

**GAM** ..... Holding AG

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BUSINESS REVIEW FIRST HALF 2010

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# Key Figures<sup>1</sup>

## CONSOLIDATED INCOME STATEMENT

	H1 2010 CHF M	H1 2009 CHF M	H2 2009 CHF M	CHANGE FROM H1 2009 IN %
Net fee and commission income	286.1	259.1	263.9	10.4
Performance fees	57.7	3.5	14.0	1,537.1
Income from associates	16.4	13.8	17.9	18.9
Other operating income	7.7	10.4	6.6	-26.2
<b>Operating income</b>	<b>367.9</b>	<b>286.9</b>	<b>302.4</b>	<b>28.3</b>
Personnel expenses	171.9	124.6	134.4	38.0
General expenses	56.9	57.7	72.9	-1.4
Depreciation and amortisation	3.4	6.5	4.4	-47.7
<b>Operating expenses</b>	<b>232.2</b>	<b>188.8</b>	<b>211.7</b>	<b>23.0</b>
<b>Profit before taxes</b>	<b>135.7</b>	<b>98.1</b>	<b>90.7</b>	<b>38.4</b>
Income taxes	29.4	19.9	19.2	47.5
<b>Net profit</b>	<b>106.3</b>	<b>78.1</b>	<b>71.5</b>	<b>36.1</b>
Gross margin (basis points)	62.4	57.0	54.5	9.5
Cost/income ratio	63.1%	65.8%	70.0%	-
Pre-tax margin (basis points)	23.0	19.5	16.3	18.1
Tax rate	21.6%	20.3%	21.1%	-
<b>Profit before taxes per segment</b>				
GAM	82.4	68.5	57.6	20.3
Swiss & Global Asset Management	48.1	24.8	28.4	94.3
Group functions	5.2	4.7	4.6	9.9
<b>Client assets (CHF bn)</b>				
Assets under management	116.6	105.3	113.6	10.7
Average assets under management	117.9	100.7	111.0	17.2
Net new money	5.6	-1.6	2.0	456.6
<b>Personnel</b>				
Number of full-time employees	1,042	1,035	1,023	0.7
in Switzerland	313	291	302	7.6
abroad	729	744	721	-2.0

<sup>1</sup> The consolidated pro-forma financial results for 2009 have been adjusted to include income from associates (Artio Global Investors Inc.), but exclude the consolidation of Artio Global Investors Inc.'s results for 2009. They also exclude the amortisation of customer relationships and the elimination of non-recurring revenues paid to GAM Holding AG by Bank Julius Baer & Co Ltd. during the period to September 2009. Including the amortisation of customer relationships, the Group net profit for the first six months of 2010, as shown in the interim financial statements, amounted to CHF 100.5 million.

Throughout this document, the sum of individual figures may not reconcile to the totals shown due to rounding.

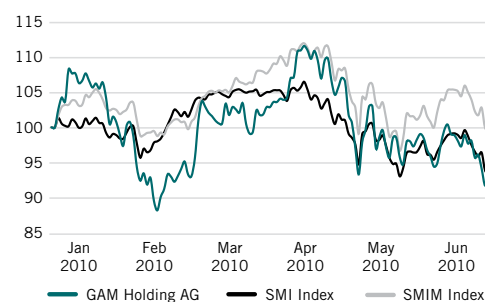
## CONSOLIDATED BALANCE SHEET

	30.06.2010	30.06.2009	31.12.2009	CHANGE FROM
	CHF M	CHF M	CHF M	30.06.2009 IN %
Cash and cash equivalents	794.7	472.0	974.2	68.4
Investment in associates <sup>1</sup>	477.6	-	463.4	-
Goodwill, customer relationships, brand	1,390.7	2,760.5	1,396.5	-49.6
Total assets	3,042.3	3,877.6	3,161.4	-21.5
Total equity	2,659.6	3,018.9	2,619.3	-11.9
Tangible equity (total equity excluding goodwill, customer relationships, brand)	1,268.9	258.4	1,222.8	391.1
Return on tangible equity <sup>2</sup>	16.8%	60.5%	11.7%	-72.3

## TICKER SYMBOLS

Swiss securities number	10265962
ISIN	CH0102659627
Listing	Switzerland
	SIX Swiss Exchange and a component of the Swiss Market Index Mid (SMIM)

## PERFORMANCE OF GAM HOLDING AG REGISTERED SHARES (INDEXED)



Source: Bloomberg

## INFORMATION PER REGISTERED SHARE

	30.06.2010	30.06.2009	31.12.2009	CHANGE FROM
	CHF	CHF	CHF	30.06.2009 IN %
Book value <sup>3</sup>	6.40	1.25	5.93	412.4
EPS for six-month period <sup>4</sup>	0.54	0.38	0.35	42.0
Closing price	11.75	-	12.59	-
High price	14.04	-	14.00	-
Low price	11.11	-	11.16	-
Market capitalisation (CHF m)	2,428	-	2,601	-

## CAPITAL STRUCTURE

	30.06.2010	30.06.2009	31.12.2009	CHANGE FROM
				30.06.2009 IN %
Number of registered shares	206,630,756	206,630,756	206,630,756	-
Weighted average number of registered shares outstanding in six-month period	198,133,065	206,725,656	206,288,593	-4.2
Share capital (CHF m)	10.3	10.3	10.3	-

<sup>1</sup> Retained stake of 27.9% in Artio Global Investors Inc.

<sup>2</sup> Net profit (annualised)/tangible equity.

<sup>3</sup> Tangible equity/weighted average number of shares.

<sup>4</sup> Net profit for six-month period/weighted average number of shares.



## FOREWORD



JOHANNES A. DE GIER  
Chairman and Chief Executive Officer,  
GAM Holding AG



### DEAR READER

The first six months of 2010 saw the Group deliver strong financial performance, despite an extremely challenging investment environment.

With assets under management and net profit both showing encouraging increases, these results strengthen our conviction that our separation from Julius Baer was the right move for our operating businesses, our clients and our shareholders. Whilst we still have much work to do to achieve our objectives, I believe that we are now well-positioned to pursue our long-term growth strategy and deliver on our promise of becoming one of the world's leading active asset managers.

Our financial performance for the period shows that we have made good progress on this front. A considerable rise in operating income, combined with a continued focus on cost containment, contributed to a year-on-year net profit increase of 36%. An 11% growth in assets under management since June 2009 reflected healthy client inflows at both GAM and Swiss & Global Asset Management, where product diversification and good performance helped to offset continuing low risk appetite in some investor segments and a resulting trend away from certain product offerings.

The Group continues to be an extremely well-capitalised business, with tangible equity of CHF 1.27 billion. We remain committed to a policy of efficient capital management that supports both the expansion of the business and the disciplined return of capital to our shareholders. Although compelling opportunities have yet to present themselves, a central part of our growth strategy remains the pursuit of targeted, accretive acquisitions that complement our core client and shareholder positioning. Last year's successful acquisition and integration of Augustus Asset Managers Ltd. demonstrates the benefits of such a targeted M&A strategy. Whilst our criteria for acquisitions are appropriately strict, I am confident that our scalable operating platforms, established distribution channels, strong brands and independent status make us an attractive home for high-quality asset managers.

Although growth – both organic and through targeted, accretive acquisitions – remains a priority, we continue to pursue our policy of returning to shareholders capital that is not required for the expansion of the business. I am therefore pleased to announce the introduction of a share buy-back programme which will see up to 10% of our shares in issue repurchased and, with shareholder approval, cancelled. This programme complements our current dividend policy of distributing approximately 50% of net profits to our shareholders.

Although our results for the first half of 2010 are encouraging, our outlook for the rest of the year remains cautious. With equity and currency markets looking set to remain volatile, risk appetite is unlikely to recover in the short term, creating ongoing headwinds for some of the Group's product offerings. Operating profits for the six months to June 2010 also benefited from a bias in the realisation of performance fees towards the first half of the calendar year. A similar contribution from performance fees in the second half of 2010 is considered unlikely.

In an increasingly open architecture environment, investors will be more discerning than ever in their choice of providers and our success will depend on an uncompromising commitment to investment quality and the highest levels of client servicing. Given these are the principles on which our businesses are founded, I believe that we are well-equipped to meet these challenges and create sustainable shareholder value into the future.

Johannes A. de Gier

Chairman and Chief Executive Officer, GAM Holding AG  
Zurich, August 2010

#### ABOUT GAM HOLDING AG:

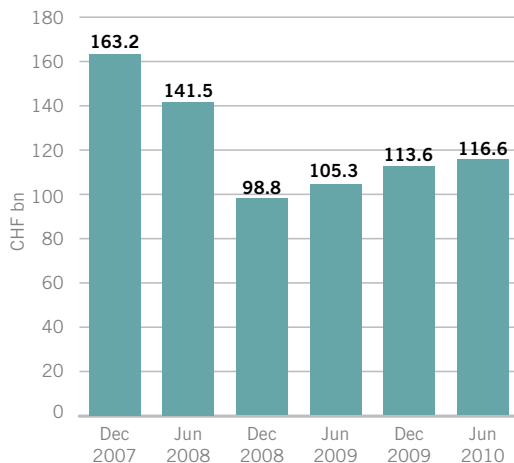
- An independent asset management business borne out of the successful separation of Julius Baer in September 2009
- Listed on the SIX Swiss Exchange but with a strong global presence, employing over 1,000 staff in 13 countries
- Offers a diversified range of investment products and services to institutions, intermediaries, private clients and charities
- Comprises the distinct but complementary businesses, GAM and Swiss & Global Asset Management, both dedicated to delivering superior long-term performance for clients through active asset management and an absolute focus on quality
- GAM offers equity, fixed income and alternative investments, and discretionary portfolio management services – assets invested with over 150 in-house, associated and external fund managers, all of whom seek to generate alpha through long-term conviction investing, unrestricted by a 'house view'
- As exclusive manager of Julius Baer branded funds, Swiss & Global Asset Management focuses on more traditional equity and fixed income mandates distributed through a global network of third-party providers, as well as providing tailored investment solutions for institutional and private label clients – efficient and highly scalable business, supported by strong European presence and increasing penetration of countries with growth potential

# GROUP FINANCIAL RESULTS

**ANDREW M. WILLS**  
Group Chief Financial Officer,  
GAM Holding AG



## GROUP AUM



**TOTAL AUM: CHF 116.6 bn<sup>1</sup>**

As of 30 June 2010

Our results for the first half of 2010 demonstrate our ability to grow our asset base despite challenging market conditions.

**Group assets under management** increased 11% year-on-year to reach CHF 116.6 billion<sup>1</sup> at the end of June 2010. Assets were up CHF 3.0 billion (3%) compared to year-end 2009, reflecting solid net new money inflows of CHF 5.6 billion<sup>2</sup> during the first six months of 2010. This is a notable recovery from the net outflows of CHF 1.6 billion experienced over the same period in 2009. These inflows more than counteracted the negative impact of currency movements – mainly the decline of the euro against the Swiss franc – and the double-digit decline in core equity markets in the second quarter of 2010 that offset the gains seen in the first quarter.

GAM recorded net inflows of CHF 3.7 billion in the first six months of 2010, reversing the net outflows of CHF 5.0 billion reported in the same period a year earlier and highlighting the benefits of GAM's ongoing efforts to diversify its product ranges and broaden its distribution capabilities. Inflows were driven primarily by strong client interest in its fixed income and currency strategies and its UCITS III alternative range, outstripping continuing outflows from certain funds of hedge funds products, as well as client attrition in its managed portfolios product offerings.

<sup>1</sup> Excludes CHF 14.8 billion of Julius Baer branded funds distributed by Swiss & Global Asset Management and sub-advised by GAM.

<sup>2</sup> CHF 11.2 billion in total before removing the double-count of net new money relating to Julius Baer branded funds distributed by Swiss & Global Asset Management and sub-advised by GAM, which is counted in both businesses.

Swiss & Global Asset Management's net new money inflows also improved, from CHF 3.7 billion in the first half of 2009 to CHF 7.4 billion during the first six months of 2010, mainly reflecting continued interest in its fixed income range and its recently expanded physical commodity products. Inflows were also recorded into its differentiated private label fund business, although at lower levels than during the same period in 2009.

**Operating income** for the first half of 2010 was CHF 367.9 million, representing a year-on-year increase of 28%. Net fees and commissions rose 10% to CHF 286.1 million, driven by a 17% increase in average assets under management since June 2009. Performance fees rose steeply to reach CHF 57.7 million, reflecting the success of the fixed income products (where performance fees are predominantly booked annually at the end of June) and of the currency strategies. Performance fees in the second half of the year are unlikely to be of a similar magnitude to those generated in the first half.

Growth of performance fees, which will be an important revenue driver going forward, contributed towards a gross margin of 62.4 basis points in the first half of the year, an increase of 9% on that of June 2009. However, the overall gross margin for 2010 is likely to be lower due to the seasonal effect of the first-half performance fees on the Group's annualised gross margin.

Following last year's IPO of Artio Global Investors Inc., its results are no longer consolidated into the Group's results. However, as we continue to retain a 27.9% stake in Artio Global Investors Inc., GAM Holding AG's share of that company's net after-tax profit is included in our operating income. This amount is derived from publicly available financial statements. The pro-forma results from the previous period have been adjusted accordingly. During the first half of 2010, this income from investment in associates amounted to CHF 16.4 million, compared to CHF 13.8 million in the first half of 2009.

**Operating expenses** across the Group rose by 23% to CHF 232.2 million despite continued cost discipline. General expenses were practically unchanged (down 1%), with savings at GAM and stable expense levels at Swiss & Global Asset Management. However, personnel costs rose by 38%, reflecting the accounting impact of the options awarded to all Group employees in late 2009 following the separation from Julius Baer. The non-cash IFRS2 expense relating to these options is amortised over the relevant vesting periods and added CHF 18 million to personnel costs in the first half of 2010. Higher income from net fees and commissions, as well as the rise in performance fees, also led to higher contractual-based payments to our investment professionals. The cost/income ratio for the Group was 63.1% in the first half of 2010, compared to 65.8% over the same period in 2009.



**Net profit** for the Group was CHF 106.3 million<sup>1</sup>, an increase of 36% compared to the pro-forma results for the first six months of 2009. This represents earnings per share for the six-month period of CHF 0.54, compared to CHF 0.38 per share over the same period in 2009.

The **balance sheet** of the Group remains strong. Total assets as at 30 June 2010 amounted to CHF 3,042 million and tangible equity stood at CHF 1,269 million (excluding GAM goodwill, customer relationships and brand of CHF 1,391 million). Following the repayment of the CHF 150 million bond in March 2010 and the purchase of a further CHF 61 million of treasury shares, the cash position of the Group stood at CHF 795 million at the end of the period. The current regulatory capital requirement, when aggregated across the Group, is approximately CHF 80 million.

Our new **share buy-back programme** is a key element of our commitment to deploy our capital in a disciplined and efficient way. Under the terms of the programme, up to 10% of our current shares in issue will be repurchased and, subject to shareholder approval, subsequently cancelled. The programme complements our policy of targeting a future dividend payout ratio of approximately 50% of net profit, and does not impact our intention to deploy capital for the expansion of our business through organic growth or targeted, accretive acquisitions. We intend to fund the programme with 2010 and 2011 earnings, using only a modest amount of excess capital.

GAM Holding AG currently holds 4.97% of its shares as treasury shares, purchased to hedge our economic exposure in respect of options granted under the 2009 long-term incentive plan. These treasury shares cannot be cancelled under the share buy-back programme.

Full details of the share buy-back programme are available on the investor relations section of GAM Holding AG's website, [www.gamholding.com](http://www.gamholding.com).

#### GROUP FINANCIAL RESULTS: OVERVIEW

- Assets under management of CHF 116.6 billion, up CHF 11.3 billion (11%) year-on-year
- Strong net new money inflows of CHF 5.6 billion for the Group, highlighting progress made in diversifying products and distribution channels
- Net profit of CHF 106.3 million<sup>1</sup>, up 36% year-on-year, driven by seasonal impact of certain performance fees
- Capital strength intact, with tangible equity of CHF 1.27 billion
- Share buy-back programme to be funded mainly with 2010 and 2011 earnings – complements future dividend payout target of approximately 50% of annual net profits

<sup>1</sup> This figure excludes the amortisation of customer relationships relating to the purchase of GAM by Julius Baer in 2005. Including this, the Group net profit for the first six months of 2010, as shown in the interim financial statements, amounted to CHF 100.5 million.

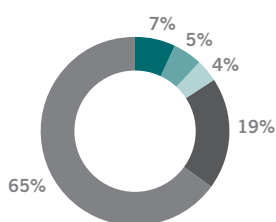
**GROUP AUM**

**TOTAL AUM: CHF 117 bn<sup>1</sup>**



As of 30 June 2010

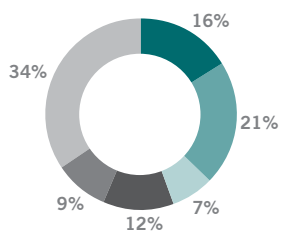
**PORTFOLIO BREAKDOWN – BY CLIENTS<sup>1</sup>**



As of 30 June 2010

	H1 2010	H2 2009	H1 2009
Julius Baer private clients	7%	8%	9%
Referred private clients	5%	6%	7%
GAM private clients	4%	4%	5%
Institutional	19%	20%	21%
Clients – third-party distribution	65%	62%	58%

**PORTFOLIO BREAKDOWN – BY PRODUCT<sup>1</sup>**



As of 30 June 2010

	H1 2010	H2 2009	H1 2009
Equity	16%	17%	17%
Fixed income	21%	20%	21%
Managed Portfolios & Composite funds	7%	8%	8%
Hedge	12%	9%	7%
Multi-Manager	9%	12%	13%
Private Label Funds	34%	35%	33%

Further information relating to GAM Holding AG and copies of its financial statements can be found at [www.gamholding.com](http://www.gamholding.com).

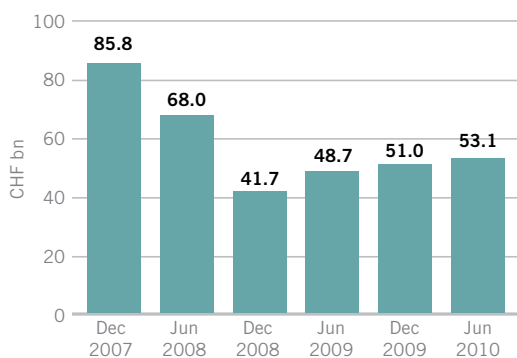
<sup>1</sup> Excludes CHF 14.8 billion of Julius Baer branded funds distributed by Swiss & Global Asset Management and sub-advised by GAM.



DAVID M. SOLO  
Chief Executive Officer, GAM



#### GAM AUM



**TOTAL AUM: CHF 53.1 bn**

As of 30 June 2010

GAM delivered solid results for the first half of 2010, highlighting the progress made to date in broadening our product offerings and our distribution channels.

Assets under management rose to CHF 53.1 billion, an increase of 9% since June 2009, driven by net new money flows of CHF 4.6 billion (including CHF 3.7 billion in the first half of 2010) primarily into our exceptional new fixed income and currency business and our UCITS III alternative range.

Performance fees of CHF 54.0 million (CHF 3.0 million in the first half of 2009) boosted operating income to CHF 243.8 million, up 23% from June 2009. Booked predominantly in June each year, performance fees for the range of fixed income funds, which made up a significant proportion of the CHF 54.0 million, are likely to exceed performance fees generated on other products in the second half of the year, given the negative performance of global equity markets year-to-date.

GAM's gross margin for the first half of 2010 decreased by 2.1 basis points to 90.6 basis points compared to a year earlier, reflecting the rapid growth of assets in our fixed income range. Although variable, performance of these assets is measured relative to a benchmark and the resulting performance fees tend to be more stable than the absolute-based fees generated in typical equity or macro hedge funds. Clearly the expansion of our product range to include a broad fixed income offering has been an extremely valuable step towards creating a more diverse and robust business.

Careful cost management continued to be a priority and our cost/income ratio stood at 66.2% at the end of June 2010. While general expenses fell, personnel costs increased, partly as a result of the non-cash accounting impact of the amortisation charges relating to the long-term incentive plan introduced for all Group employees in late 2009 following the separation from Julius Baer. In addition, increased net fees and commissions, combined with higher performance fees, led to a rise in contractual-based payments to our investment professionals.

Profit before taxes reached CHF 82.4 million, an increase of 20% over the same period in the previous year.

Strong performance and a trend towards lower-risk assets generated significant interest in our expanded **fixed income and currency** ranges, which were the greatest contributor to net new money flows during the period. Demand for these products continues to be high across all regions, with institutional interest increasing. Clients have also shown considerable appetite for GAM's range of **UCITS III** alternative funds, which have been expanded in response to investor demand for regulated, tax-efficient strategies with high levels of liquidity and transparency, run by proven, reputable managers. As well as offering the best of GAM's internal hedge fund talent, the range provides the sole onshore distribution platform for several of the world's leading external hedge fund specialists. Our China and US equity UCITS funds also experienced high demand on the back of excellent long-term performance against peers and remain our key contributors to net new money in the **long only** arena. Our core managed portfolios products, primarily held by our private client investors, have also delivered solid performance, building on their long-term track records.

The penetration of our **funds of hedge funds** range in the institutional market has increased on the back of our proven risk and liquidity management. With industry analysis indicating institutions are expected to increase their allocation to alternative investments by over a third during the next three years (from 14% to 19%), GAM is well-placed to capitalise on future growth in this area. Interest in GAM's multi-strategy funds of hedge funds has been more subdued this year on the back of lacklustre performance and a trend towards single-strategy mandates. Whilst we expect performance to improve, these negative effects on net new money growth are likely to persist in the short term. GAM's Trading range, on the other hand, continues to generate high levels of interest and has won a series of notable mandates, as investors increasingly recognise that low correlation to equity and bond markets – a key characteristic of trading strategies – brings significant diversification benefits to more traditional portfolios.

Private investors and their advisers remain slow to re-engage with funds of hedge funds based on lingering post-2008 concerns over liquidity and sector performance. This has been a prime contributor to continuing – although slowing – outflows from certain of our funds of hedge funds strategies, offsetting ongoing inflows from institutional investors. That said, we remain confident that our funds of hedge funds range remains a compelling investment proposition for clients over the long term and that our dedicated focus on competitive investment performance, manager selection, portfolio construction and risk management will prove to be key differentiators in the marketplace once risk appetite is fully restored.

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In addition to broadening our product offering and making some selective senior hires in the client acquisition area, we continue to build out our direct private client distribution capabilities in our **managed portfolios** business in order to expand our distribution reach beyond our existing private bank distribution partners. However, despite good relative performance, investment appetite in general remains limited and outflows attributable to the uncertain economic environment have persisted during the first half of 2010, albeit at a much reduced rate versus 2009.

The increased diversification of our **product offerings** has played an important role in sustaining asset growth during a period of continued risk aversion across a number of client segments. As the search for new sources of absolute return extends, we remain committed to developing a broad and innovative product range that is able to capitalise on specific market opportunities and weather inevitable cyclical periods of client demand and product performance. An ongoing focus on recruiting the best internal investment talent and establishing relationships with trusted external managers is expected to see our product range expand further in the future.

We continue to focus on our central, long-term initiative to broaden our **distribution capabilities** through the establishment of new partnerships for our managed portfolios business and the rapid development of a full-service wholesale and institutional coverage model for Europe, the US and Asia. Whilst UBS and Julius Baer remain important and valued clients, developing our relationships with other wholesale distributors is one of our core strategic objectives. We have seen good progress on this front, with gross sales to these channels during the first half of 2010 reaching record levels.

#### **GAM: OVERVIEW**

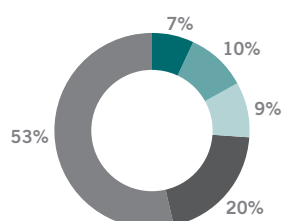
- Assets under management of CHF 53.1 billion, up 9% year-on-year
- Good net new money growth, particularly into strong fixed income and currency business as well as into UCITS III alternative funds, driven by excellent performance
- Well-positioned to take advantage of future institutional growth in funds of hedge funds, with inflows into Trading strategies remaining high
- Continued focus on broadening product offerings and distribution capabilities to ensure a robust and diversified business

## GAM

	H1 2010 CHF M	H1 2009 CHF M	H2 2009 CHF M	CHANGE FROM H1 2009 IN %
<b>Income statement</b>				
Operating income	243.8	197.7	197.6	23.3
Operating expenses	161.4	129.2	140.0	25.0
<b>Profit before taxes</b>	<b>82.4</b>	<b>68.5</b>	<b>57.6</b>	<b>20.3</b>
<b>Assets under management (CHF bn)</b>				
of which Julius Baer	3.9	3.6	4.5	9.3
of which UBS	9.4	12.4	11.0	-24.0
of which other distribution channels	39.7	32.7	35.5	21.7
Change through net new money	3.7	-5.0	0.8	174.4
Change through market appreciation and currency movements	-1.7	3.1	1.6	-153.7
Change through acquisition	-	8.8	-	-
Average assets under management (CHF bn)	53.8	42.7	50.4	26.1
Gross margin (basis points)	90.6	92.7	78.4	-2.3
Cost/income ratio	66.2%	65.3%	70.8%	-
Pre-tax margin (basis points)	30.6	32.1	22.9	-4.6
<b>Number of full-time employees</b>	<b>750</b>	<b>783</b>	<b>750</b>	<b>-4.2</b>

## TOTAL AUM: CHF 53.1 bn

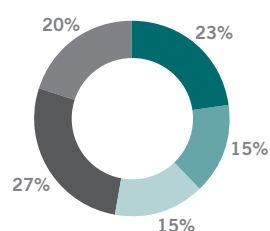
## PORTFOLIO BREAKDOWN – BY CLIENTS



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GAM private clients	9%	10%	11%
Institutional	20%	21%	22%
Clients – third-party distribution	53%	47%	45%

As of 30 June 2010

## PORTFOLIO BREAKDOWN – BY PRODUCT



	H1 2010	H2 2009	H1 2009
Equity	23%	24%	23%
Fixed income	15%	13%	14%
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Hedge	27%	19%	16%
Multi-Manager	20%	26%	30%

As of 30 June 2010

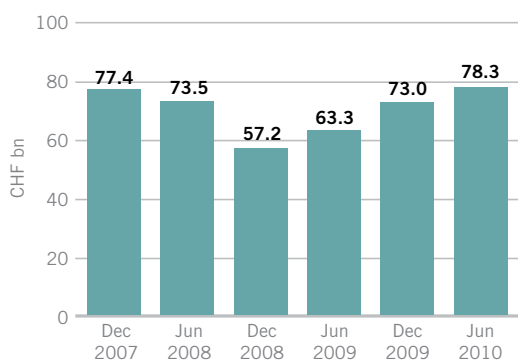
Further information relating to GAM's products and services can be found at [www.gam.com](http://www.gam.com).

# SWISS & GLOBAL ASSET MANAGEMENT

**DAVID M. SOLO**  
Chief Executive Officer,  
Swiss & Global Asset Management



## SWISS & GLOBAL ASSET MANAGEMENT AUM



**TOTAL AUM: CHF 78.3 bn**

As of 30 June 2010

Swiss & Global Asset Management experienced steady growth in the first half of 2010.

Assets under management increased to CHF 78.3 billion during the period, a rise of 24% since the end of June 2009. The majority of this increase was driven by impressive net new money flows of CHF 11.6 billion (including CHF 7.4 billion in the first half of 2010) primarily into our fixed income and physical commodity fund ranges, as well as the differentiated private label fund business. According to the Lipper Swiss FundFlows Insight Report and based on net new money gains, Swiss & Global Asset Management was the most successful fund provider in Switzerland during the first six months of the year, boosting its local market share from 4.51% to 5.56%.

Revenues rose on the back of a 29% increase in average assets under management from June 2009. With growth relatively stronger in our investment funds than the private label funds business, our gross margin increased to 27.8 basis points. At 55.1%, the cost/income ratio ran below target, with relatively stable general expenses and reduced depreciation and amortisation partially offsetting increased personnel costs associated both with last year's long-term incentive plan and headcount growth made in line with the expansion of the business.

Profit before taxes reached CHF 48.1 million, an increase of 94% from the same period in the previous year.

Our **product strategy** continues to be driven by ongoing investor demand for transparent, liquid onshore products offered by trusted providers. As a result, during the first half of the year, Swiss & Global Asset Management significantly broadened and improved its range of physical commodity funds to cater to emerging trends in private client interest. We also continued to see strong demand for our range of absolute return fixed income funds. Supported by the widely recognised Julius Baer brand and solid returns – particularly in the absolute return fixed income funds sub-advised by GAM – both product ranges were key contributors to net new money flows during the period.

Growth in these segments helped to offset reduced interest in our higher-margin equity range, which, despite good relative performance, suffered from low, industry-wide demand for equity exposure. However, we expect asset levels in these products to recover and to offer significant profit potential once private investors return to this asset class. The development of this business therefore remains a core part of our growth strategy for the coming years.

As well as strengthening our position as an independent asset manager in our core markets of Switzerland and Europe, we continue to prioritise the expansion of our **distribution capabilities** across a number of regions. Several new partnerships have been successfully established to promote our fund range, with a distribution arrangement in Taiwan and sales cooperation with GAM in Japan already gaining traction in Asia. We have also seen some success in developing our presence in Latin America and some smaller European markets.

Our **institutional mandates** continue to show solid performance in their highly competitive space. Our ongoing sales and client education initiatives have led to a growing number of requests for proposal as we seek to leverage our established institutional investment track record with new and existing clients attracted to active management that aims to produce strong long-term performance.



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Having seen exceptional growth in 2009, our market-leading **private label funds** business recorded solid net inflows during the first half of 2010 and remains an important contributor to the overall asset base and profitability of Swiss & Global Asset Management. Innovation continues to drive our product initiatives and we place an increasing focus on winning complex, higher-margin mandates. Efforts to increase penetration based on our existing client base and product lines have proved successful, generating a healthy pipeline of future business.

#### **SWISS & GLOBAL ASSET MANAGEMENT: OVERVIEW**

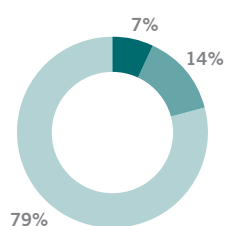
- Assets under management increased 24% since June 2009 to CHF 78.3 billion
- Fixed income and physical commodities ranges remain key contributors to net new money growth based on strong performance, helping to offset continued low demand for attractive equity range
- Ongoing success in core domestic market of Switzerland, where market share has increased to 5.56% – development of new distribution partnerships remains a strategic priority in other regions
- Private label fund business continues to perform well, benefiting from increased focus on client penetration initiatives

## SWISS & GLOBAL ASSET MANAGEMENT

	H1 2010 CHF M	H1 2009 CHF M	H2 2009 CHF M	CHANGE FROM H1 2009 IN %
<b>Income statement</b>				
Operating income	107.1	82.4	84.0	30.0
Operating expenses	59.0	57.6	55.6	2.4
<b>Profit before taxes</b>	<b>48.1</b>	<b>24.8</b>	<b>28.4</b>	<b>94.3</b>
<b>Assets under management (CHF bn)</b>				
of which traditional business	38.3	28.4	33.5	35.0
of which Private Label Funds	40.0	35.0	39.6	14.4
Change through net new money	7.4	3.7	4.2	102.3
Change through market appreciation and currency movements	-1.7	2.5	4.0	-167.5
Change through deconsolidation and rebranding	-0.4	-	1.5	-
Average assets under management (CHF bn)	77.2	59.9	69.6	28.7
Gross margin (basis points)	27.8	27.5	24.1	1.0
Cost/income ratio	55.1%	70.0%	66.2%	-
Pre-tax margin (basis points)	12.5	8.3	8.2	50.9
<b>Number of full-time employees</b>	<b>276</b>	<b>252</b>	<b>266</b>	<b>9.6</b>

### TOTAL AUM: CHF 78.3 bn

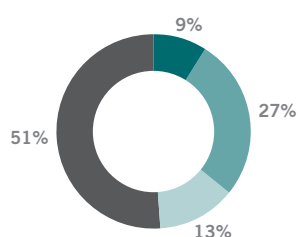
#### PORTFOLIO BREAKDOWN – BY CLIENTS



As of 30 June 2010

	H1 2010	H2 2009	H1 2009
Julius Baer private clients	7%	7%	9%
Institutional	14%	16%	19%
Clients – third-party distribution	79%	77%	72%

#### PORTFOLIO BREAKDOWN – BY PRODUCT



As of 30 June 2010

	H1 2010	H2 2009	H1 2009
Equity	9%	10%	11%
Fixed income	27%	25%	23%
Hedge	13%	11%	11%
Private Label Funds	51%	54%	55%

Further information relating to Swiss & Global Asset Management's products and services can be found at [www.swissglobal-am.com](http://www.swissglobal-am.com).



## CONTACTS

### CORPORATE CALENDAR

<b>15 November 2010</b>	Interim Management Statement
<b>1 March 2011</b>	Release of 2010 results
<b>19 April 2011</b>	Ordinary Annual General Meeting

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*“Forward-looking statements”*

The Business Review of GAM Holding AG (“the Company”) may contain statements that constitute “forward-looking statements”, including, but not limited to, statements about the outlook for the Company’s financial performance, its future plans and objectives, and their anticipated effect on the Company’s business and future development. The Company has tried to identify those forward-looking statements by using words such as “may”, “should”, “expect”, “intend”, “estimate”, “anticipate”, “project”, “believe”, “predict” and similar expressions. Such statements are made on the basis of assumptions and expectations which, although the Company believes them to be reasonable at the time, may prove to be erroneous, as forward-looking statements necessarily involve risks and uncertainties which could cause actual developments and results to differ materially from expectations. These include, but are not limited to, the effects of, and changes in, fiscal, monetary, and tax policies; currency fluctuations; the effect of the current economic environment on the financial position or creditworthiness of the Company’s clients and counterparties; the Company’s ability to retain and attract the employees that are necessary to generate revenues and to manage its businesses effectively; possible political, legal and regulatory developments, including the effect of more stringent capital and liquidity requirements; changes in accounting standards or policies; limitations on the effectiveness of the Company’s internal risk management processes, including the occurrence of operational failures; political and social developments, including war, civil unrest or terrorist activity; the adverse resolution of litigation and other contingencies; changes in the size, capabilities and effectiveness of the Company’s competitors. The Company is not under and expressly disclaims any obligation to update or amend its forward-looking statements for any reason.

# **GAM** ..... Holding AG

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