GAM | Holding AG

Press Release

GAM Holding AG reports underlying net profit of CHF 162.0 million for 2012 and announces executive appointments

Zurich, 5 March 2013

- **Assets under management of CHF 116.2 billion, up 9% from 2011 driven by net new money growth and positive market performance**
- **Net new money inflows of CHF 2.4 billion, with positive contributions from both GAM and Swiss & Global Asset Management**
- **Underlying net profit of CHF 162.0 million[1], compared to CHF 165.7 million in 2011.**
- **Growing fee revenues and tightly managed costs offset by decline in income from residual investment in Artio Global Investors Inc. as well as lower 'other income'**
- **Proposed dividend of CHF 0.50 per share, unchanged from previous years**
- **Effective 18 April 2013:**
  - **New functional Group set-up will simplify and flatten the organisation, enhance growth potential and allow efficiency improvements**
  - **New Group Management Board to include core business functions**
  - **Investment management teams will continue to report directly to designated Group Chief Executive Officer David M. Solo**

Assets under management for GAM Holding AG were CHF 116.2 billion[2] as at 31 December 2012, compared to CHF 107.0 billion a year earlier. The increase of 9% or CHF 9.2 billion resulted from net new money inflows of CHF 2.4 billion, including CHF 0.7 billion from the acquisition of a majority stake in Arkos Capital SA (Arkos), and the positive effect of market performance (CHF 7.5 billion). The impact on assets under management of foreign exchange movements during 2012 was negative CHF 0.7 billion, of which CHF 1.2 billion occurred in the fourth quarter of the year, mainly due to a weakening of the US dollar against the Swiss franc.

Chairman and CEO *Johannes A. de Gier* commented: "I am pleased that in 2012 we saw a return to solid asset growth. Our balance sheet is strong and the profitability from our diversified business activities robust. The vigour in our asset-gathering activities and the tailwinds from market performance were particularly satisfactory after a challenging 2011. These results confirm that, from our private banking heritage, we have successfully transformed ourselves into a truly independent, growing and diversified asset management group."

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[1] The result for 2012 has been adjusted to exclude certain non-cash items. The Group's net profit 2012 according to IFRS was CHF 88.0 million.

[2] Group assets under management and net new money totals exclude the funds managed by GAM and distributed by Swiss & Global Asset Management, which are reported in both businesses (AuM at year-end 2012 of CHF 20.1 billion, NNM for 2012 of CHF 4.0 billion).

GAM

GAM's *assets under management* as at 31 December 2012 were CHF 48.7 billion, up from CHF 44.8 billion a year earlier. *Net new money* inflows were CHF 0.3 billion. This includes the CHF 0.7 billion of assets acquired with the majority stake in Arkos on 31 July 2012. The result shows a marked improvement from the net outflows of CHF 4.9 billion in 2011, with positive inflows in the second half of 2012 fuelled by accelerating activity from institutional clients.

With gross inflows in 2012 at an all-time high, the strong growth from GAM's increasingly diversified product and channel mix was still masked by the structural outflows from the legacy offshore private client businesses. With the greatly diminished size of the legacy assets, GAM has largely overcome these structural headwinds, allowing the robust growth of the core businesses developed over the last six years to finally drive its overall results for the future.

Net inflows in 2012 were mainly recorded in GAM's single manager range, particularly in its fixed income products – the absolute return, emerging market and catastrophe bond strategies. The Arkos funds proved highly successful with GAM's global client base and have already made a strong contribution. While market-wide demand for equities was low last year and the asset class overall recorded net outflows, certain of GAM's directional equity products saw net new money inflows especially in the later part of the year. These include the strongly performing strategies for Continental Europe and China.

Across the industry, performance for certain fund of hedge funds strategies was soft in 2012, leading to outflows, which were partly offset by new mandate wins for tailor-made multi-manager solutions in the institutional market. Given the recent strong recovery in investment performance and the current pipeline, this area is expected to return to growth in 2013.

The model portfolio service launched in the UK in late 2012, as part of GAM's discretionary fund management offering, has already resulted in modest mandate wins from important networks of financial advisers. Based on the pipeline and client feedback, it is expected to develop into a reliable contributor of inflows in the future.

Swiss & Global Asset Management

At Swiss & Global Asset Management, *assets under management* as at 31 December 2012 were CHF 87.6 billion, compared to CHF 76.9 billion a year earlier. *Net new money* inflows totalled CHF 6.1 billion for 2012, recovering to normalised levels after the exceptionally low CHF 0.4 billion recorded in 2011.

Inflows into the Julius Baer-branded fund range were predominantly driven by the fixed income strategies. The absolute return and local emerging market bond funds managed by GAM were the strongest contributors, with the Zurich-managed range also attracting net inflows, mainly across the total return, credit opportunities and hard currency emerging market bond funds. The physical precious metal ETFs, particularly the gold fund, continued to enjoy strong levels of inflows. Low-margin money market funds, on the other hand, saw outflows, as money market yields fell to record lows. Interest in equity products remained subdued, and strong inflows in select funds, such as the strategies investing in the luxury goods sector and the market-neutral absolute return European fund, were broadly offset by outflows from more traditional regional strategies.

The private label fund business resumed its strong growth pattern, driven by inflows into existing funds and the establishment of new partnerships.

2012 Group results

Adjusted for certain non-cash items[3], *underlying net profit* for 2012 was CHF 162.0 million, 2% lower than in 2011. As a result of the Group's ongoing share buy-backs and the reduction in shares outstanding, however, *earnings per share* improved from CHF 0.91 to CHF 0.94. *Return on tangible equity* increased from 22.8% to 27.7%.

The Group's *operating income* totalled CHF 594.1 million, compared to CHF 598.5 million a year ago. Overall net fee and commission income rose 5%. Normalised performance fees of CHF 82.1 million (2011: CHF 19.6 million) more than compensated for a decline in net management fees and commissions. This reflects the shift in GAM's product offering towards a higher share of single manager alternative funds. At CHF 496.8 million, net management fees and commissions declined 7% year-on-year due to lower average asset levels in the first half of 2012 and the impact of the evolving asset mix on the Group's blended gross margin.

The contribution from the minority stake in Artio Global Investors Inc. (Artio) decreased by CHF 15.5 million to CHF 1.6 million. Other operating income (includes gains and losses on foreign exchange positions and on financial and seed capital investments) also fell by CHF 14.1 million, and amounted to CHF 13.6 million. These effects, derived outside core operating activities, led to a marginal decline in the Group's *gross margin* from 53.0 basis points to 52.7 basis points.

Costs continued to be tightly managed, with *operating expenses* amounting to CHF 398.6 million (CHF 384.5 million in 2011). Although the Group expanded its product lines and business activities, general expenses remained flat year-on-year when adjusted for non-recurring items in 2011, such as the release of provisions and a one-off VAT reimbursement. Personnel expenses increased 3% following a 2% rise in headcount, reflecting the inclusion of the former Arkos team in Lugano and select hiring for growth initiatives. Contractual bonuses to investment professionals rose on the back of strong performance fees. The non-cash charges for the amortisation of the options awarded under the 2009 long-term incentive plan were significantly lower than in 2011, in line with the vesting schedule of the options.

Consistent with the Group's continuous focus on cost efficiency, operating expenses rose less than the fee revenues from the Group's core business activities. This positive effect, however, was offset by the previously mentioned decline in income from Artio and other income, leading to an increase in the *cost/income ratio* from 64.2% to 67.1%.

Artio carrying value

The carrying value of the *minority stake in Artio* was reduced to CHF 27.6 million as at 31 December 2012, reflecting the decrease in its fair value following the sustained decline in Artio's share price. The stake is now classified as a financial investment held for sale, following the Group's efforts to reduce its stake in the second half of 2012.

On 14 February 2013, Artio announced that it has entered into a merger agreement with Aberdeen Asset Management PLC (Aberdeen) under which Aberdeen intends to acquire Artio for USD 2.75 per share in cash. GAM Holding AG has signed a voting agreement with Aberdeen committing to vote all its shares in favour of the transaction.

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[3] The result for 2012 has been adjusted to exclude the impairment of investments of CHF 56.3 million (2011: CHF 249.1 million), the amortisation of customer relationships of CHF 11.7 million (2011: CHF 11.6 million) and defined benefit pension plan curtailment expenses (net of taxes) of CHF 6.0 million (2011: none). Including those non-cash items, the Group's net profit for 2012 according to IFRS as shown in the Consolidated Financial Statements amounted to CHF 88.0 million (2011: net loss of CHF 95.0 million).

The transaction, which is subject to customary closing conditions, is expected to close by the end of the second quarter or early in the third quarter of 2013. For GAM Holding AG, it would result in proceeds of around USD 44 million and a gain of approximately USD 13.5 million.

Dividend and share buy-back programme

At the upcoming Annual General Meeting (AGM) on 17 April 2013, the Board of Directors will propose a dividend payment of CHF 0.50 per share for the financial year 2012 – the same level as was paid for 2011 and 2010. This will result in a distribution to shareholders of approximately CHF 82 million, in line with the Group's objective to return approximately half of its underlying net profit to shareholders. The Board of Directors intends to pay this dividend from the Group's capital contribution reserves, making it exempt from Swiss withholding tax of 35% and income tax-free for private investors resident in Switzerland. Combined with the Group's share buy-backs in 2012, the dividend payment will result in a total distribution to shareholders of CHF 199 million for the 2012 financial year.

At year-end 2012, the Group held 18.8 million shares in treasury (10.2% of shares issued). Of these, 10.1 million shares (5.5% of shares issued) were bought back in 2012 under the current 2011–2014 share buy-back programme over a second trading line at the SIX Swiss Exchange, and are due to be cancelled at the upcoming AGM subject to shareholder approval. The remaining 8.7 million shares were bought back over the regular (first) trading line at the SIX Swiss Exchange and held as a hedge for the options granted under the 2009 long-term incentive plan. This hedge position increased by 2.7 million shares during 2012 following the settlement of a total return swap over the same number of own shares. Options from the 2009 long-term incentive plan are net-settled and a substantial portion will expire on 15 March 2013. This is likely to result in a rise in second line trading volume in GAM Holding AG's shares.

Executive appointments and new Group structure (effective 18 April 2013)

As communicated on 16 January 2013, at the upcoming AGM on 17 April 2013 Johannes A. de Gier will stand for re-election retaining solely his position as Chairman. David M. Solo, who currently serves as the Chief Executive Officer of the Group's two operating businesses, will then assume the newly created role of Group Chief Executive Officer, reflecting the move towards a more integrated Group structure.

At the same time, the Executive Board of GAM Holding AG will become a Group Management Board and its membership expanded to include core operations and distribution functions. The designated new members have all served in senior positions within the Group's operating businesses for several years.

As of 18 April 2013, the Group Management Board will be comprised as follows:

David M. Solo	*Group Chief Executive Officer**
Marco Suter	*Group Chief Financial Officer, with responsibility for risk*
Scott Sullivan	*Group General Counsel*
Craig Wallis	*Global Distribution and Marketing**
Michele Porro	*Distribution Swiss & Global Asset Management / Region Head CH**
Andrew Hanges	*Operations GAM / Region Head UK**
Martin Jufer	*Operations Swiss & Global Asset Management**

(new appointments as of 18 April 2013, subject to FINMA approval)*

This move will facilitate a more functional and integrated leadership of the Group. While GAM and Swiss & Global Asset Management will retain their distinct business lines, as well as separately branded client activities and distinct operations teams in support of multiple regulatory regimes, the Group-wide functions will take precedence over the current segmentation along operating company lines.

The investment management teams will continue to report directly to David M. Solo, freeing them as far as possible from operational management responsibilities and thereby allowing them to focus solely on generating superior investment performance for the Group's clients.

The introduction of a flatter and simpler organisation will enable the achievement of a number of tangible efficiency and cost benefits, currently estimated at 5% of total operating expenses. As stated in January, additional costs associated with implementing the more streamlined organisational structure will be booked through reported earnings in 2013 and not via any extraordinary restructuring pool.

David M. Solo commented: "I am pleased that our future management team will bring together senior individuals from across the Group. Although the new organisation will not radically change how we operate, it will remove some of the barriers that exist within our current dual company structure, thereby improving cooperation, sharing of best practices and the ability to pool our talent. We will combine our diversified investment skills, fund structures and two strong product brands in such way as to achieve the optimal result for the Group as a whole, and therefore enhance our ability to grow."

Outlook

Johannes A. de Gier said: "Private and institutional investors are certainly relieved by the fact that the extreme risks experienced in 2011 and 2012 have diminished. However, safeguarding and growing their wealth remains a challenge. I am convinced that we offer the products and solutions they need, and this is evidenced by the robust level of client activity we are currently experiencing. As we are starting the year from a very strong position, with high levels of assets under management and strong investment performance, we have good reasons to be optimistic."

GAM Holding AG

The presentation for media, analysts and investors on the results of GAM Holding AG for 2012 will be webcast on 5 March 2013 at 9:30am (CET). Materials relating to the results (presentation slides, Annual Report 2012 and press release) are available on www.gamholding.com.

Forthcoming events:

17 Apr 2013	Ordinary Annual General Meeting, Interim Management Statement Q1 2013
19 Apr 2013	Ex-dividend date
23 Apr 2013	Dividend record date
24 Apr 2013	Dividend payment date

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Notes to editors – about GAM Holding AG

GAM Holding AG is an independent, well-diversified asset management group focused on the development 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 116.2 billion (as at 31 December 2012) and employs over 1,000 staff with offices in Zurich (head office), Bermuda, Grand Cayman, Dublin, Frankfurt, Geneva, Hong Kong, London, Lugano, Luxembourg, Madrid, Milan, New York and Tokyo.

Key Figures 2012

Consolidated income statement[1]	2012 CHF m	2011 CHF m	Change in %
Net management fees and commissions	496.8	534.1	-7
Performance fees	82.1	19.6	319
Net fee and commission income	**578.9**	**553.7**	**5**
Income from investment in associates	1.6	17.1	-91
Other operating income	13.6	27.7	-51
Operating income	**594.1**	**598.5**	**-1**
Personnel expenses	284.5	277.2	3
General expenses	106.9	100.5	6
Depreciation and amortisation	7.2	6.8	6
Operating expenses	**398.6**	**384.5**	**4**
Underlying profit before taxes	**195.5**	**214.0**	**-9**
Underlying income taxes	33.5	48.3	-31
Underlying net profit	**162.0**	**165.7**	**-2**
Gross margin (basis points)	*52.7*	*53.0*	-
Cost/income ratio	*67.1%*	*64.2%*	-
Pre-tax margin (basis points)	*17.3*	*19.0*	-

Client assets	2012 CHF bn	2011 CHF bn	Change in %
Assets under management at the end of the year[2]	116.2	107.0	9
Average assets under management[3]	112.7	112.9	-0
Net new money[4]	2.4	-3.8	163

Personnel	31.12.2012	31.12.2011	Change in %
Number of full-time equivalents	1,098	1,078	2
in Switzerland	343	324	6
in the United Kingdom	396	405	-2
in the rest of Europe	238	227	5
in the rest of the world	121	122	-1

Consolidated balance sheet	31.12.2012 CHF m	31.12.2011 CHF m	Change in %
Assets	2,294.7	2,425.7	-5
Equity	1,953.3	2,099.5	-7
Tangible equity[5]	581.3	726.3	-20
Return on tangible equity[6]	27.7%	22.8%	-

Share information	2012	2011	Change in %
Number of registered shares at the end of the year	183,355,000	196,300,000	-7
Share capital at the end of the year (CHF m)	9.2	9.8	-6
EPS (CHF)[7]	0.94	0.91	3
Book value at the end of the year (CHF)[8]	3.53	4.10	-14
Closing price (CHF)	12.35	10.20	21

[1] The result for 2012 has been adjusted to exclude the impairment of investments of CHF 56.3 million (2011: CHF 249.1 million), the amortisation of customer relationships of CHF 11.7 million (2011: CHF 11.6 million) and defined benefit pension plan curtailment expenses (net of taxes) of CHF 6.0 million (2011: none). Including those non-cash items, the Group's net profit for 2012 amounted to CHF 88.0 million (2011: net loss of CHF 95.0 million), as shown in the Consolidated Financial Statements.

[2] Excludes CHF 20.1 billion of funds managed by GAM and distributed by Swiss & Global Asset Management.

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

[4] CHF 6.4 billion in total before removing double-count of net new money relating to funds managed by GAM and distributed by Swiss & Global Asset Management, which are reported in both businesses.

[5] Equity excluding non-controlling interests, goodwill, customer relationships and brand.

[6] Underlying net profit excluding non-controlling interests / tangible equity at the end of the year.

[7] Underlying net profit excluding non-controlling interests / weighted average number of shares outstanding, excluding treasury shares.

[8] Tangible equity / number of shares outstanding at the end of the year, excluding treasury shares.