Press Release

GAM Holding AG reports 58% rise in underlying net profit to CHF 111.7 million for the first half of 2013

Zurich, 13 August 2013

- **Underlying net profit of CHF 111.7 million, up 58% year-on-year, driven by strong revenue growth and cost discipline**
- **Sale of Artio stake successfully completed, gain of CHF 13.1 million not included in underlying net profit, but reflected in IFRS net profit of CHF 119.0 million**
- **Increase in assets under management by CHF 0.4 billion in the first half 2013, to CHF 116.6 billion, adversely impacted by sharp market correction in June**
- **Net new money outflows of CHF 0.6 billion, including loss of a one-off equity mandate and atypical outflows in private labelling**
- **Underlying business developments were nonetheless strong, with net inflows into absolute return single manager range at record level; highly resilient demand for specialised and unconstrained fixed income; encouraging inflows into strongly performing equity strategies**
- **Balance sheet remains strong and highly liquid, with tangible equity of CHF 477 million, cash of CHF 466 million and no debt**
- **Continued commitment to returning excess capital to shareholders, foremost through sustainable ordinary dividends complemented by share repurchases**
- **New reporting structure, with focus on Group financial results and separate business metrics for investment management and private labelling**

Changes to financial disclosure reflecting new Group structure

In April 2013 GAM Holding AG introduced a new management structure supporting its move towards a more integrated Group organisation and replacing its previous operating model as a pure financial holding company. The change reflects the increasing level of convergence in the activities of GAM and Swiss & Global Asset Management. The move included the establishment of a new Group Management Board (GMB) which now leads the Group as a single business, assessing performance and allocating resources based on aggregated financial information.

Effective 30 June 2013, the reporting structure and disclosure format of the Group was changed accordingly. The results of GAM and Swiss & Global Asset Management will no longer be reported separately, while consolidated results will remain unchanged. In addition, the company will disclose and discuss separate business metrics, such as assets under management, net new money and return on assets, for its two core activities: first, the management and distribution of investment strategies under the Group's own brands (investment management), and second, the development and operation of outsourcing services on behalf of third parties (private labelling).

The Group's medium-term targets have been aligned with its new management and reporting structure. Except for the net new money growth rate for private labelling, all targets remain consistent with GAM Holding AG's previous ambition levels.

Medium-term targets:

- The Group's overarching objective is to grow profitability in a sustainable fashion, measured by growth in earnings per share
- Through cost discipline and operating leverage, the Group aims to achieve a cost/income ratio of 60–65%
- The Group aims to achieve a sustainable growth trend in new business flow, targeting an annualised net new money growth rate of 5–10% in both investment management and private labelling.

H1 2013 Group results in detail

Adjusted for certain non-cash and non-recurring items[1], *underlying net profit* for the first half of 2013 amounted to CHF 111.7 million, a rise of 58% year-on-year. *Earnings per share* soared to CHF 0.67, up 68% from CHF 0.40 a year earlier.

The Group's *operating income* totalled CHF 357.4 million, up 27% from the same period a year earlier. Net management fees and commissions rose 14%, from CHF 245.0 million to CHF 278.9 million. This reflects a year-on-year increase in the Group's average asset base, driven by the growth of higher-margin products. At CHF 70.9 million, performance fees on the single manager absolute return range returned to a more normalised level, recovering from the unusually low levels experienced in the first half of 2012 (CHF 29.4 million). The annual performance fees on most of the onshore funds are booked at the end of June and will not recur in the second half of the year, while performance fees on most offshore funds are booked annually at year-end.

Other operating income – which includes the impact of foreign exchange movements as well as recurring fund-related fees and service charges – rose from CHF 4.6 million to CHF 7.6 million.

The Group's blended *return on assets* for the first half of 2013 was 60.3 basis points, compared to 51.1 basis points for the same period a year earlier. The increase, which outpaced the 8% growth in average assets under management, reflects a more normalised level of performance fees and a larger proportion of absolute return single manager products. These factors pushed return on assets in investment management up by 16.1 basis points to 88.9 basis points. In private labelling, outflows of higher-margin funds led to a decline in return on assets of 2.3 basis points to 9.2 basis points.

Operating expenses were CHF 231.2 million for the first half of 2013, compared to CHF 193.4 million for the same period a year earlier (up 20%). While general expenses remained flat, at CHF 52.5 million, personnel expenses rose 28% year-on-year to CHF 175.5 million. The increase reflects higher social security expenses for the options of the 2009 long-term

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[1] The **result for H1 2013** has been adjusted to exclude the gain from the sale of the Group's investment in Artio of CHF 13.1 million and the amortisation of customer relationships of CHF 5.8 million. Including those items, the Group's net profit for H1 2013 amounted to CHF 119.0 million, as shown in the Condensed Interim Consolidated Financial Statement.
The **result for H1 2012** has been adjusted to exclude the reduction of the carrying value of the investment in Artio of CHF 22.5 million, the amortisation of customer relationships of CHF 5.8 million and defined benefit pension plan curtailment expenses (net of taxes) of CHF 5.6 million. Including those non-cash items, the Group's net profit for H1 2012 amounted to CHF 36.6 million, as shown in the Condensed Interim Consolidated Financial Statements.

incentive plan (LTIP) resulting from an increase in GAM Holding AG's share price. These costs were largely offset by a reduction in the Group's corporate tax rate (from 19.3% to 11.5%) reflecting the local tax deductions of the LTIP, which fluctuate with the company's share price. Excluding the impact of the social security charges in connection with the LTIP, personnel costs would have increased less than revenues. Variable contractual payments to investment professionals rose in line with net fee and commission income, while the impact of the amortisation of the 2009 LTIP fell to a negligible amount, as the majority of the options fully vested in October 2012. The Group's headcount rose by 10 full-time equivalents, driven by the addition of the non-directional equity team – the former Arkos team – in July 2012.

The Group's *cost/income ratio* improved from 68.9% in the first half 2012 to 64.7% reflecting the growth in overall net fee and commission income as well as strict cost control.

Assets under management and net new money

Assets under management for the Group were CHF 116.6 billion as at 30 June 2013, compared to CHF 116.2 billion at year-end 2012. The broad-based market correction in June 2013 offset most of the growth achieved over the first five months of the year leading to an overall negative impact of CHF 0.6 billion from market performance for the first half. At Group level, *net new money* outflows totalled CHF 0.6 billion while currency movements had a positive effect of CHF 1.6 billion, with both the euro and US dollar strengthening against the Group's CHF reporting currency.

Investment management assets under management amounted to CHF 72.1 billion as at 30 June 2013 (CHF 72.6 billion at year-end 2012). Net new money results improved from the outflows of CHF 1.2 billion reported during the first half of 2012. At negative CHF 0.2 billion, they were mainly driven by the loss of one sub-advisory mandate of exceptional size at GAM and substantial redemptions from the physical gold fund, prompted by the large correction in the gold price. These outflows were largely offset by net inflows in those areas set to benefit most from emerging industry trends, and are therefore not representative of the positive underlying business dynamics seen during the first half. During this period, the absolute return single manager funds achieved their highest net inflows ever, with strong contributions from a broad range of strategies. Demand for the Group's specialised and unconstrained fixed income offering was highly resilient. The strongest performing and most differentiated equity funds, such as the Julius Baer-branded Japan and luxury brand funds or GAM's China, Continental European, North American and technology strategies, also saw robust levels of client interest. Net new money inflows into GAM's discretionary fund management service for financial advisers in the UK continued to rise. Although still modest at present, this service is expected to make meaningful contributions to growth over the next few years. Overall, these dynamics support the Group's ambition to grow net new money in investment management at an annualised rate of 5–10% over the medium term.

Private labelling assets under management were CHF 44.5 billion (CHF 43.6 billion at year-end 2012). Net new money outflows of CHF 0.4 billion during the first half of 2013 (net inflows of CHF 2.1 billion for the first half of 2012) reflected atypical net redemptions from offshore and Swiss-domiciled funds. These were largely offset by one large mandate win in Luxembourg, where services have been expanded in anticipation of client need to adapt to stricter regulatory constraints. While results in the private labelling business are reflective of the flows into its clients' funds, the long-term nature of these relationships provides the Group with the ability to prosper along with its partners, and has been proven to deliver attractive growth rates over the cycle. The targeted annualised net new money growth rate of 5–10% for this area, however, represents a slight reduction from previous objectives, reflecting uncertainty over regulatory developments and related business opportunities.

Cash and tangible equity

The Group's *net cash* position as at 30 June 2013 was CHF 466.1 million, compared to CHF 504.0 million at year-end 2012. The dividend payment for 2012 (CHF 81.8 million) and the share buy-backs for cancellation (CHF 100.7 million) were largely funded by the strong levels of cash generated over the first half of 2013. The cash position as at 30 June 2013 further includes proceeds of CHF 42.4 million received from the sale of the Group's minority stake in Artio Global Investors Inc. to Aberdeen Asset Management PLC.

Tangible equity (equity excluding non-controlling interests and intangibles) stood at CHF 476.7 million, compared to CHF 530.8 million at year-end 2012. The decrease reflects the dividend payment for the 2012 financial year and the share buy-backs during the first half, partly offset by the net profit for the period.

Current share buy-back programme 2011-2014

Over the course of the first half of 2013 the Group bought back 6,016,429 shares for cancellation at an average price of CHF 16.73 representing a total value of CHF 100.7 million. Including the 0.3 million shares repurchased in July, the cumulative buy-backs since the launch of the programme on 9 May 2011 amount to 29.4 million, representing around 71% of the maximum limit of 41.3 million shares approved by shareholders. The programme is due to run until April 2014 at the latest.

The Group remains committed to returning excess cash and capital to its shareholders either through dividends or the repurchase of its publicly listed shares. While buy-backs provide flexibility in managing cash and capital returns to shareholders, in the future, the mix between the two is likely to shift as the Group intends to place a stronger emphasis on dividends.

Outlook

David M. Solo, Group CEO said: "The sharp market correction in June has not impacted the confidence we have in the future of our Group. The trends we saw in the first half of the year indicate that investors are reassessing their portfolio allocations, preferring alternative fixed income strategies to traditional ones, seeking quality absolute return products, and slowly but steadily regaining their appetite for equity investments. We are firmly convinced that, against the persistent backdrop of slow economic growth, negative real yields and highly volatile equity markets, active management will prove its value. Clients cannot rely on 'easy' solutions to grow or safeguard their wealth. The performance track record across our product range confirms that we have the skills and experience to help them navigate successfully through the challenges and risks ahead. Therefore, our Group is well-positioned to deliver value for its clients and shareholders over the long-term."

The presentation for media, analysts and investors on the results of GAM Holding AG for the first half of 2013 will be webcast on 13 August 2013 at 9:30am (CET). Materials relating to the results (presentation slides, Half-Year Report 2013 and press release) are available on www.gamholding.com.

Forthcoming events:

22 Oct 2013	Interim management statement Q3 2013
4 Mar 2014	Full-year results 2013
15 Apr 2014	Ordinary Annual General Meeting & interim management statement Q1 2014
12 Aug 2014	Half-year results 2014

For further information please contact:

Media Relations:
Larissa Alghisi Rubner
T: +41 (0) 58 426 62 15

Investor Relations:
Thomas Schneckenburger
Bluechip Financial Communications
T: +41 (0) 44 256 88 30

Notes to editors

About GAM Holding AG

GAM Holding AG is an independent, pure-play asset management group with a focus on active investing. With global distribution networks and investment teams based in five investment centres in Europe, the US and Asia, it delivers investment solutions to institutions, intermediaries and private clients through two leading brands – Julius Baer Funds (distributed by Swiss & Global Asset Management) and GAM. The Group's investment management business is complemented by a private labelling unit (operated by Swiss & Global) which provides outsourcing solutions for third parties.

Headquartered in Zurich, 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 116.6 billion (as at 30 June 2013) and employs over 1,000 staff with offices in 10 countries.

Key Figures H1 2013

Consolidated income statement[1]	H1 2013 *CHF m*	H1 2012 *CHF m*	H2 2012 *CHF m*	*Change from H1 2012 in %*	*Change from H2 2012 in %*
Net management fees and commissions	278.9	245.0	251.8	14	11
Performance fees	70.9	29.4	52.7	141	35
Net fee and commission income	**349.8**	**274.4**	**304.5**	**27**	**15**
Income from investment in associates	-	1.8	-0.2	-100	100
Other operating income	7.6	4.6	9.8	65	-22
Operating income	**357.4**	**280.8**	**314.1**	**27**	**14**
Personnel expenses	175.5	137.3	148.3	28	18
General expenses	52.5	52.5	54.4	0	-3
Depreciation and amortisation	3.2	3.6	3.6	-11	-11
Operating expenses	**231.2**	**193.4**	**206.3**	**20**	**12**
Underlying profit before taxes	**126.2**	**87.4**	**107.8**	**44**	**17**
Underlying income taxes	14.5	16.9	16.3	-14	-11
Underlying net profit	**111.7**	**70.5**	**91.5**	**58**	**22**
Return on assets (basis points)[2]	*60.3*	*51.1*	*54.5*	-	-
Cost/income ratio	*64.7%*	*68.9%*	*65.7%*	-	-
Pre-tax margin (basis points)[2]	*21.3*	*15.9*	*18.7*	-	-

Client assets	H1 2013 *CHF bn*	H1 2012 *CHF bn*	H2 2012 *CHF bn*	*Change from H1 2012 in %*	*Change from H2 2012 in %*
Assets under management at the end of the period	116.6	111.1	116.2	5	0
Average assets under management[3]	118.5	110.0	115.2	8	3
Net new money	-0.6	0.9	1.5	-167	-140

Personnel	30.06.2013	30.06.2012	31.12.2012	*Change from 30.06.2012 in %*	*Change from 31.12.2012 in %*
Number of full-time equivalents	1,093	1,083	1,098	1	-0
in Switzerland	352	325	343	8	3
in the United Kingdom	380	405	396	-6	-4
in the rest of Europe	250	233	238	7	5
in the rest of the world	111	120	121	-8	-8

Consolidated balance sheet	30.06.2013 *CHF m*	30.06.2012 *CHF m*	31.12.2012 *CHF m*	*Change from 30.06.2012 in %*	*Change from 31.12.2012 in %*
Assets	2,240.5	2,283.2	2,305.7	-2	-3
Equity	1,842.8	1,947.5	1,902.8	-5	-3
Tangible equity[4]	476.7	580.1	530.8	-18	-10
Return on tangible equity[5]	46.2%	24.3%	34.0%	-	-

Share information	H1 2013	H1 2012	H2 2012	*Change from H1 2012 in %*	*Change from H2 2012 in %*
Number of registered shares at the end of the period	173,229,660	183,355,000	183,355,000	-6	-6
Share capital at the end of the period (CHF m)	8.7	9.2	9.2	-5	-5
Basic EPS (CHF)[6]	0.67	0.40	0.54	68	24
Closing price (CHF)	14.50	10.55	12.35	37	17

[1] The result for H1 2013 has been adjusted to exclude the gain from the sale of our investment in Artio of CHF 13.1 million and the amortisation of customer relationships of CHF 5.8 million. Including those items, the Group's net profit for H1 2013 amounted to CHF 119.0 million, as shown in the Condensed Interim Consolidated Financial Statements.

The result for 2012 has been adjusted to exclude the impairment of investments of CHF 56.3 million (H1 2012: CHF 22.5 million, H2 2012: CHF 33.8 million), the amortisation of customer relationships of CHF 11.7 million (H1 2012: CHF 5.8 million, H2 2012: CHF 5.9 million) and defined benefit pension plan curtailment expenses (net of taxes) of CHF 5.6 million (H1 2012: CHF 5.6 million, H2 2012: none). Including those non-cash items, the Group's net profit for 2012 amounted to CHF 88.4 million (H1 2012: CHF 36.6 million, H2 2012: CHF 51.8 million), as shown in the Condensed Interim Consolidated Financial Statements.

[2] Annualised.

[3] Average calculated with seven month-end values (December to June for H1 2013 and H1 2012; June to December for H2 2012).

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

[5] Underlying net profit excluding non-controlling interests (annualised) / tangible equity at the end of the period.

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