3 August 2016

PRESS RELEASE

GAM Holding AG H1 2016 underlying pre-tax profit CHF 55.0 million

- Underlying profit before taxes 46% lower versus H1 2015, in line with the expected reduction as communicated on 14 June 2016, and 43% lower versus H2 2015 – all largely due to reduced performance fees
- IFRS net profit at CHF 53.3 million, 34% lower versus H1 2015 and 7% lower versus H2 2015
- Group assets under management of CHF 113.5 billion, down 5% from 31 December 2015
- Investment management:
  - Net outflows of CHF 5.6 billion due to heightened risk aversion among investors following a prolonged period of market volatility
  - Slight deceleration in redemptions in Q2 2016 compared with Q1 2016
  - Assets under management of CHF 65.5 billion, down 9% from 31 December 2015, driven by net outflows and the negative impact from the weakening of the British pound and the US dollar
- Private labelling:
  - Net inflows of CHF 0.9 billion
  - Assets under management of CHF 48.0 billion, up 3% from 31 December 2015, driven by net inflows and a net positive impact from market and foreign exchange movements

Group CEO Alexander S. Friedman said: "We are steadfastly progressing with the business restructuring we started in 2015. Despite disappointing earnings in the first half of this year, we are investing in the future and managing the business for the long run. The product launches and acquisitions we announced so far this year are a testament to our commitment to position GAM for future growth.

However, we cannot rely on a quick improvement in market conditions. The turmoil we have been seeing since the second half of 2015 is likely to continue affecting clients' risk appetite, flows and assets. Our utmost attention over the coming months will be directed to our clients, investment performance, tight cost control and the integration of new capabilities."

Group results: H1 2016 versus H1 2015

Net fee and commission income fell 23% to CHF 232.8 million mainly as a result of significantly lower performance fees. Net management fees and commissions declined 10% to CHF 231.6 million. This was driven by lower average assets under management and a slight decline in the management fee margin in investment management to 62.5 basis points, reflecting fluctuations in the asset mix between products and client segments caused by flows and market movements.

Performance fees fell to CHF 1.2 million, from CHF 44.1 million for the same period last year. Over the past five years, performance fees on average contributed about 12% of GAM's net fee and commission income. The mix of multiple and diverse products eligible for performance fees has generally provided a good offset between strategies surpassing their high-water mark performance levels and those underperforming. However, in the first half of 2016 the significant contributors to performance fees all struggled to exceed their high-water marks.

Net other income, which includes net interest income, the impact of foreign exchange movements, gains and losses on seed capital investments and hedging as well as fund-related fees and service charges, increased by CHF 0.9 million to CHF 2.7 million. This was mainly driven by a gain from the revaluation of assets and liabilities in foreign currencies held by the Group's local entities.

Personnel expenses decreased 14% to CHF 125.1 million. Fixed personnel costs fell as a result of a reduction in headcount. Variable compensation was 28% lower as both discretionary bonus accruals and contractual bonuses linked to performance and management fees declined in line with business results. The compensation ratio increased to 53.7% from 48.1%, as the reduction in net fee and commission income was only partly offset by the decrease in personnel expenses.

General expenses decreased 4% to CHF 50.6 million as occupancy costs were slightly lower and IT expenses declined, reflecting lower charges for consultancy and maintenance costs. The first-time inclusion of administration expenses, amounting to CHF 1.7 million, reflects fees paid to State Street for the outsourced fund and middle office services. The expenses also include a one-time credit of CHF 0.8 million.

The underlying pre-tax profit of CHF 55.0 million was down 46%. Although costs were managed tightly and variable compensation reduced, that did not fully offset the decrease in net fee and commission income.

The underlying effective tax rate increased to 23.3% from 20.0% for the first half of 2015, reflecting the impact of non-deductible share scheme costs and higher proportion of non-taxable holding company costs. **Diluted underlying earnings per share** of CHF 0.27 were down from CHF 0.50, as the benefit from the reduction in the number of shares outstanding from the Group's share buy-back activity only partly offset the decline in underlying net profit.

The IFRS net profit of CHF 53.3 million, all attributable to the shareholders of GAM Holding AG, fell by 34%. The IFRS figure includes two items that are not reflected in the underlying results: non-recurring items that resulted in a gain of CHF 4.4 million and acquisition-related items that resulted in a gain of CHF 6.7 million (all net of taxes). The former include a gain from changes to the Swiss pension plan, partly offset by deal and integration costs stemming from the acquisitions of Taube Hodson Stonex and Cantab Capital Partners. Acquisition-related items include a reduction in the estimate of the deferred consideration liability for the acquisition of Arkos (now GAM Lugano), partly offset by the amortisation of customer relationships from businesses GAM acquired.

Investment management assets and flows

Assets under management movements (CHF bn)

Capability	Opening AuM 1 Jan 2016	Net flows	Transfer[1]	Market/FX	Closing AuM 30 Jun 2016
Absolute return	23.1	-2.6	-0.4	-0.9	19.2
Fixed income	18.6	-0.2	0.4	0.5	19.3
Equity	13.4	-1.6	-	-1.1	10.7
Alternatives	5.3	-0.2	-	0.5	5.6
Multi asset	11.9	-1.0	-	-0.2	10.7
Total	**72.3**	**-5.6**	**-**	**-1.2**	**65.5**

[1] This represents a reclassification of one mandate from absolute return to fixed income.

Investment management recorded net outflows of CHF 5.6 billion in the first half of 2016 amid turbulent markets. Assets under management fell to CHF 65.5 billion from CHF 72.3 billion as at 31 December 2015. Apart from net outflows, foreign exchange movements reflecting the weakening of the British pound and the US dollar against the Swiss franc impacted asset levels by CHF 1.2 billion.

Net flows by capability

In absolute return, net outflows totalled CHF 2.6 billion, driven primarily by redemptions from the unconstrained/absolute return bond strategy following a period of underperformance in 2014, despite strong performance since the beginning of 2016. JB Absolute Return Europe Equity Fund and Global Rates strategies also recorded net outflows, while GAM Star Keynes Quantitative Strategies and GAM Star European Alpha funds posted modest inflows for the period.

In fixed income, net outflows amounted to CHF 0.2 billion, as redemptions from developed market strategies such as the European JB ABS Fund were largely offset by robust demand elsewhere. The improved sentiment toward emerging market assets resulted in solid net inflows into the JB Local Emerging Bond Fund, which invests in debt of emerging countries denominated or pegged to the respective local currency. The GAM Star Credit Opportunities fund, which predominantly invests in investment grade debt or high quality issuers, as well as specialised products, such as GAM Star MBS Total Return, continued to be popular with investors.

The biggest net inflows into equity strategies came from GAM Star Continental European Equity and GAM UK Diversified funds. However, risk aversion and negative investor sentiment led to broad outflows from equity funds in the first half of 2016 in line with industry trends and totalled net CHF 1.6 billion, with GAM Star China Equity, JB Japan Equity and GAM Star Technology funds most affected.

Total net outflows from alternative capabilities amounted to CHF 0.2 billion, as inflows into commodity funds, especially the JB Physical Gold Fund, helped offset redemptions in traditional fund of hedge funds products.

Multi asset class solutions posted net outflows of CHF 1.0 billion for the period. Net inflows into the successful risk rated solutions for financial advisers in the UK and an important institutional mandate win in Europe were more than offset by redemptions in flexible allocation mandates for private and institutional clients.

Net flows by client segment

Net outflows from institutional investors amounted to CHF 1.5 billion in the first six months of 2016, while redemptions from the more volatile channels of financial intermediaries and private clients amounted to net CHF 3.3 billion and CHF 0.8 billion, respectively. There was a slight deceleration in redemptions in the second quarter of 2016 compared with the first, as outflows from both institutional investors and financial intermediaries slowed.

Private labelling assets and flows

Assets under management movements (CHF bn)

Fund domicile	Opening AuM 1 Jan 2016	Net flows	Market/FX	Closing AuM 30 Jun 2016
Switzerland	31.4	0.2	0.1	31.7
Rest of Europe	15.3	0.7	0.3	16.3
Total	**46.7**	**0.9**	**0.4**	**48.0**

Assets under management in private labelling, which provides fund solutions for third parties, rose to CHF 48.0 billion as at 30 June 2016 from CHF 46.7 billion at the end of 2015. Net inflows amounted to CHF 0.9 billion in the first six months of 2016, mainly into Luxembourg-domiciled funds of existing clients, while market and foreign exchange movements had a net positive impact of CHF 0.4 billion.

Liquidity and capital management

The Group's cash and cash equivalents declined to CHF 480.7 million from CHF 632.9 million as at 31 December 2015, mainly reflecting the dividend payment for the 2015 financial year. Tangible equity decreased to CHF 384.3 million from CHF 487.0 million as the Group's IFRS net profit was more than offset by the dividend payment, a remeasurement of pension liabilities driven by interest rate decreases in the UK and Switzerland and a negative impact from foreign exchange movements.

Over the course of the first half of 2016, GAM purchased 612,200 shares through the current three-year share buy-back programme that started on 28 April 2014 at an average share price of CHF 14.19, representing a total value of CHF 8.7 million. On 29 June 2016 the Group announced the decision to temporarily suspend the purchase of shares under the programme to maintain appropriate levels of capital following the announced acquisition of Cantab Capital Partners.

Update on strategic initiatives

The implementation of the new operating model is progressing as planned. The largest back office migration step within the overall project, involving the transfer of the entire GAM Star range to State Street Fund Services (Ireland) Ltd, was completed in March. Middle office for a first set of Dublin and offshore funds was successfully transferred to State Street in July. From 2017, GAM continues to expect these measures to reduce its cost base by more than CHF 20 million annually compared with 2014 levels.

GAM's multi asset team, under the leadership of Larry Hatheway, launched two new target return strategies in March to capture the growing demand for objective-oriented holistic solutions that generate returns across all asset classes. To expand GAM's successful range of absolute return funds, the company launched a merger arbitrage strategy in July. The real estate debt team, which was acquired from Renshaw Bay in October 2015, recently won a new separate account mandate focused on senior loans in the UK and is in the process of marketing a new strategy, which will be focused on European real estate debt and denominated in euros. In July, GAM also launched a trade finance offering, which provides an innovative solution optimised for the current low yield environment.

In May 2016, GAM entered into an agreement to acquire the investment management business of Taube Hodson Stonex, a London-based global equity investment firm with CHF 2.3 billion of assets under management as at 30 June 2016, to deepen its thematic equity capability. The acquisition is expected to close in the third quarter, subject to customary regulatory approvals.

In June 2016, GAM entered into an agreement to acquire Cantab Capital Partners, an industry-leading multi strategy systematic manager based in Cambridge, UK with CHF 4.0 billion in assets as at 30 June 2016. The acquisition accelerates GAM's strategy to diversify its active management capabilities and enables the launch of GAM Systematic, a platform focused on quantitative investing across long-only and alternative strategies. The acquisition is expected to close in the late third or early fourth quarter of 2016, subject to customary regulatory approvals. GAM plans to launch a UCITS version of Cantab's existing core macro strategy and a new non-directional global equity strategy shortly thereafter.

Outlook

The market environment is expected to be difficult for the remainder of 2016. Politics will be a key source of risk for markets, with a second presidential election in Austria and Italy's referendum on constitutional reform in October, the US elections in early November and the UK's negotiations to leave the European Union all having the potential to unsettle investors. Concerns over the outlook for global growth are also unlikely to dissipate soon, and the US Federal Reserve may choose to raise rates later in the year, which could destabilise markets. Uncertainty is likely to continue affecting clients' risk appetite, flows and assets.

Group CEO Alexander S. Friedman said: "We are confident that our company will effectively navigate this challenging market environment. We are committed to our financial targets of increasing diluted underlying earnings per share in excess of 10% on an annualised basis and achieving an operating margin of 35–40% over the five to eight-year business cycle. Our policy of progressive, predictable and sustainable dividends also remains unchanged.”

The presentation for media, analysts and investors on the results of GAM Holding AG for the first half of 2016 will be webcast on 3 August 2016 at 9:00am (CET). Materials relating to the results (presentation slides, half-year report 2016 and press release) are available at www.gam.com.

Forthcoming events:

20 October 2016	Interim management statement Q3 2016
2 March 2017	Full-year results 2016
26 April 2017	Interim management statement Q1 2017
27 April 2017	Annual General Meeting

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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 under two brands: GAM and Julius Baer Funds. 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 1,000 people in 11 countries with investment centres in London, 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 113.5 billion (USD 116.5 billion) as at 30 June 2016.

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 2016

Income statement	H1 2016 CHF m	H2 2015 CHF m	H1 2015 CHF m	Change from H2 2015 in %	Change from H1 2015 in %
Net management fees and commissions	231.6	260.1	257.7	(11)	(10)
Net performance fees	1.2	38.7	44.1	(97)	(97)
Net fee and commission income	**232.8**	**298.8**	**301.8**	**(22)**	**(23)**
Net other income/(expenses)	2.7	(1.1)	1.8	-	50
Income	**235.5**	**297.7**	**303.6**	**(21)**	**(22)**
Personnel expenses	125.1	144.8	145.2	(14)	(14)
Fixed personnel expenses	79.8	82.9	82.2	(4)	(3)
Variable personnel expenses	45.3	61.9	63.0	(27)	(28)
General expenses	50.6	52.3	52.6	(3)	(4)
Occupancy expenses	13.6	14.6	14.0	(7)	(3)
IT expenses	8.0	7.8	10.5	3	(24)
Communication and marketing expenses	14.3	15.3	14.1	(7)	1
Professional services, other fees and charges	6.8	7.2	7.2	(6)	(6)
Administration expenses	1.7	-	-	-	-
Other general expenses	6.2	7.4	6.8	(16)	(9)
Depreciation and amortisation	4.8	4.3	4.3	12	12
Expenses	**180.5**	**201.4**	**202.1**	**(10)**	**(11)**
Underlying profit before taxes	**55.0**	**96.3**	**101.5**	**(43)**	**(46)**
Underlying income tax expense	12.8	19.1	20.3	(33)	(37)
Underlying net profit	**42.2**	**77.2**	**81.2**	**(45)**	**(48)**
Acquisition-related items	6.4	(13.1)	(0.3)	-	-
Non-recurring items	6.0	(8.5)	-	-	-
Tax on acquisition-related items	0.3	(0.5)	-	-	-
Tax on non-recurring items	(1.6)	2.3	-	-	-
IFRS net profit	**53.3**	**57.4**	**80.9**	**(7)**	**(34)**
Operating margin (%)[1]	22.5	32.6	33.0	(31)	(32)
Compensation ratio (%)[2]	53.7	48.5	48.1	11	12
Personnel at the end of the period (FTEs)	1,024	1,074	1,097	(5)	(7)

Client assets - investment management	H1 2016 CHF bn	H2 2015 CHF bn	H1 2015 CHF bn	Change from H2 2015 in %	Change from H1 2015 in %
Assets under management at the end of the period	65.5	72.3	73.5	(9)	(11)
Average assets under management[3]	68.5	73.8	73.6	(7)	(7)
Net flows	(5.6)	(1.7)	2.0	-	-
Total fee margin (bps)[4]	62.9	75.3	76.4	(16)	(18)
Management fee margin (bps)[5]	62.5	64.8	64.4	(4)	(3)

Client assets - private labelling	H1 2016 CHF bn	H2 2015 CHF bn	H1 2015 CHF bn	Change from H2 2015 in %	Change from H1 2015 in %
Assets under management at the end of the period	48.0	46.7	50.7	3	(5)
Average assets under management[3]	47.2	49.9	49.5	(5)	(5)
Net flows	0.9	(1.6)	4.3	-	(79)
Management fee margin (bps)[5]	7.4	8.3	8.4	(11)	(12)

Balance sheet	30.06.2016 CHF m	31.12.2015 CHF m	30.06.2015 CHF m	Change from 31.12.2015 in %	Change from 30.06.2015 in %
Net cash	480.7	632.9	504.3	(24)	(5)
Assets	2,140.4	2,296.9	2,253.1	(7)	(5)
Equity	1,773.7	1,876.4	1,842.9	(5)	(4)
Tangible equity[6]	384.3	487.0	470.4	(21)	(18)

Share information	H1 2016	H2 2015	H1 2015	Change from H2 2015 in %	Change from H1 2015 in %
Number of registered shares at the end of the period	163,394,731	163,394,731	166,661,731	-	(2)
Share capital at the end of the period (CHF m)	8.2	8.2	8.3	-	(1)
Diluted underlying EPS (CHF)[7]	0.27	0.48	0.50	(44)	(46)
Closing price at the end of the period (CHF)	10.35	16.70	19.65	(38)	(47)

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 2016 and H1 2015, June to December for H2 2015).
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.