GAM | Holding AG

Press Release

GAM Holding AG: Interim management statement for the period to 30 September 2012

Zurich, 23 October 2012

- Group assets under management of CHF 116.8 billion[1], up 5% from 30 June 2012.
- Asset growth driven by positive market performance as well as positive net new money inflows in both operating businesses.
- Acquisition of majority stake in Arkos Capital completed in July 2012.
- Balance sheet strength retained, with tangible equity of CHF 584 million.

Group assets under management increased CHF 5.7 billion from 30 June 2012 to reach CHF 116.8 billion[1] at the end of September. Growth in the third quarter was driven by buoyant market performance, as well as positive net new money contributions from both operating businesses. The impact of foreign currency fluctuations on the Group's assets under management, reported in Swiss francs, was marginal.

Q3 developments at GAM

GAM's assets under management totalled CHF 48.2 billion at the end of September 2012, compared with CHF 45.4 billion as at June 2012. This increase of 6% was driven by positive market performance as well as positive net new money growth during the quarter. It also reflects the inclusion for the first time of CHF 742 million[2] of assets under management at Arkos Capital, following GAM's acquisition of a majority stake in the company in July 2012.

GAM's broad alternative single manager range – the absolute return fixed income, global macro, discretionary FX and emerging market rates strategies, as well as the newly integrated strategies of Arkos Capital – recorded inflows from both institutional clients and wholesale channels. Investor demand, especially from private clients, continues to be focused on liquid and regulated single manager alternative products, with GAM's traditional offshore funds of hedge funds experiencing net outflows, primarily from products where performance was below historic highs. Institutions, however, remain interested in low-volatility, uncorrelated portfolios of hedge funds, with the pipeline indicating the funding of new mandates for multi-manager solutions by year-end.

Persistently high levels of risk aversion amongst investors in the third quarter negatively affected investment in equities. As a result, modest inflows into equity strategies with strong relative performance were offset by outflows elsewhere.

Overall outflows continue to be concentrated in assets held with GAM's historic private banking partners, although this structural headwind should ease considerably in future years given the now modest remaining legacy assets and the continuing progress of GAM's diversification strategy.

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[1] Excludes CHF 18.8 billion of funds managed by GAM and distributed by Swiss & Global Asset Management.
[2] As at 31 July 2012.

Q3 developments at Swiss & Global Asset Management

Swiss & Global Asset Management reported assets under management of CHF 87.4 billion as at 30 September 2012, up 6% from CHF 82.6 billion at the end of June, driven by healthy net new money growth in line with its targets, as well as by positive market performance.

Net inflows into active fixed income funds, managed both by GAM and in-house, continued to be strong, reflecting investors' ongoing search for attractive returns in the current low-yield environment. The physical precious metal ETFs, particularly the gold fund, benefited from the asset class's 'safe haven' status and enjoyed solid net inflows in the third quarter. Interest in equity funds remained subdued, even in products with compelling long-term investment themes and performance, resulting in modest net outflows for the quarter. The private label funds business, which celebrated its 20-year anniversary in September 2012, continued to contribute positively to net new money during the quarter.

Update on share buy-back programme and 2009 long-term incentive plan

Under its 2011–2014 share buy-back programme, as at 30 September 2012 the Group had repurchased 7.6 million shares (4.1% of shares in issue) for cancellation. Combined with the 12.9 million shares cancelled following the 2012 Annual General Meeting, the total number of shares repurchased under the programme corresponds to approximately half of the 41.3 million share limit set by the Board of Directors at its launch. In line with the Board's commitment to retain the Group's financial strength, tangible equity remained robust at CHF 584 million as at 30 September 2012. The Group's cash position increased from CHF 446 million at the end of June to CHF 529 million as at 30 September 2012.

On 28 October 2012, a substantial portion of the options granted under the Group's 2009 long-term incentive plan become exercisable. As this may result in a rise in trading volume in the company's shares, the company may increase the number of shares that it is typically willing to purchase on a daily basis under its share buy-back programme.

There is currently a considerable overlap between the 90-day exercise period for these options and the company's internal restriction on employees trading shares ahead of the publication of its annual results. The Board of Directors is not prepared to relax its internal trading restriction but, as a compensating measure, has decided to allow participants a short period after the announcement of the Group's 2012 annual results in which to exercise their options. The exercise period will now end on 15 March 2013 although the number of days during which options may be exercised will actually be reduced from 90 to 44 days.

Given the forthcoming exercise and expiry of these employee options, in September 2012 the company decided to settle the total return swap held to mitigate the income statement volatility arising from the social security costs for these options. This increased the number of own shares that are held in treasury as an economic hedge for employee options to 9.0 million (6.3 million at 30 June 2012), thereby negating any potential dilution.

Combined, the gains recorded on the total return swap in the third quarter and the expense for the change in the exercise period of the options will have a small net positive effect on the Group's income statement for the second half of 2012.

Given the continuing deterioration of the share price of Artio Global Investors Inc., the management of GAM Holding AG anticipates a further reduction in the carrying value of the Group's investment in Artio at year-end (carrying value as at 30 June 2012: CHF 55.5 million).

GAM Holding AG will publish its full-year 2012 results on 5 March 2013.

For further information please contact:

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

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

About GAM Holding AG

GAM Holding AG is an independent, well-diversified asset management group. Its operating businesses – GAM and Swiss & Global Asset Management – focus on the development and distribution of actively managed investment products and services.

GAM Holding AG is listed on the SIX Swiss Exchange and is a component of the Swiss Market Index Mid (SMIM) with the symbol "GAM". The Group has assets under management of CHF 116.8 billion (as at 30 September 2012) and employs over 1,000 staff with offices in Zurich (head office), Bermuda, Grand Cayman, Dublin, Frankfurt, Geneva, Hong Kong, London, Luxembourg, Madrid, Milan, New York and Tokyo.