 results

The underlying profit before taxes for 2018 is expected to be approximately CHF 125 million, down from CHF 172.5 million reported for 2017. The expected decline is primarily driven by reduced levels of performance fees from CHF 44.1 million in 2017 to approximately CHF 3 million in 2018 and a decline in AuM in Investment Management from CHF 84.4 billion at 30 June 2018 to CHF 60.8 billion at 30 November 2018. These impacts are being partly offset by lower total expenses.

Due to lower levels of forecast AuM and profitability, GAM expects to recognise a goodwill impairment charge of approximately CHF 885 million for 2018. In addition, the Group expects to incur an impairment charge on investment management and client contracts of approximately CHF 62 million (net of taxes), in the second half of 2018. This is related to the original funds of Cantab Capital Partners acquired in October 2016, as a result of lower AuM and cash flows compared with those forecast previously. Despite this, we believe that our GAM Systematic platform is a key part of our future growth prospects, both in terms of our alternative risk premia offering and on-going systematic product launches.

These impairment charges will have no impact on GAM’s underlying net profit, the Group’s tangible equity or cash position.

At the same time GAM expects a related reduction in the Cantab deferred consideration liability, which represents the part of the purchase price that was deferred over multiple years, of approximately CHF 16 million in the second half of 2018. Overall, since the acquisition, the deferred liability has been reduced by approximately CHF 73 million.

A non-recurring charge of approximately CHF 30 million is expected in relation to the implementation of the Group's restructuring programme and the professional costs incurred in connection with the ARBF strategy.

As a result, GAM expects to recognise an IFRS net loss of approximately CHF 925 million for 2018, compared to a net profit of CHF 123.2 million in 2017.

Impact on 2019 results

Given the significantly lower average AuM and revenues expected for 2019 compared to 2018, and with the savings related to the restructuring programme only fully reflected in the 2020 results, GAM expects the financial results for the first half and the full year 2019 to be materially below those of the first half and the full year 2018.

Restructuring plan to reposition GAM for future growth

GAM has launched a comprehensive restructuring programme that will allow it to support profitability and shareholder value in the near term, while not affecting its ability to create value for clients. The measures will simplify the business and enhance efficiency. At the same time, GAM's resources will be focused on areas of strength and future growth, as well as on further enhancing its control environment.

The restructuring measures are expected to result in a reduction of the fixed staff costs and general expenses run rate of at least CHF 40 million by the end of 2019 compared to the annualised cost run rate at half-year 2018 of CHF 282.2 million. This involves approximately 10% of roles being eliminated across the Group during 2019, subject to legal and regulatory requirements. These reductions include the already announced changes to portfolio management teams. The company will continue to invest in its core business as well as the Group's compliance and risk capabilities.

Measures already launched or planned include the following areas:

- **Consolidating investment teams** (as communicated in November 2018): To better deliver scalable products to clients worldwide, consolidation of the London, Zurich and New York capabilities in fixed income to focus on an enhanced emerging market bond platform; a broadened global credit capability; an amalgamated asset backed securities (ABS) and mortgage backed securities (MBS) team; and a global strategic bond offering evolving from the existing total return bond expertise. In equities, GAM has consolidated the European expertise into a single team, whilst maintaining existing strengths in non-European equities.
- **Optimising distribution footprint:** Focus distribution resources on where near and mid-term growth potential resides.
- **Streamlining operations and support functions:** Consolidation of functions to optimally support GAM's core investment management franchises of specialised fixed income, equities, multi-asset solutions and GAM Systematic.
- **Refining corporate structure:** Reviewing GAM's corporate structure with the aim to reduce complexity and also optimise capital usage.

- **Re-prioritising projects:** Review the sequencing of projects planned as part of the Group's change programme to ensure efficiencies are achieved whilst continuing to enhance GAM's risk, control and IT capabilities.

This programme will continue throughout 2019, with cost savings expected to be fully reflected in the 2020 financial results. Management will continue to examine opportunities for further cost savings over the course of the restructuring process.

Changes to the Group Management Board (GMB)

As GAM continues to simplify the business, the Board of Directors has decided to reduce the size of the GMB from nine to seven members. As a result, Larry Hatheway, Group Head of GAM Investment Solutions (GIS) and Chief Economist, and Tim Dana, Group Head of Corporate Development will step down as members of the GMB by the end of the year, but will retain their current functional roles and responsibilities and continue to form part of GAM's senior management team.

Update on 2018 dividend

Recognising GAM's expected 2018 results and the profit outlook for 2019, the Board of Directors remains focused on re-building capital buffers and expects to propose to shareholders that no dividend will be paid for 2018 to accelerate the Group's capital rebuild. For 2019 and beyond, GAM will target a minimum dividend pay-out of 50% of underlying net profit to shareholders. GAM will provide an update on its strategic priorities, group targets and further details of the restructuring programme with its definitive 2018 full year results on 21 February 2019.

Hugh Scott-Barrett, Chairman of the Board of Directors, said: "We have experienced a difficult year given our issues relating to ARBF, on top of a challenging market environment. We have taken the difficult decision to propose the suspension of the 2018 dividend in order to accelerate the pace of our capital rebuild programme. All the measures announced today allow us to move forward as a leaner business that is focused on those areas where we can add most value to our clients. I am convinced that this creates a base for the company to emerge stronger than it was before."

Forthcoming events:

21 February 2019	**Full-year results 2018**
17 April 2019	**Interim management statement Q1 2019**

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About GAM

GAM is a leading independent, pure-play asset manager. 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’. Excluding ARBF-related strategies in liquidation, the Group has assets under management of CHF 139.1 billion (USD 139.2 billion) as at 30 November 2018.

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.

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