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PRESS RELEASE

GAM Holding AG H1 2018 underlying pre-tax profit up 21% to CHF 91.3 million

- Diluted underlying EPS up 22% to CHF 0.45 (CHF 0.37 in H1 2017)
- IFRS net profit declined 62% to CHF 25.4 million, driven by an impairment of Cantab intangibles; diluted IFRS EPS of CHF 0.16 (CHF 0.43 in H1 2017)
- Net fee and commission income up 12% to CHF 287.7 million, with net management fees and commissions up 20% to CHF 285.4 million
- Group assets under management up 3% to CHF 163.8 billion from CHF 158.7 billion at 31 December 2017
- Investment management:
  - Net inflows of CHF 2.6 billion, with specialist fixed income strategies driving inflows
  - Assets under management flat at CHF 84.4 billion compared with 31 December 2017 as net inflows were offset by net negative market and foreign exchange movements
- Private labelling:
  - Net inflows of CHF 6.7 billion
  - Assets under management up 7% to CHF 79.4 billion from CHF 74.3 billion at 31 December 2017, as net inflows were partly offset by CHF 1.6 billion of negative market and foreign exchange movements

Group CEO Alexander S. Friedman said: “We have made tangible progress on all our strategic initiatives, as is evident in our underlying results. We are bringing new innovative and differentiated products to the market; our distribution strategy is delivering good results; and we continue to see growth potential in all our capabilities.

“However, market conditions have become more challenging, and some clients are choosing to rebalance their portfolios as we enter the later stages of this long-running bull market. As a result, we saw a significant slowdown in net inflows in the later part of the first half of 2018. The volatile and directionless market conditions are likely to continue in the second half of this year, which may affect clients' risk appetite and our flows. We may also experience client redemptions as a result of today's separate announcement of the suspension of Tim Haywood, investment director business unit head for the unconstrained/absolute return bond strategy."

Group results H1 2018

Net fee and commission income increased 12% to CHF 287.7 million due to higher net management fees and commissions, which rose 20% in the first half of 2018 to CHF 285.4 million. This was driven by higher average assets under management, only partly offset by a reduction in the management fee margins as a result of fluctuations in the asset mix between products and client segments in investment management and the lower margin on new assets in private labelling compared with the existing portfolio. Performance fees decreased to CHF 2.3 million from CHF 19.3 million.

Personnel expenses increased 3% to CHF 128.9 million, with fixed and variable personnel costs up slightly as a result of investments in the underlying business, bonus accruals related to higher net fee and commission income and some inflationary pressure. The compensation ratio, which tracks the firm's ability to manage its largest expense category (personnel expenses) in line with net fee and commission income, declined to 44.8% from 48.8%. This is better than the target range of GAM's new compensation framework of 45–50% and demonstrates the Group's operating leverage as assets and revenues increase.

General expenses rose by CHF 10.7 million to CHF 63.9 million, with the increase reflecting the first-time inclusion of research costs paid by GAM following the implementation of MiFID II, increased regulatory and compliance costs, and investments focused on broadening the investment and distribution capabilities of the firm as well as enhancing its infrastructure, risk and control platforms.

The operating margin for the first half of 2018 was 32.0% compared with 29.3% in the first half of 2017. The increase in net fee and commission income was greater than the increase in expenses, demonstrating the Group's operating leverage, despite a drop in performance fees.

The underlying profit before taxes rose 21% to CHF 91.3 million compared with the first half of 2017 as the company maintained cost discipline and net fee and commission income increased.

The underlying effective tax rate decreased to 21.5% from 22.1%, mainly reflecting the geographical split of earnings.

Diluted underlying earnings per share rose to CHF 0.45 from CHF 0.37 as a result of a 22% increase in the underlying net profit.

The IFRS net profit decreased 62% to CHF 25.4 million. This reduction mainly reflects the recognition of an impairment charge related to the acquisition of Cantab Capital Partners in October 2016 as disclosed on 13 July 2018, partly offset by the Group's higher underlying profitability.

The IFRS figure includes two items that are not included in the underlying results: non-recurring items that resulted in a charge of CHF 60.8 million and acquisition-related items that resulted in a credit of CHF 14.5 million (all net of taxes). The former include the CHF 58.6 million impairment charge of investment management and client contracts related to the Cantab acquisition and reorganisation charges of CHF 2.6 million. Acquisition-related items include a reduction in the estimate of the deferred consideration liabilities for the acquisitions of Cantab and Arkos (now GAM Lugano), partly offset by the amortisation of investment management and client contracts from businesses acquired and finance charges on the deferred consideration liabilities.

Investment management assets and flows

Assets under management movements (CHF bn)

Capability	Opening AuM 1 Jan 2018	Net flows	Market/FX	Closing AuM 30 Jun 2018
Absolute return	15.6	(0.8)	(0.4)	14.4
Fixed income	37.1	2.8	(1.3)	38.6
Equity	12.6	-	(0.1)	12.5
Systematic	4.7	0.3	(0.4)	4.6
Multi asset	9.5	(0.1)	(0.1)	9.3
Alternatives	4.9	0.4	(0.3)	5.0
Total	**84.4**	**2.6**	**(2.6)**	**84.4**

Net inflows in investment management amounted to CHF 2.6 billion in the first half of 2018, which represent an annualised growth rate of 6.2% on assets under management as at 31 December 2017. The net negative impact from market and foreign exchange movements of CHF 2.6 billion offset the inflows, resulting in unchanged assets under management at CHF 84.4 billion.

Net flows by capability

The specialist fixed income strategies were a key driver of inflows in the first half, with investors adding a net CHF 2.8 billion. The GAM Star Credit Opportunities strategy, the GAM Local Emerging Bond fund and the GAM Star MBS Total Return fund all attracted strong inflows.

In the absolute return category, the unconstrained/absolute return bond strategy continued to attract net inflows. However, the GAM Star Global Rates fund and the GAM Absolute Return Europe Equity fund saw redemptions following a period of weaker performance. Overall, investors withdrew net CHF 0.8 billion from GAM's absolute return strategies.

In equity, the GAM Emerging Market Equity fund saw strong inflows, while the GAM Japan Equity fund registered withdrawals.

In systematic strategies, net inflows into the alternative risk premia strategy remained robust. These were partly offset by client withdrawals from higher volatility products. Despite a difficult environment for quantitative funds generally over the last six months, the systematic strategies attracted net inflows of CHF 0.3 billion.

Net outflows from multi asset strategies slowed to CHF 0.1 billion as an inflow into a new Italian mandate partly offset redemptions stemming mostly from private clients from the Group's previous captive channels.

Alternatives recorded net inflows of CHF 0.4 billion, reflecting a mandate win in Switzerland for a new product that combines multi asset alternative risk premia funds and hedge premia into a single solution.

Net flows by client segment

The Group recorded strong inflows through financial intermediaries, with clients adding CHF 2.7 billion in the first half, while net inflows from institutional clients amounted to CHF 0.2 billion. Net outflows from the private client channel of CHF 0.3 billion largely reflect the redemptions from the Group's previous captive channels.

Investment performance

Over the three-year period to 30 June 2018, 56% of assets under management in funds outperformed their respective benchmark, compared with 77% that outperformed over three years to 31 December 2017. Over the five-year period to 30 June 2018, 57% of assets under management in funds outperformed their respective benchmark, compared with 56% that outperformed over five years to 31 December 2017. Over 75% of GAM's assets under management tracked by Morningstar outperformed their respective peer groups over three and five years to 30 June 2018.[1]

Private labelling assets and flows

Assets under management movements (CHF bn)

Fund domicile	Opening AuM 1 Jan 2018	Net flows	Market/FX	Closing AuM 30 Jun 2018
Switzerland	33.6	1.4	(0.8)	34.2
Rest of Europe	40.7	5.3	(0.8)	45.2
Total	**74.3**	**6.7**	**(1.6)**	**79.4**

Assets under management in private labelling, which provides fund solutions for third parties, rose to CHF 79.4 billion as at 30 June 2018 from CHF 74.3 billion as at 31 December 2017. In the first half of 2018 net inflows amounted to CHF 6.7 billion. Negative market performance and foreign exchange movements reduced assets by a combined CHF 1.6 billion.

GAM's Luxembourg-based fund management company was named the largest by third-party assets under management in the country in the latest release of PwC's Observatory for Management Companies – 2018 Barometer.

Liquidity and tangible equity

The Group's cash and cash equivalents amounted to CHF 327.9 million, down from CHF 373.8 million as at 31 December 2017, mainly reflecting the impact of the dividend payment for the 2017 financial year (CHF 101.6 million), bonus payments for 2017 and share repurchases to cover the Group's obligations under share-based compensation plans. These effects were partly offset by cash flows generated from the first half operating activities and net redemptions of investments in seed capital.

[1] The assets under management analysed refer to onshore open-ended funds. The peer group comparison is based on 'industry-standard' Morningstar Direct Sector Classification. For consistency purposes, the share class preferences in Morningstar have been set to capture the institutional share class (where available) or the cheapest retail share class for each and every fund in a given peer group.

Tangible equity increased to CHF 183.1 million from CHF 166.1 million at the end of 2017. The main contributors to this increase were the underlying net profit, the impact from the adjustments to the deferred consideration liabilities, the remeasurement of pension liabilities and share-based payment expenses. These effects were partly offset by the dividend payment and share repurchases to cover the Group's obligations under share-based compensation plans.

Update on strategic initiatives

Investment performance

GAM's model is designed to bring out the best of truly active asset managers. The Group has continued to improve links between its investment teams (without compromising their decision-making autonomy) to foster collaboration and a productive environment for innovative thinking. GAM is also continually improving the company's overall risk and control framework by enhancing front office oversight infrastructure and implementing new risk tools consistently across teams.

Differentiated product offering

GAM has extended its range of private debt products through a partnership with Kimura Capital LLP in commodity trade finance strategies and a successful fund-raising for the second real estate debt fund. The company also launched an insurance-linked securities strategy, the second fund for GAM Systematic Alternative Risk Premia strategy in Australia and offshore funds for institutional investors in emerging market equities and local-currency emerging market bonds.

There is a strong pipeline of other fund launches planned for the near term, including an equity fund focused on Europe, Australasia and the Far East (EAFE), a global income fund focused on asset-backed securities, as well as systematic strategies in global long-only equity and in credit.

At the same time, GAM continues to simplify its product range to concentrate on the most promising and scalable strategies, with six funds merged or closed in the first half of 2018 in addition to 82 funds in the previous three years, all with a de minimis loss of assets under management.

Global distribution

Following the appointment of the new head of distribution in Asia Pacific last year, GAM has made targeted steps to strengthen its presence in the region. The Group has obtained a discretionary investment management license in Japan and is opening an office in Australia.

The Group's new distribution strategy, focused on building out regional client bases and leveraging its global institutional and consultant relationships, has resulted in multiple mandate wins around the world in the first half of 2018. These included: GAM Systematic Alternative Risk Premia and unconstrained/absolute return bond strategies in Australia, local-currency emerging market bonds in Hong Kong, GAM Systematic Core Macro in the US, healthcare equities in Taiwan, alternative investments solutions in Switzerland and multi asset in Italy.

Operating efficiency

GAM is progressing its multi-year change programme to optimise efficiency, creating a robust, scalable operating platform aligned with its growth ambitions. This extensive programme involves multiple projects, including the implementation of a single data architecture, a move to cloud-based IT infrastructure, simplification of systems, processes and reporting, outsourcing of back and middle office activities, creation of centres of excellence, real estate footprint simplification and legal entity rationalisation. The Group continues to focus on realising efficiency gains up to and beyond 2019.

As GAM continues to drive efficiency gains, the company is also investing in a measured manner in the development of investment and distribution talent across the business and in improving the Group's technology, infrastructure, risk and control capabilities.

Outlook

GAM continues to see opportunities for high performing active asset managers to capture growing investor demand for strategies that offer true diversification versus traditional asset classes and broad market trends. However, the volatile and directionless market conditions are likely to continue in the second half of this year, which may affect clients' risk appetite and the Group's flows. The announced suspension of Tim Haywood may also lead to client redemptions.

Despite these challenges, the Group is committed to continuing the disciplined execution of its strategy and achieving growth in diluted underlying earnings per share in excess of 10% on an annualised basis and an operating margin of 35–40%, both over the five to eight-year business cycle.

The presentation for media, analysts and investors on the results of GAM Holding AG for the first half of 2018 will be webcast on 31 July 2018 at 9:00am (CET). Materials relating to the results (presentation slides, half-year report 2018 and press release) are available at www.gam.com.

Forthcoming events:

23 October 2018	Interim management statement Q3 2018
21 February 2019	Full-year results 2018
17 April 2019	Interim management statement Q1 2019

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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 13 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.

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.

Key Figures H1 2018

Income statement	H1 2018 CHF m	H2 2017 CHF m	H1 2017 CHF m	Change from H2 2017 in %	Change from H1 2017 in %
Net management fees and commissions	285.4	265.2	238.4	8	20
Net performance fees	2.3	24.8	19.3	(91)	(88)
Net fee and commission income	**287.7**	**290.0**	**257.7**	**(1)**	**12**
Net other (expenses)/income	(0.7)	2.4	(0.2)	-	-
Income	**287.0**	**292.4**	**257.5**	**(2)**	**11**
Personnel expenses	128.9	138.9	125.7	(7)	3
Fixed personnel expenses	77.2	74.8	75.3	3	3
Variable personnel expenses	51.7	64.1	50.4	(19)	3
General expenses	63.9	52.9	53.2	21	20
Occupancy	11.3	11.0	11.2	3	1
Technology and communication	7.5	6.5	6.2	15	21
Data and research	11.5	9.0	8.9	28	29
Professional and consulting services	10.9	7.1	8.4	54	30
Marketing and travel	9.0	9.5	8.7	(5)	3
Administration	5.1	4.7	4.1	9	24
Other general expenses	8.6	5.1	5.7	69	51
Depreciation and amortisation	2.9	3.5	3.2	(17)	(9)
Expenses	**195.7**	**195.3**	**182.1**	**0**	**7**
Underlying profit before taxes	**91.3**	**97.1**	**75.4**	**(6)**	**21**
Underlying income tax expense	19.6	18.7	16.7	5	17
Underlying net profit	**71.7**	**78.4**	**58.7**	**(9)**	**22**
Acquisition-related items	11.4	(16.3)	13.2	-	(14)
Non-recurring items	(73.5)	(12.1)	(9.1)	-	-
Tax on acquisition-related items	3.1	3.3	3.1	(6)	0
Tax on non-recurring items	12.7	2.2	1.8	477	606
IFRS net profit	**25.4**	**55.5**	**67.7**	**(54)**	**(62)**
Operating margin (%)[1]	32.0	32.7	29.3	(2)	9
Compensation ratio (%)[2]	44.8	47.9	48.8	(6)	(8)
Personnel at the end of the period (FTEs)	935	927	937	1	0

Client assets - investment management	H1 2018 CHF bn	H2 2017 CHF bn	H1 2017 CHF bn	Change from H2 2017 in %	Change from H1 2017 in %
Assets under management at the end of the period	84.4	84.4	72.2	0	17
Average assets under management[3]	85.5	79.0	70.0	8	22
Net flows	2.6	6.7	1.9	(61)	37
Total fee margin (bps)[4]	61.7	68.3	68.0	(10)	(9)
Management fee margin (bps)[5]	61.2	62.1	62.5	(1)	(2)

Client assets - private labelling	H1 2018 CHF bn	H2 2017 CHF bn	H1 2017 CHF bn	Change from H2 2017 in %	Change from H1 2017 in %
Assets under management at the end of the period	79.4	74.3	59.1	7	34
Average assets under management[3]	76.9	69.5	56.4	11	36
Net flows	6.7	11.2	4.5	(40)	49
Management fee margin (bps)[5]	6.2	5.8	7.0	7	(11)

Balance sheet	30.06.2018 CHF m	31.12.2017 CHF m	30.06.2017 CHF m	Change from 31.12.2017 in %	Change from 30.06.2017 in %
Net cash	327.9	373.8	281.2	(12)	17
Assets	2,237.0	2,445.4	2,284.5	(9)	(2)
Equity	1,813.7	1,882.6	1,819.9	(4)	0
Tangible equity[6]	183.1	166.1	108.9	10	68

Share information	H1 2018	H2 2017	H1 2017	Change from H2 2017 in %	Change from H1 2017 in %
Number of registered shares at the end of the period	159,682,531	159,682,531	160,294,731	0	0
Share capital at the end of the period (CHF m)	8.0	8.0	8.0	0	0
Diluted underlying EPS (CHF)[7]	0.45	0.49	0.37	(8)	22
Closing price at the end of the period (CHF)	13.70	15.75	12.85	(13)	7

1) (Net fee and commission income - expenses) / net fee and commission income.
2) Personnel expenses / net fee and commission income.
3) Average calculated with seven month-end values (December to June for H1 2018 and H1 2017, June to December for H2 2017).
4) Net fee and commission income (annualised) / average assets under management.
5) Net management fees and commissions (annualised) / average assets under management.
6) Equity excluding non-controlling interests, goodwill and other intangible assets.
7) Underlying net profit excluding non-controlling interests / weighted average number of shares outstanding for diluted EPS.