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PRESS RELEASE

GAM Holding AG 2017 underlying pre-tax profit CHF 172.5 million

- Underlying profit before taxes 44% higher than in 2016, largely due to increase in net fee and commission income; diluted underlying EPS of CHF 0.86 (CHF 0.60 in 2016)
- IFRS net profit at CHF 123.2 million, 8% lower due to a large one-time tax credit in 2016; diluted EPS of CHF 0.78 (CHF 0.85 in 2016)
- Net management fees and commissions at CHF 503.6 million, up 7% from 2016 driven by higher average assets under management; performance fees at CHF 44.1 million (CHF 3.0 million in 2016)
- Structural cost savings in fixed personnel and general expenses of approximately CHF 12 million, ahead of CHF 10 million target
- Proposed dividend of CHF 0.65 per share, unchanged from previous year
- Group assets under management of CHF 158.7 billion, up 31% from 31 December 2016
- Investment management:
 - Net inflows of CHF 8.6 billion, with specialist fixed income strategies driving majority of inflows
 - Assets under management increased by CHF 16.2 billion to CHF 84.4 billion at 31 December 2017, mainly driven by strong net inflows and investment returns
- Private labelling:
 - Net inflows of CHF 15.7 billion
 - Assets under management increased by CHF 21.8 billion to CHF 74.3 billion at 31 December 2017, driven by net inflows and a net positive impact from market and foreign exchange movements

Group CEO Alexander S. Friedman said: “Over the past three years, we have undertaken a top-to-bottom revamp of our business to create an investment management firm designed to gain market share in the new industry environment. We have refined our product range to ensure we have truly differentiated and scalable investment strategies, suited for the changing market conditions, and we have taken a myriad of steps to bolster our investment performance. It is gratifying to see that our well positioned, diversified, and performing products are now enabling the Group’s accelerating growth. We are pleased with the financial results achieved in 2017, but recognise there is still a lot to do to deliver on the full potential of GAM.”

2017 Group results

Net fee and commission income increased 16% to CHF 547.7 million due to higher management and performance fees. Net management fees and commissions rose 7% to CHF 503.6 million. This was driven by higher average assets under management, only partly offset by the slight reduction in the management fee margins as a result of fluctuations in the asset mix between products and client segments and the lower margin on new assets in private labelling compared with the existing portfolio.

Performance fees increased to CHF 44.1 million from CHF 3.0 million, with GAM Systematic strategies as well as the unconstrained/absolute return bond and other specialist fixed income strategies contributing to the majority of these fees. Importantly, even as performance fees recover, growth in other strategies will reduce the relative proportion of the Group’s earnings driven by performance fees.

Net other income, which includes the net interest result, the impact of foreign exchange movements, net gains or losses on seed capital investments and hedging as well as fund-related fees and service charges, decreased by CHF 2.9 million to CHF 2.2 million in 2017. This decrease was driven by net losses from foreign exchange movements versus net gains in the previous year, partly offset by net seed capital gains compared with net losses in 2016.

Personnel expenses in 2017 increased 7% to CHF 264.6 million. Variable compensation was 27% higher compared with 2016, mainly due to higher contractual bonuses driven by the increase in performance and management fees and the full-year impact of costs associated with the Cantab acquisition in the fourth quarter of 2016. This was partly offset by the accounting impact of broadening bonus deferrals across the firm. Fixed personnel costs were 4% lower, driven by a further decrease in staff levels by 5% from 979 as at 31 December 2016 to 927 as at 31 December 2017. The compensation ratio declined to 48.3% from 52.0%, and is within the target range of the new compensation framework of 45–50%.

General expenses for 2017 amounted to CHF 106.1 million, up 3% from 2016. The figures in 2017 include a full year of administration expenses, amounting to CHF 8.8 million, reflecting fees paid to State Street for the outsourced fund back and middle office services. Excluding these costs, general expenses only slightly increased by 1%, despite the full-year impact of costs associated with Cantab.

The operating margin improved to 31.1% in 2017 from 24.3% in 2016. The increase in net fee and commission income was greater than the increase in expenses, demonstrating the Group’s operating leverage.

The underlying pre-tax profit of CHF 172.5 million in 2017 was 44% higher than in 2016. The 16% increase in net fee and commission income was only partly offset by a 5% increase in expenses, which continued to be managed tightly.

The underlying effective tax rate decreased from 21.5% in 2016 to 20.5% in 2017. This decrease mainly reflects a change in the geographical split of earnings and the tax rate reduction in the UK.

Diluted underlying earnings per share of CHF 0.86 were up from CHF 0.60 in 2016 due to the increase in underlying net profit.

The net profit under IFRS was CHF 123.2 million, 8% lower because of a large one-time tax credit in 2016, and is fully attributable to the shareholders of GAM Holding AG. The IFRS figure includes two items that are not reflected in the underlying results: non-recurring items that resulted in a net loss of CHF 17.2 million and acquisition-related items that resulted in a net gain of CHF 3.3 million (all net of taxes). The former include reorganisation charges relating to the multi-year change programme and an impairment of investment management and client contracts related to the acquisition of THS. In 2016 the non-recurring items resulted in a net gain of CHF 30.0 million, primarily due to a one-time tax credit. Acquisition-related items include a net reduction in the estimate of the deferred consideration liabilities for the acquisitions of Arkos (now GAM Lugano), Singletery Mansley Asset Management, Cantab and THS, partly offset by the amortisation of investment management and client contracts from businesses acquired and finance charges on the deferred consideration liabilities. In 2016 the acquisition-related items resulted in a net gain of CHF 10.1 million as the reduction in deferred consideration liabilities more than offset amortisation and other charges.

Investment management assets and flows

Assets under management movements (CHF bn)

Capability	Opening AuM 1 Jan 2017	Net flows 2017	Market/FX 2017	Closing AuM 31 Dec 2017
Absolute return	16.3	(1.6)	0.9	15.6
Fixed income	20.8	13.9	2.4	37.1
Equity	12.5	(2.2)	2.3	12.6
Systematic	3.8	0.1	0.8	4.7
Multi asset	9.6	(1.0)	0.9	9.5
Alternatives	5.2	(0.6)	0.3	4.9
Total	68.2	8.6	7.6	84.4

Investment management recorded net inflows of CHF 8.6 billion in 2017, supported by strong investment performance and improved distribution capabilities. Overall assets under management rose to CHF 84.4 billion from CHF 68.2 billion, with a positive impact from investment returns and foreign exchange movements.

Net flows by capability

In absolute return, the unconstrained/absolute return bond strategy recorded positive inflows for the first time since 2013. The GAM Star (Lux) – Merger Arbitrage fund, which celebrated its one-year anniversary in July 2017, continued to attract investor demand. However, the GAM Absolute Return Europe Equity fund, which takes long and short positions in equities and equity-related securities of European companies, and the GAM Star Global Rates fund had redemptions following a period of weaker performance. Overall, investors withdrew net CHF 1.6 billion from GAM's absolute return strategies.

In fixed income, GAM's specialist product offering was a key driver of inflows as investors continued to search for yield. Net inflows totalled CHF 13.9 billion in 2017. The GAM Star Credit Opportunities strategy, which predominantly invests in debt of investment grade or high quality issuers, the GAM Local Emerging Bond fund, which invests in debt of emerging countries denominated or pegged to the respective local currency, the GAM Star MBS Total Return fund, and GAM's trade finance offering, all attracted strong inflows.

In equity, net outflows of CHF 2.2 billion reflected redemptions from global equity mandates mainly in the first half of the year and a number of regional strategies, while the GAM Star Continental European Equity and GAM Emerging Markets Equity funds attracted solid net inflows.

In systematic strategies, solid net inflows into GAM's alternative risk premia strategy were offset by some clients rebalancing away from other systematic products, resulting in net inflows of CHF 0.1 billion. The strong performance that GAM's systematic strategies delivered in 2017 should bode well for future flows.

Multi asset strategies experienced net outflows of CHF 1.0 billion for the period, reflecting redemptions from private clients from GAM's previous affiliation with UBS and Julius Baer as well as some institutional mandates.

Net outflows of CHF 0.6 billion from alternative strategies reflected redemptions in the fund of hedge funds business in line with industry trends.

Net flows by client segment

Strong investment performance and improved distribution capabilities led to increasing flows through financial intermediaries, with clients adding net CHF 8.2 billion in 2017. Institutional clients added net CHF 1.3 billion in the period, while net outflows from private clients of CHF 0.9 billion largely reflect redemptions from previous captive channels (UBS and Julius Baer).

Investment performance

Over the three-year period to 31 December 2017, 77% of assets under management in funds outperformed their respective benchmark, up from 60% over three years to 31 December 2016. Over the five-year period to 31 December 2017, 56% of assets under management in funds outperformed their respective benchmark, compared with 68% that outperformed over five years to 31 December 2016. This reduction is caused by two of GAM's largest funds falling slightly behind benchmark on the five-year measure, but maintaining strong one-year and three-year performance.

Private labelling assets and flows

Assets under management movements (CHF bn)

Fund domicile	Opening AuM 1 Jan 2017	Net flows 2017	Market/FX 2017	Closing AuM 31 Dec 2017
Switzerland	31.7	(1.1)	3.0	33.6
Rest of Europe	20.8	16.8	3.1	40.7
Total	52.5	15.7	6.1	74.3

Assets under management in private labelling, which provides fund solutions for third parties, rose to CHF 74.3 billion from CHF 52.5 billion a year earlier. Net inflows amounted to CHF 15.7 billion, with one large existing client contributing significantly to these inflows. Market and foreign exchange movements led to a combined CHF 6.1 billion increase in assets under management.

Liquidity and capital management

Cash and cash equivalents at the end of 2017 amounted to CHF 373.8 million, up from CHF 352.7 million a year earlier, mainly driven by the underlying net profit of CHF 137.1 million, which was partly offset by the dividend payment (CHF 102.2 million) and share repurchases (CHF 18.4 million) for share-based compensation plans. Tangible equity increased to CHF 166.1 million from CHF 107.4 million a year earlier. The main contributors to the increase were the IFRS net profit generated in 2017 (CHF 123.2 million) and the amortisation and impairment of investment management and client contracts (CHF 38.0 million), which were partly offset by the dividend payment covering the 2016 financial year (CHF 102.2 million).

At the upcoming Annual General Meeting (AGM) on 26 April 2018, the Board of Directors will propose an unchanged dividend of CHF 0.65 per share, representing an estimated total distribution of approximately CHF 102 million (based on the number of shares outstanding as at 31 December 2017). The proposal underscores the Board's commitment to maintaining a sustainable, progressive and predictable dividend that will increase broadly in line with earnings growth through the business cycle. The Board of Directors intends to pay this dividend from GAM's capital contribution reserves, making it exempt from Swiss withholding tax of 35% and income tax free for private investors resident in Switzerland.

At the 2016 AGM, shareholders approved the creation of authorised capital equal to 10% of GAM Holding AG's share capital in order to improve the Group's strategic flexibility. The Board of Directors plans to seek shareholder approval at the upcoming AGM to renew this authorisation for another two years.

Update on strategic initiatives

Investment performance

In 2017 GAM created the new role of head of investments to improve links between investment teams (without compromising their decision-making autonomy) as well as the connectivity with distribution and support functions.

GAM's equity teams have been reorganised around five clusters of expertise to facilitate the exchange of insights: European, global, pan-Asian, specialist and absolute return equities. The company also introduced a new centralised, MiFID II compliant research-sharing repository for the entire investment business. Increased collaboration and debate will lead to better risk-adjusted outcomes for clients as well as a more productive environment for innovative thinking and product development. GAM is committed to continual improvement of the overall risk and control framework by increasing front office oversight infrastructure and implementing new risk tools consistently across teams.

Differentiated product offering

The Group further expanded its product offering, driven by client needs and geographic preferences. It hired Adrian Gosden, a highly regarded UK equity investor, and in October 2017 launched the GAM UK Equity Income fund to capture significant demand from the UK intermediary market. This followed the launch earlier in the year of three existing strategies in the form of Open Ended Investment Companies (OEICs) in the UK to address the needs of this client segment.

GAM Systematic launched its fifth strategy, GAM Systematic Discovery, in October 2017. This Cayman-domiciled product, managed by the Cantab team, offers investors access to about 200 unusual and less liquid markets and diversification relative to other assets as well as to more traditional managed futures strategies. Additionally, GAM launched an Australian-domiciled fund for GAM Systematic Alternative Risk Premia for the Australian superannuation sector and plans to further expand its offering for this market.

The Group also repositioned its offering in the higher-return spectrum of the unconstrained/absolute return bond range of funds and launched the GAM Star Absolute Return Macro fund. The fund, which trades in fixed income, currency and equity markets, blends discretionary investing with quantitative model-driven strategies and employs leverage to target annualised returns of 8–10% above Libor.

A strong organic pipeline of fund launches is planned for the near term, including an equity fund focused on Europe, Australasia and the Far East (EAFE), an insurance-linked securities product, a global income fund and a global equity systematic strategy. These will all be managed by existing GAM investment teams, with proven track records. At the same time, GAM continues to simplify its product range to concentrate on the most promising and scalable strategies, and it merged or closed 16 funds in 2017 in addition to 66 funds in the previous two years, with a de minimis loss of assets under management.

Global distribution

In January 2017, Tim Rainsford joined GAM as group head of sales and distribution. Since then, the Group has made significant progress in upgrading distribution capabilities in core markets. This includes the creation of a new team to cover global consultants, new sales leadership in the UK, Japan and in Asia Pacific, a new head of institutional sales for the Middle East and new quant sales expertise in the US. GAM also expanded distribution presence in continental Europe to gain better traction in core client segments and opened offices in Vienna and Paris. In addition, the Group hired a new global head of marketing.

The new sales and distribution strategy focuses on product lifecycle, building out regional client bases and leveraging global institutional and consultant relationships while fostering a one-team mentality. Incentives for the sales teams have been streamlined across the regions and better aligned with the Group's priorities of diversifying and growing revenues and profitability.

These changes have started to translate into a more active, targeted engagement with clients and helped to deliver healthy, more diversified inflows, with 10 strategies attracting net inflows of more than CHF 300 million in 2017.

GAM's largest local presence and client base, as well as the strongest brand recognition, is in continental Europe and the UK. These regions will remain core to the Group's future success and provide a proven testing ground for the scalable products of tomorrow. Additionally, GAM is gaining increasing inflows in Asia Pacific – especially in Australia – where there is significant potential to introduce products that have resonated in other markets. There is broad scope to expand the client base for GAM Systematic in North America, Japan and the Middle East, where sales teams continue to develop improved distribution capabilities and institutional relationships. GAM has a strong reputation with institutions in selected Latin American markets, such as Chile, and will expand and deepen relationships in other countries in the region with a reconfigured sales team.

Operating efficiency

The Group is progressing well with its multi-year change programme to optimise efficiency and create a robust, scalable operating platform aligned with its growth ambitions. This extensive programme involves multiple projects, including the implementation of a single data architecture, a move to cloud-based IT infrastructure, outsourcing of various IT services, simplification of systems, processes and reporting, outsourcing of back and middle office activities, creation of centres of excellence, real estate footprint simplification and legal entity rationalisation.

The Group hired Clare Forster as global head of change to drive transformation projects across the business with coordination through GAM's operational change committee. The Group has devoted a substantial part of the change programme to ensure compliance with regulatory changes and risk reduction, as well as improving efficiency.

Key achievements in 2017 include ensuring GAM was ready for the new Markets in Financial Instruments Directive (MiFID II), setting up the governance framework around the change programme, selecting partners for the outsourcing of IT infrastructure and services, beginning implementation of the data architecture solution and the signing of a new lease to consolidate its London offices.

This extensive multi-year change programme will significantly upgrade GAM's operating platform to ensure it is robust and scalable to support the future growth of the firm and produce important operating and cost efficiencies.

Cost discipline remains a key priority as the Group realises efficiencies in a controlled and appropriately sequenced manner, while meeting clients' needs and regulatory obligations. GAM reduced its annual fixed personnel costs and general expenses by approximately CHF 12 million in 2017 (net of investments) compared with 2016, ahead of the CHF 10 million target. The Group expects to realise annual cost savings in excess of CHF 30 million by the end of 2019 compared with 2016.

As GAM continues to drive cost savings, management will also prudently invest in the business to capture future growth opportunities. Over the coming years, revenue growth supported by an efficient platform will be the key driver of improving profitability and returns for shareholders. Therefore, alongside continuous efforts to make GAM as efficient as it can be, measured investment will be focused on the development of investment and distribution talent across the business, and on improving technology, infrastructure, risk and compliance resources.

Board of Directors

All current members of the Board of Directors will stand for re-election at the upcoming AGM. The Board of Directors has appointed Benjamin Meuli as its vice chairman.

Outlook

The markets have become more volatile and challenging for investors in 2018. A further de-rating of equities, higher bond yields and widening credit spreads may all be factors throughout this year. Still, barring a prolonged risk-off environment, GAM continues to see opportunities for high performing active asset managers to capture growing investor demand for strategies that offer true diversification versus traditional asset classes and broad market trends. The Group's portfolio of well performing specialist fixed income, differentiated high active-share equity and market-leading systematic products positions it well in this regard.

GAM remains committed to increasing diluted underlying earnings per share in excess of 10% on an annualised basis and achieving an operating margin of 35–40%, both over the five to eight-year business cycle.

The presentation for media, analysts and investors on the results of GAM Holding AG for 2017 will be webcast on 1 March 2018 at 9:00am (CET). Materials relating to the results (presentation slides, annual report 2017 and press release) are available at www.gam.com.

Forthcoming events:

19 April 2018	Interim management statement Q1 2018
26 April 2018	Annual General Meeting
31 July 2018	Half-year results 2018
23 October 2018	Interim management statement Q3 2018

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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. 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 900 people in 13 countries with investment centres in London, Cambridge, 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 158.7 billion (USD 162.9 billion) as at 31 December 2017.

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.

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Key Figures 2017

Income statement	2017 CHF m	2016 CHF m	Change in %
Net management fees and commissions	503.6	470.5	7
Net performance fees	44.1	3.0	-
Net fee and commission income	547.7	473.5	16
Net other income	2.2	5.1	(57)
Income	549.9	478.6	15
Personnel expenses	264.6	246.2	7
Fixed personnel expenses	150.1	155.7	(4)
Variable personnel expenses	114.5	90.5	27
General expenses	106.1	102.9	3
Occupancy expenses	22.2	25.7	(14)
IT expenses	18.2	16.2	12
Communication and marketing expenses	28.7	29.2	(2)
Professional services, other fees and charges	15.3	13.6	13
Administration expenses	8.8	6.1	44
Other general expenses	12.9	12.1	7
Depreciation and amortisation	6.7	9.4	(29)
Expenses	377.4	358.5	5
Underlying profit before taxes	172.5	120.1	44
Underlying income tax expense	35.4	25.9	37
Underlying net profit	137.1	94.2	46
Acquisition-related items	(3.1)	8.6	-
Non-recurring items	(21.2)	2.9	-
Tax on acquisition-related items	6.4	1.5	-
Tax on non-recurring items	4.0	(0.7)	-
Non-recurring tax item	-	27.8	-
IFRS net profit	123.2	134.3	(8)
Operating margin (%) ¹	31.1	24.3	28
Compensation ratio (%) ²	48.3	52.0	(7)
Personnel at the end of the year (FTEs)	927	979	(5)

Client assets - investment management	2017 CHF bn	2016 CHF bn	Change in %
Assets under management at the end of the year	84.4	68.2	24
Average assets under management ³	74.7	68.3	9
Net flows	8.6	(10.7)	-
Total fee margin (bps) ⁴	68.0	64.1	6
Management fee margin (bps) ⁵	62.1	63.6	(2)

Client assets - private labelling	2017 CHF bn	2016 CHF bn	Change in %
Assets under management at the end of the year	74.3	52.5	42
Average assets under management ³	63.3	48.9	29
Net flows	15.7	4.3	265
Management fee margin (bps) ⁵	6.3	7.4	(15)

Balance sheet	31.12.2017 CHF m	31.12.2016 CHF m	Change in %
Net cash	373.8	352.7	6
Assets	2,445.4	2,378.5	3
Equity	1,882.6	1,844.0	2
Tangible equity ⁶	166.1	107.4	55

Share information	2017	2016	Change in %
Number of registered shares at the end of the year	159,682,531	160,294,731	0
Share capital at the end of the year (CHF m)	8.0	8.0	0
Diluted underlying EPS (CHF) ⁷	0.86	0.60	43
Closing price at the end of the year (CHF)	15.75	11.80	33

1) (Net fee and commission income - expenses) / net fee and commission income.

2) Personnel expenses / net fee and commission income.

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

4) Net fee and commission income / average assets under management.

5) Net management fees and commissions / 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.