Press Release

GAM Holding AG reports underlying net profit of CHF 177.2 million for 2014

Zurich, 3 March 2015

Underlying pre-tax profit of CHF 216.7 million, down 7% from 2013, with cost reductions partly compensating for lower performance fees

Underlying net profit of CHF 177.2 million, down 16% year-on-year, reflecting the effects of a return to a more normalised tax rate of 18.2% (9.8% in 2013) and the decline in performance fees

IFRS net profit of CHF 169.0 million, of which CHF 165.8 million attributable to GAM Holding AG shareholders

Investment management with net new money inflows of CHF 2.4 billion; assets under management up 9% to CHF 76.1 billion

Private labelling assets under management of CHF 47.1 billion, up 6% from currency and market performance; net new money outflows of CHF 0.8 billion

Cost/income ratio unchanged at 65.2%

Proposed dividend of CHF 0.65 per share, unchanged from previous year

Mid-term growth initiatives announced:

- **Balance geographic and product footprint with new funds and teams**
- **Leverage DNA as leading alternative / absolute return investors**
- **Capitalise on and expand multi-asset class capabilities**
- **Enhance operating leverage: simplification of brand architecture, optimisation of operating model and product lifecycle management**

Mid-term targets: strategic initiatives designed to achieve annualised growth of basic earnings per share in excess of 10% and a cost/income ratio of 60–65% over a business cycle

2014 Group results in detail[1]

Adjusted for certain non-cash and non-recurring items, the Group's underlying pre-tax profit for 2014 was CHF 216.7 million, 7% lower than in 2013. A decline in performance fees was partly offset by cost reductions.

Operating income totalled CHF 623.5 million (down 7% year-on-year), mainly due to the fluctuation in performance fees. Net management fees and commissions, which represent around 85% of the Group's overall operating income, held up well, with a 2% decline

[1] The **result for 2014** has been adjusted to exclude the increase of CHF 5.9 million relating to the deferred liability from the acquisition of Arkos in 2012 and the impairment of investments of CHF 2.3 million. Including these items, the Group's net profit for 2014 amounted to CHF 169.0 million, as shown in the Consolidated Financial Statements.
The **result for 2013** has been adjusted to exclude the gain from the sale of the Group's investment in Artio of CHF 13.1 million, the amortisation of customer relationships of CHF 11.6 million (now fully amortised), the impairment of investments of CHF 5.8 million and office move expenses of CHF 4.5 million (net of taxes). Including these items, the Group's net profit for 2013 amounted to CHF 201.4 million, as shown in the Consolidated Financial Statements.

attributable to a shift in the asset mix towards a greater share of directional equity and fixed income products.

Underlying net profit for 2014 fell 16% year-on-year to CHF 177.2 million – a more pronounced decrease than on a pre-tax basis. It reflects a more normalised tax rate from the exceptionally low levels of 2013, when the Group benefited from the release of tax accruals and tax deductions from share-based payments.

Basic earnings per share were CHF 1.07 and declined less than underlying net profit (by 15%), due to the reduction in the number of shares outstanding through the Group's on-going share buy-backs.

Operating expenses, at CHF 406.8 million, were also reduced by 7%, in line with operating income, demonstrating the Group's flexible cost base. Personnel expenses fell by 9%, largely driven by lower contractual and discretionary bonus payments, a significant decline in the social security expenses for share-based payments and also lower severance payments. Non-recurring credits relating to expenses booked in prior years as well as lower consulting fees led to a 3% reduction in general expenses.

The Group's *cost/income ratio* was unchanged from 2013 at 65.2%.

Alexander S. Friedman, Group CEO, said: "Overall, 2014 demonstrated that our business model is working. At a time when active investment management faced fundamental challenges at an industry level, our unique business mix served to effectively ensure profit resilience and asset growth."

Investment management assets and flows

Assets under management in investment management at year-end 2014 were CHF 76.1 billion, compared with CHF 69.8 billion a year earlier. The 9% increase was driven by robust net new money inflows, the strengthening of the US dollar against the Group's Swiss franc reporting currency in the second half of 2014, as well as a positive impact from market performance.

Net new money inflows of CHF 2.4 billion were reflective of healthy underlying business momentum across the year, signalling a return to growth after the net outflows of CHF 2.6 billion recorded in 2013. While net new money results for 2014 include assets of CHF 361 million acquired with US-based mortgage-backed specialist Singleterry Mansley Asset Management in June, they were predominantly driven by broad-based inflows across the Group's existing product range and franchise. Particularly strong contributions came from specialised fixed income strategies, strongly performing directional equity funds and long/short equity strategies, which were the fastest growing product category in the Group's absolute return offering.

These positive flows more than compensated for cyclical redemptions in concentrated areas, partly due to market sentiment (physical gold ETF, local emerging bond strategy). Due to temporary performance headwinds, the Group's large unconstrained / absolute return bond strategy experienced outflows from the financial intermediaries channel, a segment that is very susceptible to performance fluctuations. With its 10-year track record of capital protection and solid returns across market cycles, however, the unconstrained / absolute bond strategy continued to win substantial inflows from institutional investors particularly in the US and Australia.

Private labelling assets and flows

Assets under management in private labelling (which represents approximately 7% of the Group's revenues) stood at CHF 47.1 billion on 31 December 2014, up from CHF 44.6 billion a year earlier. This development was driven by the positive impact of market performance and foreign exchange movements, more than offsetting *net new money* outflows of CHF 0.8 billion. Redemptions from clients of the Group's private labelling partners as well as the closure of certain partnerships could not be compensated by new mandate wins and the expansion of existing relationships.

Dividend and capital management

Subject to shareholders' approval at the upcoming Annual General Meeting (AGM) on 30 April 2015, the Board of Directors plans to pay a dividend of CHF 0.65 per share for the 2014 financial year, unchanged from the previous year. This will represent a nominal pay-out of approximately 60% of the Group's 2014 underlying net profit. The dividend will again be paid from capital contribution reserves and will therefore be exempt from Swiss withholding tax.

In addition to the proposed dividend payment, in 2014 the Group returned CHF 53 million of cash and capital to its shareholders through the buy-back of 3.27 million of its own shares for cancellation. Of these, 1.23 million shares were repurchased as part of its former buy-back scheme, which expired in April 2014, and 2.04 million shares as part of its current programme, which started on 28 April 2014. This programme allows for the repurchase of up to 16.7 million shares over a maximum period of three years.

The Group's balance sheet continues to be highly liquid (cash and cash equivalents of CHF 643.9 million at year-end 2014) and strongly capitalised (tangible equity of CHF 540.6 million), and we have no financial debt. The strong cash flow generation of the Group's operating activities, combined with low capital consumption, forms a solid basis for a continued policy of shareholder distributions. At the same time, it provides the Group with good strategic flexibility.

Mid-term growth initiatives

The Group has undertaken a focused growth agenda for the coming years. It builds on today's strengths and addresses attractive secular industry opportunities through the following initiatives:

- **Balance geographic and product footprint:** From its strong presence in the UK and Continental Europe, GAM Holding will expand its investment and distribution footprint in the US, the world's largest pool of institutional assets, and in Asia, where wealth creation will continue to support industry growth. Investments in organic growth will be complemented by distribution partnerships and focused acquisitions, targeted at balancing the Group's geographic reach and its investment capabilities, adding competencies in areas such as equities, multi-asset solutions, credit and distressed assets as well as other alternative solutions.
- **Leverage DNA as leading alternative / absolute return investors:** In an industry increasingly bifurcated between low-cost passive products and highly active, absolute return / alternative strategies and solutions, GAM Holding will focus on the latter. Building on its successful track record – demonstrated also by its position as the

number two provider of alternative UCITS globally[2] – the Group will continue to broaden its range of alternative / absolute return strategies, offering them in the form of onshore funds or as customised solutions.

- **Capitalise on and expand existing multi-asset class capabilities:** The current environment of low yields and divergent monetary policy increases the need for 'outsourced Chief Investment Officer solutions', designed to help pension funds, high-net-worth individuals, family offices, charities, endowments and their financial advisers in making complex allocation and investment decisions across asset classes. With 30-plus years of experience, the Group already manages approximately CHF 12.5 billion in traditional multi-asset class portfolios and CHF 5.2 billion in alternative investments solutions. In order to build a cohesive offering and increase its market penetration, it is now pooling its multi-asset class capabilities and strengthening the investment process and will invest further in this area. Over time, the current relative return, absolute return and risk-rated offerings will be complemented by income solutions, all of them using a variety of instruments ranging from single securities to funds, including third-party products and passive instruments.
- **Enhance operating leverage:** GAM Holding will complement its growth efforts with a search for greater efficiency. By eliminating internal complexity, the Group will maintain a strong grip on costs and over time enhance the operating leverage of its strategic initiatives. In the near term, it will focus on the following areas:

  Simplification of the brand architecture: In the coming months, the Group will discontinue the use of the Swiss & Global Asset Management name. Instead it will strengthen GAM as the Group's sole master brand and focus on positioning the two product brands – GAM and Julius Baer Funds – which have complementary strengths in different markets and client segments. A more straightforward approach to branding will be accompanied by intensified content marketing activities.

  Optimisation of operating model: With the establishment of centralised leadership over its company-wide operations function, the Group has started to analyse the entire operations and technology ecosystem supporting its investment capabilities and product offering. The objective of this effort is to achieve greater consistency and efficiency across processes and systems without sacrificing scope and diversification.

  Product lifecycle management: Over the past five years, the Group has successfully diversified its product offering towards a broad range of high-growth and higher margin segments. The constant drive for innovation and expansion, and hence a growing seeding pipeline, require a structured and disciplined management of the product shelf, including focused support for growth areas and the repositioning of products with low prospects for future growth.

Mid-term financial targets

Over a business cycle, the Group will aim to achieve the following targets (all calculated on the basis of underlying net profit):

- Grow profitability in a sustainable fashion, measured by **annualised growth in basic earnings per share in excess of 10%**

[2] Absolut Research, Absolut monitor alternative UCITS, Q4 2014.

- Build a business that is robust and resilient across a variety of market conditions and cycles, by constantly improving efficiency and operating leverage, expressed by a **cost/income ratio of 60 to 65%.**

Net new money growth is one of the key drivers of profitability and operating leverage, and is therefore reflected in the mid-term targets above. For this reason, the Group has decided no longer to include a specific quantitative target for annualised net new money growth (previously set at 5 to 10% in investment management and 5% in private labelling).

Outlook

Alexander S. Friedman, Group CEO, said: "There is little doubt that in 2015 we will have to come to terms with elevated levels of market volatility. A striking reminder of this was provided earlier this year, when the Swiss National Bank abandoned the minimum Swiss franc exchange rate against the euro. While the abrupt appreciation of the franc in January did not cause us any immediate losses and had no material impact on our investment strategies, it underscores the need to manage our cost structure optimally.

With monetary policies around the globe starting to diverge, and the pace of economic recovery highly uneven, asset managers operate in a challenging environment. However, we believe that for truly active investors like ourselves, increased volatility offers the opportunity to produce attractive alpha through conviction investing.

Our strategy is focused on driving growth while ensuring we are strong and flexible enough to withstand the inevitable headwinds and surprises in today's market environment. We are confident in our ability to deliver successfully on our growth ambitions."

The presentation for media, analysts and investors on GAM Holding AG results for 2014 will be webcast on 3 March 2015 at 9 am (CET). Materials relating to the results (presentation slides, Annual Report 2014 and press release) are available at www.gam.com.

Forthcoming events:

21 Apr 2015	Interim management statement Q1 2015
30 Apr 2015	Annual General Meeting
5 May 2015	Ex-dividend date
6 May 2015	Dividend record date
7 May 2015	Dividend payment date
11 Aug 2015	Half-year results 2015
20 Oct 2015	Interim management statement Q3 2015

For further information please contact:

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

Investor Relations:
Patrick Zuppiger
T: +41 (0) 58 426 31 36

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 and GAM. The Group's investment management business is complemented by a private labelling unit, 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 123.2 billion (as at 31 December 2014) and employs over 1,000 staff in 11 countries.

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 2014

Group income statement	2014 CHF m	2013 CHF m	Change in %
Net management fees and commissions	542.9	554.1	-2
Net performance fees	65.9	100.7	-35
Net fee and commission income	**608.8**	**654.8**	**-7**
Other operating income	14.7	15.4	-5
Operating income	**623.5**	**670.2**	**-7**
Personnel expenses	293.2	321.3	-9
General expenses	105.8	108.7	-3
Depreciation and amortisation	7.8	7.1	10
Operating expenses	**406.8**	**437.1**	**-7**
Underlying profit before taxes	**216.7**	**233.1**	**-7**
Underlying income taxes	39.5	22.9	72
Underlying net profit[1]	**177.2**	**210.2**	**-16**
Cost/income ratio	*65.2%*	*65.2%*	-
IFRS net profit	169.0	201.4	-16

Client assets - investment management	2014 CHF bn	2013 CHF bn	Change in %
Assets under management at the end of the year	76.1	69.8	9
Average assets under management[2]	72.9	73.1	0
Net new money[3]	2.4	-2.6	-
Return on assets (bps)	77.8	84.3	-8
Return on assets - excluding performance fees (bps)	68.8	70.5	-2

Client assets - private labelling	2014 CHF bn	2013 CHF bn	Change in %
Assets under management at the end of the year	47.1	44.6	6
Average assets under management[2]	46.7	44.5	5
Net new money	-0.8	-1.1	-
Return on assets (bps)	8.8	8.7	1

Personnel	31.12.2014	31.12.2013	Change in %
Number of full-time equivalents	1,094	1,072	2
in Switzerland	348	340	2
in the United Kingdom	372	371	0
in the rest of Europe	265	250	6
in the rest of the world	109	111	-2

Group balance sheet	31.12.2014 CHF m	31.12.2013 CHF m	Change in %
Net cash	643.9	592.6	9
Assets	2,370.7	2,329.7	2
Equity	1,915.9	1,919.7	0
Tangible equity[4]	540.6	551.4	-2
Return on tangible equity[5]	32.2%	37.3%	-

Share information	2014	2013	Change in %
Number of registered shares at the end of the year	166,661,731	173,229,660	-4
Share capital at the end of the year (CHF m)	8.3	8.7	-5
Basic EPS (CHF)[6]	1.07	1.26	-15
Closing price (CHF)	18.00	17.35	4

1) The underlying net profit for 2014 excludes the adjustment of the GAM Lugano deferred liability of CHF 5.9 million and the impairment of investments of CHF 2.3 million. Including these items, the Group's IFRS net profit for 2014 was CHF 169.0 million.
The underlying net profit for 2013 excludes the gain from the sale of our investment in Artio of CHF 13.1 million, the amortisation of customer relationships of CHF 11.6 million, the impairment of investments of CHF 5.8 million and office move expenses of CHF 4.5 million (net of taxes). Including these items, the Group's IFRS net profit for 2013 was CHF 201.4 million.

2) Average calculated with 13 month-end values (December to December).

3) Includes CHF 361 million acquired from Singleterry Mansley Asset Management in June 2014.

4) Equity excluding non-controlling interests, goodwill and other intangible assets.

5) Underlying net profit excluding non-controlling interests / tangible equity at the end of the year.

6) Underlying net profit excluding non-controlling interests / weighted average number of shares outstanding.