ANNUAL 2018 REPORT

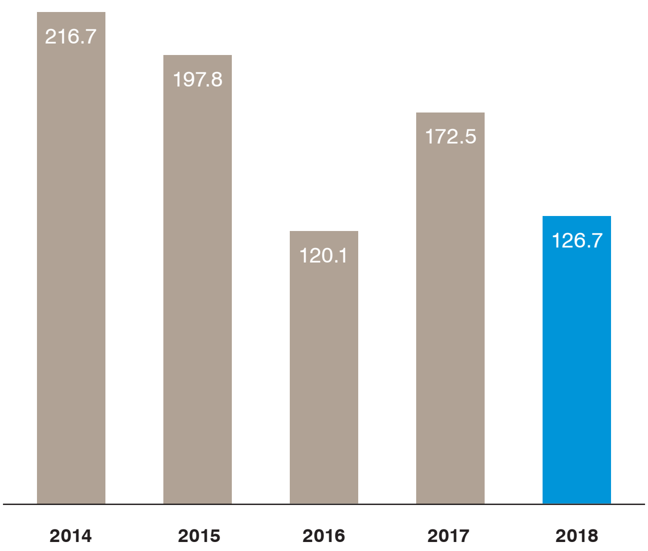
GAM Investments

CONTENTS

KEY FIGURES

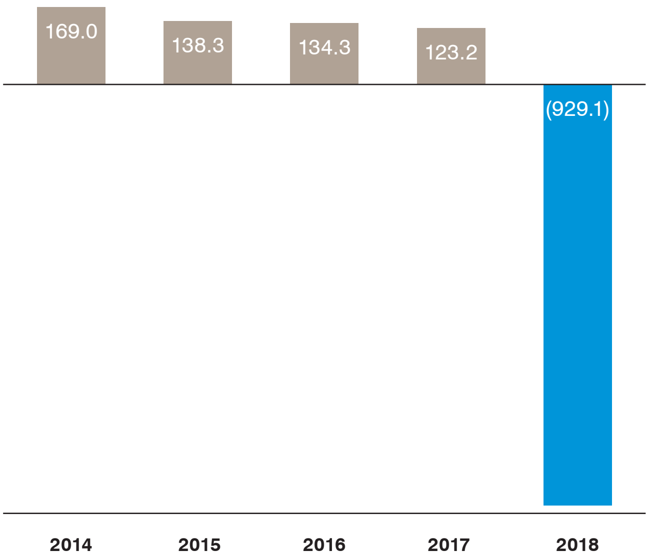
Underlying profit before taxes (CHF m)

CHF 126.7 m



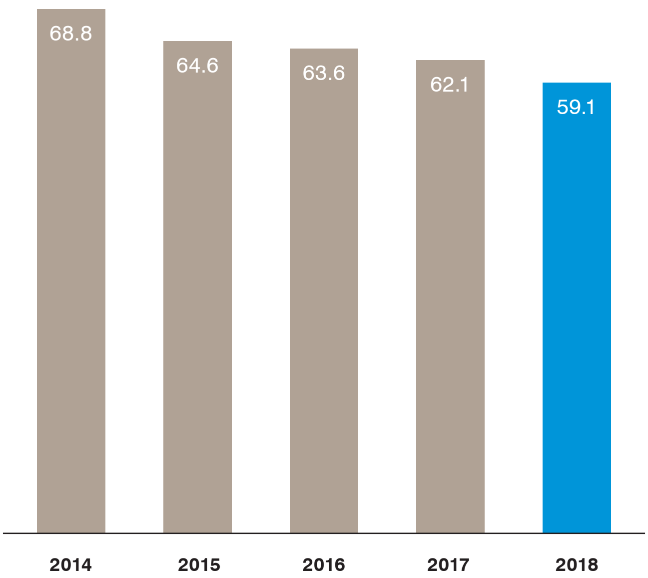
IFRS net (loss)/profit (CHF m)

CHF (929.1) m



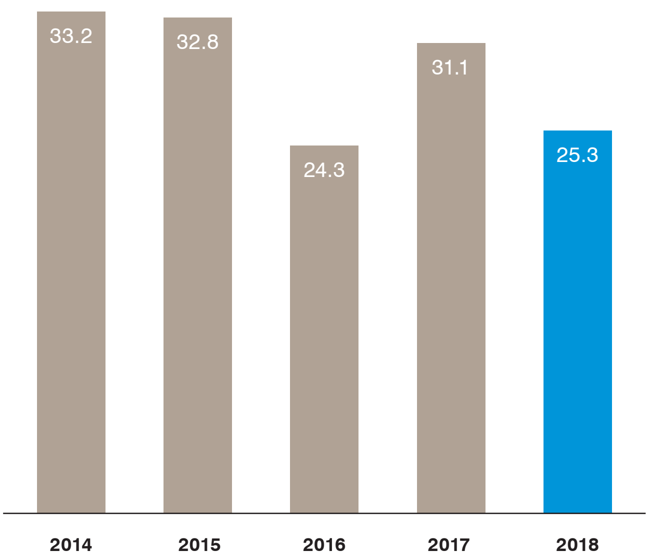
Management fee margin – investment management (bps)

59.1 bps



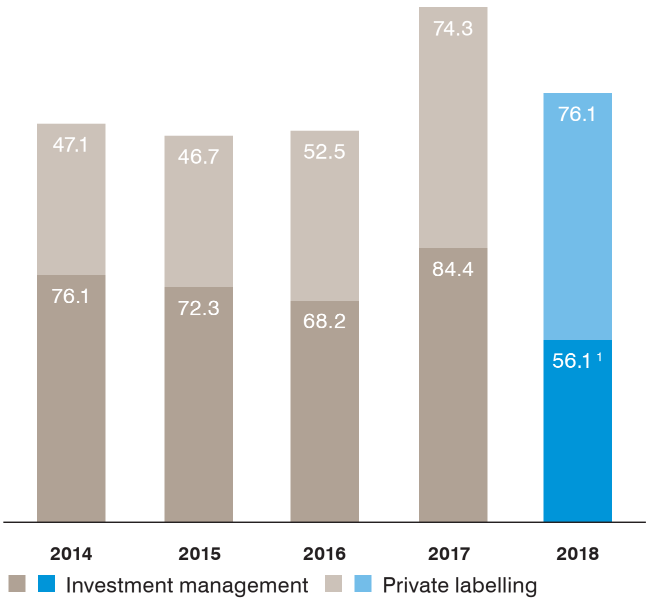
Operating margin (%)

25.3 %



Assets under management (CHF bn)

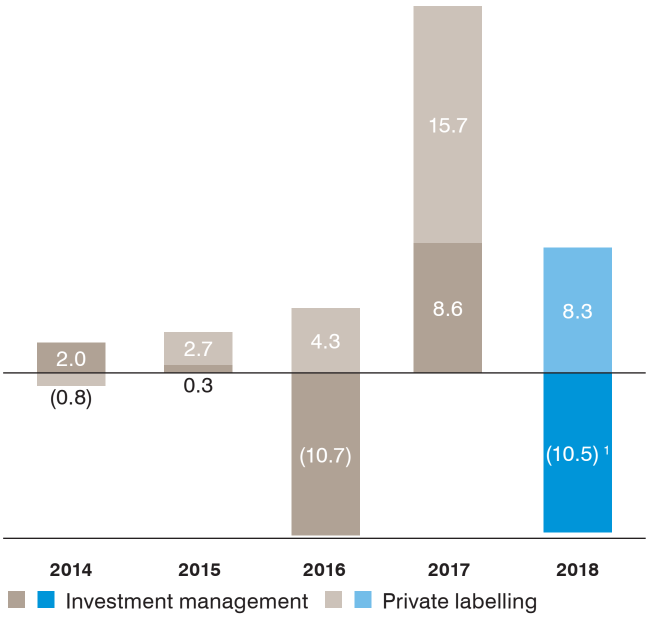
CHF 132.2 bn



[1] Excluding CHF 1.5 billion ARBF-related assets under management in liquidation as at 31 December 2018.

Net flows (CHF bn)

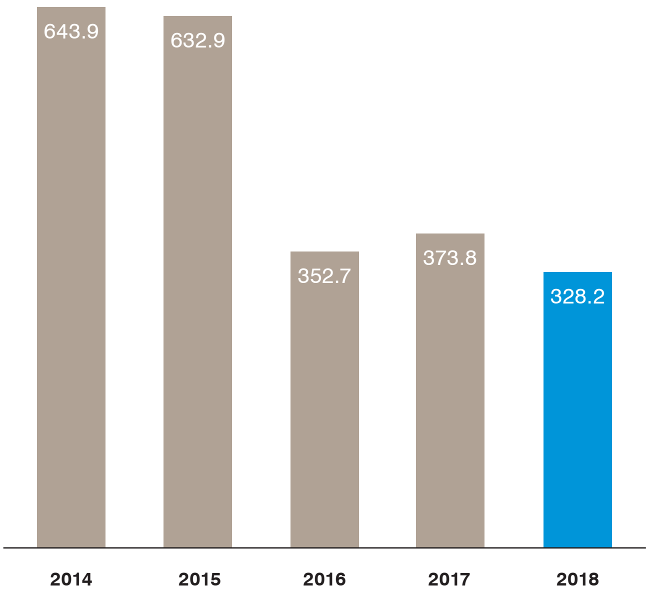
CHF (2.2) bn



[1] Including ARBF-related net inflows in H1 2018 of CHF 0.3 billion and excluding ARBF-related net flows in H2 2018 and fund assets liquidated as at 31 December 2018.

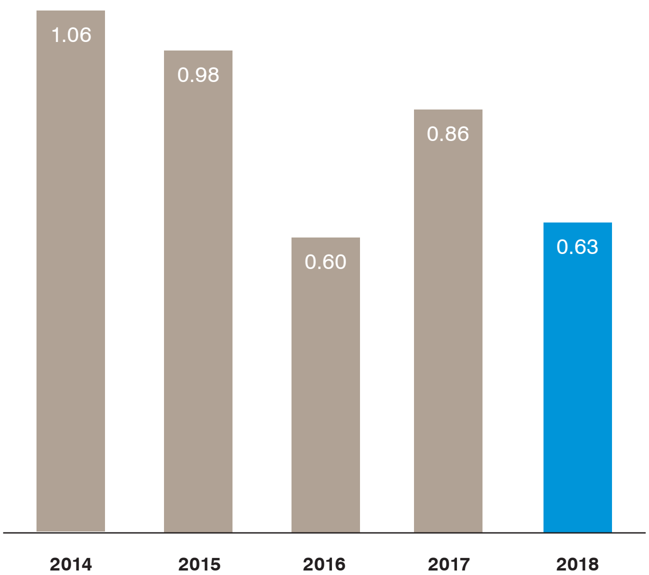
Net cash (CHF m)

CHF 328.2 m



Diluted underlying EPS (CHF)

CHF 0.63



CHAIRMAN
CEO
LETTER

Dear Shareholder

Last year was a very challenging year for the asset management industry as a whole. A weakening in economic growth, the wind-down of quantitative easing programmes by central banks, geopolitical instability and trade disputes were all factors which led to higher market volatility and negative returns in major asset classes compared to the previous year.

For GAM, the second half of 2018 marked the most demanding period since our listing ten years ago, as we were confronted with a complex and challenging situation surrounding one of our flagship strategies – the unconstrained/absolute return bond fund (ARBF). We are fully aware, and deeply regret, that this situation has impacted all our stakeholders, including clients, shareholders and employees. In line with the standards of conduct which we seek to uphold in all areas of our business, we had to take the difficult decision to suspend the investment director responsible for ARBF, initially on the basis of concerns raised internally about his conduct. More facts and circumstances were uncovered and a number of misconduct issues identified during an internal investigation which was supported by external counsel. Following the conclusion of the investigation and the disciplinary proceedings, the suspended investment director has now been dismissed from the company for gross misconduct. There was serious failure to achieve the standard of skill and care which were to be expected of someone in his position.

The ARBF strategies experienced a high level of redemption requests following the suspension of the investment director in July 2018. Our key priority was and always will be to safeguard the interests of our clients. Hence, while we could have served the requests from a liquidity point of view, this would have led to disproportional shifts in the portfolio composition, which could have compromised the interests of the remaining investors. To ensure fair treatment of all our clients, the respective fund boards of directors took the decision to suspend the ARBF strategies and subsequently place them into liquidation. By the end of 2018, we had returned 89–92%[1] of client investments in the Luxembourg-regulated GAM Multibond and the Ireland-regulated GAM Star funds, and 66–72%[1] in the Cayman master fund and the associated Cayman and Australian feeder funds. Throughout this process, we sought to maximise liquidity and value for investors, and we will apply the same rigour and dedication as we continue to liquidate the remaining assets in the ARBF portfolios, which we expect to complete in the next few months, subject to market conditions.

Within tight legal and regulatory limitations, and with the primary objective of protecting our clients' interests, we have had to walk a very fine line in terms of actions and communication during this period, and we believe that we have continued to take the most responsible decisions in these extraordinary circumstances.

Our strategic positioning

The ARBF event has and will cast a shadow on GAM's financial performance. Following the CEO change in November 2018, with David Jacob taking on the interim role alongside his position as a member of the Board of Directors, we announced a comprehensive restructuring programme. The aim is to strengthen our core business, reduce complexity and support our profitability, while remaining focused on creating value for our clients. We have taken action and are on track to achieve a reduction in fixed personnel and general expenses of at least CHF 40 million by year end 2019, with one third of the savings to be reflected in the 2019 financial results and the full benefit in 2020. Our restructuring programme comprises five key measures, which we have already launched or planned, including the consolidation of some of our investment teams, the optimisation of our distribution footprint, the streamlining of operations and support functions, the refinement of corporate structure and a re-prioritisation of projects as part of our multi-year change programme. We are examining further opportunities to reduce costs, while implementing the restructuring programme. At the same time, we will continue to make selective investments in our core business to capture potential future growth opportunities, and we are also taking steps to further enhance our control framework, which is essential for a strong, successful and compliant business.

Our fundamental investment ability continues to remain strong. As announced in the fourth quarter of 2018, we have consolidated parts of our fixed income and equity teams across Zurich, London and New York. This simplified organisation will allow us to better focus on areas where we have proven expertise in order to deliver differentiated active investment strategies at an attractive price point, and where we see high client demand.

To build on our areas of strength, we are going to concentrate on four capabilities going forward: fixed income, systematic, equity and solutions (including multi asset and alternatives). With 52% of investment management AuM[2], **fixed income** is the largest category, and teams were brought together into five clusters of expertise – strategic bond, global credit, emerging markets, mortgaged-backed securities/asset-backed securities (MBS/ABS) and specialist. With a number of product launches, including credit, equities and multi-strategy, we continue to expand our **systematic** offering to mainstream strategies, complementing our alternative risk premia and core macro

[1] The amount of each fund returned to investors as percentages of the net asset value of the relevant fund as at 3 September 2018 for Luxembourg and the Cayman funds and as at 4 September 2018 for the Ireland funds.

[2] Excluding CHF 1.5 billion ARBF-related assets under management in liquidation as at 31 December 2018.

products. In **equity**, we will be more focused on specific regional offerings, such as long only and long/short European equities, Japan, APAC, emerging markets and China equities as well as specialist strategies such as Technology, Consumer or Healthcare, all with high active share. With our multi asset segregated accounts capability catering to institutional and wealth management clients, our risk-weighted portfolio management capability currently serving mass affluent investors, and our tailored **solutions** business for institutional clients using in-house portfolio construction capabilities, we have all the building blocks for future success in this area. However, it will require more effort and time to fully leverage these in-house skills.

Long-term client relationships are at the heart of our business model and, despite the headwinds, our distribution teams have been able to protect assets and rebuild trust throughout the second half of 2018. We have made further progress in transforming our global distribution capability, with a tighter focus on our key strategies, an enhanced collaboration between teams, the hiring of new talent and the creation of a more streamlined structure. We continue to have a balanced approach to channels, which is why we have made targeted investments in global consultant coverage and institutional sales, while also ensuring that we address the needs of intermediary clients. We are committed to maintaining excellence in our client servicing propositions across all channels.

While most of our assets are held by clients based in Europe, the majority of our new business pipeline sits in other regions. Reflecting this, we further strengthened our presence across the 14 countries in which we operated in 2018. In Japan, we have been granted a new licence that allows us to directly engage with institutional clients for the purpose of managing their assets through a discretionary investment management scheme. We have also expanded our presence in the region with a new office in Australia, which enables us to broaden and grow the business with a local distribution team. In the US, our focus continues to be on selective institutional and consultant-driven relationships, and in Latin America, we have also gained further traction, as we seek to selectively expand our presence across a number of jurisdictions.

Our private labelling business, offering fund solutions focused on structuring, legal set-up, fund administration arrangements and ongoing management company services to clients globally, is well positioned to continue the positive growth trajectory seen over the last couple of years and to create further leverage in our business. Indeed, private labelling continued to grow throughout the year, including the difficult second half of 2018.

2018 results

Net fee and commission income decreased 9% to CHF 499.9 million, primarily driven by significantly lower performance fees of CHF 4.5 million in 2018, compared to CHF 44.1 million in 2017. This development reflected a challenging market environment as well as a decline in performance fee eligible assets to CHF 6.7 billion as at 31 December 2018 compared to CHF 17.3 billion a year earlier, predominantly driven by the liquidation of the ARBF and a decline in AuM in other strategies. Net management fees and commissions were down 2% to CHF 495.4 million, driven by a reduction in the blended investment management fee margin, mainly as a result of the change in the asset mix.

We incurred total expenses of CHF 373.5 million compared to CHF 377.4 million in 2017. Personnel expenses decreased 9% to CHF 239.6 million in 2018. Variable compensation decreased 25% compared to 2017, mainly due to lower formula-based bonuses and reduced discretionary bonus payments reflecting business performance. Fixed personnel costs increased 3%, primarily driven by market pressure and an increase of contractor staff to support change projects. General expenses totalled CHF 127.7 million, an increase of 20% compared to 2017. This was primarily driven by the first-time inclusion of research costs paid by GAM following the implementation of MiFID II, increased regulatory and compliance costs, increased irrecoverable taxes, higher professional and consulting fees in relation to the multi-year change programme and certain one-time costs.

The underlying profit before taxes was CHF 126.7 million in 2018, in line with our estimate announced on 13 December 2018. The 27% decrease compared to the CHF 172.5 million reported in 2017 was primarily driven by lower net income, partly offset by lower expenses, resulting in an operating margin for 2018 of 25.3% compared with 31.1% in 2017. Our compensation ratio, which tracks our ability to manage our largest expense category (personnel expenses) in line with net fees and commission income, declined to 47.9% from 48.3% in 2017.

Diluted underlying earnings per share of CHF 0.63 decreased from CHF 0.86 in 2017, resulting from the lower underlying net profit.

The net loss under IFRS was CHF 929.1 million in 2018, in line with the estimated net loss announced on 13 December 2018. The net loss included a goodwill impairment charge of CHF 883.4 million that was recognised due to lower levels of forecast AuM and profitability, which has no impact on our tangible equity or cash. In addition, we incurred an impairment charge on investment management and client contracts of CHF 120.7 million (net of taxes), which mainly related to the acquisition of Cantab and was partly offset by the reduction in the estimate of deferred consideration liabilities by CHF 48.9 million. Additionally, we recognised reorganisation charges of CHF 31.0 million (net of taxes), primarily relating to the announced restructuring programme.

Assets under management in our investment management business totalled CHF 56.1 billion[2], down from CHF 84.4 billion as at 31 December 2017, primarily driven by the CHF 11.0 billion[3] decrease in ARBF-related AuM, outflows from non-ARBF strategies as a result of challenging market conditions, especially in the second half of 2018, and negative market and foreign exchange movements.

Fixed income recorded net outflows of CHF 5.4 billion, primarily driven by GAM Star Credit Opportunities and GAM Local Emerging Bond funds, both of which recorded substantial net inflows in 2017 and the first half of 2018. Other than the impact from ARBF strategies in H2 2018, the **absolute return** category saw net outflows of CHF 2.2 billion, primarily from GAM Star Global Rates, the GAM Absolute Return Europe and the GAM Star (Lux) Merger Arbitrage funds. In **equity**, we saw net outflows of CHF 1.9 billion as net inflows in the GAM Emerging Markets Equity fund were more than offset by net outflows from the GAM Japan Equity and the GAM Star Continental European Equity funds. In **systematic**, net inflows of CHF 0.2 billion were driven by the alternative risk premia strategies. In **multi asset**, net outflows of CHF 1.0 billion mainly reflected redemptions from some Swiss institutional mandates. In **alternatives**, net outflows totalled CHF 0.2 billion.

Over the three-year period to 31 December 2018, 66% of assets under management in funds outperformed their respective benchmark, compared to 77% as at 31 December 2017. This decrease was primarily driven by an underperformance of certain equity strategies. Over the five-year period to 31 December 2018, 63% of assets under management in funds outperformed their respective benchmark, up from 56% as at 31 December 2017. This increase was primarily driven by the improved performance of certain fixed income strategies. Over 75% of GAM's AuM tracked by Morningstar[4] outperformed their respective peer groups over three and five years to 31 December 2018.

In private labelling, assets under management rose to CHF 76.1 billion, up from CHF 74.3 billion at the end of 2017. We saw strong net inflows of CHF 8.3 billion, primarily driven by existing clients, partly offset by negative market and foreign exchange movements of CHF 6.5 billion. In 2018, we operated over 200 funds for well over 50 clients, making us the largest non-bank fund solution provider in Europe.

Outlook

The operating environment for the asset management industry continues to be challenging given subdued economic growth, geopolitical tensions and trade disputes, with investors continuing to remain cautious and price sensitive. Against that backdrop and as a result of the issues GAM encountered in the second half of 2018, we are well aware that 2019 will prove a challenging year for us. However, with our distinctive, scalable and global product offering, we remain well positioned to address investor needs in our key growth markets.

Given our current situation, we have decided to suspend our previous financial targets for operating margin and annualised EPS growth. We need to further stabilise the business and return to a sustained period of growth before we can set new mid- to long-term targets. As a specialist active asset manager, we will continue to deliver on our main strategic priority, which is to focus all our efforts on performing for our clients and providing excellent customer service within a strong control environment. Additionally, we are finalising the liquidation of the ARBF and aiming to deliver at least CHF 40 million of cost savings.

As previously announced, profitability for 2019 will be significantly impacted by past events as well as the lower assets under management and corresponding revenue levels. Recognising this outlook, and our need to rebuild capital buffers, the Board of Directors will propose to shareholders that no dividend be paid for 2018. For 2019 and beyond, we will target a minimum dividend pay-out of 50% of underlying net profit to shareholders. We will implement further measures to rebuild GAM as a strong and dynamic business which will help drive long-term value for our shareholders.

We would like to thank our employees for their hard work and commitment, and our clients and shareholders for their continued support and trust in GAM.

With best regards,

Hugh Scott-Barrett
Chairman

David Jacob
Group Chief Executive Officer

Zurich, 21 February 2019

[3] Including CHF 1.5 billion ARBF-related assets under management in liquidation as at 31 December 2018.

[4] The peer group comparison is based on 'industry-standard' Morningstar Direct Sector Classification. The share class preferences in Morningstar have been set to capture the oldest institutional accumulation share class for each and every fund in a given peer group.

THE BUSINESS REVIEW

ASSET MANAGEMENT INDUSTRY

Structural trends

Shift in client demand

Technology

Regulation and transparency

Search for profitability

Strategic priorities

Investment performance

- Seek attractive investment returns from active and high-conviction strategies
- No 'house view' to constrain investment decisions
- Encourage collaboration and knowledge sharing

Differentiated product offering

- Develop innovative, differentiated and scalable products
- Tailor offering to client and geographical needs
- Active management of product shelf
- Continue to expand private labelling offering

Global distribution

- Distribute products globally
- Ensure strong client focus in all areas, supporting institutional, intermediary and private clients with experts
- Match distribution strength to core geographies, products and growth opportunities

Operating efficiency

- Seek efficiency gains through tight cost control and targeted investments
- Simplify, consolidate and streamline systems and processes

Resources

PEOPLE

CAPITAL

GAM

Business update

- Repositioned parts of fixed income and equity teams across Zurich, London and New York
- 66% and 63% of AuM in funds outperformed their benchmarks over three and five years, respectively
- Investments made to enhance risk and control framework

- New products launched and product offering adapted to changing client demand
- Merged or closed 12 funds in 2018 to simplify product shelf
- Fund boards of directors took the decision on 10 August 2018 to place suspended ARBF into liquidation

- Protected assets and rebuilt trust throughout what was a difficult H2 2018
- Further progress made in transforming global distribution capability
- Strengthened regional presence across the 14 countries in which GAM operates, including opening of new office in Australia

- Progress made in delivering against multi-year change programme
- New restructuring programme launched to strengthen core business, reduce complexity and support profitability

Near-term priorities

- **Further stabilise business and rebuild trust**
- **Deliver attractive investment performance for our clients**
- **Continuously align product offering to changing client demand**
- **Simplify business and enhance efficiency to support profitability and shareholder value**

GAM Investments

BRAND

PLATFORM

OUR STRATEGY

Structural trends in the asset management industry

2018 was a challenging year for the asset management industry. Most traditional asset managers worldwide experienced outflows, and publicly traded asset managers suffered substantial declines in their share prices. A number of factors contributed to difficult business conditions, including weakening economic growth, the wind-down of quantitative easing, geopolitical instability and trade conflicts, all of which led to higher market volatility and negative returns in major asset classes, compared to 2017.

Notwithstanding these market conditions and GAM's situation, which included the difficult decision we had to take to suspend the investment director business unit head for the unconstrained/absolute return bond fund (ARBF) strategy, our fundamental investment ability remains strong and we will continue to deliver on our strategy.

Periods of difficult markets have historically provided an opportunity for active managers to deliver excess returns. In these times, specialist products delivering true alpha tend to outperform products focused on market-based beta returns. These specialist products have the potential to attract inflows from clients who seek out managers that can deliver differentiated investment returns. Industry growth expectations in assets under management continue to be attractive, driven by positive economic growth, demographic trends of a growing global middle class, increasing globalisation, and evolving sophistication of investors. Industry projections through 2025 show attractive trends for asset accumulation, with global assets under management expected to almost double to USD 145.4 trillion, with strong asset inflows across alternative asset classes, retail funds and institutional mandates.[1]

However, even with these favourable projections for growth in assets under management, asset manager business models will remain under significant pressure as the industry undergoes a fundamental transformation, driven by:

(i) Shifts in client demand for product offerings, as passive products continue to gain market share and active skews towards specialist strategies.[2]

(ii) Need for robust and scalable technology to deliver seamless, integrated and tailored solutions for clients.[3]

(iii) Increased regulation and transparency requirements.[2]

(iv) Margin compression, requiring new ways to maximise profitability and efficiencies.[2]

Four main structural trends in the asset management industry

Asset managers are adapting their product offering to **SHIFTING CLIENT DEMAND**. By 2025, forecasts indicate that active investments will account for 60% of global assets under management, down from 71% in 2016. Passive investments will gain market share, up from 17% to 25% in the same period, and alternative strategies, including hedge funds, infrastructure, real estate and private equity, will grow to 15% in 2025, up from 12% in 2016.[1] The rising demand across client segments for investments that take into consideration environmental, social and corporate governance aspects, as well as the ageing global population and the related needs-based management of retirement assets, are further impacting how asset managers structure their product ranges.[2] Additionally, as the 'millennial' generation increasingly demand investment management products and services, asset managers are adapting their offerings to suit the age group's preferences for convenience, model-driven investment strategies and technology-enabled solutions.[1]

[1] PWC, Asset & Wealth Management Revolution 2017: Embracing Exponential Change.
[2] PWC, Asset Management 2020: A Brave New World, 2014.
[3] Vedanvi, Risk & Regulatory Consulting / WNS, 2016: Three Trends Shaping the Asset Management Industry, and How to Capitalise on Them.

The growing use of alternative data, algorithm-driven rules-based trading, sophisticated models and artificial intelligence for investment processes will further impact product offerings. Quantitatively-traded hedge funds were first movers in the adoption of new analytical techniques for investment processes and have seen assets under management increase from USD 198 billion in 2009 to USD 677 billion in the first half of 2018, or 21% of total hedge fund assets under management.[4]

In addition to traditional investment advice, clients of asset managers are increasingly seeking value-added services that require **TECHNOLOGICAL** innovation. Asset managers with cutting edge technology deeply integrated into their business models are likely to develop a competitive advantage in product innovation, investment solutions and distribution potential, and increase the scalability and efficiency of their operating platforms.[2]

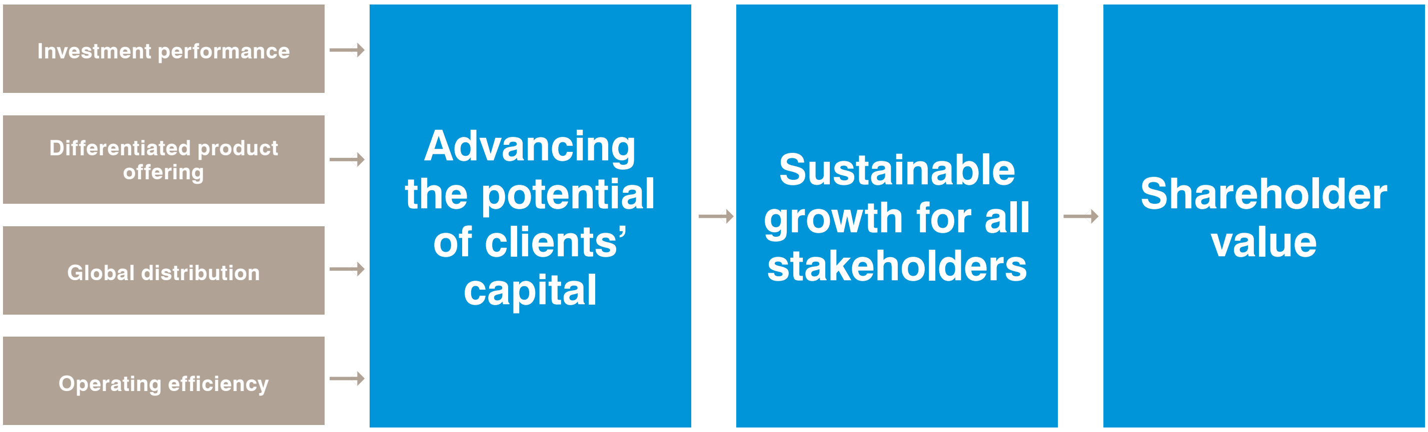
In the aftermath of the global financial crisis in the last decade, **REGULATORS** have turned their attention to the asset management industry. They have sought to establish sustainable guidelines on the transparency of business models, client interactions and the culture in the industry. Such regulatory changes will require asset managers to further invest in their legal and compliance infrastructures as well as in technology, with an impact on profitability.[4]

In an environment characterised by low investment yields, fee compression and growing operating platform investment requirements, asset managers are **SEARCHING FOR PROFITABILITY**, and have responded in different ways: attempts to change historical business strategy; efforts to differentiate product offerings; development of pricing models to align fees with value-added services for clients; efficiency initiatives including cost reduction opportunities, divestiture of non-core activities and reliance upon outsourcing partners; increased scale through acquisition, consolidation or add-on of other businesses as well as expansion into new markets.[2]

The asset management industry will undoubtedly experience continued structural changes in the future and consolidation may accelerate. As a leading global active asset manager with (i) a specialised set of product offerings in areas with growing client demand, (ii) a cutting edge quantitative platform, (iii) global distribution strength and (iv) a restructuring programme to reduce complexity and enhance efficiency, GAM believes it can capture future business opportunities.

[4] Citi Business Advisory Services; Industry Revolution Series, October 2018.

Our business model



Our mission

Our job is to help clients achieve their investment goals by putting their capital to work effectively. We share insights, act with integrity and execute with purpose to make the right investment decisions for our clients. We consider our mission to advance the potential of capital.

Our strategy

We are an independent global asset management firm built by investors, for investors. With a heritage spanning more than 35 years, we invest our clients' capital using active strategies across discretionary, systematic and specialist solutions.

Our strategic priorities are an attractive investment performance, a differentiated and commercially compelling range of product offerings, global distribution strength and operating efficiency. We execute on these priorities with a performance culture motivated by sustainable growth for all stakeholders. We create shareholder value through long-term earnings growth and predictable capital returns.

At GAM, we seek attractive investment returns from active, high-conviction strategies managed by independent and talented teams. We value original thinking, integrity and a disciplined approach to investing. GAM has no 'house view' to constrain investment decisions, and we encourage collaboration and knowledge sharing among our managers to enhance outcomes for our clients. Success is measured over the medium to long term against our clients' expectations and appropriate benchmarks or peers.

We develop innovative, differentiated and scalable products relevant to investors worldwide. These hard-to-commoditise products span diversified liquid and illiquid asset classes. We focus on core markets and tailor our fund development according to geography, client segment and distribution expertise. Our product shelf is continually managed by adding capabilities with growth potential and consolidating products where appropriate.

We distribute our products globally and have offices in 14 countries to service our client base. Our company is client-focused in all areas, and we support institutional, intermediary and private clients with relationship managers, product specialists, marketing and client-servicing professionals. We match our distribution strength to core geographies, products and growth opportunities.

We continually seek efficiencies through tight cost control and appropriate investment in our operating platform and control environment. We see substantial benefits in simplifying, consolidating and streamlining our administrative processes, servicing and IT support. Together, the steps we have taken are leading to a highly-aligned and stable business model able to support growth with limited incremental resources.

In addition to our investment management business, we continue to expand our private labelling business, which is highly complementary and provides attractive operating leverage.

We have decided to suspend our mid-to-long-term financial targets given we need to further stabilise our business and return to a sustained period of growth before we can set new targets.

While for 2018 the Board of Directors proposes to shareholders that no dividend be paid to accelerate the capital re-build, the revised dividend policy for 2019 and beyond targets a minimum pay-out of 50% of underlying net profits. A second priority, after considering appropriate investments in the business, is to return excess capital to shareholders through appropriate means.

Update on strategic priorities

Investment performance

GAM's business model is designed to create an environment that allows us to provide our clients with products that are truly actively managed. A priority in our performance culture is continuous investment in talent as well as our platform to be better positioned to meet changing client needs and also capture future growth opportunities.

In the fourth quarter of 2018, we announced that we would be repositioning parts of fixed income and equity in London, Zurich and New York. This measure will enable us to better align our investment capabilities, reduce business complexity and enhance our ability to capture growth in areas where we have recognised expertise. The aim in fixed income was to create an enhanced emerging market bond platform, a broadened global credit capability, an amalgamated asset-backed securities (ABS) and mortgaged-backed securities (MBS) team, a global strategic bond offering evolving from the existing total return bond expertise and specialist strategies. In equities, we largely consolidated our European long-only expertise, while maintaining our strengths in other regional and thematic equities. These measures allow us to better tailor our product offering to meet client demand and capture future growth opportunities.

One of the benefits of these changes will be increased collaboration and debate, which we believe will lead to better risk-adjusted outcomes for our clients as well as a more productive environment for innovative thinking and product development. We are continuously investing in our risk and control framework and people to further improve how we operate. Over the last 12 months, we hired experts in the areas of financial crime prevention, compliance monitoring and front office controls, and further established a series of Group oversight committees covering risk, compliance, investment, distribution and change activities.

Differentiated product offering

We support clients in achieving their desired investment goals with our differentiated offering. We focus on areas where we have dedicated expertise and where we clearly see future growth opportunities, with products which are differentiated from peers and scalable. During 2018, we continued to adapt our product offering to further align it with client demand and therefore consolidated our offering across capabilities, enabling us to achieve scale and reduce complexity.

The launch of our GAM Fermat ILS Yield fund was driven by strong demand for our existing and highly successful catastrophe bond strategies. The new ILS fund seeks to capture structural returns from the market via a portfolio focused on insurance linked securities to produce attractive, consistent returns, uncorrelated to traditional asset classes. We have also launched our GAM Real Estate Finance Fund II (GBP), a fully integrated approach to private debt investing which seeks to generate regular income and strong risk-adjusted returns through direct lending in the UK and western Europe.

Milestones in our history

1983: GAM founded by Gilbert de Botton

1999: GAM acquired by UBS

2005: GAM acquired by Julius Baer

2009: Acquisition of Augustus Asset Managers Ltd

2009: Separation from Julius Baer to form an independent, publicly listed, pure-play asset management group

2012: Acquisition of Arkos Capital SA

2014: Acquisition of Singleterry Mansley Asset Management

2015: Acquisition of the real estate debt business of Renshaw Bay

2016: Acquisition of Cantab Capital Partners and launch of GAM Systematic

2017: All funds under GAM brand following termination of our trademark licence agreement with Julius Baer

With the acquisition of Cantab in 2016, we created GAM Systematic, a systematic investment platform with a state-of-the art technology infrastructure, investment decision tools and processes. Since the acquisition, we have launched eight funds across different asset classes and pricing levels. An example of how we are leveraging our GAM Systematic platform is the launch of the CCP Discovery Management fund which trades selected less liquid assets. Additionally, we have launched the GAM Systematic Dynamic Credit fund which seeks to generate long-term outperformance to global credit markets while providing downside protection by dynamically reducing credit exposure during challenging credit environments. We also plan to launch a multi asset strategy within Systematic. It is a long-only multi asset strategy seeking to capture the performance potential of traditional asset classes while preserving capital during protracted adverse market conditions.

We continued to launch new products based on existing strategies to respond to increased client demand in key growth markets. In APAC, we launched Australian-domiciled products for the GAM Systematic Alternative Risk Premia strategy. We also launched offshore funds for institutional investors in emerging market equities, local-currency emerging market bonds and MBS bonds.

In 2018, we merged or closed 12 funds in addition to the 82 funds in the previous three years and will continue to simplify our product range and concentrate on the most promising and scalable strategies. In addition, the respective fund boards of directors took the decision on 10 August 2018 to place the suspended ARBF into liquidation to ensure fair treatment of all our clients.

Global distribution

We made further progress in transforming our global distribution capability. This included hiring new talent, a tighter focus on our key strategies, an enhanced collaboration between our teams and a more streamlined structure. In the first half of 2018, we saw strong client demand across our offering including Emerging Market Debt and Credit Opportunities, Emerging Market Equities and Alternative Risk Premia. This resulted in CHF 2.6 billion of net inflows in the first half of 2018. The announcement of the liquidation of the ARBF in August marked a clear setback for GAM in the second half of 2018, and was a major contributor to the decrease in assets under management recorded in 2018.

In terms of regions, our core European market saw strong inflows in the first half of 2018, which were more than offset by the impact of the liquidation of the ARBF and a challenging market environment in the second half of 2018. Outside of Europe, GAM further strengthened its regional presence in 2018 across the 14 countries in which it operates. In Asia, we have been granted registration as a discretionary investment management and investment advisory and agency business by Japan's Financial Services Agency. This permits us to directly engage with institutional clients in Japan for the purpose of managing their assets through a discretionary investment management scheme. We have also expanded our presence in the region with a new office in Australia, which enables GAM to broaden and grow the business with a local distribution team. In the US, our focus continues to be on selective institutional and consultant-driven relationships, and we also gained further traction in Latin America as we seek to selectively expand our presence.

Our sales strategy is to capture greater market share of clients seeking non-traditional sources of return and genuinely differentiated active investment solutions, with delineated regional and channel sales approaches. Our distribution strategy allows us to service new and existing client needs through the active management of the sales lifecycle of our product offering. We believe that our global distribution strategy represents a strong foundation for the future, allowing GAM to further develop its priorities of diversification across geographies and strategies as we seek to capture future growth opportunities.

Operating efficiency

In 2018, we made good progress in delivering against our multi-year change programme. We (i) invested in infrastructure, risk and control platforms and expertise to improve our policies and procedures, (ii) commenced the roll-out of our new data architecture capabilities, (iii) consolidated our client relationship management and digital platforms and (iv) migrated our data centres to a managed cloud solution. We are further streamlining systems, processes and applications which will reduce the complexity of our business and facilitate additional efficiency initiatives in the future. A key milestone for us was to bring all our London-based teams together in one location at 8 Finsbury Circus in January 2019. GAM has developed Brexit plans aimed at ensuring continuity of service to its non-UK EU clients for various scenarios, including a hard Brexit. We do not anticipate any disruption to the services we provide to our-EU based clients.

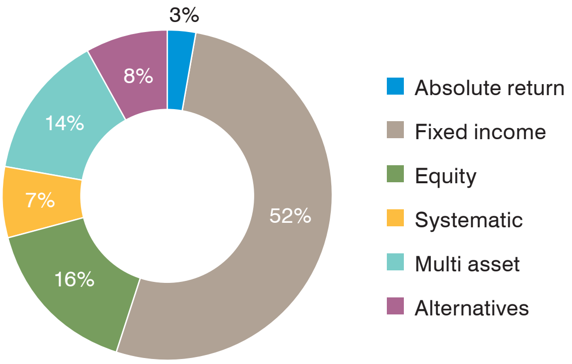
In December 2018, we announced a Group-wide restructuring programme which includes the following launched and planned measures:

- **Consolidating parts of investment teams**: In fixed income and equities, consolidation of teams across Zurich, London and New York as announced in the fourth quarter of 2018.
- **Optimising distribution footprint:** Focusing distribution resources on markets and channels with optimum near and medium-term growth potential.
- **Streamlining operations and support functions:** Consolidation of functions to best support GAM's core investment management franchises of specialised fixed income, equities, multi asset solutions and GAM Systematic.
- **Refining corporate structure:** Reviewing and adjusting GAM's corporate structure to reduce complexity and also optimise capital usage.
- **Re-prioritising projects:** Reviewing the sequencing of projects planned as part of the Group's change programme to ensure efficiencies are achieved while continuing to enhance GAM's risk, control and IT capabilities.

We expect that in combination, these measures will achieve a reduction in fixed personnel and general expenses of at least CHF 40 million by the end of this year, with one third of the savings to be reflected in the 2019 financial results and the full benefit in 2020. At the same time, we will continue to make selective investments in our core business and we are taking steps to further enhance the control framework (for further details please refer to 'Spotlight on operating efficiency' on page 28).

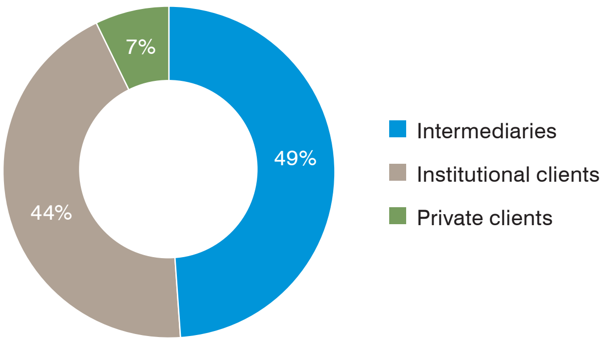
BUSINESS AND RESULTS OVERVIEW

Investment management assets by capability[1]



[1] Excluding CHF 1.5 billion ARBF-related assets under management in liquidation as at 31 December 2018.

Investment management assets by client segment[1]



[1] Excluding CHF 1.5 billion ARBF-related assets under management in liquidation as at 31 December 2018.

Investment management snapshot

Investment strategies, mandates and funds managed by in-house professionals and selected third-party specialists

92%

of our Group net management fees and commissions are generated in investment management

180

in-house investment professionals in Zurich, Lugano, Milan, London, Cambridge, New York, Hong Kong and Sydney

78

relationship managers serving our global client base, supported by 93 employees in marketing, sales support and product specialist roles

66%

of assets in funds outperformed their benchmark over three years

Private labelling snapshot

Tailored third-party fund solutions for banks, insurers, independent asset managers and institutional investors

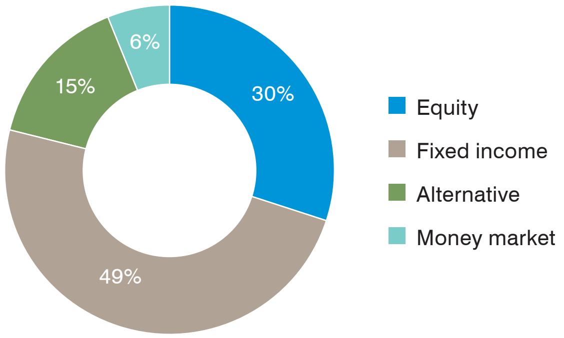
8%
of our Group net management fees and commissions are generated in private labelling

12
client directors, supported by experts from legal & compliance, risk management, marketing and operations

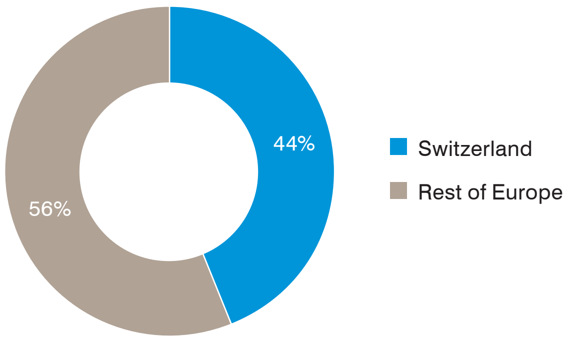
4
fund domiciles on offer: Switzerland, Luxembourg, Ireland and Italy

215
third party funds operated for our clients

Private labelling assets by asset class



Private labelling assets by fund domicile



OUR BUSINESSES

Investment management

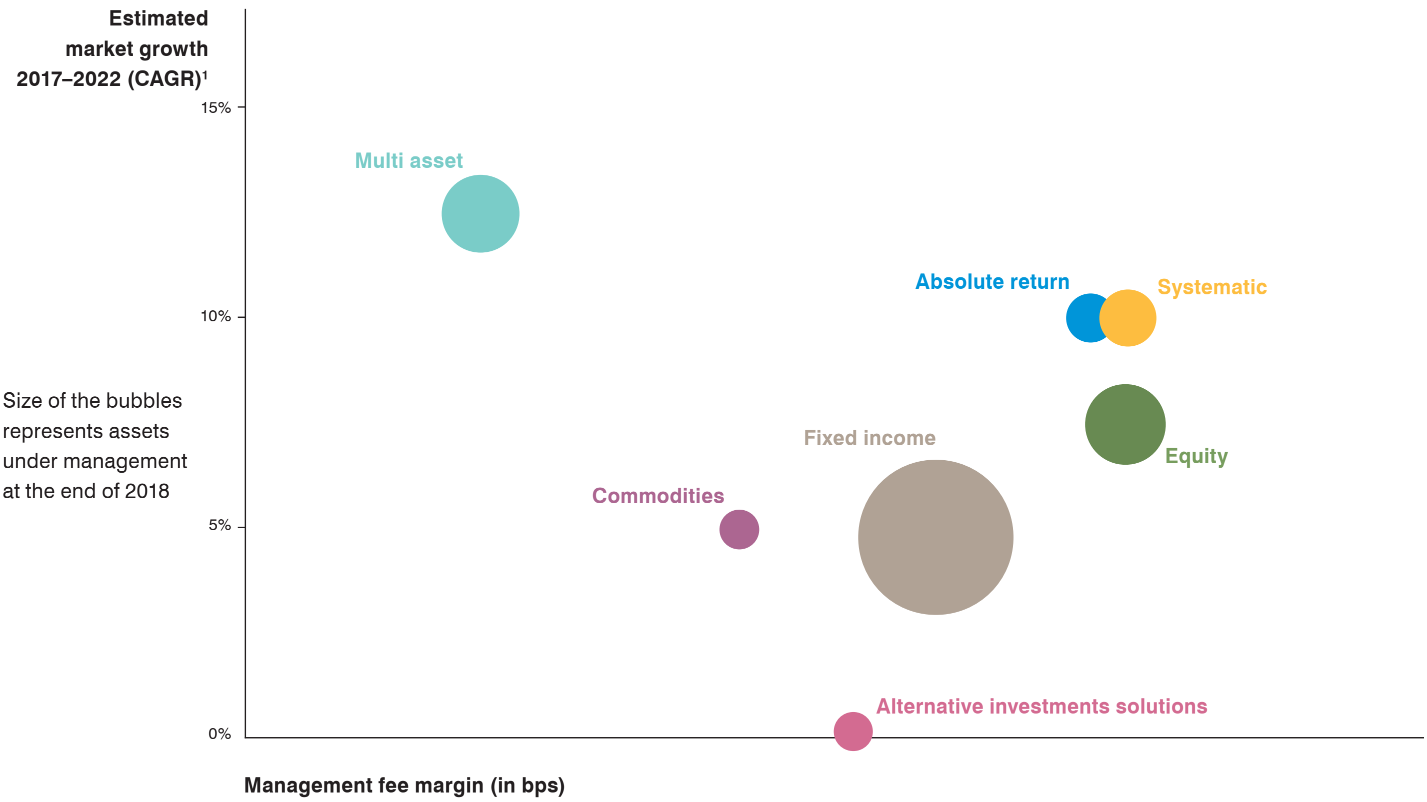
Investment capabilities

Our investment management capabilities provide clients with differentiated directional and absolute return strategies in liquid and illiquid asset classes across discretionary, systematic and specialist solutions. Our product shelf is focused on scalable strategies with high growth prospects given industry trends and client needs. Such strategies also attract higher margins relative to passive and more traditional benchmark-oriented products.

We have 180 in-house investment professionals based in our investment centres in Zurich, Lugano, Milan, London, Cambridge, New York, Hong Kong and Sydney. Since 2017, all our funds are marketed under the GAM brand. Having pioneered the open architecture approach by working with external managers in the early 1980s, we still work with a few distinguished third-party investment specialists in selected areas.

GAM does not have a 'house view', and our investment management teams are free to make investment decisions according to their individual philosophies and styles. Our discretionary investment management teams seek to generate attractive client returns through high-conviction investing. They are encouraged to be indifferent to short-term index comparisons and take controlled risks in order to deliver differentiated performance. The teams in GAM Systematic utilise rigorous, world-class scientific research to create robust quantitative strategies that identify and harvest numerous sources of returns and represent good growth prospects for GAM in the near term with existing products such as Alternative Risk Premia and the launch of a complete set of quantitative-based products.

GAM product capabilities



[1] The Boston Consulting Group, Global Asset Management 2018: The Digital Metamorphosis, July 2018; GAM.

Investment management assets and management fee margins (CHF bn)

Capability	Opening AuM 1 Jan 2018	ARBF impact [1]	Net flows 2018	Market/FX 2018	Closing AuM 31 Dec 2018	Management fee margin 2018 (bps)
Fixed income	37.1	-	(5.4)	(2.5)	29.2	59
Absolute return	15.6	(11.0)	(2.2)	(0.5)	1.9	74
Equity	12.6	-	(1.9)	(2.0)	8.7	74
Systematic	4.7	-	0.2	(0.7)	4.2	74
Multi asset	9.5	-	(1.0)	(0.8)	7.7	20
Alternatives	4.9	-	(0.2)	(0.3)	4.4	47
Total	**84.4**	**(11.0)**	**(10.5)**	**(6.8)**	**56.1**	**59.1**

[1] Including CHF 1.5 billion ARBF-related assets under management in liquidation as at 31 December 2018.

Spotlight on the unconstrained/absolute return bond fund (ARBF) strategy

GAM's key priority is to safeguard the interests of its clients under all circumstances. In line with the standards of conduct which we seek to uphold in all areas of the business, GAM had to take the difficult decision to suspend the investment director business unit head for the ARBF strategy on 31 July 2018. GAM took the concerns raised about the conduct of the investment director responsible for the ARBF team very seriously. An internal investigation supported by external counsel was launched in November 2017. As more facts and circumstances were uncovered and a number of potential misconduct issues identified, the decision was taken to suspend the investment director in July 2018. The investigation concluded that in certain instances, the investment director failed to conduct or evidence sufficient due diligence on some of the investments that were made, or make accessible internal records of documents relating to these. The holding of these investments was permitted according to any of the restrictions applying to the respective ARBF strategies. Additionally, the investigation concluded that the investment director may have breached GAM's signatory policy by being the sole signatory of certain contracts for which two signatures were necessary. It also found that he breached the firm's gifts and entertainment policy by not seeking the required pre-approval. As a whole, this conduct was of significant concern to GAM, given that we seek to uphold high standards in all areas of our business. Following the conclusion of the investigation and the disciplinary proceedings, the suspended investment director has now been dismissed from the company for gross misconduct.

The ARBF strategies experienced a high level of redemption requests following the suspension of the investment director. Although the funds had the necessary liquidity to serve these requests, this would have led to a disproportional shift in their portfolio composition, which could have compromised the interests of the remaining investors. To ensure fair treatment of investors, and that clients received proceeds in a timely manner, the respective fund boards of directors took the decision on 10 August 2018 to place the suspended ARBF into liquidation. As at 31 December 2018, GAM had distributed to clients between 89–92%[1] of their investments in the Luxembourg-regulated GAM Multibond and the Ireland-regulated GAM Star funds in three payments. During the same period, between 66–72%[1] of the client investments in the Cayman master fund and the associated Cayman and Australian feeder funds were distributed in two payments.

[1] The amount of each fund returned to investors as percentages of the net asset value of the relevant fund as at 3 September 2018 for Luxembourg and the Cayman funds and as at 4 September 2018 for the Ireland funds.

The breadth of our product range allows us to provide relevant products across market cycles and client segments. Our product development capabilities encompass a variety of structures – onshore and offshore funds, segregated mandates and customised solutions. A wide range of GAM's products are offered in the regulated form of Undertakings for Collective Investment in Transferrable Securities (UCITS).

As at 31 December 2018, 52.0% of the CHF 56.1 billion[5] investment management assets were invested in fixed income strategies. The share of investment solutions across multi asset and alternatives capabilities was 21.6%, while equities contributed 15.5%. Our systematic capability accounted for 7.5% and absolute return products for 3.4%.[5] Compared with the previous year, there was a significant shift in terms of the asset split across product capabilities resulting from the reduction in assets under management in ARBF strategies following the suspension of the investment director business unit head for the unconstrained/absolute return bond fund strategy and the subsequent decision by the respective fund boards to liquidate related funds in August 2018. The ARBF strategy was part of the absolute return capability.

[5] Excluding CHF 1.5 billion ARBF-related assets under management in liquidation as at 31 December 2018.

Our **fixed income** products cover the breadth of specialist investing through a number of offerings which are differentiated from traditional core styles. This positions us well to capture investor demand for substitutes to traditional bond allocations as investors continue to search for yield in today's low-yield environment. Products focused on credit, emerging market debt, trade finance, catastrophe bonds and mortgage-backed securities make up the core of our fixed income range.

Our **absolute return** product range covers strategies across fixed income, macro/managed futures, equity long/short, currencies and commodities. The strategies share a common aim: to deliver positive, long-term absolute returns with controlled volatility and low correlation to traditional asset classes. Global macro, long/short equity and event-driven products are important parts of our absolute return offering. Following the decision to liquidate all ARBF, we began establishing a set of alternative global strategic bond structures which we believe will have the potential to grow going forward.

Our **equity** strategies are high active-share funds with a regional or thematic focus. The majority of our strategies have an active share[6] of more than 72%, with very few products targeting more traditional benchmark-oriented client segments. Each investment team works with its own internal research, consistent with its distinct approach, while benefitting from the collaborative and collegial culture that allows teams to share insights, views and information. As a result, we are able to provide a broad range of investment styles, including value, growth and GARP (growth at a reasonable price). Our long-standing strategies in European, Japanese and Chinese equities are complemented by the emerging market equities fund as well as other regional and thematic strategies that are highly scalable.

Within our **systematic** capability, we are focused on developing and managing products and solutions across liquid alternatives and long-only asset classes, including equities, debt and multi asset solutions. Our investment philosophy and processes are based on rigorous scientific research to identify and harvest numerous sources of returns. The capability is underpinned by world-class infrastructure and proprietary technology run by a team of experienced data scientists. Our systematic product offering encompasses quantitative multi-strategy, core macro, global equities, equity market neutral, and alternative risk premia products as well as a strategy trading less liquid markets. At the end of 2018, GAM also launched a systematic dynamic credit strategy that invests in credit, interest rate and fixed income markets globally. The systematic strategies vary across the volatility and pricing spectrum, offering a differentiated set of solutions to our clients.

Today's more volatile and uncertain environment, which is likely to persist for the foreseeable future, has increased demand for objective-oriented, holistic **multi asset** strategies that cater to the individual risk profiles of private investors, their advisers and institutions. GAM Investment Solutions (GIS) combines teams across multi asset, alternatives and private clients, and targets exactly this opportunity. GIS is focused on delivering solutions consistent with client needs and preferences, spanning the range from unitised funds to bespoke portfolio offerings.

Our multi asset teams provide an active, top-down allocation tailored to the specific investment needs of their clients. Our investment philosophy and approach seek to add value through active decision-making at three levels: long-term strategic asset allocation, short-term tactical asset allocation and instrument selection. We offer both an extensive range of multi asset funds as well as bespoke solutions for our larger clients.

Our **alternatives** capability comprises alternative investments solutions and commodities. Our expertise, gained over more than 25 years of managing portfolios of hedge funds for a broad global client base, is combined with a disciplined and structured investment and risk management process.

In commodities, our physical metals funds include gold, platinum, silver and palladium. We also offer an active strategy that invests in commodity futures, with rotating exposures across agriculture, energy and metals.

Total assets under management in investment management include all assets that generate a management fee for the Group. As at 31 December 2018, CHF 1.6 billion of assets generated two levels of management fees compared with CHF 2.6 billion a year earlier. They represent assets reinvested in our own funds, where we perform an additional level of investment management services for our clients, including advisory or discretionary management, and for which we earn an additional fee.

Our clients

We are committed to strong long-term relationships with clients, spanning our different geographies, channels and segments. Our goals are fully aligned with our clients' as we provide efficient access to high performing investment opportunities supported by our infrastructure and risk management. In 2017, we announced the decision to absorb all research costs

[6] Active share is a measure of the percentage of stock holdings in a portfolio that differs from the benchmark index.

from January 2018 onwards, following the implementation of the new Markets in Financial Instruments Directive (MiFID II), thus further underlining our commitment to placing clients' interests first.

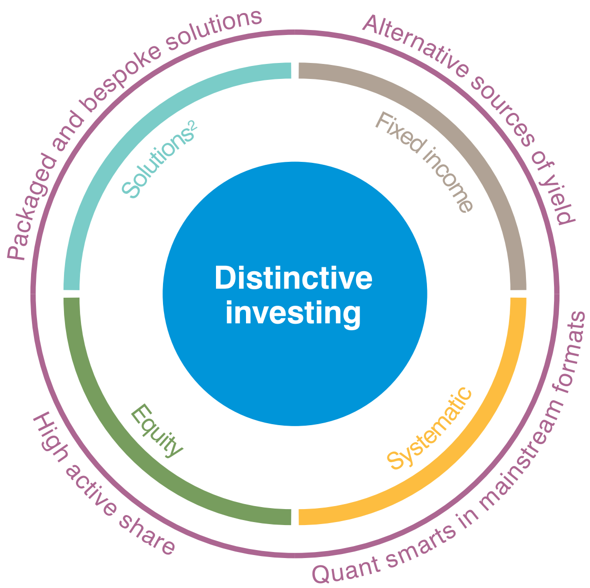
Institutional clients, which represent 44%[5] of our investment management assets, continue to demand differentiated active strategies across market and performance cycles. Our dedicated institutional client service teams around the world convey the investment propositions and customised solutions we offer to investors such as family offices, public and corporate pensions, insurers, sovereign wealth funds, endowments, foundations and local authorities. In addition to our strong long-term performance track record and an in-depth understanding of their needs, institutional clients also value our risk management capabilities, designed to address the stringent requirements they face from their stakeholders, including beneficiaries and supervisory bodies.

We maintain a strong network of distribution partners, including financial intermediaries and advisers, whose clients represent 49%[5] of our investment management assets. These investors are typically more sensitive to investment trends and broader financial market developments than institutional clients, which can result in concentrated inflows into a limited number of strongly performing products and accelerated outflows during extended market downturns. We therefore offer a broad range of differentiated products across liquid asset classes and investment styles in order to ensure a successful rotation of products through market cycles.

GAM's specialist product offering[1]

- Multi asset segregated accounts
- Unitised risk-weighted portfolio management
- Bespoke solutions

- Emerging market debt
- Global rates
- Mortgage-backed securities
- Credit opportunities
- Cat bonds
- Supply chain finance
- Commodity trade finance
- Real estate debt



- Emerging market equities
- European equities
- Japanese equities
- Non-directional equities
- Asian equities
- UK equity income
- Global equities
- Specialist equities

- Alternative risk premia
- Global equity market neutral
- Core macro
- Quant fund
- Discovery
- Dynamic credit
- Global equities (LO)
- Multi asset (LO)

[1] All strategies listed are of indicative nature and do not represent a complete list of GAM products.

[2] Includes alternatives and multi asset.

Investment management assets (CHF bn)

Client segment	Opening AuM 1 Jan 2018	ARBF impact [1]	Net flows 2018	Market/FX 2018	Closing AuM 31 Dec 2018
Intermediaries	40.6	(2.2)	(7.1)	(3.9)	27.4
Institutional clients	38.5	(8.8)	(2.6)	(2.4)	24.7
Private clients	5.3	-	(0.8)	(0.5)	4.0
Total	**84.4**	**(11.0)**	**(10.5)**	**(6.8)**	**56.1**

[1] Including CHF 1.5 billion ARBF-related assets under management in liquidation as at 31 December 2018.

Our private clients business represents 7%[5] of investment management assets. These clients value GAM's high standards of service, comprehensive investment expertise across many asset classes and bespoke solutions based on individual requirements.

Markets, flows and investment performance

2018 marked the end of the 'new normal', which represented a prolonged period of moderate growth, low inflation, low or falling interest rates and attractive equity returns, accompanied by low volatility. In 2018, returns in major asset classes were lower or even negative compared to 2017, accompanied by higher volatility and greater dispersion.

Markets saw a disruption of this benign investment environment in the first quarter of 2018, as bond yields rose in anticipation of stronger US growth, rising inflation and expectations of more concerted tightening from the Federal Reserve. Global equities retracted sharply between February and March 2018, suffering their first significant bouts of selling in two years. Higher US yields also boosted the US dollar and alongside idiosyncratic risk, this undermined the case for emerging equity and fixed income markets, reversing their strong performance of 2017.

Although US growth accelerated through mid-2018, economic activity lagged elsewhere, particularly in Europe. In China, the ongoing slowdown continued as credit policy was tightened. Political and policy risks dampened growth in various emerging economies, including Turkey and Brazil. Investors began to focus on stronger US growth, which underpinned the US dollar and US equities, especially in information technology and quality stocks.

Although several risk factors arose in the first half of 2018 – among them the challenging Brexit negotiations, uncertainty about Italian politics and policy, and US trade and tariff conflicts – investors remained largely sanguine in the first nine months of the year. In part, this was due to the added boost the US economy enjoyed from fiscal stimulus. Rising after-tax US earnings, courtesy of better growth and lower corporate tax rates, also underpinned investor confidence.

By the end of the third quarter of 2018, market participants began to anticipate a slowing of US economic and earnings growth, without a corresponding uplift in growth or earnings expectations elsewhere. 'Post-peak' replaced the 'new normal' as the dominant theme for investors. In 'post-peak', risks that could be previously ignored – for example an escalation of trade wars – could no longer be so easily set aside. By October, global equity markets began to de-rate, with share prices falling even as reported earnings grew. Leading the way were many of the names, sectors and styles that had performed best in the first three quarters of 2018, as investors reduced risk by selling 'winners'. By early December, growth worries also pushed energy prices and bond yields lower, leading to a part-inverted US Treasury curve. Doubts that the US and China could agree to a lasting 'trade truce' also undermined sentiment in the fourth quarter of 2018.

Looking ahead to 2019, we anticipate a continuation of this 'post-peak' environment. US growth will continue to slow down. While a US or global recession seems unlikely, a US 'earnings recession' could occur, given more difficult base-year effects, cost pressures on margins and decelerating growth. No other major economic region is likely to muster a growth or earnings recovery to offset the loss of US momentum. 2019 is thus likely to be a year of lower returns accompanied by episodic volatility. For investors, we believe a key conclusion is that active management must focus on appropriate portfolio construction, with an emphasis on genuine diversification and strategies that can avoid a significant drawdown.

Over the three-year period to 31 December 2018, 66% of our assets under management in funds outperformed their respective benchmark, compared to 77% which outperformed over three years to 31 December 2017. This reduction was primarily driven by a weaker performance of certain equity strategies. Over the five-year period to 31 December 2018, 63% of our assets under management in funds outperformed their respective benchmark, compared with 56% that outperformed over five years to 31 December 2017. This increase was primarily driven by the improved performance of certain fixed income strategies.

Investment performance[1]

Capability	3 years 2018	3 years 2017	5 years 2018	5 years 2017
Fixed income	81%	82%	80%	51%
Absolute return	49%	76%	53%	66%
Equity	24%	67%	17%	68%
Systematic	60%	100%	47%	40%
Alternatives[2]	24%	0%	15%	0%
Total	**66%**	**77%**	**63%**	**56%**

1 % of AuM in funds outperforming their benchmark over relevant period (as at 31 December).

2 Reflects performance of products in alternative investments solutions.

Over 75% of GAM's assets under management tracked by Morningstar[7] outperformed their respective peer groups over three and five years to 31 December 2018.

Excluding the ARBF strategy, which recorded a decrease in assets under management of CHF 11.0 billion, including the CHF 1.5 billion subject to liquidation as at 31 December 2018, overall net outflows in investment management totalled CHF 10.5 billion[8], with positive net inflows in the first half of 2018 more than offset by net outflows in the second half of 2018. Intermediary clients redeemed CHF 7.1 billion, institutional clients CHF 2.6 billion and private clients CHF 0.8 billion in 2018.

In fixed income, net outflows totalled CHF 5.4 billion, primarily driven by the GAM Star Credit Opportunities and GAM Local Emerging Bond funds, both of which recorded substantial net inflows in 2017.

Other than the impact from ARBF strategies mentioned previously, the absolute return category recorded net outflows of CHF 2.2 billion, mainly from GAM Star Global Rates, the GAM Absolute Return Europe Equity and the GAM Star (Lux) Merger Arbitrage funds.

In equity, we saw net outflows of CHF 1.9 billion. Net inflows in the GAM Emerging Markets Equity fund were more than offset by withdrawals from the GAM Japan Equity and GAM Star Continental European Equity funds.

In systematic, net inflows of CHF 0.2 billion were driven by the alternative risk premia strategies.

Multi asset strategies experienced net outflows of CHF 1.0 billion in 2018, the majority of which were redemptions from certain Swiss institutional mandates.

Net outflows of CHF 0.2 billion in alternatives reflected redemptions from the GAM Physical Gold fund and from our fund of hedge funds business. This was partly offset by a mandate win in Switzerland for a new product that combines multi asset alternative risk premia funds and hedge premia into a single solution.

7 The peer group comparison is based on 'industry-standard' Morningstar Direct Sector Classification. The share class preferences in Morningstar have been set to capture the oldest institutional accumulation share class for each and every fund in a given peer group.

8 Including ARBF-related net inflows in H1 2018 of CHF 0.3 billion.

Spotlight on emerging market equities

GAM Emerging Markets Equity seeks consistent alpha with strong risk-adjusted returns through investment in a diversified portfolio of long only emerging market stocks. The highly experienced team uses a proven and repeatable process to profit from market inefficiencies such as regulatory, political, geopolitical, credit and structural changes and the inherent growth potential of emerging market economies. The fund has delivered a track record of consistent excess returns over the last six years. The team believes an effective approach to benefitting from such market inefficiencies is to apply a consistent and repetitive process that combines bottom-up and top-down inputs to identify and exploit mispricing opportunities as they arise.

GAM's Emerging Markets Equity team is led by experienced portfolio manager Tim Love, with co-managers Joaquim Nogueira and Rob Mumford. Tim has a deep connection to emerging markets, having spent his formative years living in many of the markets where he invests, and has over 30 years' industry experience. Joaquim has worked with Tim for over 20 years, and together they have refined their investment approach by leveraging their complementary skillsets. Their shared passion for emerging markets has enabled the team to capture significant long-term growth potential, as well as successfully navigate volatile market environments.

Spotlight on GAM Systematic

Unlike discretionary investing, which relies on the analysis, conviction, consistency and decision making of the fund manager, systematic funds utilise codified rules and computer models to implement their trades, risk management and investment decisions.

Systematic investments can offer valuable diversification for investors as the systematic rules typically go beyond simply considering fundamental data points and, as such, these models can profit regardless of market direction or whether the markets are rewarding fundamentals or not. In the current environment of low yields and moderating global growth expectations, surveys point to a continuing trend of investors allocating part of their portfolios to quantitative investment solutions as cost-effective, active diversifiers.

GAM Systematic utilises state-of-the-art infrastructure and proprietary technology acquired through our purchase of Cantab Capital Partners in 2016. Our GAM Systematic infrastructure supports both our alternative risk premia team and the Cambridge-based ex-Cantab research team. The two research teams work independently, but both follow disciplined and rigorous scientific approaches. We have a range of capabilities across asset classes and in long-only and absolute return approaches. We now offer a broad suite of investment strategies with a range of volatility targets. Existing strategies include: **GAM Systematic Global Equities, GAM Systematic Alternative Risk Premia, GAM Systematic Core Macro (and CCP Core Macro), GAM Systematic Global Equity Market Neutral, CCP Quantitative Fund** and **GAM Systematic Discovery**. A comprehensive overview of our systematic platform can be found at: www.gam.com/en/our-capabilities/strategies/systematic.

GAM Systematic will continue to add new products and solutions to its offering, such as the two new products outlined below:

GAM Systematic Dynamic Credit: This innovative credit product seeks to generate long-term outperformance to global credit markets while providing downside protection by dynamically reducing credit exposure during challenging credit environments. The fund benefits from highly active and reactive positioning and provides daily liquidity for subscriptions and redemptions. The credit strategy combines three distinct, largely uncorrelated return drivers that differ not only in terms of objective, directionality and the risk taken, but also in terms of investment horizons and corresponding trading activity. Empirical evidence and extensive back testing demonstrate that this should create materially better, higher quality long-term returns from global credit markets than comparable traditional credit investment approaches. The strategy targets an annualised volatility of approximately 5%, in line with traditional credit investments. The fully systematic, model-driven and tightly risk-controlled process ensures that the strategy is managed in an entirely rules-based and highly effective manner with an exclusive focus on liquid credit and interest rate derivative instruments for a maximum level of transparency, liquidity, scalability and cost efficiency. Further information can be found on the internet at: gam.com/gamsystematicdynamiccredit.

Multi Asset strategy: This long-only multi asset strategy seeks to capture the performance potential of traditional asset classes while preserving capital during protracted adverse market conditions. It employs a model that has been traded for a number of years within the GAM Systematic team.

Private labelling

Our private label funds are tailored products designed for banks, insurers, independent asset managers and institutional investors. Private labelling provides fund solutions focused on structuring, legal set-up, fund administration arrangements and ongoing management company services. These services allow our clients to focus fully on asset management and fund distribution. We launched our first private label fund in 1992 and have since then designed and launched several hundred funds domiciled in Switzerland and Luxembourg. Our private labelling business operates 215 third party funds making us the largest non-bank fund solution provider in Europe.

Growth in our private labelling business has been underpinned by the increasing trend within the asset management industry to outsource fund solution services due to increased regulation and cost pressures. Demand for such services is growing particularly in large international fund centres, such as Luxembourg and Ireland, as asset managers seek to expand their product offering available for cross-border distribution. Additionally, asset managers of all sizes are seeking assistance with the increased complexity of new products, such as illiquid alternative investment funds.

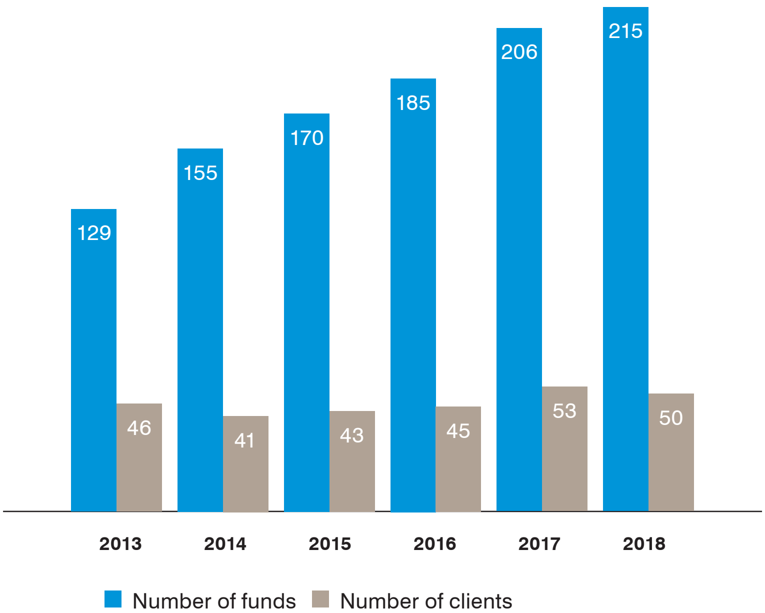
Private labelling accounts for 8.4% of our total net management fees and commissions. While these services have comparatively low fee margins, they provide effective operating leverage on the infrastructure we have in place to run our own investment management activities and offer significantly higher persistency of assets than in traditional investment management. Importantly, we expect continued growth in our private labelling area, which provides a unique complement to our investment management business.

Clients can choose from a modular service offering. We provide risk management, compliance and fund governance for newly created or already existing funds of our clients. The fund engineering module provides legal and operational engineering of our clients' investment ideas into fund structures as well as accompanying project and lifecycle management. We also support our clients' efforts by providing access to some global distribution networks, and international registration and documentation, such as fund factsheets. Our private label clients benefit from our strategic business relationships by gaining access to world-class service providers in the area of fund administration and custody.

We believe our offering is attractive for clients globally – in Europe, the US as well as in Asia. Given our quality service offering, including use of in-house tax experts and risk management capabilities, and the considerable effort involved in setting up tailored solutions, client assets in this business are typically stable once acquired.

Assets under management rose to CHF 76.1 billion as at 31 December 2018, from CHF 74.3 billion in 2017. Net inflows amounted to CHF 8.3 billion, driven primarily by existing clients and which were partly offset by negative market performance of CHF 5.1 billion and negative foreign exchange movements of CHF 1.4 billion.

Private labelling funds and clients



FINANCIAL REVIEW

How we report results

Our key performance indicators (KPIs) and business metrics reflect our internal approach to analysing our results and are disclosed externally. They guide us in managing the Group, making investment decisions and helping us gauge how successful we have been in the implementation of our strategy.

Our results are reported in accordance with International Financial Reporting Standards (IFRS), but as in previous years, our internal analysis and external disclosure of our financial performance focuses on underlying profitability. The adjustments we make from IFRS to an underlying profit before taxes are always related to specific non-recurring events or items related to acquisition activities that are neither indicative of the underlying performance of our business nor of its future growth potential. Where applicable, our KPIs are disclosed and discussed on the same adjusted basis.

Our Group KPIs:

Diluted underlying earnings per share (EPS) is calculated as the underlying net profit or loss attributable to ordinary equity holders, divided by the weighted average number of ordinary shares outstanding and adjusted for the potential dilution impact from any outstanding share or option plans. It is important that the use of equity-linked instruments and share-based awards in our compensation structure is reflected in this earnings measure (please refer to the 'Compensation report' section on pages 78–103).

Operating margin is calculated as net fee and commission income less expenses, divided by net fee and commission income. It excludes the impact of 'net other income' – such as gains and losses from foreign exchange movements, seed capital investments and hedging, or net interest income and expenses – and therefore gives a good representation of the operating performance in our business.

Compensation ratio is calculated as total personnel expenses divided by net fee and commission income. It tracks our ability to manage our largest expense category – personnel expenses – in line with net fee and commission income, the source of revenues that drives most of the compensation at GAM.

Underlying profit before taxes and the **underlying effective tax rate** give emphasis to our pre-tax profitability and transparency on the bottom-line impact of the underlying effective tax rate, which is driven by a number of factors that are not immediately tied to our business performance.

Net cash is defined as cash and cash equivalents minus interest bearing liabilities.

Tangible equity is defined as equity excluding non-controlling interests, goodwill and other intangible assets.

Business metrics for investment management and private labelling:

Net fee and commission income is defined as fee and commission income minus distribution, fee and commission expenses. It includes performance fees, but not net other income.

Management fee margin is calculated as net management fees and commissions divided by average assets under management. For investment management, we additionally report a total fee margin that includes performance fees (ie net fee and commission income divided by average assets under management).

Assets under management in investment management are broken down by capability, client segment and currency. In private labelling, assets are disclosed by fund domicile.

Net flows represent the net asset additions or redemptions by clients. For our investment management business, we additionally disclose the net flows by

Spotlight on efficiency

GAM has launched a comprehensive restructuring programme that will allow it to support profitability and shareholder value in the near term, while not affecting its ability to create value for clients. It will enable us to build a leaner and less complex business, as well as focus on our areas of core competence, where we can offer unique value-add to our clients in order to help them achieve their long-term investment goals. The restructuring programme also includes approximately 10% of roles being removed across the Group during 2019, and comprises the following five measures already launched or planned: consolidation of parts of investment teams across fixed income and equities, optimisation of distribution footprint, streamlining of operations and support functions, refining of corporate structure and re-prioritising projects as part of our multi-year change programme. We expect that in combination, these measures will achieve a reduction in fixed personnel and general expenses of at least CHF 40 million by the end of this year, with one third of the savings to be reflected in the 2019 financial results and the full benefit in 2020. We will continue to examine opportunities for further cost savings over the course of the restructuring process.

Despite the plan to reduce our cost base, we continue to make selective investments in our core business including the hiring of selected key talents to capture potential future growth opportunities. We are also taking further steps to strengthen our control framework, which is essential to building a strong, successful and compliant business. For example, we recently hired experts in the areas of financial crime and conflicts of interest.

individual capability and client segment. These developments are discussed in the 'Our businesses' section on pages 18–27.

Assets under management and net flows

Group assets under management as at 31 December 2018 amounted to CHF 132.2 billion[5], compared with CHF 158.7 billion a year earlier.

Investment management assets decreased by CHF 28.3 billion to CHF 56.1 billion[5] from CHF 84.4 billion at the end of 2017. This was partly driven by a CHF 11.0 billion[9] reduction of assets under management from the unconstrained/absolute return bond fund (ARBF) strategy, mainly as a result of the decision taken by the relevant fund boards of directors at the end of August 2018 to liquidate the respective funds as well as due to redemptions of related institutional mandates. Non-ARBF related outflows amounted to CHF 10.5 billion[8] and the impact of negative market and foreign exchange movements was CHF 6.8 billion. Private labelling assets were CHF 76.1 billion, an increase of CHF 1.8 billion compared to year-end 2017. Net inflows added CHF 8.3 billion, partly offset by negative foreign exchange and market movements of CHF 6.5 billion.

Income drivers and developments

Management fee margins

The management fee margin earned on investment management assets during 2018 was 59.1 basis points, compared to 62.1 basis points in 2017. The change in the mix of assets under management across products and client segments, in particular outflows from higher-margin products, were the main contributors to this decline.

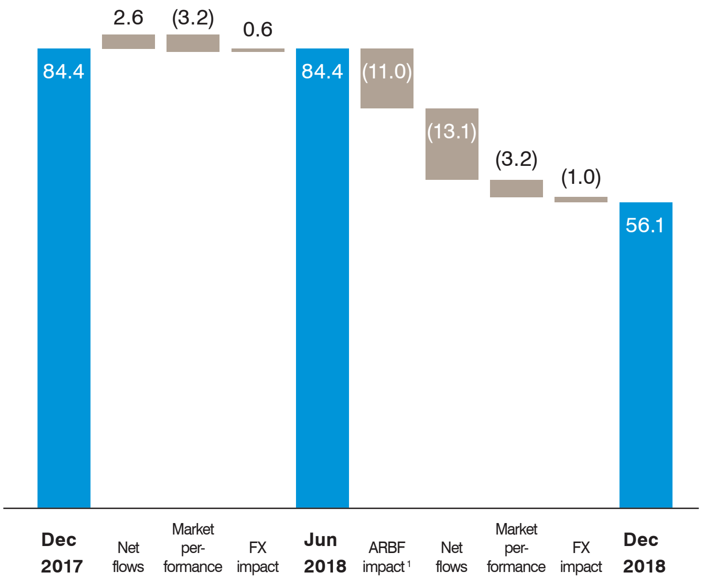
In private labelling, the management fee margin was 5.4 basis points, compared with 6.3 basis points in 2017, with the reduction primarily reflecting a lower margin on new assets compared with the existing portfolio.

Management fees

Net management fees and commissions in 2018 totalled CHF 495.4 million, down 2% from the previous year. This was driven by the reduction in the management fee margins for investment management and private labelling as explained above, only partly offset by higher average assets under management in investment management and private labelling.

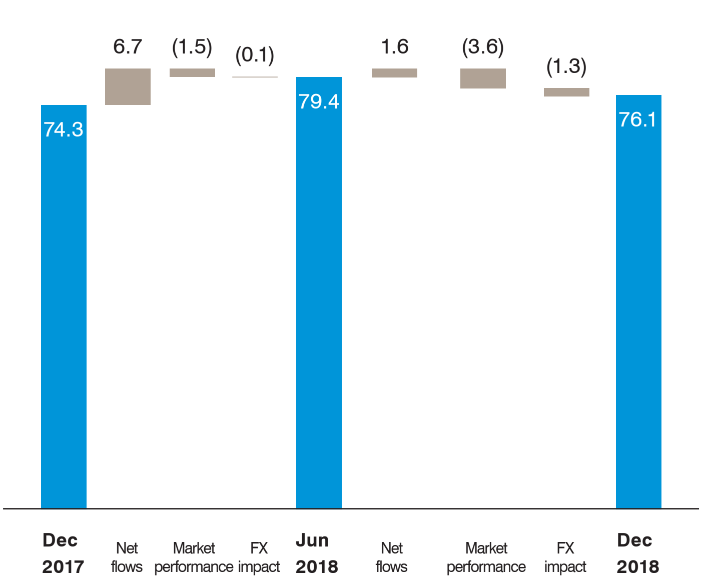
[9] Including CHF 1.5 billion ARBF-related assets under management in liquidation as at 31 December 2018.

Investment management AuM movements (CHF bn)



[1] Including CHF 1.5 billion ARBF-related assets under management in liquidation as at 31 December 2018.

Private labelling AuM movements (CHF bn)



Performance fees

Net performance fees decreased to CHF 4.5 million from CHF 44.1 million, with fixed income, alternative investment solutions and equity strategies contributing the majority of these fees.

Net other income

Under the category ‘net other income’, where we include the net interest income and expenses, the impact of foreign exchange movements, gains and losses on seed capital investments and hedging as well as fund-related fees and service charges, we reported a decrease of CHF 1.9 million to CHF 0.3 million in 2018. This was primarily driven by net seed capital losses compared to net gains in 2017.

Expense drivers and developments

Personnel expenses

Personnel expenses in 2018 decreased 9% to CHF 239.6 million. Variable compensation was 25% lower compared with 2017, mainly due to a decrease in contractual bonuses driven by lower revenues and lower discretionary bonus payments. Fixed personnel costs increased 3%, mainly driven by higher salary expenses and an increase of contractor staff to support change projects. Headcount was at 925 as at 31 December 2018 compared with 927 in the previous year.

Compensation ratio

Our compensation ratio declined to 47.9% from 48.3% in 2017 due to the percentage decline in net fee and commission income, more than offset by the percentage decline in personnel expenses. The compensation ratio was within our target range of 45–50%.

General expenses

General expenses for 2018 amounted to CHF 127.7 million, up 20% from the previous year. This was mainly driven by the first-time inclusion of research costs paid by GAM following the implementation of MiFID II, increased regulatory and compliance costs, increased irrecoverable taxes, higher professional and consulting fees in relation to our multi-year change programme, including investments to improve our infrastructure, risk and control platforms as well as certain one-time costs.

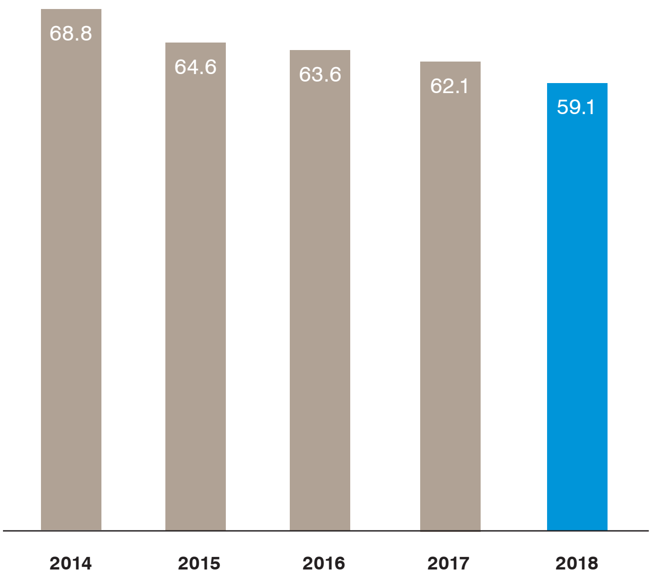
Depreciation and amortisation

Depreciation and amortisation decreased by 7% to CHF 6.2 million from the same period last year as the depreciation period for some leasehold improvements has ended.

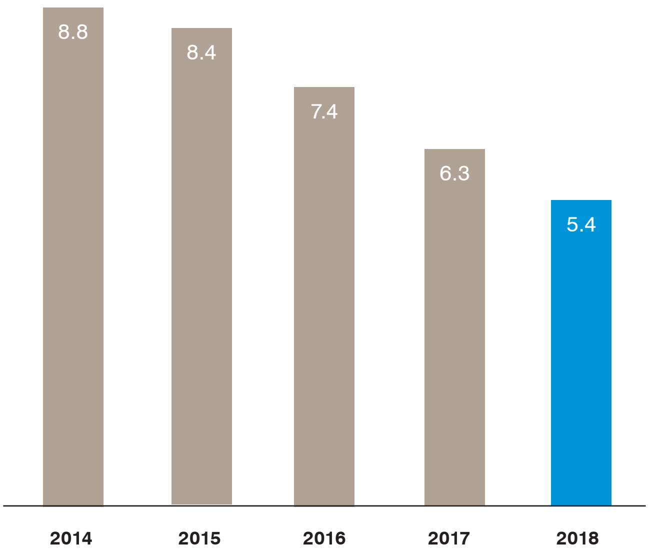
Operating margin

The operating margin for 2018 was 25.3% compared with 31.1% in 2017. The decrease in net fee and commission

Management fee margin – investment management (bps)



Management fee margin – private labelling (bps)



income, mainly from performance fees, was only partly offset by lower expenses.

Underlying profitability and earnings per share

Underlying profit before taxes

The underlying pre-tax profit of CHF 126.7 million decreased 27% compared to CHF 172.5 million in 2017, driven primarily by lower net performance fees and net management fees and commissions, partly offset by lower expenses, which continued to be managed tightly.

Effective tax rate

The underlying tax expense for 2018 was CHF 28.5 million, representing an underlying effective tax rate of 22.5%, up from 20.5% in 2017. The increase was driven by a change in the geographical split of our earnings and by lower tax deductions for share-based payment expenses due to negative share price performance.

Earnings per share

Diluted underlying earnings per share for 2018 were CHF 0.63, down from CHF 0.86 in 2017, resulting from the lower underlying net profit, partly offset by the slight decrease of the diluted weighted average number of shares outstanding.

IFRS net loss

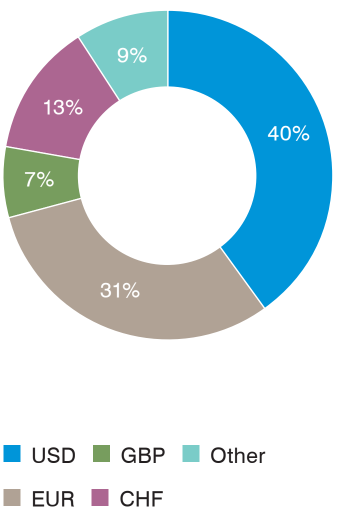
Our net loss according to IFRS in 2018 was CHF 929.1 million compared to a net profit of CHF 123.2 million in 2017. This was primarily driven by the impairment charge on the Group's goodwill of CHF 883.4 million, investment management and client contract impairment charges of CHF 120.7 million (net of taxes) primarily related to Cantab, as well as a non-recurring reorganisation charge of CHF 31.0 million (net of taxes) primarily in relation to the restructuring programme announced on 13 December 2018.

Non-recurring and acquisition-related items excluded from underlying profits

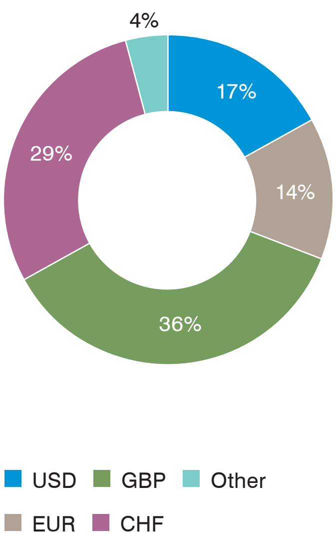
The following items, all net of taxes, reflected in our results according to IFRS, are excluded from our underlying profits:

Non-recurring items, resulting in a net loss of CHF 1,050.5 million (all items net of taxes). The main items include impairment charges on the Group's goodwill as well as on the investment management and client contracts related to the acquisition of Cantab, and reorganisation charges relating to the announced restructuring programme. In 2017 the non-recurring items resulted in a net loss of CHF 17.2 million, mainly attributable to reorganisation charges and an impairment of investment management and client contracts related to the acquisition of THS.

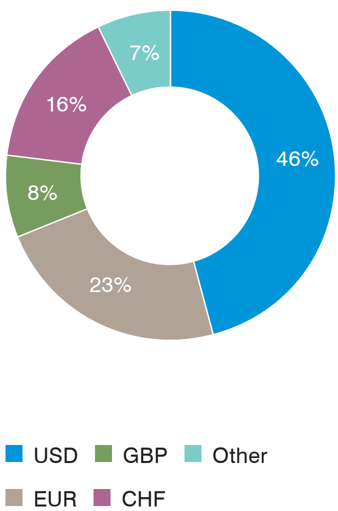
Group income[1]



Group expenses[2]



Investment management AuM[3]



[1] Percentage splits are estimated based upon the currency exposure of the underlying AuM on which the revenues are earned.

[2] Percentage splits are estimated based upon the transactional currency, except for contractual bonuses which follow the same basis as revenue.

[3] Excluding CHF 1.5 billion ARBF-related assets under management in liquidation as at 31 December 2018.

Group income statement

	2018 CHF m	2017 CHF m	Change in %
Net management fees and commissions	495.4	503.6	(2)
Net performance fees	4.5	44.1	(90)
Net fee and commission income	**499.9**	**547.7**	**(9)**
Net other income	0.3	2.2	(86)
Income	**500.2**	**549.9**	**(9)**
Personnel expenses	239.6	264.6	(9)
Fixed personnel expenses	153.9	150.1	3
Variable personnel expenses	85.7	114.5	(25)
General expenses	127.7	106.1	20
Occupancy	22.2	22.2	0
Technology and communication	14.1	12.7	11
Data and research	23.4	17.9	31
Professional and consulting services	17.6	15.5	14
Marketing and travel	17.6	18.2	(3)
Administration	9.5	8.8	8
Other general expenses	23.3	10.8	116
Depreciation and amortisation	6.2	6.7	(7)
Expenses	**373.5**	**377.4**	**(1)**
Underlying profit before taxes	**126.7**	**172.5**	**(27)**
Underlying income tax expense	28.5	35.4	(19)
Underlying net profit	**98.2**	**137.1**	**(28)**
Acquisition-related items	18.4	(3.1)	-
Non-recurring items	(1,078.5)	(21.2)	-
Tax on acquisition-related items	4.8	6.4	-
Tax on non-recurring items	32.6	4.0	-
Non-recurring tax item	(4.6)	-	-
IFRS net (loss)/profit	**(929.1)**	**123.2**	**-**

Acquisition-related items, resulting in a net gain of CHF 23.2 million (all items net of taxes). These include adjustments to the deferred consideration liabilities mainly related to the acquisition of Cantab. These liabilities represent the part of the purchase price which was deferred over multiple years and linked to the future revenues or profitability of these businesses. The gain from the net reduction in these liabilities was partly offset by the amortisation of investment management and client contracts from businesses acquired in 2016 and prior years, and finance charges on the deferred consideration liabilities. In 2017 the acquisition-related items resulted in a net gain of CHF 3.3 million as a reduction in deferred consideration liabilities more than offset amortisation and other charges.

Balance sheet and capital management

Assets and net cash

Total assets as at 31 December 2018 were CHF 1,258.3 million, compared with CHF 2,445.4 million a year earlier. This includes goodwill and other intangible assets of CHF 654.6 million, which were down CHF 1,061.9 million, due to the impairment charge of the Group's goodwill of CHF 883.4 million as well as impairment and amortisation charges of investment management and client contracts.

Cash and cash equivalents at the end of 2018 amounted to CHF 328.2 million, down from CHF 373.8 million one year earlier, mainly reflecting the impact of the dividend payment for the 2017 financial year of CHF 101.6 million, bonus payments for 2017 and share repurchases to cover the Group's obligations under share-based compensation plans. These effects were partly offset by cash flows generated from our operating activities and net redemptions of investments in seed capital.

Liabilities and tangible equity

Total liabilities as at 31 December 2018 were CHF 419.1 million, down from CHF 562.8 million one year ago. The decrease reflects lower deferred consideration liabilities, lower accrued distribution fees and bonuses as a result of lower profitability, a reduction in pension liabilities driven by an increase in the discount rate as well as a decrease in deferred tax liabilities resulting from the impairment and amortisation charges of investment management and client contracts.

Tangible equity at the end of 2018 was CHF 184.6 million, compared with CHF 166.1 million a year earlier. The main contributors to this increase were the underlying net profit and the impact from the adjustments to deferred consideration liabilities. These effects were partly offset by the dividend payment and share repurchases to cover the Group's obligations under share-based compensation plans.

As at 31 December 2018 the Group had no financial debt, as in previous years. However, the Group has credit facilities with two banks for CHF 50 million each, one running through the end of 2019 and the other through the end of 2020. Those credit facilities, which are subject to customary financial covenants, provide the Group with further flexibility over its cash and capital resources.

Treasury shares

IFRS requires a company that holds its own shares for trading and non-trading purposes to record those shares as treasury shares and deduct them from shareholders' equity. As at 31 December 2018, our holding of own shares of 4.6 million was equivalent to 2.9% of shares in issue. All of these shares were bought back over the regular trading line at the SIX Swiss Exchange (first trading line) and held to cover our obligations under share-based compensation plans. This position increased by 1.3 million shares, reflecting the impact of our new compensation framework to increase the proportion of share-based compensation as part of total remuneration. No shares were bought back under the current 2017–2020 share buy-back programme.

Share buy-back programme 2017–2020

The share buy-back programme with the purpose of capital reduction started on 28 April 2017, following the expiration of its predecessor programme. It allows for the repurchase of up to 16.0 million shares over a maximum period of three years. The share buy-backs would be executed over a second trading line at the SIX Swiss Exchange, where GAM Holding AG acts as sole buyer, and are funded from the Group's cash flows. No share buy-backs were made during 2018.

Authorised capital

At the Annual General Meeting in 2018, 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 was given the authorisation to increase the share capital at any time until 26 April 2020 by issuing a maximum of 15,968,240 fully paid registered shares with a par value of CHF 0.05 each. Of these 15,968,240 registered shares, the Board is authorised to restrict or withdraw the pre-emptive rights of the existing shareholders with respect to a maximum of 7,984,120 registered shares and allocate such rights to third parties in certain cases.

Dividend for the 2018 financial year

The Board of Directors proposes to shareholders that no dividend will be paid for 2018 in order to accelerate the Group's re-build of capital. For 2019 and beyond, GAM will target a minimum dividend pay-out of 50% of underlying net profit to shareholders.

RISK MANAGEMENT

GAM recognises that the management of risk as part of our everyday activities is essential to support the achievement of our strategic objectives. Effective risk management is fundamental to all stakeholders of the Group, including our clients, shareholders, employees, regulators and business partners, and is of interest to the wider financial services sector. The Board of Directors of GAM Holding AG (the 'Board') is ultimately responsible for the stewardship of the Group's systems of risk management and internal controls.

Our risk management framework

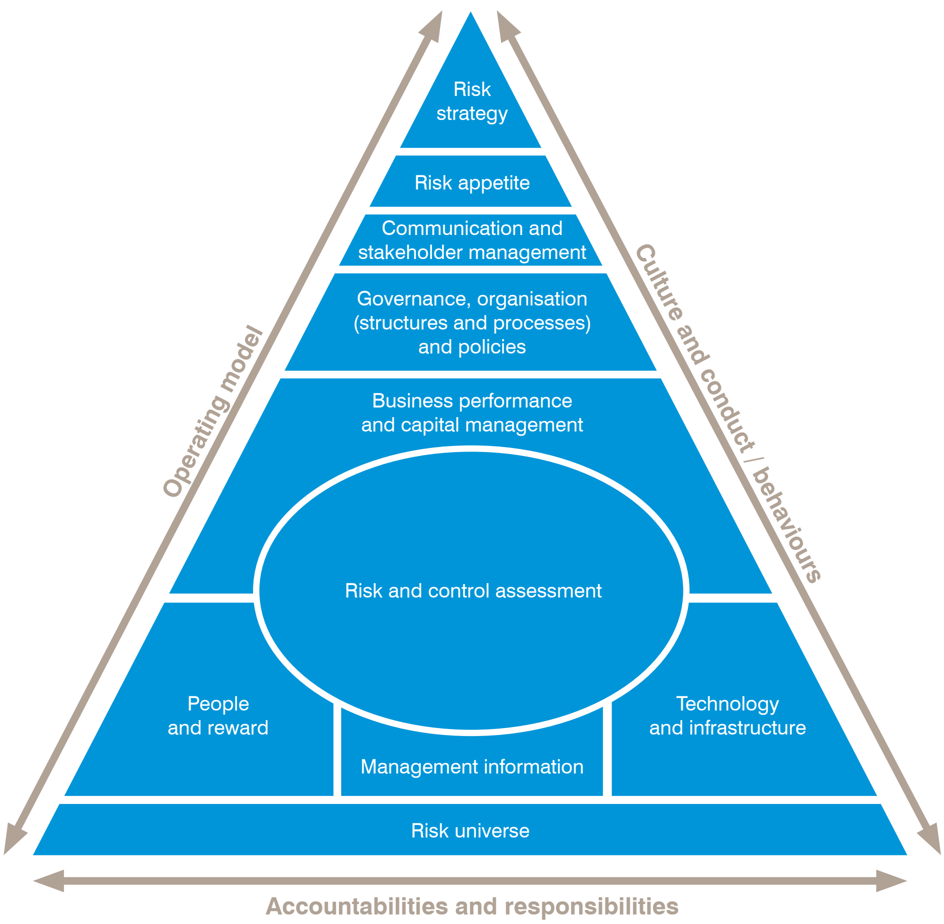
The Group's approach to risk management and control (the risk management framework ('RMF')) is a structured set of arrangements and processes that seek to identify, measure, report, mitigate and control risks across the Group. The events and circumstances which led to the suspension and subsequent dismissal of the investment director business unit head for the unconstrained/absolute return bond fund (ARBF) strategy and the subsequent liquidation of the ARBF and mandates have been reviewed and various steps have been taken, including such to reinforce our employees' understanding of the standards of conduct we expect. During the year, GAM has continued to strengthen and embed the components of the RMF to ensure that they are aligned with evolving regulatory requirements and market practice. The components of the framework are outlined below.

Risk strategy and appetite
Risk awareness is at the heart of our strategic planning process, supporting organisational decision making. Formulation and delivery of plans enable the management of business performance against strategic objectives. Our risk appetite framework comprises tangible risk appetite statements (focusing on franchise value, capital, liquidity and profitability) and associated limits that define the level of risk GAM is willing to accept in pursuit of the achievement of our strategic objectives.

> "Risk management is not the responsibility of one single individual or department, but is the duty of all employees within the Group."
>
> **David Jacob, Group Chief Executive Officer**

Communication and stakeholder management
Our stakeholders (clients, shareholders, employees, regulators and business partners) have an active interest in our performance and how we manage our risks. We communicate information that seeks to provide our stakeholders with confidence in our management of risk.

Governance, organisation (structures and processes) and policies
Our RMF is underpinned by a three lines of defence model with defined responsibilities for risk management which are designed to deliver the standards of conduct that our stakeholders expect. Organisational structures are in place with delegated authorities from a function and legal



entity perspective. A policy management framework and a set of Group policies support the delivery of the organisation's strategy by establishing operating principles and standards for managing GAM's risks across the organisation.

First line

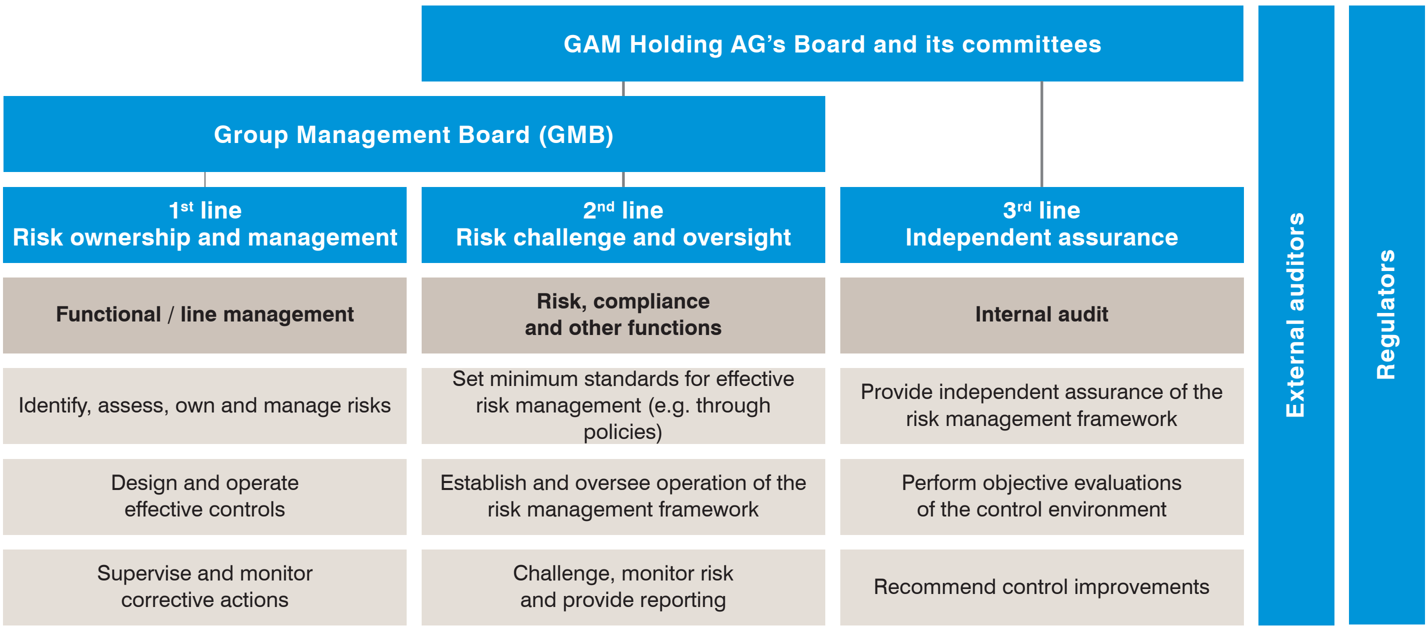
The overall management of risk is delegated by the Board to the Group CEO, the Group Management Board (GMB) members and their functions/teams who define the structures and processes to manage the risks for which they are accountable. The GMB is responsible for implementing the Group's RMF, as determined by the Board. Each employee is charged with protecting our clients' interests by upholding GAM's standards of conduct and maintaining an effective control environment.

Second line

Risk oversight and monitoring is undertaken, among others, by the Group's risk and compliance functions. These teams have independent reporting lines and seek to provide objective oversight of the efficiency and effectiveness of how risks are managed across the organisation:

- Investment risk analytics teams review and analyse investment risk and performance. They produce a range of investment risk information for internal and external stakeholders as required.
- Investment controlling teams monitor our investment teams' adherence to applicable legal and regulatory, prospectus, contractual and internal investment guidelines. They escalate any guideline breaches, oversee their timely remedy and report the details to the relevant management committees and legal entities' boards and, as required, applicable external auditors and regulators.
- Operational risk teams perform reviews of business processes and risk and control self-assessments, monitor the performance of business processes using key risk and performance indicators, test controls and analyse operational incidents. They maintain an active dialogue with first line business process owners.
- Local risk teams oversee and monitor both financial and non-financial risks, from both an agency and proprietary perspective. They challenge risks within their region and the controls in place, providing support to the business in designing solutions to mitigate key sensitive areas.
- Legal and compliance teams monitor a range of legal and regulatory risks, including anti-money laundering, financial crime, best execution, fair trade allocation, data protection, conflicts of interest and employee dealings. They interact with investment controlling teams and first line business areas to oversee and monitor the regulatory risk landscape.

GAM's three lines of defence model



Third line

The internal audit function provides independent, objective assurance and advisory services to the Board, the Audit Committee of the Board and the GMB. It carries out operational and system audits in accordance with a risk-based internal audit plan. The internal audit function uses a systematic, disciplined approach to evaluate the effectiveness of risk management, control and governance processes.

Business performance and capital management

Business performance is regularly reported to the GMB and Board against the targets in the annual plan (budget). A Group capital management policy is in place to support the allocation of the Group's capital, in line with local regulatory capital requirements.

Risk and control assessment

Our risk assessment process considers the potential impact (both direct and indirect losses) that internal and external events might have on the Group. This process starts with the identification of significant inherent risks and is followed by an assessment of the effectiveness of existing controls and/or other mitigating measures that could be taken, resulting in an assessment of residual risk. These assessments are discussed and agreed by the GMB, the Board's Audit Committee and the Board, and are also used for strategic planning purposes and for our risk-based internal audit planning. Within the first line of defence, risk and control self-assessment processes are used by management to identify and assess the different risks GAM faces and the controls in place for their management.

People and reward

Expectations for risk management are driven by a clear tone-from-the-top. Our business leaders seek to operate a risk-managed culture, through measurement and management of individual and collective performance and appropriate remuneration and reward. A Group code of conduct exists and training is provided to support the delivery of the conduct and behaviours expected of our employees.

Management information

Monitoring and reporting of risk across the business takes place within the first and second lines of defence. Management information is provided to management committees, legal entities' boards, Group oversight committees, the GMB, the Board's committees and the Board. Regular and ad hoc risk reporting is provided detailing the risks GAM is facing.

Technology and infrastructure

Systems are employed to support the assessment and reporting of risk across our three lines of defence. Management are required to document their key risks and controls and evidence their evaluation on a regular basis as part of the risk and control self-assessment process.

Risk universe

The Group's risk universe is dynamic and evolves as the business and market environment changes. The identification of existing and potentially newly emerging risks is an ongoing activity, involving all management levels within the Group, as well as legal entities' boards, the GMB, the Board's committees and the Board.

Key risks

We define risk as any potential event that may have an adverse effect on the Group's ability to achieve its objectives or execute its strategy successfully, consequently preventing value creation or eroding existing value. In common with many businesses, GAM is exposed to a range of risks across many of its activities. We classify risks according to our risk universe, which comprise a range of strategic and business, operational and financial risks as described below. Further, the Group's ability to conduct its business is critically dependent on its reputation. A good reputation is vitally important for the Group and requires that every employee, but in particular those involved in decision making, makes the Group's reputation an overriding concern. Responsibility for the risk of damage to the Group's reputation cannot be delegated or syndicated.

Strategic and business risk

Strategic and business risks represent those external or internal events that could lead to an erosion in our market position, compromise the future profitability of the Group, or impair the sustainability of our business.

Operational risk

Operational risks comprise the risk of losses resulting from inadequate or failed internal processes or procedures, people and systems or from external events. They also include conduct, legal, regulatory, compliance and tax risks resulting from failure to comply with relevant laws and regulations as well as contractual obligations.

Financial risk

Financial risks comprise the risk of losses arising from credit, market and financial soundness-related risks that could lead to erosion of our market position, compromise the future profitability of the Group, or impair the sustainability of our business. A description of the Group's financial risk disclosures in accordance with International Financial Reporting Standards (IFRS) 7 is included in note 19 of the consolidated financial statements.

The key risks identified in light of the current environment, market conditions and changes within the business include:

Revenues and product profitability

We operate in a competitive environment and therefore are subject to the changing dynamics in the asset management industry that could lead to a reduction in historical product profit margins. Additionally, a significant loss of assets under management (as materialised in the case of our ARBF strategy in the second half of 2018) can significantly impact upon our management and performance fee revenues. Our focus is on delivering investment outperformance so that our products remain in demand from clients. We are constantly looking to evolve our product offering to generate new investment opportunities so that we can ensure the breadth of our product range is differentiated and attractive to potential investors.

Change in investor appetite

Events in financial markets can cause gradual or rapid shifts in asset allocations and a change in investor appetite for our products and services. Reduced investor demand for our products and services could lead to lower inflows and/or higher outflows. We have a targeted set of products that offer investors a range of risk/return profiles, depending on their risk appetite.

Loss of key staff

The departure of key staff, in particular, but not limited to, investment professionals, could result in a loss of knowledge or expertise and, in certain cases may lead to a fall in assets under management and potentially impact our revenues and profitability. Incentive packages are designed to be competitive and to recognise and reward good performance and expected standards of conduct. Scale and product diversification also serve to mitigate potential loss of investment professionals.

Poor investment performance

Poor investment performance within our product offerings could lead to a decline in their value and result in lower assets under management and lower management fee revenues. Additionally, a portion of our revenues are derived from performance fees on investment management contracts. Poor investment performance could result in a significant drop in performance fees or no performance fees at all, increased outflows and lower future inflows, thereby reducing assets under management as well as management and performance fee revenues. We maintain oversight of the performance of our investment professionals and compare performance against appropriate benchmarks, and take active steps to address underperformance where required.

Client concentration

We have four broad client groups: institutional investors, who are often advised by consultants; retail investors, who are typically intermediated through banks, brokers and independent advisers; private clients and charities; and professional money managers, who typically purchase GAM's fund management company services allowing them to focus solely on the management of private label structures. The loss of a large institutional investor or an important wholesale intermediary relationship could have an adverse effect on the Group's assets under management. We seek to mitigate client concentration risk through the continued growth and diversification of our distribution network across multiple geographic regions.

Foreign exchange

The Group reports its results in Swiss francs. It is exposed to foreign exchange risk as a large proportion of its revenues and expenses relate to currencies other than its Swiss franc reporting currency. Fluctuations in exchange rates against the Swiss franc can impact the results of the Group. We may engage, from time to time, in foreign exchange hedging transactions in an effort to mitigate the negative impact of exchange rate movements on our results. Refer also to the currency risk description included in note 19 of the consolidated financial statements.

Legal and regulatory change

The environment in which we operate is highly regulated and subject to frequent changes as particularly witnessed over recent years, and such a trend is likely to continue. Changes in and the evolving interpretation of applicable laws and regulations affecting such areas of our business can result in previously unanticipated costs or expenses. Our legal and compliance functions support the Group's entities with individuals with experience across a range of legal and regulatory topics.

Implications of the UK's vote to leave the EU

We expect the UK's implementation of the exit from the EU to be a process that will take several years. Access to the EU and UK markets for a fund product depends on the regulation of the investment manager and the distributor as well as of the fund product itself. The majority of the fund products we manage have the EU as their legal domicile (Luxembourg or Ireland) and we have offices in several EU countries as well as in the UK and Switzerland, with staff in a diverse set of roles – from investment management to distribution and support – in most of the locations. We continue to closely monitor the negotiation between the UK and the EU in order to be prepared for potential fundamental changes in the regulatory or operating environment.

Fiscal changes

The Group has business operations spread across many countries, with varying effective corporate tax rates. Fiscal changes in any of these jurisdictions could either increase our effective corporate tax rate or adversely affect our investment funds compared to other forms of investment products. We monitor fiscal developments and, in particular, periodically review our transfer pricing policies in order to ensure alignment with applicable international and local tax transfer pricing regulations.

Financial accounting

Accounting risk is the risk that our financial statements and other statutory and regulatory reporting do not accord with IFRS and/or other relevant statutory requirements, are not based on appropriate accounting policies and/or do not incorporate the required disclosures. As the IFRS rules applied by our Group are subject to continued revisions and amendments by the standard setter, such changes can affect the way we present our results (see notes 29.2 to 29.3 of the consolidated financial statements). We maintain a group accounting and reporting manual, which is regularly reviewed to ensure consistent application of IFRS standards across the Group. We have regular dialogue with our external auditors to support their annual review.

Pension fund accounting

The asset/liability mismatch inherent in defined benefit pension plans can give rise to pension fund deficits as determined in accordance with IAS 19 rules. Deficits calculated according to these IAS 19 rules are subject to volatility, depending on underlying changes in the input parameters, such as asset performance, inflation and discount rates (see note 16 of the consolidated financial statements). Independent and qualified external resources are retained to evaluate current and future funding requirements of GAM's defined benefit plans.

Third-party supplier management

The Group depends, to varying degrees, on a number of key suppliers for various operational services, such as fund administration, accounting, custody, transfer agency, portfolio management, risk analytics and market data services. The failure of any key supplier to fulfil their obligations could lead to operational and/or regulatory issues for the Group, which could result in reputational harm and/or financial loss. In order to manage key supplier risk, we impose quality requirements in the supplier selection process and ensure service levels are sufficiently documented in our contractual agreements.

Organisational change

The Group has been implementing revisions to its operating model to increase the focus of its operations and IT functions in support of portfolio management and client servicing activities. Conversely, more commoditised functions such as fund accounting and fund administration have been outsourced to specialised providers. Organisational changes are supported by dedicated project teams with the aim to transition services and ensure undisrupted daily activities. Oversight of GAM's multi-year change programme is obtained via individual project steering committees and the GMB.

Client servicing errors

The Group operates a range of operational systems which support the delivery of services to our clients. A significant error, such as client reporting errors, errors in fund prospectuses, trading errors, fund valuation and pricing errors, could materially impact our reputation, revenues and/or overall profitability. The Group operates a combination of automated and manual checking processes. Procedures for the delivery of client services are reviewed following any reported errors/near misses. We operate systems and processes that seek to ensure compliance with applicable investment guidelines.

Conduct

We face a range of conduct-related risks, some of which could result in us failing to meet our clients' needs or interests and/or client detriment. These risks include the risk of market abuse, money laundering or bribery, fines and/or censure associated with failing to identify or meet regulatory requirements. We seek to promote a risk-managed culture and provide compliance and ethics training to establish expectations of the conduct required from our employees. We review and, if required, update our internal policies and related training such as in relation to trade execution and allocation, conflicts of interest and gifts and entertainment. We maintain client on-boarding policies and procedures to manage the risk of money laundering.

Information security and technology

The Group relies on technology and sensitive information to achieve our clients' objectives. Factors such as unauthorised access, theft by third parties, failures to keep technology systems up to date, adaption to suit the changing requirements and data being held or transported insecurely, can potentially put our technology and information at risk. Resources are devoted to protecting the resilience of the Group's IT systems and we conduct information security awareness and training programme for all employees. We operate business continuity / disaster recovery plans to mitigate a loss of facilities / infrastructure. Regular information technology updates are undertaken and technical standards are in place to manage information security risk.

> "Effective risk management requires an in-depth understanding of the risks GAM faces and clear accountability and responsibility for their management."
>
> **Elmar Zumbuehl, Group Chief Risk Officer**

Effectiveness of controls and risk management

Although we have adopted standardised risk management and control processes and continue to enhance various controls, procedures, policies and systems to monitor and manage risks, it cannot be guaranteed that such controls, procedures, policies and systems will successfully identify and manage each and every internal and external risk to our businesses. We are subject to the potential risk that our employees, contractors or other third-parties may deliberately seek to circumvent established controls to commit fraud or act in ways that are inconsistent with our standards, policies and procedures.

An insurance programme provided by a syndicate of third-party insurers is tailored to the Group's risk profile and designed to increase the breadth of cover and certainty of response in respect of certain potential material liabilities arising.

The Group continues to invest in areas to enhance the effectiveness of risk management within GAM. Enhancements we have made in the last 12 to 18 months include, but are not limited to:

First line: We created a new role of Group Head of Investments to strengthen first line oversight across key investment and trading areas. Further, a new and dedicated front office controls unit has been created with responsibility for overseeing risk within the front office environment. Additionally, we have made enhancements to the day to day oversight of risk by shifting formerly regionally-based governance arrangements to a group-led model via the implementation of a series of Group oversight committees covering risk, compliance, investment, product and distribution and change.

Second line: We took the decision to separate the compliance and legal function to reinforce their importance in their own right. Additionally, specialist compliance expertise has been recruited in the areas of financial crime and conflicts of interest. The Group Chief Risk Officer and Group Head of Compliance now report to the Group Chief Executive Officer and participate in the GMB, underscoring the importance of these functions to GAM. Certain investment analytics teams, formerly within the operations function, joined the risk function to provide greater independence and we are in the process of recruiting a Global Head of Investment Risk. Further, the risk function assumed group-wide ownership for the investment guideline compliance monitoring activities. Both the compliance and risk functions will continue to assess their effectiveness and related capabilities as part of our ongoing commitment to operate effective risk management across the Group.

Third line: A new Head of Internal Audit with in-depth asset management experience was hired, and the team has been strengthened by the hiring of additional employees. These, among other planned enhancements to methodology and reporting, will further support internal audit in providing assurance to the Board on the operation of first and second line activities to manage risk.

CORPORATE SOCIAL RESPONSIBILITY

At GAM, corporate social responsibility is about recognising that we can have a tangible impact on society, the environment, and the communities in which we operate. As a result, we strive to adhere to the highest standards and demonstrate probity in everything we do, both at work and in our local communities.

As a company, we strive for excellence and sustainability, and act responsibly in all we do. As an active asset manager, we recognise that we are best able to have an impact by investing our clients' assets responsibly. We demand the same high standards of the businesses in which we invest that we demand of ourselves. We believe that our ethos as a company is fully aligned with our clients, and we work with care and integrity to provide clients with opportunities to advance their capital. To achieve this, our independent investment teams consider relevant factors, including those related to environmental, social and governance (ESG) factors, in their investment decisions.

Responsible investing at GAM

Responsible investing starts with putting our clients' long-term sustainable investment needs and goals at the heart of our business. This requires us to act with diligence. Along with our fiduciary duty, these values form the basis for the investment considerations made by our independent investment teams, which are unconstrained and able to follow differentiated high-conviction investing styles. While each team has a process that has been built up over time and has its own unique character, they all operate within our centralised investment risk framework. Our independent Governance and Responsible Investment (GRI) team supports the investment teams with research and insights on ESG factors.

In 2018 we made further progress and achieved a number of goals in the area of responsible investing. We updated and implemented our responsible investment policy outlining our approach to engagement and corporate governance. We introduced bespoke global proxy voting guidelines for our investment managers, taking into consideration that standards, principles and corporate governance differ across markets, regions and industries. We also adjusted our proxy voting process to focus on actively voting at all company meetings possible, with the GRI team providing all voting recommendations for our investment management teams.

Compared with the previous year, the team provided more comprehensive research, analysis and statistics, comprising climate change, labour standards, governance concerns as well as engagement services, to support our investment managers on ESG factors. The GRI team also oversees our role as an active owner and steward of our clients' capital, ensuring we meet our responsible investment reporting obligations as a signatory to the United Nations Principles of Responsible Investment and the UK Stewardship Code.

In 2019 we plan to develop additional methodologies, with the aim that investment teams will more systematically address ESG factors in their investment processes. This will strengthen their awareness of the risks and opportunities associated with ESG factors and how they can still be better incorporated into the investment frameworks of our teams to improve returns.

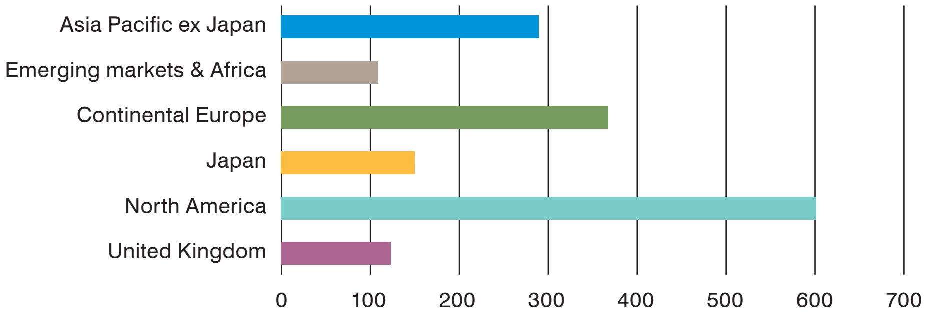
The importance of active engagement

As an independent pure-play asset manager, both stewardship and governance are essential parts of our business philosophy. We use our formal rights, including proxy voting, shareholder resolutions and engagement with management, to influence and ensure our clients' capital delivers the returns they expect in a responsible and sustainable manner. Communication is therefore important for us to establish and improve behavioural standards across all our investment decisions.

Engaging with various stakeholders, regardless of whether we own equity or debt, provides us with valuable insights and helps shape our investment decisions. Active engagement builds our understanding of an organisation, business or country, and enables us to communicate our position. Engagement therefore supports the establishment and improvement of standards, corporate disclosure and operational and financial performance. Engaging with governments and other supranational bodies is more difficult, but this does not hinder our pursuit of the principle as we seek various ways to influence, be it through trade bodies, policy groups or green papers.

> **"As a responsible active asset manager it is our duty to follow a client-centric approach. The implementation of our investment policy will further enhance our investment decisions for the benefit of our clients and their investments."**
>
> **Mark Harland, Head of Responsible Investment**

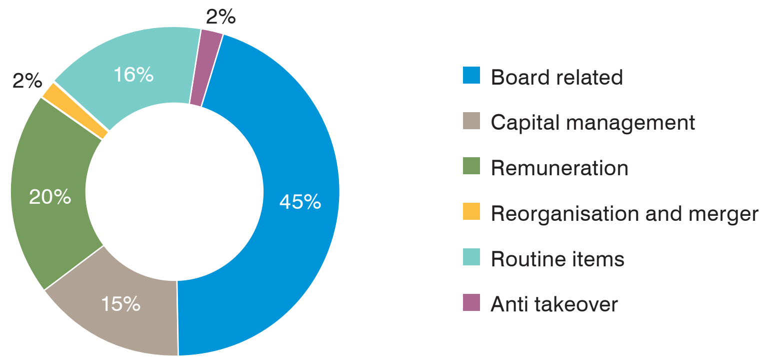
Meetings voted by geography



Proxy voting analysis 2018
GAM voted at 1,638 company meetings or at 94% of meetings across all markets, up from 1,325 meetings or 65% in 2017. In total, we voted on 19,279 resolutions.

Votes against management by resolution category

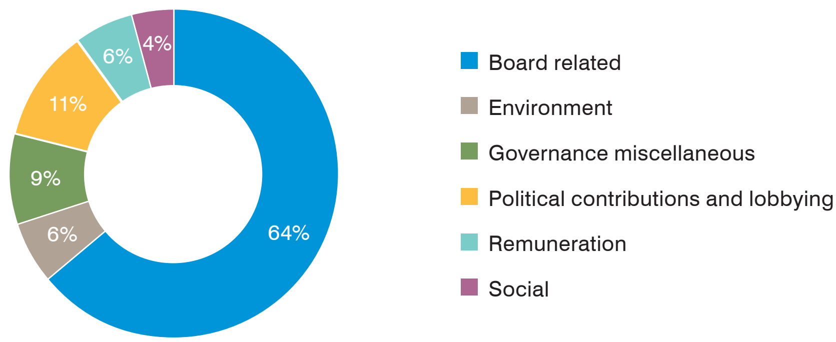
Within the 8% of votes against the proposals set forth by management, down from 11% one year ago, the following split shows which issues they related to.



Of those votes against management proposals, 45% related to the board, 20% to remuneration and 16% to routine items which includes resolutions such as changes to companies' articles of association. In all these cases we initiated an active dialogue with the respective companies.

Shareholder proposals supported by GAM

Within the 63% of shareholder proposals supported by GAM, the following split shows which issues these proposals related to.



In 2018, there were 579 shareholder proposals of which GAM supported 63%, up from 38% in 2017. Accounting for 64%, the vast majority of shareholder proposals related to the board, 11% were linked to political contributions and lobbying, and 9% to governance miscellaneous.

Our people

GAM's corporate culture
We believe in maintaining an open culture with honest communication, avoiding bureaucracy and encouraging a flexible, accessible and hands-on working style across the Group. GAM's culture is one that seeks to unlock high-performance in its employees, and is designed to bring out the best in every single employee as they support the Group's mission to unlock and advance the potential of capital by making the right decisions to achieve our clients' aspirations.

A key priority in this high-performance culture is to continuously invest in and develop our top talent. Providing a stimulating and attractive workplace – one where talent is recognised, nurtured and developed – is essential to achieving this goal. Our employees share a common set of values rooted in teamwork, integrity, entrepreneurial thinking and professional excellence. Their efforts and their achievements are recognised through their professional advancement as well as in their remuneration.

We promote an open corporate culture based on mutual respect, regardless of function or rank. GAM has the necessary internal processes in place to ensure that employees who become aware of any potential misconduct can report it immediately and at any time. GAM pursues a zero-tolerance strategy with regard to any conduct that could harm our clients, our reputation, or our employees.

Group code of conduct
We have recently updated our code of conduct which details the standards of behaviour we expect from our employees and management across the GAM Group. All of our employees are required to read, agree and adhere to the principles of the code which focuses on doing the right thing for all our stakeholders.

Remuneration policy
The Group's compensation policies are based on four overarching principles: pay for performance, alignment of incentives with long-term shareholders' interests, transparency and the importance of sound risk management. We aim to provide competitive total compensation in order to attract and retain experienced and talented individuals. Compensation awards, particularly discretionary bonus payments, are designed to align the interests of employees with those of the company's shareholders. With effect from the 2017 performance year, bonus deferrals were introduced for all employees to provide further alignment with the interests of shareholders and clients, and also serve as an additional retention mechanism. For the 2018 performance year, the proportion of annual bonus payments to be deferred will be one-third of any annual bonus over CHF 75,000. Deferred shares or fund units are released in equal tranches over three years.

For further details on our remuneration policy, please refer to the 'Compensation report' section on pages 78–103 of this annual report or visit: www.gam.com/compensation.

"Our employee skills are essential in creating value for our clients and shareholders. We strive to provide an environment in which employees are continuously being challenged and developed. Talented, engaged employees are critical to the success of GAM."

Teresa Riggin, Group Head of Human Resources

Managing performance
Effective performance management supports the success of individual employees, their teams and the company as a whole. Our group-wide performance management framework provides regular opportunities for dialogue between managers and their direct reports and it includes the setting of mutually

Headcount by region (in FTEs)	2018	2017
Switzerland	269	279
UK	432	428
Rest of Europe	146	143
Rest of the world	78	77
Total headcount	925	927

agreed development and performance objectives. It also allows us to assess to what extent and how these objectives have been achieved, linking performance and behaviour with compensation. This evaluation is performed at least once a year and begins with each employee providing a self-assessment, which their line manager, and potentially other relevant reviewers in the company, can use as a starting point for a 360-degree review. The final assessment is formally recorded and discussed between line managers and their direct reports. Our human resources team supports the process by providing training on objective-setting and management skills throughout the year.

Employee engagement and development

Our employees' drive, skills and insights are essential in creating value for our clients and shareholders. Ensuring employees understand and are actively involved in the evolution of the company is a prerequisite of their engagement. We want our employees to feel encouraged to attain a level of professional competence appropriate for their responsibilities, to promote the development of their colleagues, and to continue to update their own skills and knowledge.

GAM has a group-wide learning management system (GAM Learn), which helps employees enhance their knowledge base, not only within their own role but across all areas of our business and industry. GAM Learn provides a centralised repository for all learning and development needs and can be used to book internally-led courses or webinars, complete mandatory compliance refreshers, source external training, and access user guides or e-learning catalogues.

To ensure our employees are supported and provided with the appropriate knowledge for complex regulatory requirements, we offer mandatory and non-mandatory regulatory training workshops and Lunch and Learn sessions for all staff. Providing employees with the opportunity to develop professionally and personally enables us to cultivate an engaged and knowledgeable workforce, ultimately strengthening our corporate culture.

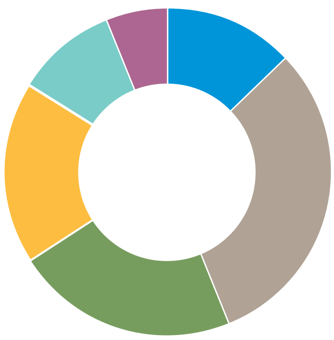
In addition to in-house training, we also support external education to help our employees gain qualifications relevant to their roles. This fosters their development and advances their skills and careers. The development of our employees remains a cornerstone of employee engagement and sustainable business success.

On a corporate level, supported by GAM's flat structure and senior leadership team, employees are informed about strategic business decisions and initiatives openly and transparently. We hold regular town hall meetings, where senior management share updates, views and insights, and engage in active conversations with staff.

Supporting research and education

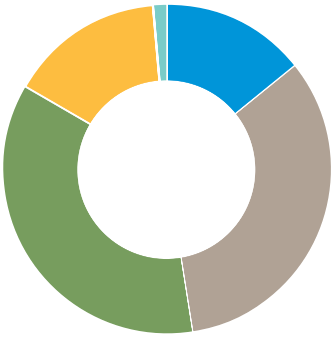
The Cantab Capital Institute for the Mathematics of Information sits within the University of Cambridge's renowned faculty of mathematics and aims to galvanise and accelerate progress in the mathematics of information. The Institute draws on techniques from mathematical sciences to tackle the challenge of deciphering meaning in the reams of data which surround us. Bringing together some of the world's leading academics in various related disciplines, the institute will ultimately help ensure all available information is used

Years of service



- 0–1 years
- 1–5 years
- 5–10 years
- 10–15 years
- 15–20 years
- 20 years or more

Diversity of ages



- 30 and under
- 31–40 years
- 41–50 years
- 51–60 years
- 61 and over

when, for example, doctors make clinical diagnoses, financial institutions make sensible evaluations of risk or planners build the cities of the future.

Inclusive workplace
GAM's culture is grounded in mutual respect and non-discrimination irrespective of age, disability, gender, race, religion, sexual orientation or educational background.

Investment20/20 was founded in 2013 with a clear mission to attract talent, irrespective of their educational qualifications, and who would not necessarily consider a career in investment management. GAM joined the initiative in 2017 and since then has provided opportunities to 25 individuals across many business areas, including 12 individuals in 2018. Our clear goal is to retain and develop these talented individuals in-house for the benefit of our company and provide further job opportunities in the coming years.

> "My time as an Investment20/20 trainee gave me the necessary knowledge and understanding to start my career in the asset management industry. Now, as a permanent employee at GAM, I've been given the opportunity to further progress within my role and develop my knowledge of the wider industry."
>
> **Becky Heard, former Investment20/20 trainee and now a permanent employee at GAM**

In Switzerland, GAM has offered apprenticeship opportunities to young talented individuals for a number of years, giving them the chance to learn about all aspects of a profession in the financial services industry.

In June 2018 GAM signed the Women in Finance Charter, with the goal of increasing the proportion of women in senior management positions across our locations to 25% by 2020. The charter is a pledge for a gender balance across financial services and it reflects the UK government's aspiration to see greater gender balance at all levels of financial services firms. GAM is committed to improving gender diversity for the benefit of the business and our corporate culture. In 2018, 27% of our line managers were female, growing from 26% at the end of 2017, and demonstrating our commitment to the continued promotion of our female talent and strengthening a greater culture of diversity at GAM.

Snapshot 2018

Split male/female

65% 35%

27% of our line managers are female

Average age of employees

41 YEARS

Average experience of investment professionals

14.7 YEARS

Average length of service

7.9 YEARS

Average hours of training per employee

12.6 HOURS per year

Global presence

14 COUNTRIES

In 2018 GAM Dublin joined the 30% Club in Ireland which aims to achieve a better gender balance at all levels at leading Irish businesses. The 30% Club believes that gender balance on boards and at the executive level not only encourages better leadership and governance, but further contributes to better all-round board performance and ultimately increases corporate performance for both companies and their shareholders. The participation in the 30% Club in Ireland will provide valuable insights into the changing levels of women in management in corporate Ireland and will thus assist GAM to further develop its group diversity strategy.

Supporting our employees' wellbeing

We strive to provide our employees with a work environment that protects their health and safety, and supports their well-being. We offer all our employees a comprehensive suite of additional benefits that are competitive in their respective local markets. We are committed to supporting employees by providing them with a family-friendly and flexible working environment wherever possible, in order to assist with caring for and supporting family members and employees' personal lifestyles.

Supporting our communities

We encourage our staff to play an active role in the communities they live and work in. We support organisations and causes that are aligned with our own culture and values, in particular those that focus on education and child welfare.

Switzerland:

Running for good causes in Zurich

Our employees joined over 800 runners and 25 companies for the 18th annual Run4Kids charity event. The proceeds go to fit4future, the largest health promotion programme for Swiss schools, as well as "Spielzeit Psychotherapie", which supports seriously ill, physically and/or mentally challenged or traumatised children, adolescents and their families in times of need.

Voyage vers la vie

Thousands of children cannot undergo surgery in their home countries due to a lack of medical staff or infrastructure constraints. With its care programme, which GAM supported, Terre des hommes (Tdh) transfers 200 children to Switzerland every year for surgical operations carried out at university hospitals.

UK:

Three Peaks Challenge

A GAM team took up the well-known Three Peaks Challenge in support of Evelina London Children's Hospital. In 24 hours, the team scaled Ben Nevis (1,345 metres) in Fort William (Scotland), followed by Scafell Pike (961 metres) in Wasdale (England), and finally, Snowdon (1,085 metres) in Beddgelert (Wales). Evelina London Children's Hospital is the UK's leading provider of paediatric heart services and services for many other conditions, including kidney transplants and dialysis, with 50,000 children treated at Evelina each year.

London Midnight Madness

The GAM Systematic Cantab team won the first ever London Midnight Madness charitable event, which raised a total of GBP 210,000 in aid of Raise Your Hands, a group which supports small charities that aim to improve the lives of children across the UK. GAM Systematic Cantab's Imitation Gamers, which was the winning team, crossed the finish line after 12.5 hours of high-tech mystery solving.

Macmillan

GAM continued a decade of supporting Macmillan's annual coffee morning initiative, held on behalf of Macmillan Cancer Support. Since the launch of the fundraiser in 2008, we have managed to raise a total of GBP 33,000 for the charity. Macmillan Cancer Support is one of the largest British cancer charities aimed at providing specialist health care, information and financial support to people affected in the UK.

GAM hosts charity six-a-side football tournament

For the fourth consecutive year, GAM hosted a charity six-a-side football tournament at Chelsea Football Club's Stamford Bridge. The charity supported this year was the Institute for Cancer Vaccines & Immunotherapy (ICVI). 16 teams raised over GBP 15,000 for ICVI, which conducts pioneering research on cancer vaccines and immunotherapy to improve patients' survival rates and their quality of life for a wide range of cancers.

Ireland:

Annual charity week

Our Dublin employees held an annual charity week, hosting a number of events including the inaugural Great GAM Bake Off and the GAM Office Olympics, which were organised throughout the week to raise awareness and funds for the Irish Cancer Society. The organisation focuses on providing information, advice and support to people through their cancer experience and helping to reduce the fear associated with a cancer diagnosis.

New York:
Operation Gratitude
The New York office supported Operation Gratitude, which is a non-profit organisation seeking to lift the spirits and meet the evolving needs of the US military and first responder communities. The New York staff purchased supplies and packed 100 care packages for soldiers deployed overseas.

Operation Backpack
Operation Backpack is an initiative by the US human services organisation Volunteers of America. At the beginning of every school year, the organisation distributes several thousand new backpacks filled with grade-specific classroom supplies to children who live in domestic violence or homeless shelters in the city, making them feel and look more like their classmates. In 2018, GAM's US team was able to collect, sort and donate 120 backpacks.

Israel:
Sohn Tel Aviv Conference in Israel
In 2018, GAM Israel contributed to the charities supported by Sohn Tel Aviv Investment Conference. Founded in 1995, the Sohn Conference Foundation is dedicated to the treatment and cure of paediatric cancer and other children's diseases, and has raised over USD 80 million worldwide to this end. In Israel specifically, Sohn supports two charities: the Israel Rett Syndrome Foundation is dedicated to finding a cure to Rett Syndrome, a genetic brain disorder which affects hundreds of thousands of children worldwide. Kids Kicking Cancer Israel is a foundation dedicated to helping children with terminal cancer cope with their pain and suffering by empowering them to do martial arts.

Environment

GAM recognises it has an important role, as part of society, to continuously manage its environmental footprint. We aim to set a positive example for our employees, clients as well as the companies in which we are invested. GAM has therefore outlined six main environmental objectives which all business units across the Group adhere to:

- Complying with regulatory energy and emissions savings targets, and decreasing the use of non-renewable energy resources.
- Monitoring and looking for ways to reduce water consumption.
- Looking for ways to reduce waste across all of our locations and maximise the recycling of office waste.
- Seeking ways to reduce emissions from transport.
- Developing our staff, supply chain and other stakeholders to support and help us to achieve our environmental goals.
- Working within our communities to help support environmental initiatives through both volunteer days and corporate gift giving.

Going forward, we will disclose in the annual report our progress achieved in delivering against the six objectives outlined above.

Progress achieved in 2018

The data to monitor and track the progress achieved against our environmental Indicators is captured from our four largest offices Zurich, London, Dublin and Cambridge, and extrapolated to provide an estimate for the whole company. In 2018 we reduced greenhouse gas emissions by 12% compared to the previous year. This was achieved primarily through a reduction in business travel activity with flights being our largest source of carbon emissions.

In January 2019, GAM began relocating its London office to 8 Finsbury Circus. The fit-out project for the new office achieved a 100% diversion from landfill rate for construction waste, of which 98% was recycled and 2% sent to energy recovery. Waste minimisation measures – such as returning packaging to suppliers and reusing offcuts – were also carried out.

The building is rated BREEAM 'Excellent' for sustainability best practice, a rating only awarded to the top 10% of UK new non-domestic buildings. It is fitted with a complete greywater system, with waste water being collected and used to irrigate the building's green roof.

Environmental indicators

	2018	2017	Change in %
Environmental indicators			
Electricity (MWh) [1]	5,192	5,045	3
Heating natural gas (MWh) [1]	972	785	24
Water consumption (m3) [1]	10,978	11,577	(5)
Business travel - flights (km)	6,031,259	7,120,484	(15)
Total all activities (tCO2e)	**3,812**	**3,865**	**(1)**
Total per FTE	**4.12**	**4.17**	**(1)**

[1] Data based on estimates on the most recent 12 months period available.

Photovoltaic panels on the rooftop supplement the building's supply of electricity. The building has an Energy Performance Certificate (EPC) rating B, indicating a good level of energy efficiency and low impact on the environment in terms of carbon dioxide (CO_2) emissions. We have enhanced this by replacing the original lighting system with an energy efficient LED system, which is controlled by automatic presence detectors and perimeter dimming to take account of daylight levels.

In Zurich, GAM is located in Prime Tower, a modern building with various environmental certifications including LEED Gold (Leadership in Energy and Environmental Design) and greenproperty gold (Credit Suisse: quality seal of approval for sustainable property). Electricity is powered exclusively by renewable energy sources. A wide variety of materials are sent for recycling, with any residual waste used for heating.

In Dublin, GAM has implemented a new process to increase the levels of recycling. Through this, they have been able to save the equivalent of 460 trees this year.

“We want to be recognised as a company and employer which makes a positive contribution to the challenges facing the environment. We are therefore continuously working on ways to reduce the carbon footprint of our business operations.”

Anthony Hamilton-Briscoe, Group Head of Facilities

CORPORATE GOVERNANCE

Background

References in this Annual Report to ‘the Company’ shall be taken as references to GAM Holding AG. References to ‘the Group’ shall be taken as references to GAM Holding AG and all of its subsidiaries. References to ‘the Board of Directors’ and ‘the Group Management Board’ shall each mean such bodies of GAM Holding AG.

Consistent and long-term relationships with our stakeholders are fundamental for the sustained success of our business. We consider good corporate governance to be a decisive factor in achieving these objectives, and we recognise that transparent disclosure of our governance helps stakeholders assess the quality of our Group and assists investors in their decision-making.

Corporate governance defines the structures, rules and processes required for the proper organisation and conduct of business as it establishes the powers and responsibilities of our corporate bodies and employees. Our governance framework is designed to provide the appropriate checks and balances between the Board of Directors, the Group Management Board and the local management of our business, with the goal of balancing and safeguarding the interests of the Company, its shareholders, customers, employees and other stakeholders.

The Company is subject to the laws of Switzerland, in particular the Swiss Code of Obligations. In addition, the Company is subject to the rules of the SIX Swiss Exchange, including the Directive on Information Relating to Corporate Governance (the ‘Corporate Governance Directive’), and is under consolidated supervision and regulation of the Swiss Financial Market Supervisory Authority FINMA.

The principles and rules on corporate governance are incorporated or defined in a number of documents, including the articles of incorporation, the charters of the Board of Directors and its committees and our organisational rules. The Board of Directors’ Governance and Nomination Committee reviews these principles and rules on a regular basis in order to assess them in light of prevailing best practices, and proposes any improvements to the full Board of Directors for their consideration and approval.

The corporate governance information in this Annual Report is presented in accordance with the Corporate Governance Directive of the SIX Swiss Exchange and takes into account the guidelines and recommendations of the ‘Swiss Code of Best Practice for Corporate Governance’ of the Swiss business association economiesuisse. For the compensation paid to, and shareholdings of, the members of the Board of Directors and the Group Management Board, including the basic principles and elements of compensation and equity participation programmes and a description of the authorities and procedure for determining the same, as well as loans granted to those individuals, see our ‘Compensation report’, beginning on page 78, and article 11 of the articles of incorporation which can be found at www.gam.com/aoi2018.

The following information corresponds to the situation as at 31 December 2018 unless indicated otherwise.

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1 Operational Group structure of GAM Holding AG

Our operating businesses are conducted through GAM Holding AG's subsidiaries (operating legal entities). The consolidated companies are disclosed in note 24 of the 'Consolidated financial statements'.

The diagram below reflects the holding structure and business operating model of the Group, including the composition of the Group Management Board of GAM Holding AG.

GAM Holding AG

Board of Directors
Hugh Scott-Barrett – Chairman
Benjamin Meuli – Vice Chairman
Nancy Mistretta
Diego du Monceau
Ezra S. Field
David Jacob
Monica Mächler[1]

Group Management Board
David Jacob – Group Chief Executive Officer[2]
Richard McNamara – Group Chief Financial Officer
Rachel Wheeler – Group General Counsel[3]
Tim Rainsford – Group Head of Sales and Distribution
Elmar Zumbuehl – Group Chief Risk Officer
Martin Jufer – Group Head Private Labelling and Region Head Continental Europe
Matthew Beesley – Head of Investments[4]
Tim Dana – Group Head of Corporate Development[5]
Larry Hatheway – Group Head of Investment Solutions and Group Chief Economist[5]

Core activities	Investment management	Private labelling

[1] New member of the Board of Directors since 26 April 2018.

[2] New member of the Group Management Board and interim Group Chief Executive Officer since 6 November 2018. With effect from 6 November 2018, Alexander Friedman stepped down from his role as Group Chief Executive Officer and member of the Group Management Board.

[3] New member of the Group Management Board since 3 September 2018.

[4] New member of the Group Management Board since 28 September 2018.

[5] Stepped down as a member of the Group Management Board with effect from 1 January 2019, while retaining their functional roles and responsibilities.

1.2 Significant shareholders/participants

Based on notifications received by GAM Holding AG, each of the following shareholders/participants held more than 3% of the voting rights in GAM Holding AG as at 31 December 2018.[1]

	Voting rights conferred by shares/equity securities	Voting rights conferred by conversion rights, share purchase rights and granted share sale rights and financial instruments	**Resulting total percentage holding of voting rights at time of creation of the obligation to notify**
Shareholder/participant[2]			
Silchester International Investors LLP[3]	15.01%	-	**15.01%**
Credit Suisse Funds AG[4]	4.99%	-	**4.99%**
T. Rowe Price Associates Inc.[5]	4.96%	-	**4.96%**
Kiltearn Partners LLP[6]	4.92%	-	**4.92%**
BlackRock Inc[7]	3.00%[8]	0.07%	**3.07%**
Kabouter Management LLC[9]	3.04%	-	**3.04%**
Mario J. Gabelli[10]	1.65%	1.38%	**3.02%**
Dimensional Holdings Inc.[11]	3.00%	-	**3.00%**
GAM Holding AG[12]	2.90%[13]	-	**2.90%**

[1] The percentage holding of voting rights as well as the other terms used in this section bear the meaning ascribed to them and should be read in the context of the applicable stock exchange rules.
[2] Any change in the holding of voting rights between reportable thresholds does not trigger any notification duty.
[3] Silchester International Investors LLP, London, UK (as at 10 February 2014).
[4] Credit Suisse Funds AG, Zurich, Switzerland (as at 29 November 2018).
[5] T. Rowe Price Associates Inc., Baltimore, USA (as at 8 November 2017).
[6] Kiltearn Partners LLP, Edinburgh, UK (as at 1 March 2018).
[7] BlackRock Inc., New York, USA (as at 15 November 2018).
[8] BlackRock Inc. reported on 15 November 2018 a sale position of GAM Holding AG shares of 0.004% of shares in issue.
[9] Kabouter Management LLC, Chicago, Illinois, USA (as at 1 June 2017).
[10] Mario J. Gabelli, New York, USA (as at 14 November 2018).
[11] Dimensional Holdings Inc., c/o Corporation Service Comp, Wilmington, Delaware, USA (as at 8 March 2017).
[12] GAM Holding AG, Zurich, Switzerland (as at 31 December 2018).
[13] As at 31 December 2018, GAM Holding AG also had a sale position (representing obligations to deliver shares to employees under share-based payment awards) of GAM Holding AG shares of 8.82% of shares in issue. For further details, please refer to note 22 of the consolidated financial statements.

Notifications of significant shareholdings in GAM Holding AG, or disposal of such, that were disclosed during 2018 can be found under the following link by inserting 'GAM Holding AG' as the company name:
https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

Based on notifications received by GAM Holding AG, each of the following shareholders/participants held more than 3% of the voting rights in GAM Holding AG as at 31 December 2017.[1]

Shareholder/participant[2]	Voting rights conferred by shares/equity securities	Voting rights conferred by conversion rights, share purchase rights and granted share sale rights and financial instruments	**Resulting total percentage holding of voting rights at time of creation of the obligation to notify**
Silchester International Investors LLP[3]	15.01%	-	**15.01%**
Kiltearn Partners LLP[4]	5.05%	-	**5.05%**
T. Rowe Price Associates Inc.[5]	4.96%	-	**4.96%**
Credit Suisse Funds AG[6]	4.93%	-	**4.93%**
Wellington Management Group, LLP[7]	3.08%	-	**3.08%**
Norges Bank (The Central Bank of Norway)[8]	3.07%	-	**3.07%**
Kabouter Management LLC[9]	3.04%	-	**3.04%**
UBS Fund Management (Switzerland) AG[10]	3.02%	-	**3.02%**
Dimensional Holdings Inc.[11]	3.00%	-	**3.00%**
GAM Holding AG[12]	2.10%[13]	-	**2.10%**

1 The percentage holding of voting rights as well as the other terms used in this section bear the meaning ascribed to them and should be read in the context of the applicable stock exchange rules.

2 Any change in the holding of voting rights between reportable thresholds does not trigger any notification duty.

3 Silchester International Investors LLP, London, UK (as at 10 February 2014).

4 Kiltearn Partners LLP, Edinburgh, UK (as at 6 April 2016).

5 T. Rowe Price Associates Inc., Baltimore, USA (as at 8 November 2017).

6 Credit Suisse Funds AG, Zurich, Switzerland (as at 4 August 2017).

7 Wellington Management Group, LLP, Boston, USA (as at 22 August 2017).

8 Norges Bank (The Central Bank of Norway), Oslo, Norway (as at 8 August 2017).

9 Kabouter Management LLC, Chicago, Illinois, USA (as at 1 June 2017).

10 UBS Fund Management (Switzerland) AG, Basel, Switzerland (as at 12 July 2016).

11 Dimensional Holdings Inc., c/o Corporation Service Comp, Wilmington, Delaware, USA (as at 8 March 2017).

12 GAM Holding AG, Zurich, Switzerland (as at 31 December 2017).

13 As at 31 December 2017, GAM Holding AG also had a sale position (representing obligations to deliver shares to employees under share-based payment awards) of GAM Holding AG shares of 9.44% of shares in issue. For further details, please refer to note 22 of the consolidated financial statements.

1.3 Cross-shareholdings

There are no cross-shareholdings between GAM Holding AG or its subsidiaries and any other company that exceed 5% of capital or voting rights.

2. CAPITAL STRUCTURE

2.1 Capital

As at 31 December 2018, the ordinary share capital amounted to CHF 7,984,126.55.

The ordinary share capital, which is fully paid, consists of 159,682,531 registered shares with a par value of CHF 0.05 each. The registered shares (security no. 10265962; ISIN CH0102659627) are listed on the SIX Swiss Exchange and are a component of the Swiss Market Index Mid (SMIM).

Furthermore, as at 31 December 2018, the Company held authorised capital amounting to CHF 798,412.00.

2.2 Authorised capital

The Board of Directors is authorised to increase the Company's share capital at any time until 26 April 2020, by a maximum amount of CHF 798,412.00 by issuing a maximum of 15,968,240 fully paid registered shares with a par value of CHF 0.05 each. Increases in partial amounts are permissible.

The subscription and acquisition of the new shares as well as any subsequent transfer of the shares is subject to the restrictions pursuant to articles 4.3 to 4.5 of the articles of incorporation, which can be found at www.gam.com/aoi2018.

The Board of Directors determines the issue price, the type of contribution, the date of issue, the conditions for the exercise of the pre-emptive rights and the beginning date for dividend entitlement. In this regard, the Board of Directors may issue new shares by means of a firm underwriting through a financial institution, a syndicate of financial institutions or another third party and a subsequent offer of these shares to the existing shareholders or third parties (if the pre-emptive rights of the existing shareholders have been denied or not been duly exercised). The Board of Directors is entitled to permit, to restrict or to exclude the trade with pre-emptive rights. It may permit pre-emptive rights that have not been exercised to expire, or it may place such rights or shares as to which pre-emptive rights have been granted, but not exercised, at market conditions or may use them otherwise in the interest of the Company.

The Board of Directors is further authorised to restrict or withdraw the pre-emptive rights of the existing shareholders with respect to a maximum of 7,984,120 registered shares and allocate such rights to third parties:

a) if the issue price of the new shares is determined by reference to the market price; or
b) for the acquisition of companies, part(s) of companies or participations, for the acquisition of products, intellectual property or licenses or for investment projects, or for the financing or refinancing of any of such transactions through a placement of shares; or
c) for purposes of broadening the shareholder constituency of the Company in certain financial or investor markets, for purposes of the participation of strategic partners, or in connection with the listing of new shares on domestic or foreign stock exchanges.

2.3 Changes of capital

The description of the changes of capital in the last three years is disclosed in note 17 of the ‘Consolidated financial statements’.

2.4 Shares and participation certificates

	2018	2017
Number of shares as at 31 December		
Registered shares with par value of CHF 0.05 each (all entitled to dividends)	159,682,531	159,682,531

There are no preferential or similar rights. Each share entitles the holder to one vote. There are no participation certificates.

2.5 Bonus certificates

There are no bonus certificates.

2.6 Limitations on transferability and nominee registrations

The Company maintains a share register in which the owners and usufructuaries of the registered shares are entered with their name, address, nationality and place of incorporation in the case of legal entities. In relation to the Company, any person entered in the share register shall be deemed to be a shareholder. Nimbus AG, Ziegelbrueckstrasse 82, 8866 Ziegelbruecke, Switzerland, administers the Company's share register.

The registered shares of the Company are issued as uncertificated securities and registered as intermediated securities. They are included in the SIS clearing system for transferred shares (SIS registered share system) for booking purposes. The Company may withdraw shares registered as intermediated securities from the custodian system. Each shareholder may at any time request from the Company a certification about the shares owned by them. However, the shareholders have no right to request the printing and delivery of certificates for their registered shares. At any time, the Company may print and deliver share certificates (individual certificates, certificates or global certificates) or convert uncertificated securities and share certificates into any other form, and may cancel issued share certificates once they have been returned to the Company. The transfer of intermediated securities, including the granting of security interests, is subject to the Swiss Intermediated Securities Act. In order to be valid vis-à-vis the Company, a transfer of uncertificated shares by assignment requires a notification of such transfer to the Company.

A person who acquires registered shares shall, upon application, be entered into the share register as a shareholder with voting rights, provided that such person expressly acknowledges that they have acquired the shares in their own name and for their own account. If the person acquiring registered shares does not provide such acknowledgement, the Board of Directors may, and would likely, refuse the entry of such person as a shareholder with voting rights in the share register.

The Board of Directors may issue rules for the entry in the share register of fiduciaries/nominees. It may enter in the share register fiduciaries/nominees with voting rights of up to 2% of the share capital. Furthermore, the Board of Directors may enter fiduciaries/nominees with voting rights in excess of 2%, if such fiduciaries/nominees disclose the name, address, nationality or registered office, and shareholding of all persons for whose account they hold at least 0.5% of the share capital. Fiduciaries/nominees that are affiliated with other fiduciaries/nominees by means of ownership structure or voting rights, or which have a common management, or are otherwise affiliated, shall be deemed one fiduciary/nominee as regards the application of these entry limitations. As at 31 December 2018, there were no entries in the share register of fiduciaries/nominees with voting rights.

The Board of Directors may cancel the entry in the share register of a shareholder or fiduciary/nominee with voting rights, upon a hearing of such shareholder or fiduciary/nominee, if the entry in the share register is based on false information. The affected shareholder or fiduciary/nominee shall be notified of the cancellation immediately.

2.7 Convertible bonds and options

There are no outstanding convertible or warrant bonds. Information on employee options is disclosed in the 'Compensation report' and in note 22 of the 'Consolidated financial statements'.

3. BOARD OF DIRECTORS

3.1 Members of the Board of Directors

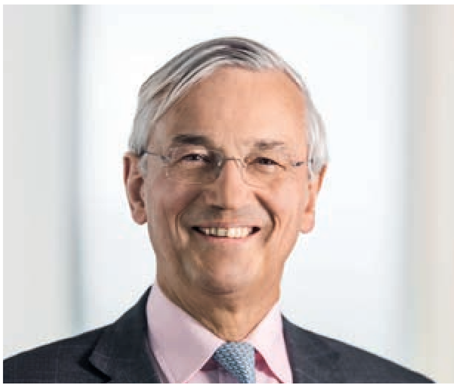
Hugh Scott-Barrett
Chairman of the Board of Directors,
Chairman of the Governance and Nomination Committee

Benjamin Meuli
Vice Chairman of the Board of Directors,
Chairman of the Audit Committee
and member of the Compensation Committee

Nancy Mistretta
Chairman of the Compensation Committee,
Member of the Governance and Nomination Committee

Monica Mächler
Member of the Audit Committee,
Member of the Governance and Nomination Committee

David Jacob
Member of the Board of Directors,
Group Chief Executive Officer



Diego du Monceau
Member of the Audit Committee

Ezra S. Field
Member of the Compensation Committee

All the members of the Board of Directors of GAM Holding AG are non-executive members, with the exception of David Jacob who has also served as the Group Chief Executive Officer of GAM Holding AG since November 2018.

Hugh Scott-Barrett, Chairman of the Board of Directors and the Governance and Nomination Committee

Hugh Scott-Barrett has been a member of the Board of Directors of GAM Holding AG since 2009 and was appointed Chairman of the Board of Directors in 2017. He has chaired the Governance and Nomination Committee since 2017 as well as the Regulatory Oversight Committee since October 2018 and served as Chairman of the Audit Committee from 2009 until 2017. He is currently Non-Executive Chairman of Capital & Regional plc. Hugh joined this London-based property asset management company in 2008 as Chief Executive and led the restructuring and repositioning of Capital & Regional as a specialist property REIT. In 2017, Hugh stepped down as Chief Executive of Capital & Regional plc to become its Non-Executive Chairman. Hugh started his career in banking in 1980, in corporate finance at Kleinwort Benson. In 1984, he joined Swiss Bank Corporation where he held several senior roles in investment banking and became a member of the Corporate Finance Executive Committee of SBC Warburg in 1995. In 1996, Hugh joined ABN AMRO where he held several senior positions, joining the Managing Board in 2000 taking responsibility, inter alia, for financial institutions, operations and technology within the wholesale clients division, then acting as Chief Operating Officer and finally as Chief Financial Officer until 2007. Hugh was educated in Paris and Oxford where he graduated in Modern History. He was born in 1958 and is a British Citizen.

Benjamin Meuli, Vice Chairman of the Board of Directors and Chairman of the Audit Committee

Benjamin Meuli has been a member of the Board of Directors of GAM Holding AG since 2016. He has served as a member of the Compensation Committee since November 2018, the Regulatory Oversight Committee since October 2018 and the Audit Committee (since 2016), the latter being under his chair since 2017. Benjamin was the Chief Investment Officer at XL Group, a position he held from 2015 until his retirement in 2016. Between 2009 and 2015, he was Chief Financial Officer and member of the Group Executive Committee and the Board of Directors of Catlin Group Ltd., where he was also responsible for the company's investment portfolio. Benjamin was the Chief Investment Officer and a member of the Executive Board at Swiss Re between 2004 and 2008. Prior to joining Swiss Re, he was a managing director at Morgan Stanley with responsibility for coverage of large multinational insurance groups with a particular focus on asset and liability management. He started his career at JPMorgan, where he spent 20 years in a variety of roles, mostly in capital markets and investment banking. Benjamin holds an MA in politics, philosophy and economics from Worcester College, Oxford, and an MSc in agricultural economics from Oxford University. He was born in 1956 and is a Swiss and British citizen.

Nancy Mistretta, Chairman of the Compensation Committee

Nancy Mistretta has been a member of the Board of Directors of GAM Holding AG since 2016. She has served as a member of the Governance and Nomination Committee and the Compensation Committee (since 2016), the latter being under her chair since 2017. Nancy is a former partner of Russell Reynolds Associates, an executive search firm, where she worked from 2005 until 2009. Prior to joining Russell Reynolds, Nancy was with JPMorgan Chase and its heritage institutions for 29 years and served as a managing director in investment banking from 1991 to 2005. Nancy is a director of Scotts Miracle-Gro, where she currently chairs the Audit Committee and is a member of the Finance Committee. She is also a director of the North American Holding Company of HSBC, where she serves on the Nomination and Governance Committee, the Audit Committee and the Risk Committee. Nancy holds a BA in psychology from the Smith College. She was born in 1954 and is a US citizen.

Monica Mächler, Member of the Board of Directors

Monica Mächler has been a member of the Board of Directors of GAM Holding AG since April 2018. She has served as a member of the Audit Committee and the Governance and Nomination Committee since April 2018 as well as of the Regulatory Oversight Committee since October 2018. Monica Mächler is a member of the boards of directors of Zurich Insurance Group Ltd. and Zurich Insurance Company Ltd. as well as of Cembra Money Bank Ltd. She served as a member of the Supervisory Board of Deutsche Börse AG from 2012 until May 2018. From 2009 to 2012 Monica Mächler served as Vice Chair of the Board of Directors of the Swiss Financial Market Supervisory Authority FINMA, after having been the Director of the Federal Office of Private Insurance from 2007 to 2008. She chaired the Technical Committee and was a member of the Executive Committee of the International Association of Insurance Supervisors until 2012. In 1990 she joined the Group Legal department of Zurich Insurance Group, where she became the Group General Counsel and Head of the Board Secretariat in 1999, and was appointed as a member of the Group Management Board in 2001. After receiving her JD at the law school of the University of Zurich in 1984, Monica Mächler practised as an attorney-at-law in a business law firm in Zurich. She was born in 1956 and is a Swiss citizen.

David Jacob, Member of the Board of Directors and Group Chief Executive Officer

David Jacob has been a member of the Board of Directors of GAM Holding AG since 2017 and was appointed Group Chief Executive Officer and a member of the Group Management Board in November 2018. He served as a member of the Audit Committee and the Compensation Committee from 2017 until November 2018. Prior to that, he was the Chief Executive Officer of Rogge Global Partners Ltd, a position he held from 2014 until 2016. Between 2004 and 2013, David was with Henderson Global Investors where he held a variety of roles including Member of the Board of Directors and Chief Investment Officer. Prior to joining Henderson, David was Head of Fixed Income, EMEA at UBS Global Asset Management between 2002 and 2004. Prior to UBS, he held a variety of roles at Merrill Lynch Investment Managers and JPMorgan Asset Management. He is a member of the Investment Committee of the National Trust Pension Fund and is the Vice Chairman of the Investment Committee of the Worshipful Company of Stationers and Newspaper Makers. David is a chartered financial analyst and holds a BSc in economics from Wharton School, University of Pennsylvania. He was born in 1964 and is a US and British citizen.

Diego du Monceau, Member of the Board of Directors

Diego du Monceau has been a member of the Board of Directors of GAM Holding AG since 2010. He has served as a member of the Audit Committee since 2010. Diego is a member of the Board of Directors of ING (Belgium) and Chairman of its Audit and Risk Committees since 2000. He is also on the Board of Directors of WE International, a private European retailing company, on the Supervisory Board of K&H Bank in Hungary and on the Board of Directors of Foyer Finance in Luxembourg. He started his career in investment banking and corporate finance at White Weld, Merrill Lynch and Swiss Bank Corporation in New York and London. Between 1985 and 2002, Diego was successively Managing Director, Chief Executive Officer and Vice Chairman of the Board of Directors of GIB Group, and between 2010 and 2013 Chairman of the Board of Directors of 3SI Group in France. He is Chairman of the Council of Trustees of the EORTC Cancer Research Fund and is on the Board of Directors of the Belgian American Education Foundation. Diego holds a degree in commercial engineering from the Solvay Business School of Brussels University and an MBA from Harvard Business School. He was born in 1949 and is a Belgian citizen.

Ezra S. Field, Member of the Board of Directors

Ezra S. Field has been a member of the Board of Directors of GAM Holding AG since 2016. He has served as a member of the Governance and Nomination Committee (until April 2018) and as a member of the Compensation Committee since April 2018. Ezra is a Senior Managing Director & Chief Investment Officer of Roark Capital Group, an Atlanta-based private equity firm. Prior to joining Roark Capital in 2007, Ezra was a managing director at New York-based ACI Capital, where he played a lead role in all aspects of the firm’s investing activities from 2001 to 2007. Ezra was previously also an adjunct professor at Pace Law School, where he taught mergers & acquisitions. Before joining ACI Capital, Ezra was an entrepreneur and venture capitalist. From 1998 to 1999, he served as a law clerk to the Hon. Ralph K. Winter, and then Chief Judge of the United States Court of Appeals for the Second Circuit. Ezra holds a BA (Hons) from Wesleyan University, an MBA from Columbia Business School and a JD from Columbia Law School. He was born in 1969 and is a US citizen.

Changes in the Board of Directors

At the Annual General Meeting held on 26 April 2018, all members of the Board of Directors who ran for re-election were re-elected for a one-year term of office.

The Board of Directors proposed at the Annual General Meeting held on 26 April 2018 one new candidate for election as a member of the Board of Directors. Monica Mächler was elected as a new member of the Board of Directors for a one-year term of office.

3.2 Activities and functions of Board Members outside the Group

In applying the Corporate Governance Directive of the SIX Swiss Exchange and as set forth in Article 13 of the articles of incorporation, which can be found at www.gam.com/aoi2018, we disclose mandates and interest ties of the members of the Board of Directors outside the Group:

Hugh Scott-Barrett
Chairman of the Board of Directors of Capital & Regional plc., England (listed entity)
Member of the Board of Directors of RBR Group Ltd., England (non-listed entity)

Benjamin Meuli
Member of the Partnership Council at Clifford Chance, England (non-listed entity)
President du conseil de surveillance of SAS Ampelidae, France (non-listed entity)
Member of the Board of Directors of Convex Group Ltd., Bermuda (non-listed entity)
Member of the Board of Directors of Gamrays Company Ltd., Gambia (non-listed entity)

Nancy Mistretta
Member of the Board of Directors, Chairman of the Audit Committee and of the Finance Committee of the Board of Directors of Scotts Miracle-Gro, USA (listed entity)
Member of the Board of Directors, Nomination and Governance Committee, Audit Committee and Risk Committee of the Board of Directors of HSBC North American Holding Inc., USA (non-listed entity)

David Jacob
Member of the Investment Committee of the National Trust Pension Fund, England (non-listed entity)
Vice Chairman of the Investment Committee of the Worshipful Company of Stationers and Newspaper Makers, England (non-listed entity)
Member of the Board of Trustee of the Science Museum Foundation, England (non-listed entity) (non-profit organisation)
Member of the Board of Directors of Carlisle Mansions West Ltd., England (non-listed entity) (non-profit organisation)

Diego du Monceau
Member of the Board of Directors and Chairman of the Audit Committee and the Risk Committee of the Board of Directors of ING Belgium SA/NV, Belgium (non-listed entity)
Member of the Supervisory Board of K&H Bank Zrt., Hungary (non-listed entity)
Member of the Board of Directors of WE International B.V., Netherlands (non-listed entity)
Member of the Board of Directors of Foyer Finance S.A., Luxembourg (non-listed entity)
Chairman of the Council of Trustees of the EORTC, Cancer Research Fund, Belgium (non-profit organisation) (non-listed entity)
Member of the Council of Trustees of the Belgian American Educational Foundation, Belgium (non-profit organisation) (non-listed entity)

Ezra S. Field
Managing Director of Roark Capital Group, USA (non-listed entity), and member of the Board of the following non-listed entities, all controlled by Roark Capital Group: Pet Retail Brands LTD, Massage Envy Franchising LLC, CKE Restaurants Inc., and Driven Brands Inc.
Member of the Board of Directors of Business Executives for National Security, USA (non-profit corporation) (non-listed entity)

Monica Mächler
Member of the Board of Directors and member of the Risk and Audit Committee of Cembra Money Bank AG, Switzerland (listed entity)
Member of the Board of Directors, member of the Governance, Nominations and Corporate Responsibility Committee and member of the Audit Committee of Zurich Insurance Group AG, Switzerland (listed entity)
Member of the Board of Directors of Zurich Insurance Company AG, Switzerland (non-listed entity)
Chairman of the Advisory Board of the International Center of Insurance Regulation at the Goethe University in Frankfurt, Germany (non-listed entity) (non-profit organisation)
Member of the Board of the Europa Institute at the University of Zurich, Switzerland (non-listed entity) (non-profit organisation)
Member of the Board of the Stiftung für schweizerische Rechtspflege, Switzerland (non-listed entity) (non-profit organisation)

3.3 Elections and terms of office

The members of the Board of Directors are elected on an individual basis by the General Meeting for a one-year term of office expiring after the completion of the next Annual General Meeting. Members whose term of office has expired are immediately eligible for re-election.

Except for the election of the Chairman of the Board of Directors and the members of the Compensation Committee by the Annual General Meeting, the Board of Directors constitutes itself. If the office of the Chairman of the Board of Directors is vacant, the Board of Directors appoints a new Chairman from among its members for the remaining term of office. If there are vacancies on the Compensation Committee, the Board of Directors fills the vacancies from among its members for the remaining term of office.

The maximum cumulative term of office for members of the Board of Directors is, as a general rule, 12 years. Individuals will, as a general rule, not be nominated by the Board of Directors for election after they have reached the age of 70. In exceptional cases, the Board of Directors can extend these term and age limits.

3.4 The operation of the Board of Directors and its Committees

The Board of Directors

The Board of Directors operates according to Swiss company law, the Company's articles of incorporation and organisational rules as well the Board of Directors' charter.

According to Swiss company law and the articles of incorporation of GAM Holding AG, the Board of Directors has the following inalienable and non-delegable duties:

a) to supervise the Company and issue any necessary instructions;
b) to determine the organisation of the Company;
c) to arrange the accounting, financial control and financial planning as necessary for the management of the Company;
d) to appoint and remove the persons entrusted with the Company's management;
e) to control those persons entrusted with the management of the Company, including in relation to compliance with applicable laws and regulations as well as instructions;
f) to draw up the annual report and the compensation report of the Company, and to prepare the General Meeting and implement its resolutions; and
g) to make any necessary notifications in the event of insolvency.

In line with these duties, the Board of Directors assumes responsibility for the overall strategy and direction, management supervision and control of the Company and the Group. The Board of Directors has established two Committees and additionally, the articles of incorporation of GAM Holding AG provide for the establishment of a compensation committee (see below), to assist it in discharging its non-delegable duties, and has delegated the management of the Company and its oversight and control of the business to the Group Management Board under the leadership of the Group Chief Executive Officer.

In addition to the inalienable and non-delegable duties, the full Board of Directors has retained responsibility, in particular, for:

a) preparing all topics that fall within the competence of the General Meeting (receiving support and advice from its Committees, such as the Audit Committee in matters of financial reporting, dividend proposals and other capital management issues);
b) deciding, based upon a recommendation from the Audit Committee, which external auditors to recommend for appointment by shareholders at the Annual General Meeting;
c) overall risk oversight and determining the risk management framework, the risk management and control principles and the risk capacity and capital management frameworks of the Group as well as policies for accounting, financial controlling and strategic financial planning;
d) approving any compensation plan within the Company which is linked to the shares of the Company;
e) succession planning relating to, and the appointment of, members of the Group Management Board, including the Group Chief Executive Officer; and
f) the appointment of the Head of Internal Audit.

The Board of Directors consists of seven members, all of whom, apart from David Jacob, are non-executive members. The members and the Chairman of the Board of Directors and the members of the Compensation Committee are individually elected by the Annual General Meeting.

In all other cases and instances where the office of the Chairman of the Board of Directors is vacant, or if there are vacancies on the Compensation Committee, the Board of Directors constitutes itself and elects from among its members the Chairman and the members of the Compensation Committee. From among its members, the Board of Directors elects the chairmen and members of the Audit Committee, of the Governance and Nomination Committee and the Regulatory Oversight Committee.

The Board of Directors meets as often as business requires, but at least once per quarter, for on average approximately half a day. The presence of a majority of its members is necessary for resolutions to be passed, with the exception of decisions confirming and amending resolutions relating to capital increases where no such quorum is required. Resolutions are passed by an absolute majority of votes of members present. The members of the Board of Directors may also be present by telephone or electronic means. Resolutions of the Board of Directors may also be passed by way of written consent including by email, provided that no member requests oral deliberation. In such cases, the text of written resolutions must be sent to all members and requires the consent of all members of the Board of Directors to be valid. In the case of a tied vote at meetings, the Chairman has the casting vote. The Board of Directors may assign the preparation and implementation of its resolutions or the supervision of business transactions to committees or individual members. It must make sure its members are suitably informed.

The Group Chief Executive Officer, Group Chief Financial Officer, Group General Counsel, Group Chief Risk Officer and the Group Head of Compliance are regularly invited to participate in meetings of the full Board of Directors. The Board of Directors occasionally also invites other senior employees to attend meetings of the Board of Directors to present and discuss specific topics relating to, or affecting, the business of the Group. The Board of Directors regularly discusses the strategic direction of the Group. The purpose of these discussions is to analyse the positioning of the Group as well as to review and, if necessary, redefine the Company and the Group's strategic direction in light of the prevailing macroeconomic and Group-specific circumstances.

In order to gauge the effectiveness of its activities, the Board of Directors as a whole, as well as its Committees, carries out an annual self-assessment exercise. The aim is to review and assess what has been achieved relative to the objectives formulated at the beginning of the year. The results of the self-assessments carried out by the Board of Directors' Committees are brought to the attention of the Governance and Nomination Committee.

The Board of Directors acknowledges that recent events have resulted in a challenging environment for the Company and together with the management team has considered many avenues to optimise shareholder value. The Board of Directors has met regularly throughout the year and has held intensive discussions in relation to how it should move the Company forward. Therefore, during the year under review the full Board of Directors held 31 meetings.

The Board of Directors is keen to enhance the oversight on regulatory and risk-related topics and has therefore decided to establish in October 2018 a Regulatory Oversight Committee which will be enhanced and developed into a board of directors risk committee in 2019 to increase the focus on the oversight of enterprise risk-related matters. The Audit Committee will continue to oversee the integrity of the financial reporting and systems of internal control of the Group, monitoring the performance, effectiveness and objectivity of the Company's external auditors and internal audit function. The Risk Committee will base its work on recognised best practice standards for good corporate governance and will be responsible for, among others, the Group's overall risk appetite and risk profile, the effectiveness of the Group's risk management framework and the review of methodology used in determining the Group's capital requirements.

Attendance of the members of the Board of Directors at the meetings of the Board of Directors was as follows:

January to August 2018

	Feb	Feb	Mar	Apr	May	Jun	Jun	Jul	Jul	Aug	Aug	Aug	Aug	Aug	Aug
Hugh Scott-Barrett	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Benjamin Meuli	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Nancy Mistretta	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Diego du Monceau	✓	✓	✓	✓	✓	✓	E	✓	✓	✓	✓	✓	✓	✓	✓
Ezra S. Field	✓	✓	✓	✓	✓	✓	✓	✓	E	✓	✓	✓	✓	✓	✓
David Jacob	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Monica Mächler	n/a	n/a	n/a	n/a	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

E = Excused

September to December 2018

	Sep	Sep	Sep	Sep	Sep	Oct	Oct	Oct	Oct	Oct	Nov	Nov	Nov	Nov	Dec	Dec
Hugh Scott-Barrett	✓	✓	✓	✓	✓	E	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Benjamin Meuli	✓	✓	✓	✓	✓	✓	✓	✓	✓	E	✓	✓	✓	✓	✓	✓
Nancy Mistretta	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Diego du Monceau	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	E	✓	✓
Ezra S. Field	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
David Jacob	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Monica Mächler	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

E = Excused

The Committees of the Board of Directors

The responsibilities and members of the current Committees of the Board of Directors are as follows:

Audit Committee

The Audit Committee operates in accordance with the Audit Committee charter and the organisational rules of the Company.

The Audit Committee bases its work on recognised best practice standards for good corporate governance.
Its primary responsibilities comprise the following:

a) reviewing and approving the internal audit plan on an annual basis and ensuring its harmonisation with the audit plan of the external auditors;
b) directing and monitoring the activities of the internal audit function including the approval of its budget and staffing;
c) evaluating the performance of the Head of Internal Audit. The Chairman of the Audit Committee determines the total compensation paid to the Head of Internal Audit in consultation with the Chairman of the Board of Directors and the members of the Audit Committee;
d) representing the Board of Directors in its relationship with the external auditors including by monitoring their performance and independence, their cooperation with the internal audit function, reviewing their reports (including any comprehensive reports of the external auditors) and providing a recommendation to the full Board of Directors regarding election of the external auditors at the Annual General Meeting;
e) ensuring the integrity of controls for financial reporting and for the review of financial statements, including the annual financial statements and any interim statements, before they are presented to the full Board of Directors for approval;
f) ensuring compliance with the principles of fair and transparent public communication of financial information;
g) monitoring and evaluating risk, the applied standards and methodologies for risk control and the review of risk reports;
h) regular examination of the appropriateness and effectiveness of the internal control systems, taking into account the risk profile of the Group; and
i) monitoring compliance with applicable laws and regulations as well as internal policies and procedures, including via the receipt of regular reporting.

The Audit Committee consists of three non-executive members. It convenes at least four times a year, at least once per quarter, for on average approximately half a day. During the year under review the Audit Committee held six meetings, as well as two joint meetings with the Compensation Committee. All members of the Audit Committee participated at all the meetings. Additionally, the Audit Committee spent time outside these meetings with external auditors and advisers in order to ensure being ahead of latest regulatory and accounting developments. The Head of Internal Audit and representatives of the external auditors, as well as the Group Chief Financial Officer, the Group General Counsel, Group Head of Compliance and the Group Chief Risk Officer, participate at every regular quarterly meeting. The Audit Committee may seek independent advice as deemed necessary. The members of the Audit Committee are expected to have knowledge in the fields of finance and accounting. The Audit Committee reports back to the full Board of Directors on its current activities and on any significant issues of which it becomes aware. The Audit Committee reviews its performance and objectives every year.

Members: Benjamin Meuli (Chairman), Diego du Monceau and Monica Mächler.

Changes in the Audit Committee

Subsequent to the Annual General Meeting held on 26 April 2018, the Board of Directors re-constituted itself resulting in the following change in the Audit Committee's composition: Monica Mächler joined the Audit Committee. Following David Jacob's appointment as Group Chief Executive Officer on 6 November 2018, he stepped down from the Audit Committee.

Compensation Committee

The Compensation Committee operates in accordance with the articles of incorporation, the Compensation Committee charter and the organisational rules of the Company.

The Compensation Committee supports the Board of Directors in establishing and reviewing the compensation strategy and guidelines and in preparing the proposals to the Annual General Meeting of shareholders of GAM Holding AG regarding the compensation of the Board of Directors and the Group Management Board. Its primary responsibilities comprise the following:

a) reviewing and proposing for approval to the Board of Directors any change to the Group compensation policy;
b) reviewing and implementing any compensation plan applicable to the Group that is linked to the shares of, or options over shares of, the Company;
c) preparing the compensation report and the proposals of the Board of Directors to the Annual General Meeting regarding the maximum aggregate amounts of compensation of the Board of Directors and the Group Management Board;
d) determining the total compensation of the Chairman of the Board of Directors, any full-time members of the Board of Directors and the Group Management Board, including its Group Chief Executive Officer (in the event the Chairman of the Board of Directors or any full-time member of the Board of Directors is a member of the Compensation Committee, he/she shall abstain from participating in deliberations and from exercising his/her voting right with regard to the determination of his/her total compensation);
e) preparing and providing to the Board of Directors compensation proposals relating to the members of the Board of Directors (other than its Chairman);
f) approving the aggregate variable compensation expenditure of the Group and reviewing individual compensation levels of members of the Group receiving discretionary variable annual bonus with a total compensation in excess of CHF 1 million;
g) approving contracts of employment and any non-standard termination agreements for members of the Board of Directors and the Group Management Board;
h) overseeing and advising the Board of Directors with respect to the compensation reporting to shareholders; and
i) evaluating the performance of the Chairman of the Board of Directors as well as the performance evaluation conducted by the Chairman of the Board of Directors of the Group Chief Executive Officer, including reviewing the performance evaluation conducted by the Group Chief Executive Officer of members of the Group Management Board, in meeting agreed goals and objectives.

The Compensation Committee consists of three non-executive members. The Compensation Committee convenes as often as necessary, at least once in each half-year, for about two hours on average. During the year under review the Compensation Committee held six meetings, as well as two joint meetings with the Audit Committee. All members of the Compensation Committee participated at all the meetings. The Group Head of Human Resources regularly participates at the Committee's meetings. The Compensation Committee can seek independent advice as deemed necessary. The Compensation Committee reports back to the full Board of Directors on its current activities and on any significant issues of which it becomes aware. The Compensation Committee reviews its performance and objectives every year.

Members: Nancy Mistretta (Chairman), Benjamin Meuli and Ezra S. Field.

Changes in the Compensation Committee

At the Annual General Meeting held on 26 April 2018, all members of the Compensation Committee who ran for election were elected for a one-year term of office. Subsequent to the appointment of David Jacob as Group Chief Executive Officer on 6 November 2018, he stepped down from the Compensation Committee and the Board of Directors appointed Benjamin Meuli as a member of the Compensation Committee at its meeting on 5 November 2018 for a term of office until the next Annual General Meeting.

Governance and Nomination Committee

The Governance and Nomination Committee operates in accordance with the Governance and Nomination Committee charter and the organisational rules of the Company.

The Governance and Nomination Committee's primary responsibilities comprise the following:

a) assisting in the long-term succession planning for the Board of Directors and the Group Chief Executive Officer;
b) assessing and making preliminary selections of candidates as potential new members of the Board of Directors, as well as preparing election recommendations of the Board of Directors for the General Meeting;
c) reviewing the appropriateness of continued service on the Board of Directors by members whose circumstances have changed;
d) overseeing the orientation process for newly elected members of the Board of Directors and assessing the adequacy of, and need for, continuing director education programmes;
e) coordinating the regular evaluation of the Board of Directors and its Committees to determine whether they are functioning effectively and meeting their objectives;
f) reviewing proposals by the Group Chief Executive Officer for appointments and any changes to the membership of the Group Management Board and making recommendations to the Board of Directors regarding such appointments;
g) overseeing the number of board mandates outside the Group held by members of the Board of Directors and Group Management Board;
h) making recommendations to the Board of Directors regarding the adequacy of the Group's policies governing employee conduct and business practices, as well as the implementation and monitoring of compliance with such policies; and
i) overseeing that the Group has adequate processes and systems to foster the Group's human capital (eg identifying key talents, education, development, performance review and orderly succession planning of senior executives).

The Governance and Nomination Committee consists of three non-executive members. The Governance and Nomination Committee convenes as often as necessary, at least once in each half-year, for about two hours on average. During the year under review the Governance and Nomination Committee held five meetings. All members of the Governance and Nomination Committee participated at all the meetings. The Group General Counsel participates at every regular quarterly meeting. The Governance and Nomination Committee can seek independent advice as deemed necessary. The Governance and Nomination Committee reports back to the full Board of Directors on its current activities and on any significant issues of which it becomes aware. The Governance and Nomination Committee reviews its performance and objectives every year.

Members: Hugh Scott-Barrett (Chairman), Nancy Mistretta and Monica Mächler.

Changes in the Governance and Nomination Committee

Subsequent to the Annual General Meeting held on 26 April 2018, the Board of Directors re-constituted itself resulting in the following changes in the Governance and Nomination Committee's composition: Monica Mächler joined the Governance and Nomination Committee after Ezra S. Field was elected as a member of the Compensation Committee.

Regulatory Oversight Committee
The Regulatory Oversight Committee operates in accordance with the Regulatory Oversight Committee charter and the organisational rules of the Company.

The Regulatory Oversight Committee's primary responsibilities comprise the following:
a) providing on an ad-hoc basis, oversight of certain regulatory matters; interaction with regulators, and compliance change initiatives on behalf of the Board of Directors;
b) reviewing the co-operation between the Board of Directors and management on regulatory matters;
c) monitoring the conduct of any relevant Group entities, representatives, agents or advisers in relation to the matters set out in a) above; and
d) reporting and making recommendations to the Board of Directors that it deems appropriate.

The Regulatory Oversight Committee consists of three non-executive members. The Committee was established in October 2018. The Committee convenes as often as required and as requested by its members. During the year under review the Regulatory Oversight Committee held seven meetings. All members of the Regulatory Oversight Committee participated at all the meetings. The Group General Counsel and the Group Head of Compliance participate at every meeting. The Regulatory Oversight Committee can seek independent advice as deemed necessary. It reports back to the full Board of Directors on its current activities and may forward agenda items for its approval.

Members: Hugh Scott-Barrett (Chairman), Monica Mächler and Benjamin Meuli.

3.5 Group Management Board

The Group Management Board is presided over by the Group Chief Executive Officer, who is responsible, in particular, for formulating, developing and implementing the overall strategy for the Group, as approved by the Board of Directors, for establishing the organisation of the Group Management Board itself, for overseeing the management of the Group, for representing the Group Management Board in its relationship with the Board of Directors and third parties, and for succession planning at the level of the Group Management Board.

Except where delegated by the Board of Directors to the Group Chief Executive Officer, and under the leadership of the Group Chief Executive Officer, the Group Management Board is delegated with ultimate responsibility for all of the day-to-day activities of the Group, including such activities which have been assigned or delegated by the Group Management Board. The Group Chief Executive Officer has an overriding right to information concerning, and the right to examine, all business issues within the Group. The Group Chief Executive Officer has the power to override any decisions taken by the Group Management Board, notifying the Chairman of the Board of Directors of any exercise of such power.

3.6 Information and control instruments regarding the Group Management Board

The Board of Directors supervises and controls the Group Management Board through various control tools and processes. The Group Chief Executive Officer is responsible for ensuring an appropriate information flow to the Board of Directors and its Chairman, including by the provision of regular management reports. The Group Chief Executive Officer, Group Chief Financial Officer, Group General Counsel, Group Chief Risk Officer and Group Head of Compliance report to the Board of Directors on a regular basis on their current activities, business performance, financial data, major risks and/or other material and significant issues or developments as they arise. Furthermore, the Group Chief Executive Officer, Group Chief Financial Officer, Group General Counsel, Group Chief Risk Officer and Group Head of Compliance are regularly invited to participate at meetings of the full Board of Directors, and the Group Chief Financial Officer, Group General Counsel, Group Chief Risk Officer and Group Head of Compliance at meetings of the Audit Committee, and the Group Chief Executive Officer and/or Group General Counsel, from time to time, at meetings of the Governance and Nomination Committee and the Compensation Committee, as well as the Group General Counsel and Group Head of Compliance at meetings of the Regulatory Oversight Committee, in order to support those bodies in their decision-making processes and provide regular reporting on the day-to-day activities and risks facing the Company, and on their oversight of the operating businesses.

The Board of Directors is responsible for the appointment and removal of, and its Compensation Committee for the performance evaluation/review and compensation of, the members of the Group Management Board.

Internal audit supports the Board of Directors and its Committees in discharging their governance responsibilities. For more information on internal audit, see section 7.4.

4. SENIOR MANAGEMENT

4.1 Members of the Group Management Board

David Jacob
Member of the Board of Directors,
Group Chief Executive Officer

Richard McNamara
Group Chief Financial Officer

Rachel Wheeler
Group General Counsel

Tim Rainsford
Group Head of Sales and Distribution

Elmar Zumbuehl
Group Chief Risk Officer

Matthew Beesley
Group Head of Investments

Martin Jufer
Group Head Private Labelling,
Region Head Continental Europe

Tim Dana*
Group Head of Corporate Development

Larry Hatheway*
Group Head of GAM Investment Solutions,
Group Chief Economist

* stepped down as a member of the Group Management Board with effect from 1 January 2019, while retaining their functional roles and responsibilities.

David Jacob, Member of the Board of Directors and Group Chief Executive Officer

David Jacob has been a member of the Board of Directors of GAM Holding AG since 2017 and was appointed Group Chief Executive Officer and a member of the Group Management Board in November 2018. He served as a member of the Audit Committee and the Compensation Committee from 2017 until November 2018. Prior to that, he was the Chief Executive Officer of Rogge Global Partners Ltd, a position he held from 2014 until 2016. Between 2004 and 2013, David was with Henderson Global Investors where he held a variety of roles including member of the Board of Directors and Chief Investment Officer. Prior to joining Henderson, David was Head of Fixed Income, EMEA at UBS Global Asset Management between 2002 and 2004. Prior to UBS, he held a variety of roles at Merrill Lynch Investment Managers and JPMorgan Asset Management. He is a member of the Investment Committee of the National Trust Pension Fund and is the Vice Chairman of the Investment Committee of the Worshipful Company of Stationers and Newspaper Makers. David is a chartered financial analyst and holds a BSc in economics from Wharton School, University of Pennsylvania. He was born in 1964 and is a US and British citizen.

Richard McNamara, Group Chief Financial Officer

Richard McNamara was appointed Group Chief Financial Officer and became a member of GAM Holding AG's Group Management Board in 2015. Before joining the Group, Richard was Managing Director, Finance, at Henderson Group, a role he had held since 2013. He joined Henderson in 2009 as Head of Group Finance, focusing on finance and financial operations, including M&A activity. In 2013, he took on the new responsibilities for tax, investor relations, facilities and procurement. Prior to his roles at Henderson, Richard held senior finance roles at Western Asset Management, Legg Mason and Citigroup Asset Management. Richard is a chartered accountant and holds a BA (Hons) in finance and accounting from Brighton University. He started his career at PricewaterhouseCoopers where he was a senior manager in the Investment Management Industry Group. Richard was born in 1968 and is a British citizen.

Rachel Wheeler, Group General Counsel

Rachel Wheeler was appointed Group General Counsel and a member of the Group Management Board of GAM Holding AG in September 2018. Before joining GAM in 2018, she worked as General Counsel at Aviva Investors for four years where she was a member of the Executive Committee and at USS Investment Management Limited for over two years. Prior to that, she was Head of Legal, International Asset Management at BNY Mellon for six years. She started her career in 1994 at Simmons & Simmons, where she qualified as a solicitor. Rachel holds a postgraduate diploma in law and legal practice from the College of Law, Guildford and a BA in history from the University of Wales. Rachel chairs the Investment Association Legal Committee and is a member of the Investment Association Trade and Investment Committee. Rachel is a member of the Law Society. She was born in 1969 and is a British citizen.

Tim Rainsford, Group Head of Sales and Distribution

Tim Rainsford was appointed the Group Head of Sales and Distribution and became a member of GAM Holding AG's Group Management Board in 2017. Before joining GAM, he was Global Co-Head of Sales and Marketing at Man Group and member of Man Group's Executive Committee. Prior to this role, which he held since 2013, he was Senior Managing Director and Head of European Sales at Man. Tim joined Man in 2003 in Australia, where he was responsible for key bank relationships and helped to build up the company's large retail distribution presence, taking over full responsibility for the market in 2005. In 2007, he became Man's Managing Director for Asia, leading the distribution efforts in Hong Kong, China, Korea, Taiwan, Singapore and all smaller Asean countries. Before working for Man, he held senior roles at JP Morgan in Hong Kong, Japan and Korea. Tim holds a Master in Applied Finance from Macquarie University in Sydney and a Bachelor of Business from the University of Technology in Sydney. He is a member of the Australian Institute of Chartered Accountants. He was born in 1968 and is an Australian citizen.

Elmar Zumbuehl, Group Chief Risk Officer

Elmar Zumbuehl was appointed Group Chief Risk Officer and member of the Group Management Board of GAM Holding AG, in 2017. Before that he was Group Head of Risk & Governance and a permanent guest member of the Group Management Board. He joined GAM in March 2010 as Senior Legal Counsel and Risk Manager. In 2011, Elmar also assumed the role of General Counsel and Corporate Secretary of GAM Holding AG. Prior to that, he worked at Julius Baer for 10 years in different roles, latterly from 2006 to 2010 as Head Legal Risk Controlling & Governance. Elmar, who was admitted to the bar in Switzerland in 2000, is a graduate of the University of St. Gallen (HSG). He holds masters' degrees in business administration (lic. oec. HSG), specialising in finance and accounting, and law (lic. iur. HSG). Elmar was born in 1970 and is a Swiss citizen.

Matthew Beesley, Head of Investments

Matthew Beesley, Head of Investments, joined GAM Holding AG in 2017 and was appointed to the Group Management Board in September 2018. Prior to joining GAM, Matthew was Head of Global Equities at Henderson Global Investors for five years. Matt's previous experience includes a number of portfolio manager roles at Trinity Street Asset Management, JP Morgan Asset Management and Mercury Asset Management/Merrill Lynch Investment Managers. Matthew holds a BA (Hons) degree in politics and modern history from the University of Manchester and is a CFA charter holder. He was born in 1975 and is a British citizen.

Martin Jufer, Group Head Private Labelling and Region Head Continental Europe

Martin Jufer became a member of GAM Holding AG's Group Management Board in 2013. Since 2015, he has been Region Head Continental Europe. From 2013 to 2015, Martin was responsible for the operations function of the Group's continental Europe business. Prior to that, he was Chief Operating Officer and Head of Products and Services of Swiss & Global Asset Management (formerly Julius Baer Asset Management). Martin joined Julius Baer Asset Management as an investment controller in 1996 and subsequently became responsible for fund administration, middle office and IT. Before joining Julius Baer, he worked as an auditor with Ernst & Young in Zurich. He holds an MBA from the University of St. Gallen (HSG) and a Swiss federal diploma for financial analysts and portfolio managers. He is also a Certified European Financial Analyst (CEFA) and a US Certified Public Accountant (CPA). Martin was born in 1968 and is a Swiss citizen.

Tim Dana, Group Head of Corporate Development

Tim Dana joined GAM Holding AG as Group Head of Corporate Development in 2015 and was appointed to the Group Management Board in 2016. Prior to joining the Group, he was Managing Director at Citigroup Global Markets, specialising in mergers and acquisitions for financial institutions, a role he had held since 2011. Between 1998 and 2011, Tim worked for Lazard in New York where he held various senior positions including Managing Director in Financial Institutions M&A. Prior to his roles at Lazard, he worked for Salomon Smith Barney and its predecessors from 1993 to 1998. Tim holds a BA from Princeton University. He was born in 1969 and is a US citizen.

Larry Hatheway, Group Head of Investment Solutions and Group Chief Economist

Larry Hatheway joined GAM Holding AG as Group Chief Economist in 2015 and was appointed to the Group Management Board in May 2016. Since September 2016, he has been Group Head of Investment Solutions and Group Chief Economist, overseeing GAM's private clients, charities, multi asset and alternative investments solutions teams. Prior to joining the Group, he was Managing Director and Chief Economist at UBS Investment Bank. He was UBS's Global Head of Macro Strategy from 2008 to 2012 and Global Head of Asset Allocation from 2000 to 2012. Larry was also UBS's Global Head of Fixed Income and Currency Strategy. Before joining UBS in 1992, he held roles at the Federal Reserve, Citibank and Manufacturers Hanover Trust. Larry holds a PhD in economics from the University of Texas, an MA from the Johns Hopkins University, and a BA from Whitman College. He was born in 1958 and is a US and British citizen.

Changes in senior management

With effect from 12 March 2018, Dirk Spiegel decided to step down as a member of the Group Management Board, and subsequently left the Group. Natalie Baylis, who joined the Group and the Group Management Board as Group Head of Compliance on 11 June 2018, decided to step down as a member of the Group Management Board in September 2018, and subsequently left the Group in October 2018. With effect from 6 November 2018, Alexander Friedman stepped down from his role as Group Chief Executive Officer and member of the Group Management Board. Larry Hatheway and Tim Dana stepped down as members of the Group Management Board with effect from 1 January 2019 but will retain their current functional roles and responsibilities and continue to form part of GAM's senior management team.

With effect from 3 September 2018, Rachel Wheeler joined the Group as Group General Counsel and became a member of the Group Management Board. Matthew Beesley joined the Group in March 2017 and with effect from 28 September 2018, he became a new member of the Group Management Board.

4.2 Activities and functions of Board Members outside the Group

In applying the Corporate Governance Directive of the SIX Swiss Exchange and as set forth in article 13 of the articles of incorporation, which can be found at www.gam.com/aoi2018, we disclose mandates and interest ties of the members of the Group Management Board outside the Group:

David Jacob
Member of the Investment Committee of the National Trust Pension Fund, England (non-listed entity)
Vice Chairman of the Investment Committee of the Worshipful Company of Stationers and Newspaper Makers, England (non-listed entity)
Member of the Board of Trustee of the Science Museum Foundation, England (non-listed entity) (non-profit organisation)
Member of the Board of Directors of Carlisle Mansions West Ltd., England (non-listed entity) (non-profit organisation)

Richard McNamara
None

Rachel Wheeler
Chair of the Investment Association Legal Committee, England (non-listed entity)
Member of the Investment Association Trade and Investment Committee, England (non-listed entity)

Tim Rainsford
None

Elmar Zumbuehl
None

Martin Jufer
Member of the Board of Directors of the Swiss Funds & Asset Management Association SFAMA, Switzerland (non-listed entity)
Member of the Board of Directors of Swiss Fund Data AG, Switzerland (non-listed entity)
Member of the Board of Directors of AZEK – SFAA, Switzerland (non-listed entity)
Member of the Board of Trustees of Julius Baer Pension Fund, Switzerland (non-listed entity)
Member of the Board of Directors of various investment funds domiciled in Luxembourg, which are not controlled but managed by subsidiaries of GAM Holding AG (listed and non-listed entities)

Tim Dana
None

Larry Hatheway
None

Matthew Beesley
None

4.3 Management contracts

There are no management contracts between GAM Holding AG and companies (or individuals) outside the Group.

5. SHAREHOLDERS' PARTICIPATION RIGHTS

5.1 Voting-rights restrictions and representation

In relation to the Company, any person entered in the share register shall be deemed to be a shareholder. Shareholders may represent their shares themselves or have them represented by a third party or the independent representative at the General Meeting. The independent representative is elected by the General Meeting for a term of office until the next Annual General Meeting. Their term of office expires after completion of the Annual General Meeting. Re-election is possible. If the Company does not have an independent representative, the Board of Directors appoints the independent representative for the next General Meeting.

The Board of Directors offers shareholders the possibility to authorise and give their instructions to the independent representative electronically. Shareholders may do so by accessing the website stated in the invitation to, and the registration form for, the General Meeting, and then following the guidance that is displayed on their computer screen. In addition to internet access, an email address and a mobile telephone that can receive a code by text message are required. Shareholders receive their personal data for accessing this website with the registration form. The invitation to, and the registration form for, a General Meeting state the deadline until when instructions can be electronically given to the independent representative.

The 2018 Annual General Meeting elected Tobias Rohner, Attorney-at-Law, Holbeinstrasse 30, 8034 Zurich, Switzerland, as Independent Representative for a term of office until the end of the 2019 Annual General Meeting.

There are no voting-rights restrictions. Each share entitles its holder to one vote.

5.2 Statutory quorums

Except where otherwise required by mandatory law and/or by article 8.14 of the articles of incorporation (which can be found at www.gam.com/aoi2018), all resolutions of the General Meeting are passed by an absolute majority of the votes cast, excluding blank or invalid ballots.

5.3 Convocation of the General Meeting

The convocation of the General Meeting complies with applicable legal regulations. The convocation of a General Meeting may also be requested by one or more shareholders who together represent at least 10% of the share capital. The Board of Directors must convene the requested General Meeting within six weeks of receiving the request.

5.4 Agenda

Shareholders who represent shares of a nominal value of CHF 100,000 may demand that matters be put on the agenda. Such requests must be submitted to the Company at least six weeks before the date of the respective General Meeting. The request to convene a meeting and to put a matter on the agenda must be in writing, and include full details of the proposals.

5.5 Registrations in the share register

In the invitation to a General Meeting, the Board of Directors states the applicable record date by which shareholders must be registered in the share register in order to be eligible to participate and vote at the meeting. Nimbus AG, Ziegelbrueckstrasse 82, 8866 Ziegelbruecke, Switzerland, administrates the Company's share register.

6. CHANGE OF CONTROL AND DEFENCE MEASURES

6.1 Duty to make an offer

According to the Swiss Financial Market Infrastructure Act, an investor who acquires more than 33 1/3% of all voting rights, either directly, indirectly or in concert with a third party, and whether the rights are exercisable or not, has to submit a take-over offer for all shares outstanding. GAM Holding AG has not applied to opt out of, or to increase, the percentage threshold applicable to this obligation.

6.2 Clauses on change of control

There are no provisions on change of control benefitting the members of the Board of Directors and/or the Group Management Board under their mandates or contracts of employment.

7. AUDITORS

7.1 Duration of mandate and term of office of lead auditor

In accordance with the articles of incorporation, the external auditor must be elected at each Annual General Meeting for a term of office of one year. KPMG AG has been the statutory auditor of the Company since the Annual General Meeting on 12 April 2006. Christoph Groebli has served as the lead auditor since 2017. The lead auditor may hold this engagement for a maximum of seven consecutive years, but may resume the engagement after a break of three years.

7.2 External auditing and additional fees

Services provided by KPMG AG to the Group comprise auditing and non-auditing services, the latter consisting of audit-related services, tax services and other services.

Auditing services include work performed to issue opinions on the parent company's and consolidated financial statements, to issue opinions relating to the effectiveness of the Group's internal control system over the financial reporting, and to issue reports on statutory financial statements of subsidiaries of GAM Holding AG. Also included is work that generally can only be performed by the statutory auditor.

Audit-related services include those other assurance services provided by the independent auditor but not restricted to those that can only be provided by the statutory auditor. Tax services represent tax compliance and other tax-related services. Other services include mainly services in connection with human resources-related matters.

The Group paid KPMG AG fees for auditing services totalling CHF 2.2 million in the 2018 financial year (CHF 1.8 million in the 2017 financial year). For non-auditing services, the Group paid KPMG AG fees totalling CHF 0.09 million in the 2018 financial year (CHF 0.15 million in the 2017 financial year), whereof CHF 0.06 million for audit-related services (CHF 0.09 million in the 2017 financial year) and CHF 0.01 million for tax services (CHF 0.06 million in the 2017 financial year).

In addition, KPMG AG received CHF 2.3 million (whereof CHF 2.2 million fees for auditing services) in the 2018 financial year (CHF 2.6 million in the 2017 financial year) for services performed on behalf of, and for, investment funds managed by subsidiaries of GAM Holding AG. According to the Swiss collective investment scheme law, fund management companies and the investment funds managed by them must appoint the same statutory auditor.

7.3 Supervisory and control instruments regarding the external auditor

The Audit Committee of the Board of Directors pre-approves the fee amounts for services rendered by KPMG AG to the Group in order to ensure their independence. As to non-audit work related services rendered by KPMG AG to the Group, such pre-approval is granted by means of an annual budget approved by the Audit Committee to the Group Chief Financial Officer. The Audit Committee then receives regular updates from the Group Chief Financial Officer on KPMG AG's activities for the Group and the related incurred year-to-date fees. Any use of KPMG AG by the Group for non-audit work is overseen by the Audit Committee and coordinated by the Group Chief Financial Officer.

Furthermore, the Audit Committee confers regularly with the lead auditor of KPMG AG about the effectiveness of the internal control systems in view of the risk profile of the Group. In addition, it reviews the scope of the auditing work, the quality of the work and the independence of the external auditors. The external auditors have direct access to the Audit Committee at all times and participate at every regular quarterly meeting of the Audit Committee.

7.4 Internal audit

The internal audit function provides independent, objective assurance and advisory services to the Board of Directors, the Audit Committee and the Group Management Board. It carries out operational and system audits in accordance with a risk-based internal audit plan and assists the organisation in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The internal audit plan, which consists of a work schedule as well as budget and resource requirements for the next audit cycle (1 January to 31 December of each calendar year), is submitted at least annually by the Head of Internal Audit to the Group Management Board (for its review) and to the Audit Committee (for its approval), and is developed based on a prioritisation of the audit universe using a risk-based methodology, including input from senior executives within the Group, the Group Management Board, the Board of Directors and the external auditors. In addition to the approved internal audit plan, the Chairman of the Board of Directors or the Chairman of the Audit Committee may instruct internal audit to carry out special assignments. Furthermore, members of the Group Management Board may ask internal audit for assistance in carrying out special assignments after consultation with the Chairman of the Board of Directors or the Chairman of the Audit Committee.

The Head of Internal Audit reports to the Chairman of the Audit Committee, but is expected to have regular and unrestricted access to the Chairman of the Board of Directors. In addition, the Head of Internal Audit is expected to provide regular reporting on the activities of the internal audit function to the Audit Committee and is a participant at the regular quarterly meetings of the Audit Committee. The Audit Committee regularly reviews the independence, activities and results of internal audit. The Audit Committee also evaluates the performance of the Head of Internal Audit. The Chairman of the Audit Committee determines the total compensation paid to the Head of Internal Audit in consultation with the Chairman of the Board of Directors and the members of the Audit Committee.

8. INFORMATION POLICY

GAM Holding AG provides regular information to its shareholders and the public each year by means of the Annual Report as well as a half-year report. Its current policy is additionally to provide voluntary Interim Management Statements twice each year, covering material developments between the publication of the annual and half-year results and the date of such statements. Additional ad-hoc publications will be made where they are considered appropriate or where required under applicable law or regulation. Published materials are available to the public in electronic form (subscription to GAM Holding AG's news alert for corporate information and ad-hoc publications is possible under www.gam.com/en/our-company/investor-relations/gam-news-alert) as well as in print form from the address mentioned in section 8.2 below.

8.1 Corporate calendar

17 April 2019	Interim management statement
08 May 2019	Annual General Meeting
30 July 2019	Release of half-year results
17 October 2019	Interim management statement

8.2 Contacts

GAM Holding AG
Hardstrasse 201
P.O. Box
CH-8037 Zurich
Switzerland

T +41 (0) 58 426 30 30
gamholding@gam.com

Investor relations
Patrick Zuppiger
Head of Group Communications and Investor Relations
T +41 (0) 58 426 31 36
patrick.zuppiger@gam.com

Jessica Grassi
Investor relations officer
T +41 (0) 58 426 31 37
jessica.grassi@gam.com

Media relations
Marc Duckeck
Senior communications manager
T +41 (0) 58 426 62 65
marc.duckeck@gam.com

Tobias Plangg
Senior communications manager
T +41 (0) 58 426 31 38
tobias.plangg@gam.com

Further information
Our website provides further information on GAM Holding AG, including share price data, details of our share buy-back programme, media releases, historical annual reports and an events calendar.

www.gam.com

COMPENSATION REPORT

Dear Shareholder

In last year's compensation report, we outlined a new compensation framework underpinned by four key principles: pay for performance, alignment with shareholders' long-term interests, transparency and incentivisation of sound risk management. We were pleased that shareholders showed their support for this new framework by approving all of the compensation votes at last year's Annual General Meeting.

Changes to the Compensation Committee and Group Management Board

With effect from 6 November 2018, Alexander S. Friedman stepped down from the role of Group CEO and Member of the Group Management Board and my colleague, David Jacob, assumed the role of Group CEO on an interim basis. As a result, David stepped down from the Compensation Committee. The Board of Directors appointed, and the Compensation Committee welcomed back, Benjamin Meuli as a returning member. David joined the Group Management Board and in addition, Rachel Wheeler, the Group's new General Counsel and Matthew Beesley, Group Head of Investments, were appointed to the Group Management Board. As announced in December 2018, Larry Hatheway and Tim Dana stepped down from the Group Management Board, but continue as members of the senior management team.

Compensation for 2018

Annual bonus
As discussed in the letter from the Chairman and the CEO, the 2018 performance year was challenging and difficult for the Group and our shareholders. Bonus payouts for the year under review reflect the disappointing financial performance and shareholder returns. The former Group CEO and the Group CFO did not receive an annual bonus for the 2018 performance year.

For other Group Management Board members, annual bonuses were determined by the balanced scorecard introduced in 2018. The financial metrics used in the balanced scorecard reflect the lower than expected financial performance of the Group for 2018, with three of the four financial metrics not delivering any annual bonus. Investment performance, however, remained on target with 66% of assets under management outperforming their benchmark. In aggregate, there was an approximate 90% year-on-year decrease in the bonus payout related to financial metrics.

The non-financial metrics of the scorecard reflect the Compensation Committee's assessment of the strategic, business and personal results of the Group Management Board members. Details of some of the key strategic achievements are highlighted in section 4.5. The Compensation Committee is cognisant of the exceptional commitment and tireless efforts demonstrated by the members of the Group Management Board as the Group seeks to stabilise and simplify the business. The members of the Group Management Board remain focused on implementing the necessary strategic, financial and operational changes required to ensure the Group returns to expected levels of performance. A clear priority of the Board is to ensure that the Group has the strength of leadership and commitment required to drive our refocused strategy and deliver value for our shareholders.

The Compensation Committee carefully considered the outcome of the balanced scorecard taking into consideration the concerns of our shareholders, the efforts of the Group Management Board and their ongoing criticality in supporting David Jacob. After much consideration, the Compensation Committee was satisfied the balanced scorecard outcome was fair and appropriate.

The resultant aggregate annual bonus proposal (excluding social security and pension) is approximately 40% lower than in 2017 for those Group Management Board members, excluding the

Group CEO and Group CFO, who were employed by GAM throughout both 2017 and 2018.

Deferred compensation
For the 2018 performance year, 100% of the Group Chief Financial Officer's total variable compensation consisting only of a long-term incentive grant, and more than two thirds of total variable compensation (using face value of long-term incentive plan grants) for the Group Management Board, in aggregate, is deferred and aligned with shareholders either through deferral of bonus into shares or long-term incentive awards. This is consistent with the principal of long-term alignment in our compensation framework.

Total variable compensation
Overall variable compensation for the Group Management Board is included in section 4.1. The variable compensation proposal (excluding recruitment costs, social security and pension) has decreased by 46% relative to 2017. As the Group Management Board had more members during 2018 than 2017, the decline in individual variable compensation is more substantial than the aggregate figure. For Group Management Board members who were employed by GAM throughout both 2017 and 2018, the year-on-year decrease in the total variable compensation proposal is 60%.

Fixed compensation
The aggregate amount of fixed compensation for 2018 is within the amount approved by shareholders at the 2018 Annual General Meeting of shareholders. The changes to the membership of the Group Management Board in 2018, however, contributed to an increase in fixed compensation from 2017 to 2018. This increase was a consequence of the differing membership of the Group Management Board during 2017 and 2018. Throughout the course of 2018 there were twelve members of the Group Management Board for whom fixed compensation is included in section 4.1. These twelve members include those terminating from the Group, replacements, as well as the expansion of roles included on the Group Management Board. This compares to 2017 when there were only eight members of the Group Management Board for whom fixed compensation is included in section 4.1.

Pay for performance ratios
An integral part of our compensation framework includes two key ratios that underpin our principle of pay for performance: the compensation ratio and the cap on total Group Management Board variable compensation. The Group's compensation ratio declined to 47.9% from 48.3% and therefore remains in our target range of 45–50% of underlying net fee and commission income. The cap on total Group Management Board variable compensation is set at 5% of underlying profit before taxes (excluding Group Management Board variable compensation). This cap excludes social security costs, pension costs and one-time awards for Group Management Board members. For the 2018 performance year, the proposed total variable compensation for the Group Management Board amounts to 3.4% of underlying profit before taxes (excluding Group Management Board variable compensation). This represents a decline from 4.6% in the previous year reflecting the impact of the financial elements of the balanced scorecard. Further details can be found in section 4.1.

Recruitment and departures
As outlined above, there have been a number of changes on the Group Management Board during 2018. These changes have required the Compensation Committee to consider a number of compensation issues:

Alexander S. Friedman's compensation during his notice period is being paid in accordance with his employment contract. Details are in section 4.1.

In his role as interim Group CEO, David Jacob receives a fixed base salary in addition to his fee as a member of the Board of Directors. He is not eligible for any variable compensation. Details are in sections 3 and 6.1.

Our new Group General Counsel, Rachel Wheeler, was granted awards to replace incentive awards she forfeited upon leaving her previous employer. Details are in section 4.7.

Compensation for 2019

Group Management Board compensation
No changes are currently proposed to the Group Management Board compensation framework in 2019 as the Compensation Committee is satisfied that it remains consistent with delivery of our strategic priorities.

The current composition of the Group Management Board, with effect 1 January 2019, includes seven members and this reduced membership is reflected in the fixed compensation resolution (which contains a reduced level of fixed compensation) to be put to the shareholders at the 2019 Annual General Meeting.

Board compensation
Considering the financial performance and events of the year, the Compensation Committee reviewed and discussed in detail the fee structure for the Board of Directors. As included in section 5, the shareholders will note a reduction in the fixed cash and share-based fees for the Chairman and the fixed cash fee for the Vice Chairman. Fees for the Chairman have decreased by more than 50% over the past two years.

It has been a time of great change and difficulty for our employees and for our shareholders. Following the exceptional circumstances faced by the Group this year, we are confident that we have a strong, dedicated team in place to move forward and execute on our strategic priorities. Our people are central to everything we do, particularly in challenging circumstances. We witnessed deep commitment, passion and conviction from employees throughout the Group. Recognising and retaining talent in a competitive landscape is essential. We look forward to receiving your support at the forthcoming Annual General Meeting of Shareholders.

Nancy Mistretta
Chairman of the Compensation Committee

Zurich, 21 February 2019

1. COMPENSATION PRINCIPLES

This section of the report outlines the compensation principles that are applied across the Group.

The Group's compensation framework is designed to attract, retain and motivate the talent which the Group needs in order to achieve its strategic goals as well as to create a tangible link between performance and compensation. Through a mix of fixed and variable components, the framework aims to promote long-term, sustainable performance by encouraging employees to focus on delivering outstanding results through appropriate and controlled risk taking.

There are four key principles to our compensation framework:

Pay for performance →	**Compensation is linked to the Group's overall performance as well as to the individual's professional skills, expertise and contribution.**
Alignment with shareholders' long-term interests →	**The long-term interests of employees and shareholders are aligned through the use of deferred compensation, share-based awards and share ownership guidelines.**
Transparency →	**Retrospective shareholder approval is requested for the Group Management Board variable compensation.**
Incentivise sound risk management →	**A well-balanced mix of fixed and variable compensation is combined with deferrals as well as malus and clawback provisions to encourage sustainable performance and sound risk management.**

2. AT A GLANCE

This section of the report summarises the compensation framework.

Summary of the compensation framework

Principle	Element	Rationale
Pay for performance	**Target compensation ratio:** a group-wide target compensation ratio of 45–50% of underlying net fee and commission income.	• Provides a clear and appropriate metric by which to evaluate the balance of all-employee reward and returns to shareholders.
	Group Management Board (GMB) variable compensation cap: the total granted GMB variable compensation (comprising annual bonuses and long-term incentive plans) is capped at 5% of underlying profit before taxes excluding GMB variable compensation. The cap excludes social security, pension costs and one time awards for new members.	• Enforces a direct link between financial performance and variable compensation for the GMB.
	Balanced scorecard for annual bonuses:[1] a balanced scorecard of stretch financial and non-financial measures has been formalised to determine GMB members' annual bonuses. For the Group CEO and Group CFO the scorecard is comprised of 60% financial metrics (underlying profit before taxes, operating margin, net flows, investment performance); 20% strategic and business metrics; 20% personal objectives.	• Provides a clear structure to assess performance for the annual bonus. • Evidences the link between pay and performance.
	Individual caps:[1] a cap for the Group CEO and Group CFO on annual discretionary bonus (250% and 200% of their respective salaries) and LTIP awards (face value of 200% of salary).	• Aligns GAM with market practice and shareholder expectations.
Alignment with shareholders' long-term interests	**Annual bonus deferral:** The proportion of GMB bonuses deferred into GAM shares is 50% with a deferral period of four years. Bonus deferrals are also in place for non-GMB employees.	• Aligns annual bonuses with long-term value creation.
	LTIP framework: LTIP awards, in the form of performance shares, are an integral part of the GMB compensation package. Vested awards will not be released until five years after grant. Performance measures will be annual underlying earnings per share (EPS) growth (50%); three-year relative total shareholder return (rTSR) performance (25%); three and five-year investment performance (25%).	• Further emphasises the longer term nature of the GMB compensation package.
	Shareholding guidelines:[1] Formal shareholding guidelines are in place for all GMB and board members: • Group CEO and Group CFO are required to build up a holding of GAM shares worth 200% of their salary • Other GMB members are required to build up a holding of GAM shares worth 100% of their salary • Board of Directors are required to build up a holding of GAM shares worth 200% of their annual cash fee	• Provides greater alignment between GAM board members, GMB and other shareholders of GAM.
Transparency	**Retrospective vote:** GAM requests retrospective shareholder approval for GMB variable compensation.	• A retrospective vote provides shareholders greater transparency as to the amount of variable compensation requested for GMB awards relative to the year's performance.
	Disclosure: The annual compensation report provides a transparent explanation of compensation decisions, in particular retrospective disclosure of targets for financial performance measures used in the determination of annual bonuses and prospective disclosure of targets for LTIP awards.	• Provides shareholders with increased visibility of the link between the performance in the year and GMB compensation.
Sound risk management	**Risk management:** a well balanced mix of fixed and variable compensation is combined with deferrals, which includes malus and clawback provisions.	• Continues to align compensation to support sustainable performance and sound risk management.

[1] The current Group CEO is not eligible to receive any variable compensation and is not subject to GMB shareholding guidelines.

3. COMPENSATION FRAMEWORK

This section of the report details the compensation framework for the Group.

The following table sets out the elements of compensation which Group Management Board members are eligible to receive and how they will be structured during 2019.

Fixed compensation

Element	Structure	2019 implementation
Base salary To appropriately recognise responsibilities and attract and retain talent	Generally reviewed annually. The review takes into consideration a number of factors, including (but not limited to): • The individual's role, experience and performance • Business performance • Market data for comparable roles in appropriate comparators[1] • Compensation decisions elsewhere in the Group.	**Aggregate GMB members:** GMB fixed compensation will be capped at CHF 6,000,000 reduced from the previous cap of CHF 8,000,000 in 2018. **Group CEO:** The current interim Group CEO has a fixed base salary of CHF 72,750 per month and is not eligible for any variable compensation. He also receives a fee as a member of the Board of Directors as outlined in section 5. **Group CFO:** The Group CFO base salary remains unchanged at GBP 500,000 per annum.
Pension/benefits To provide market competitive benefits	Benefits are role specific and take into account local market practice. Benefits currently include pension contributions, life assurance and private medical insurance. Benefits are intended to be competitive in each of the markets in which we operate.	**Aggregate GMB members:** Pension contributions and benefits for GMB members are in line with local practices for other employees.

[1] Survey data is taken into consideration for each of the Group Management Board roles. The data is one of the inputs used to inform the Compensation Committee of compensation practices in peer companies and as a broad market sense-check of our proposals. It is not used as a specific benchmark.

Variable compensation

GMB variable compensation cap	Total GMB variable compensation (comprising annual bonuses and long-term incentive plans) will be capped at 5% of underlying profit before taxes, excluding GMB variable compensation. The cap will exclude social security, pension costs and one-time awards for new members.	
Element	**Structure**	**2019 performance year**
Annual bonus [2, 3, 4, 7] To link reward to key business targets for the forthcoming year and to individual contribution Additional alignment with shareholders' interests through deferred compensation	All GMB members' annual bonuses are based on performance assessed over one year using a balanced scorecard. For financial metrics, 25% of maximum will be paid for achieving a threshold level of performance increasing to 50% for target performance and 100% for significant outperformance. Annual bonuses for the Group CEO and Group CFO are capped at a maximum of 250% of salary and 200% of salary respectively. 50% of GMB members' annual bonuses are paid in cash with 50% delivered in GAM shares vesting equally over a four-year period.	GMB annual bonuses will be determined by a balanced scorecard comprising financial, strategic and business and personal performance metrics. For the Group CEO and Group CFO these will be weighted 60% / 20% / 20% respectively. Financial metrics will be underlying profit before taxes, operating margin, net flows and three-year investment performance. Strategic and business metrics will be based on agreed budgets, KPIs and on the delivery against strategic priorities.
Long-term [2, 3, 4, 7] **incentive plan (LTIP)** To link reward to key business targets for the longer term with the objective of providing sustainable value and growth for our shareholders	Individual LTIP awards for the Group CEO and Group CFO are capped at shares with a maximum face value (at grant) of 200% of salary. For LTIP awards granted from 2018 onwards: • Vesting will be determined by corporate performance targets measured over a three-year period • Vested awards will be released five years after grant date • A maximum of 25% of the LTIP will vest for achieving a threshold level of performance increasing to 50% for target performance and 100% for exceptional performance.	LTIP awards in relation to 2018 performance will be granted after the 2019 AGM. Details of the proposed awards to be granted can be found in sections 4.1 and 4.6. There are no changes to the structure of the long-term incentive awards proposed to be granted in 2019 compared to the 2018 grant. Performance under the 2019 LTIP award for all members of the GMB will be assessed using the following performance conditions over the period from 1 January 2019 to 31 December 2021.

Performance metrics	Weighting	Threshold (25% of max)	Target (50% of max)	Maximum (100%)
Annual underlying EPS growth	50%	5%	10%	15%
Three-year [5] relative TSR performance	25%	50% (median)	straight line vesting	75% (upper quartile)
Three and five- [6] year investment performance	25%	50%	62.5%	75%

Share ownership guidelines

To align executive [7] interests with those of shareholders	The Group CEO and Group CFO are expected to build up and maintain a holding in GAM shares worth at least 200% of salary. Other GMB members are expected to build up and maintain a holding worth at least 100% of salary.

[2] The Compensation Committee will retain an overriding discretion to ensure that there is appropriate alignment between business performance and incentive payouts.

[3] All variable compensation awards to GMB members are subject to provisions that enable the Group to reduce or cancel the awards, whether vested (but not yet settled) or unvested, or claim back variable compensation, even after vesting and distribution, of members whose individual behaviour has caused, wholly or in part, a material loss to the Group as a result of reckless, negligent or willful actions or inappropriate behaviour.

[4] When an individual ceases their employment with GAM their outstanding awards will lapse, except where the Compensation Committee deems the individual to be a 'good leaver'. In this case awards made under the deferred bonus plan will typically vest as per the original vesting schedule. For 'good leavers', awards made under the LTIP will remain subject to performance conditions, will typically be pro-rated by the proportion of the performance period in which the individual has been employed and subject to the original vesting schedule.

[5] TSR performance will be measured against the following comparator group: Alliance Bernstein L.P., Amundi SA Asset Management, Ares Management L.P., Artisan Partners Asset Management plc, Ashmore Group plc, BrightSphere Investment Group plc, Eaton Vance Corp, Invesco Ltd, Janus Henderson Group plc, Jupiter Fund Management plc, Legg Mason Inc, Man Group plc, Oaktree Capital Management L.P., Och-Ziff Capital Management LLC, Partners Group Holding AG, Schroders plc, Standard Life Aberdeen plc, Vontobel Holding AG.

[6] Investment performance is defined as the proportion of funds outperforming their benchmark as disclosed by GAM in its annual results.

[7] David Jacob as interim Group CEO is not eligible to receive any variable compensation and is not subject to GMB shareholding guidelines.

3.1 Distribution of Group Management Board Members' variable compensation

Our general policy is that Group Management Board variable compensation over the longer term should be appropriately balanced between cash, deferred equity and long-term incentive plan awards (based on face value) although the weightings may vary year to year. This ensures that Group Management Board members are aligned with a strategy of delivering long-term sustainable growth.

3.2 Key terms of Group Management Board Members' employment contracts

All employment related agreements for members of the Group Management Board comply with the Swiss Ordinance against Excessive Compensation in Listed Stock Companies. They do not include severance payments or supplementary contributions to pension plans.

3.3 High level compensation principles for other employees

The compensation framework for employees other than the Group Management Board is designed according to the same four overarching principles, reflecting the values which run throughout the organisation.

Pay for performance

The Group aims to provide competitive total compensation in order to attract and retain experienced and talented individuals who will promote its values, better service the needs of its clients and contribute to the overall development and profitability of the Group. The group-wide target compensation ratio of 45–50% of underlying net fee and commission income ensures that reward will be appropriately divided between all employees and shareholders.

Alignment with shareholders' long-term interests

Compensation awards, particularly discretionary bonus payments, are designed to align the interests of employees with those of the Company's shareholders. Annual bonus deferrals for non-Group Management Board employees is into shares or fund units and the proportion of annual bonus deferred is one-third of any annual bonus over CHF 75,000. Deferred shares or fund units will be released in equal tranches over three years. From time to time employees may receive long-term incentive awards that are structured on a consistent basis to those granted to Group Management Board members. These measures help to ensure that employees will only be rewarded for the delivery of sustainable value and growth.

Transparency

The Group's overall approach to compensation is transparent to shareholders, compliant with applicable laws and regulations and consistent with published guidance and with local market practice. A robust annual appraisal process forms part of the compensation process so as to reward success, but minimise the possibility of payment for failure. The annual appraisal process is used to evaluate and measure an employee's performance against defined objectives, which are required to be specific, measurable, achievable, realistic and time-bound. Employees agree on their annual objectives with their line manager and include risk-based objectives at the start of each calendar year. While some objectives may be standardised within certain functions, most are tailored to the individual employee's role and responsibilities.

Incentivise sound risk management

The Group regards effective risk management and control as fundamental to all its shareholders and clients and as being central to the successful achievement of its business objectives. Our compensation framework plays an important part in creating ownership throughout the Group for the risks assumed in day-to-day business and ensuring the independence of its control functions. For control functions, such as compliance, risk, audit and finance, bonus payments are not directly linked to the profitability of the business areas that they support so as to maximise the independence of such functions. Conduct, risk and compliance matters are taken into account when approving all annual bonus payments.

4. GROUP MANAGEMENT BOARD COMPENSATION FINANCIAL YEAR 2018

This section of the report outlines the total fixed and variable compensation for members of the Group Management Board (GMB), comparing 2018 with 2017. It also provides details of the performance targets used to determine variable compensation awards for 2018.

4.1 The total fixed and variable compensation to the Members of the Group Management Board in respect to financial years 2018 and 2017 (audited)

	Group CEO [1, 2]		Group CFO [6]		Aggregate GMB (inclusive of CEO and CFO) [2, 3, 7, 9]	
(in CHF)	**2018**	2017	**2018**	2017	**2018**	2017
Base salary	1,665,653	2,000,000	657,599	637,484	5,814,645	5,417,093
Fixed equity award	333,333 [8]	-	-	-	333,333	-
Pension fund contributions	306,097	305,892	12,996	20,399	696,093	694,103
Social security contributions	45,110	45,261	118,840	88,256	600,844	336,915
Other benefits	33,276	34,723	5,314	4,791	146,335	112,587
Total fixed compensation	**2,383,469**	**2,385,876**	**794,749**	**750,930**	**7,591,250**	**6,560,698**
Annual bonus [4]						
Cash payments	-	-	-	584,987	1,969,168	3,078,713
Deferred bonus	-	1,700,000	-	584,987	1,759,168	4,778,713
Pension fund contributions	-	-	-	-	70,538	204,954
Social security contributions	-	24,650	-	161,456	370,900	635,262
LTIP [4, 5]						
Performance shares	-	231,745	199,500	69,730	761,247	588,030
Social security contributions	-	3,360	27,531	9,623	97,177	33,226
Total discretionary variable compensation	**-**	**1,959,755**	**227,031**	**1,410,783**	**5,028,198**	**9,318,898**
Total compensation	**2,383,469**	**4,345,631**	**1,021,780**	**2,161,713**	**12,619,448**	**15,879,596**

In addition, replacement awards consisting of deferred remuneration and long-term incentive awards, with an aggregate value of CHF 486,094 plus CHF 67,081 of employer's social security contributions, have been granted to the Group General Counsel in association with her recruitment. The forfeited awards were replaced at an equivalent value to awards she forfeited from her previous employer and on an equivalent vesting schedule. Further information is included in section 4.7. The total Group Management Board variable compensation being proposed for shareholder approval including this replacement award is CHF 5,581,373. The total Group Management Board fixed compensation paid and variable compensation proposed including this replacement award is CHF 13,222,624 (2017: CHF 21,369,963).

1 The highest paid member of the GMB in 2018 was the Group CEO, Alexander S. Friedman, with a total compensation of CHF 2,383,469 including CHF 45,110 employer's social security contributions. This figure includes salary, pension and benefits for the first two months of Alexander S. Friedman's notice period in the amount of CHF 277,268. In addition to the fixed compensation figures shown above, expenses related to the departure of Alexander S. Friedman totalling CHF 50,000, were paid. The total fixed compensation for the Group CEO including these expenses was CHF 2,433,469 and the total aggregate GMB fixed compensation was CHF 7,641,250.

2 Alexander S. Friedman stepped down as Group CEO and member of the Group Management Board on 6 November 2018 (further details are set out in this section 4.1 below). David Jacob accepted the role of Group CEO with effect from 6 November 2018. David Jacob's fixed compensation for the role of Group CEO is CHF 72,750 per month and is not included in the Group CEO figures above. David Jacob's fixed compensation is included in the above aggregate GMB fixed compensation amount. David Jacob is not eligible for any variable compensation.

3 David Jacob's Board of Director fees are not included in the above table but are shown separately in table 6.1.

4 More details relating to the 2018 annual bonus and LTIP figures are set out in sections 4.1 and 4.6.

5 The 2018 LTIP figure relates to the award that will be granted, subject to shareholder approval, following the 2019 AGM. LTIP awards have been valued on a fair value basis. More details relating to the 2018 LTIP figures are set out in section 4.6.

6 The Group CFO salary remains unchanged. The year on year difference is reflective of the exchange rate used when converting from GBP to CHF.

7 On the 9 March 2018 Dirk Spiegel stepped down from the GMB. Natalie Baylis joined the GMB in June 2018 and stepped down from the GMB on 28 September 2018. Rachel Wheeler joined the GMB on 3 September 2018 and Matthew Beesley joined the GMB on 28 September 2018. Larry Hatheway and Tim Dana stepped down from the GMB on 31 December 2018.

8 As reported in the 2017 compensation report, Alexander S. Friedman's salary was reduced by 25% to CHF 1,500,000 from 1 May 2018. In recognition of this, the Group CEO was granted a transitional share award of CHF 333,333 with a vesting schedule over a four-year period. Upon Alexander S. Friedman's departure, as per the relevant plan rules, 75% of this share award was forfeited.

9 The changes to the membership of the GMB in 2018 contributed to an increase in the fixed compensation from 2017 to 2018.

In accordance with the compensation framework, the Group Management Board total variable compensation (excluding pension, social security and one-time awards to new members) will not exceed 5% of underlying profit before taxes (excluding Group Management Board variable compensation proposed for that year). The 2018 underlying profit before taxes is CHF 126.7 million, while after adding back the CHF 5.03 million Group Management Board proposed total variable compensation, as set out in the table in this section, the adjusted underlying profit before taxes for the purposes of the 5% cap calculation is CHF 131.7 million. The proposed Group Management Board total variable compensation, after excluding pension and social security costs, is CHF 4.5 million representing 3.4% of the adjusted underlying profit before taxes for 2018.

As outlined earlier in this report, Alexander S. Friedman and GAM agreed that Mr Friedman would step down from the role of Group CEO and from the Group Management Board on 6 November 2018.

The employment agreement with Mr Friedman provided for compensation payments during his six month notice period relating to base salary, benefits and variable compensation. Payments for 2018, reflecting no variable compensation, are included in table 4.1 and in the accompanying footnotes. In 2019, Mr Friedman will receive salary, pension and benefits for the remaining four months of his six-month notice period and a payment of approximately CHF 450,000 variable compensation made in accordance with his employment contract. By mutual agreement, payments to Mr Friedman attributable to his variable compensation for 2018 and 2019 have been significantly reduced from Mr Friedman's contractual entitlement. This will be included for retrospective shareholder approval at the 2020 Annual General Meeting. The above payments are in accordance with the Swiss Ordinance against Excessive Compensation in Listed Stock Corporations.

As a result of Mr Friedman's departure, certain unvested tranches of equity grants provided to Mr Friedman during the course of his employment were forfeited in accordance with the relevant plan rules. The fair value at grant of these forfeited unvested tranches was in excess of CHF 3 million.

4.2 Compensation to former Members of the Group Management Board (audited)

In 2018, no compensation was paid to former members of the Group Management Board who stepped down prior to 1 January 2018.

4.3 Loans to Members of the Group Management Board (audited)

In 2018, no loans were granted to the current or former members of the Group Management Board. No such loans were outstanding at year-end.

4.4 Compensation and loans to closely related parties (audited)

In 2018, no compensation was paid to closely related parties of current or former members of the Group Management Board. No loans were granted in, or were outstanding at the end of 2018 to closely linked parties of current or former members of the Group Management Board.

4.5 Total annual bonus awarded for the year ending 31 December 2018

The objective of the Compensation Committee is to pay Group Management Board members an annual bonus appropriate to the performance achieved both by the Group and by the individual, ensuring the proper balance of employee reward and returns to shareholders and motivating key executives.

A balanced scorecard of financial and non-financial measures has been used to determine annual bonuses for the 2018 performance year for each of the Group Management Board members. Group financial metrics are an integral component of that scorecard and are aligned with our key performance indicators. Each Group Management Board member was also evaluated on strategic, business and personal objectives set earlier in the year.

It has been a difficult year for the Group on top of a challenging market environment, as outlined in the business review section. The relevant financial metrics used in the balanced scorecard to determine the annual bonuses for the Group Management Board are as follows:

- Underlying profit before taxes of CHF 126.7 million;
- Operating margin for 2018 of 25.3%;
- The investment management business experienced net outflows of CHF 21.5 billion. This includes Absolute Return Bond strategies-related assets under management of CHF 1.5 billion in liquidation as at 31 December 2018 and Absolute Return Bond-strategies related inflows in H1 2018 of CHF 0.3 billion;
- Over the three-year period to 31 December 2018, 66% of our assets under management in funds outperformed their respective benchmark.

The following sections provide a detailed breakdown of the balanced scorecard for the Group CEO and Group CFO and an overview in relation to other Group Management Board members.

i) Group CEO and Group CFO

Maximum opportunity
Maximum annual bonus for the Group CEO and Group CFO is capped at 250% and 200% of their respective salaries.

Form of payment
Under our compensation framework, 50% of any annual bonus is deferred into GAM shares vesting in equal tranches over four years.

Performance metrics
The decisions for the Group CEO and Group CFO annual bonus are based on financial performance (60%), and achievement against strategic and business (20%) and personal objectives (20%).

The table below summarises the metrics, weightings and targets by which financial performance was assessed during 2018.

Financial metrics (60%)

Metric	Weighting	Threshold (25% of max)	Target (50% of max)	Maximum (100%)	Actual	Vesting (% of performance metric)
Underlying profit before taxes [1]	20%	160.0	205.0	255.0	126.7	0.0%
Three-year investment performance [2]	10%	50.0%	62.5%	75.0%	66.0%	60.0%
Operating margin [3]	15%	28.0%	34.0%	37.0%	25.3%	0.0%
Net flows [4]	15%	1	4.0	8.0	(21.5)	0.0%
Total	**60%**					**6%**

[1] Net profits before tax in accordance with the international financial reporting standards, excluding certain non recurring and acquisition-related items.
[2] Percentage of AuM in funds outperforming their benchmark over the relevant period as at 31 December 2018.
[3] Operating margin is calculated as net fee and commission income less expenses, divided by net fee and commission income.
[4] Represents the net asset additions or redemptions by clients for our investment management business.

The Board of Directors consider many factors when determining target, threshold and maximum levels for each financial metric for any given year. When setting such levels the Board of Directors aims to ensure that targets are stretch in nature and take into consideration performance from prior periods, current expectations for the period in question and other factors that should be taken into account. Threshold and maximum levels are determined on the same basis, but with emphasis on providing appropriate parameters for which performance should be judged.

Individual performance assessment of the Group CEO and Group CFO
As stated earlier, Alexander S. Friedman stepped down from the role of Group CEO and from the Group Management Board with effect from 6 November 2018. Mr Friedman did not receive any variable compensation for the 2018 performance year. Further details are included in section 4.1.

Given the financial performance of the Group and the proposed dividend suspension for 2018, the Compensation Committee agreed with the recommendation of the Group CEO and the Group CFO that no annual bonus would be awarded to the Group CFO for the 2018 performance year. Notwithstanding this, the Compensation Committee did agree to award a long-term incentive grant with a face value of CHF 700,000 to Mr McNamara in order to align his long-term interests with our shareholders. The fair value of this award is included in section 4.1. The realised value at vest will be dependent upon the Group's performance over the relevant period against the performance metrics included in section 3.

ii) Other Group Management Board Members

In line with our compensation framework, aggregate Group Management Board variable compensation will be put to the vote at the Annual General Meeting on a retrospective basis. Total Group Management Board variable compensation each year is capped at 5% of underlying profit before taxes (excluding Group Management Board variable compensation).

Performance and resultant awards of other Group Management Board members are determined using balanced scorecards with weightings proposed by the Group CEO, and approved by the Compensation Committee. As the Group Management Board members perform certain functional roles as well as their role as a Group Management Board member, these balanced scorecards have different weightings and include other quantifiable financial and non-financial metrics. However, they are aligned to the same core objectives and are designed to achieve stretch performance.

The assessment of the strategic, business and personal performance for other members of the Group Management Board vary by individual. Some of the key accomplishments considered by the Compensation Committee included:

- Repositioning of the fixed income and equity teams to better align our investment capabilities, reduce complexity and contribute to our ability to improve asset gathering;
- Tailoring of our product offering with the creation of an enhanced emerging market bond platform, a broadened global credit capability, an amalgamated asset-backed securities and mortgage-backed securities team, and a global strategic bond offering evolving from the existing total return bond expertise. On the equities side of our business, we consolidated our European expertise into a single team;
- Increasing assets under management in the private labelling business to CHF 76.1 billion at 31 December 2018 despite a difficult market environment;
- Following the expansion of our distribution presence in continental Europe last year, in 2018 the opening of an office in Australia, expanding our presence in the Asia Pacific region to gain better traction in core client segments;
- Expanding our relationships in the Latin American markets accelerating our growth in this important region;
- With a focus on diversification, increasing the number of strategies to 13, with assets each in excess of CHF 1 billion;
- Continuing efforts with respect to our risk and controls framework including the establishment of a series of Group oversight committees and the recruitment of talent in the areas of front office controls and compliance.

The contributions of each Group Management Board member toward culture, management and leadership and the ability to optimise organisational performance were considered in the overall personal performance assessment.

The total annual bonus proposed for other Group Management Board members in aggregate is CHF 3,728,336 (excluding social security and pensions costs). In line with our compensation framework, 50% of any annual bonus is deferred into GAM shares vesting in equal tranches over four years. The total annual bonus proposed for this population represents an apparent 25% reduction from CHF 4,987,452 in 2017. However, the numbers are not directly comparable and the proposed individual bonuses have decreased more sharply than this figure would indicate, as the number of other Group Management Board members increased by 33% in 2018. This is illustrated by the fact that for those Group Management Board members who were employed by GAM throughout both 2017 and 2018, the total annual bonus proposed (excluding social security and pension) is approximately 40% lower than in 2017.

4.6 Long-term incentive grant to be awarded in 2019

One of the principles of our compensation framework is alignment of Group Management Board compensation with shareholders' long-term interests. Regular long-term incentive awards are an important part of that framework and the Company therefore intends to grant an long-term incentive award to Group Management Board members following the 2019 Annual General Meeting (subject to AGM approval of the Group Management Board variable compensation resolution).

As outlined in the compensation framework section, and as per the 2018 grant, the 2019 long-term incentive grant will be a performance share award with a three-year performance period and a two-year holding period. The award will be subject to performance measures (underlying earnings per share, relative total shareholder return and investment performance) that are aligned with our Group's key performance indicators and strategy of delivering sustainable value and growth for our shareholders.

The committee proposes to grant long-term incentive awards in line with our policy as set out in section 3.1, namely that Group Management Board variable compensation over the longer term should be appropriately balanced between cash, deferred equity and long-term incentive awards (based on face value) although the weightings may vary year to year. As outlined in the previous section, it is proposed that 100% of the Group CFO's variable compensation in respect of the 2018 performance year be delivered in the form of a long-term incentive grant.

4.7 Replacement award

Rachel Wheeler joined GAM as Group General Counsel in September 2018 and was appointed to the Group Management Board. Her ongoing compensation arrangements are consistent with the compensation framework set out in section 3.

- Upon starting employment, Ms Wheeler was granted awards to partially replace the deferred remuneration and long-term incentive grants forfeited upon leaving her previous employer. In line with her employment conditions, the total value of her replacement awards has been capped at CHF 486,094.

- The forfeited deferred remuneration and long-term incentive awards that had employment conditions only were replaced at an equivalent value (valued as at the date of her joining GAM in September 2018) and on an equivalent vesting schedule. Vesting of these awards is subject to Ms Wheeler's continuing employment at GAM and will vest between 2019 and 2021.

- Forfeited long-term incentive grants with performance conditions due to vest in 2019 with a final value not yet known, will be valued and replaced upon the final determination of the value of this award, if any. This will be determined using publicly available information from the prior employer's annual report and accounts, not known as at the date of writing this report. Vesting of this award will be in September 2019, contingent upon Ms Wheeler's employment as at the vesting date. Another forfeited grant with performance conditions, due to vest in 2023, will be replaced at a maximum 50% of the forfeited value (subject to the aforementioned cap) and will continue to vest in line with the original vesting schedule of 2023.

- The total value of these replacement awards, CHF 486,094, plus employer's social security of CHF 67,081 is included within the aggregate 2018 Group Management Board variable compensation figure for approval of shareholders at the 2019 Annual General Meeting as outlined in the AGM resolutions which can be found in section 9.

5. FEE STRUCTURE FOR BOARD OF DIRECTORS

This section of the report outlines the fee structure for the Board of Directors. Details of total fees received by board members in financial year 2018 are set out in section 6.

All members of the Board of Directors are non-executive directors and do not have employment contracts. Members of the Board of Directors are elected for a one-year term of office by the Company's shareholders. There are no agreements that provide for severance payments.

The compensation of the members of the Board of Directors, including its Chairman, consists of:

- an annual fixed fee paid in a mixture of cash and GAM Holding AG shares. These annual share awards provide an alignment with shareholder interests as they ensure that each board member has exposure to share price performance during their one-year term of office; and
- supplementary fixed fee amounts paid in cash for serving as a member or as Chairman on the committees of the Board of Directors. These supplementary fees are designed to reflect the workload in serving on the Board of Directors' various committees.

The members of the Board of Directors do not receive any type of variable compensation and do not participate in any performance-based compensation schemes available to the members of the Group Management Board or to other Group employees.

Fees will be reduced for the Chairman of the Board of Directors and for the Vice Chairman of the Board of Directors with effect from the 2019 Annual General Meeting as outlined in the table below.

In addition, the Board of Directors agreed to establish a risk committee with effect from the 2019 Annual General Meeting. The overall objective of the Risk Committee is to support the Board of Directors in discharging its responsibility for the consolidated supervision, management and control of the Group (see page 63 of the annual report for further details). As a result of the formation of this committee and the transfer of certain responsibilities from the Audit Committee to the Risk Committee, the Board of Directors has agreed to reduce the supplementary cash fees of the Chairman and the other members of the Audit Committee as outlined in the table below.

(in CHF)	AGM 2017 to AGM 2018	AGM 2018 to AGM 2019	AGM 2019 to AGM 2020
Fixed cash fee			
Chairman of the Board	350,000	350,000	300,000
Vice-chairman of the Board	-	120,000	100,000
Other members of the Board	100,000	100,000	100,000
Share-based fee			
Chairman of the Board	249,992 [1]	250,000 [2]	200,000 [3]
Vice-chairman of the Board	-	100,000 [2]	100,000 [3]
Other members of the Board	99,992 [1]	100,000 [2]	100,000 [3]
Supplementary cash fees			
Chairman of the Audit Committee	60,000	60,000	40,000
Chairman of the Risk Committee	-	-	40,000
Chairman of the Compensation Committee	40,000	40,000	40,000
Chairman of the Governance and Nomination Committee [4]	20,000	20,000	20,000
Other members of the Audit Committee	30,000	30,000	20,000
Other members of the Risk committee	-	-	20,000
Other members of the Compensation Committee	20,000	20,000	20,000
Other members of the Governance and Nomination Committee	10,000	10,000	10,000

[1] Equity with this fair value was granted following AGM 2017 and vested on the day before the Company's 2018 AGM.
[2] Equity with this fair value was granted following AGM 2018 and will vest on the day before AGM 2019.
[3] Equity with this fair value will be granted following the AGM 2019 and will vest the day before AGM 2020.
[4] The Chairman currently holds this role and does not take a supplementary fee.

6. BOARD OF DIRECTORS COMPENSATION FOR FINANCIAL YEAR 2018

This section of the report outlines the total fixed compensation for members of the Board of Directors, in respect to financial years 2018 and 2017.

6.1 The total compensation to the Board of Directors in respect to financial years 2018 and 2017 (audited)

(in CHF)		Fixed cash fee	Committee fee	Share-based fee [5]	Social security	Other benefits	Total compensation
Johannes A. de Gier [1]	2018	-	-	-	-	-	**-**
	2017	200,000	10,000	-	30,667	18,216	**258,883**
Hugh Scott-Barrett [2, 7]	2018	350,000	-	249,989	81,396	-	**681,385**
	2017	266,667	23,333	249,992	77,292	-	**617,284**
Diego du Monceau [7]	2018	100,000	30,000	99,993	-	-	**229,993**
	2017	100,000	46,667	99,992	-	-	**246,659**
Benjamin Meuli [7]	2018	113,333	69,724	99,993	19,315	-	**302,365**
	2017	100,000	63,333	99,992	18,009	-	**281,334**
Nancy Mistretta [7]	2018	100,000	50,000	99,993	-	-	**249,993**
	2017	100,000	40,000	99,992	-	-	**239,992**
Ezra Field [7]	2018	100,000	16,667	99,993	-	-	**216,660**
	2017	100,000	10,000	99,992	-	-	**209,992**
David Jacob [3, 7, 8]	2018	100,000	42,361	99,993	32,807	-	**275,161**
	2017	66,667 [9]	33,333	99,992	22,832	-	**222,824**
Monica Mächler [4, 7]	2018	66,667	26,667	99,993	13,811	-	**207,138**
	2017	-	-	-	-	-	**-**
Total	2018	**930,000**	**235,419**	**849,947**	**147,329**	**-**	**2,162,695** [6]
	2017	**933,334**	**226,666**	**749,952**	**148,800**	**18,216**	**2,076,968**

[1] Johannes A. de Gier resigned from the Board of Directors at the 2017 AGM.

[2] Hugh Scott-Barrett since his appointment as Chairman of the Board of Directors is not eligible to receive committee fees.

[3] With effect from 6 November 2018 David Jacob was appointed Group CEO and also continues to be a member of the Board of Directors. He resigned as Member of the Compensation Committee and the Audit Committee of the Board of Directors as of this date and is therefore not eligible for any committee fees.

[4] Monica Mächler was elected to the Board of Directors at the 2018 AGM.

[5] On 28 April 2018 board directors (excluding the newly appointed Chairman) were each awarded the right to receive 6,277 GAM Holding AG shares (at a fair value of CHF 15.93 per share based on the share's closing price on the first trading line at the SIX Swiss Exchange on 27 April 2018). On the same day, the Chairman of the Board of Directors received 15,693 shares with an aggregate fair value of CHF 15.93. These shares will vest and be delivered on the day before the Company's 2019 AGM, provided the member is in office, proposed or decides not to stand for re-election.

[6] Total fixed compensation (including employer's social security costs) paid to the Board of Directors between AGM 2017 and AGM 2018 was CHF 1,907,070 and between AGM 2018 and AGM 2019 was CHF 2,258,747. The figure for AGM 2018 to AGM 2019 includes an estimate for the period 1 January to 26 April 2019. These totals were both within the maximum values prospectively approved by shareholders (CHF 2,250,000 and CHF 2,500,000 respectively).

[7] The functions of the Board of Directors are set out in the corporate governance section of the annual report on pages 61 and 62.

[8] David Jacob's compensation as interim Group CEO and Member of the Group Management Board is not included in the above fees, but is shown separately in section 4.1.

[9] As David Jacob joined the Board of Directors in April 2017, his 2017 fixed cash fee is pro-rated for the period April to December 2017. His 2018 fixed cash fee is from January to December 2018.

6.2 Compensation to former Members of the Board of Directors (audited)

In 2018, no compensation was paid to former members of the Board of Directors who stepped down prior to 1 January 2018.

6.3 Loans to Members of the Board of Directors (audited)

In 2018, no loans were granted to the current or former members of the Board of Directors. No such loans were outstanding at the year end.

6.4 Compensation and loans to closely related parties (audited)

In 2018, no compensation was paid to closely related parties of current or former members of the Board of Directors. No loans were granted in, or were outstanding at the end of 2018 to closely linked parties of current or former members of the Board of Directors.

7. SHAREHOLDINGS

This section of the report sets out the shareholdings of the Group Management Board and the Board of Directors.

7.1 Group Management Board

The shareholdings of members of the Group Management Board who held office during 2018 are shown in the following table. All interests shown include any shares which vested during the year or shares acquired in the market by a Group Management Board member. The Group CEO and Group CFO are expected to build up shareholdings worth at least 200% of their salary, for other members of the Group Management Board the expectation is 100% of salary. Once an award of shares has vested, each Group Management Board member will retain the shares granted, net of any shares sold to meet tax obligations, where applicable, in order to meet the shareholding requirements.

	Vested shares [1, 5]		Unvested shares [2, 3, 5]	
	2018	2017	**2018**	2017
Alexander S. Friedman [6]	58,421	51,000	288,862	178,102
Richard McNamara	45,117	29,955	90,508	82,217
Larry Hatheway [6]	12,758	-	98,793	90,653
Tim Dana [6]	12,906	5,798	47,389	31,824
Martin Jufer	-	-	33,796	19,572
Tim Rainsford	31,696	-	180,531	180,117
Elmar Zumbuehl	5,721	4,829	20,546	960
Dirk Spiegel [4]	-	960	-	960
Natalie Baylis [4]	-	-	-	-
Rachel Wheeler [4]	-	-	-	-
Matthew Beesley [4]	-	-	14,075	-

1 The number of vested shares represents shares held by the individual (together with interests held by their connected persons) which are neither subject to performance conditions nor continued employment.

2 Unvested shares reflects the number of shares which will normally vest to the individual subject to continued employment at the relevant vesting date. This includes shares that are deferred under the annual bonus plan and one-time share awards granted at recruitment.

3 Unvested shares does not include unexercised options or unvested performance shares. These are excluded as the number of options that become exercisable or performance shares that vest will be dependent upon share price performance and/or GAM's performance against specific performance criteria as well as continued employment until the relevant vesting date.

4 Dirk Spiegel stepped down from the GMB on 9 March 2018. Natalie Baylis stepped down from the GMB on 28 September 2018. Rachel Wheeler joined the GMB on 3 September 2018. Matthew Beesley joined the GMB on 28 September 2018.

5 David Jacob's shareholdings are shown in section 7.2 as a member of the Board of Directors. As interim Group CEO and Group Management Board member David Jacob does not have any shareholding requirements.

6 Alexander S. Friedman stepped down as Group CEO and member of the Group Management Board on 6 November 2018. Larry Hatheway and Tim Dana stepped down from the GMB on 31 December 2018.

7.2 Board of Directors

The shareholdings of the directors who held office during 2018, in shares of GAM Holding AG are shown in the following table. All interests shown include the portion of vested shares allocated to the directors as part of their fee, shares acquired in the market by the directors and shares held by connected parties related to the directors.

Members of the Board of Directors are required to build up and retain a holding of GAM shares worth at least 200% of their annual cash fee. Once an award of shares has vested, each director will retain the shares granted, net of any shares sold to meet tax obligations, where applicable, in order to meet the shareholding requirements.

None of the Board of Directors hold options over GAM Holding AG shares.

	Vested shares [1]		Unvested shares [2]	
	2018	2017	**2018**	2017
Hugh Scott-Barrett	28,056	16,683	15,693	21,551
Diego du Monceau	26,025	19,573	6,277	8,620
Benjamin Meuli	27,176	19,207	6,277	8,620
Nancy Mistretta	12,397	5,943	6,277	8,620
Ezra Field	12,397	5,943	6,277	8,620
David Jacob [3]	7,047	2,500	6,277	8,620
Monica Mächler [4]	-	-	6,277	-

[1] The number of vested shares represents shares held by the individual (together with interests held by their connected persons) which are neither subject to performance conditions nor continued employment.

[2] Board directors (excluding the Chairman) have each an entitlement to 6,277 unvested shares that were awarded after AGM 2018 and which will vest on the day before the Company's 2019 AGM. The Chairman of the Board of Directors has an entitlement to 15,693 unvested shares that were granted on an equivalent basis.

[3] David Jacob is interim Group CEO since 6 November 2018 in addition to his role as Board Director.

[4] Monica Mächler was elected to the Board of Directors at the 2018 AGM.

8. COMPENSATION GOVERNANCE

This section of the report outlines the governance framework used to determine compensation.

Compensation responsibilities

Annual total compensation of [1]	Proposal	Approval
Chairman of the Board of Directors	Compensation Committee	Compensation Committee
Ordinary members of the Board of Directors (including committee fees)	Compensation Committee	Board of Directors
Group CEO	Chairman of the Board	Compensation Committee
Other members of the Group Management Board	Group CEO	Compensation Committee
Heads of control functions (risk, compliance and internal audit)	Group CEO Chairman of Audit Committee	Compensation Committee

[1] The aggregate compensation for the Board of Directors and the Group Management Board (for both fixed and variable compensation components) is subject to a shareholder binding vote.

8.1 Compensation authorities

Board of Directors

The Board of Directors has established and implemented a Group compensation framework and policy which reflects the Group's overall approach to compensation. The Group compensation framework and policy is designed to support the strategic development and profitability of the Group as well as to reflect applicable regulatory requirements and good market practice. The Group compensation framework and policy contains standards for the determination of compensation for all our employees, including Group Management Board members. With the support of the Group Head of Human Resources, the Compensation Committee, as well as risk and compliance functions, the Board of Directors regularly reviews the Group compensation framework and policy in order to address any applicable regulatory developments and the objectives of the Group.

Compensation Committee

The Compensation Committee is delegated with the role of supporting the Board of Directors in setting compensation guidelines, establishing share-based compensation plans and approving compensation levels and specific awards subject to any caps or other limitations imposed by the general meeting of shareholders of the Company pursuant to the Swiss Ordinance against Excessive Compensation in Listed Stock Corporations.

At the 2018 Annual General Meeting, the shareholders re-elected Nancy Mistretta and David Jacob and elected Ezra Field as non-executive members of the Compensation Committee, with Nancy Mistretta being appointed as Chairman. Since the appointment of David Jacob as interim Group CEO, David stepped down as a non-executive member of the Compensation Committee. In accordance with the Swiss Ordinance against Excessive Compensation in Listed Stock Corporations and GAM's articles of incorporation, the Board decided in November 2018 to appoint Benjamin Meuli as the third non-executive member of the Compensation Committee.

The Compensation Committee regularly reports to the Board of Directors on the status of its activities, the development of the compensation architecture within the Group and on the operational implementation of the Group compensation policy.

The table below provides an overview of the Compensation Committee's meeting schedule for performance year 2018:

Meeting schedule

Meeting	Standing agenda items
January	Approval of the aggregate annual bonus pools
	Determination of compensation to be paid to the Group CEO
	Approval of compensation to be paid to other members of the Group Management Board
	Review of individual compensation payments for senior executives outside of the Group Management Board
	Determination of compensation paid to the Chairman of the Board
	Proposal of the compensation paid to the members of the Board and to the members of the committees
February	Determination of the Board of Directors total aggregate fixed compensation proposal to be submitted to the AGM for a binding vote
	Determination of compensation to be paid to the Chairman of the Board of Directors (assuming approval of total aggregate fixed compensation proposed to AGM)
	Determination of Group Management Board's total aggregate fixed and variable compensation proposals, to be submitted to the AGM for a binding vote
	Final review and approval of the compensation report
May	Annual review of the Group compensation policy and share-based compensation plans
September	Annual review of the Compensation Committee charter
	Initial review and provision of guidance for group-wide compensation proposals
December	Final review of group-wide compensation proposals

Additionally, the Board of Directors discussed compensation issues related to Group Management Board recruitments and the Group CEO's departure at meetings held in March and November respectively.

8.2 Group Chief Executive Officer

The Group CEO, supported by the Group Head of Human Resources, submits proposals to the Compensation Committee for their approval. The proposals include, among other things, the total discretionary annual bonus pool for all employees across the Group and variable compensation to be paid for the other members of the Group Management Board (subject to shareholder approval).

For the other members of the Group Management Board, the sum proposed by the Group CEO is based on the individual's performance and contribution against pre-determined balanced scorecards comprised of financial, strategic and business and personal objectives determined by the Group CEO and approved by the Compensation Committee.

For all other employees, the Group CEO supported by the Group CFO and the Group Head of Human Resources develops guidelines based on the Group's business results and development during the relevant period. Then, sub-pools of the approved total discretionary annual bonus pool are allocated to the various business functions and teams. Subsequently, manager proposals for the awards of discretionary annual bonuses are reviewed by the Group CEO in order to ensure distribution has been fair and aligned with individual contribution and performance. The Group CEO's approval is required for any individual employee with total compensation exceeding CHF 500,000.

8.3 Compensation Management Committee

The Compensation Committee has delegated authority to the Compensation Management Committee (CMC) comprising the Group CEO, Group Head of Human Resources, Group Chief Risk Officer, Group Head of Compliance and Group General Counsel. The CMC is responsible for providing advice and support to ensure that compensation policies and processes across the Group are operated in line with current and future compensation regulations. It also provides information on conduct, risk and compliance matters in relation to all employees, including Material Risk Takers and Identified Staff as defined under the various EU regulations, which is taken into account when approving all annual bonus payments.

8.4 Shareholders

In accordance with the Swiss Ordinance against Excessive Compensation in Listed Stock Corporations, we seek binding shareholder approval for the aggregate compensation for the Group Management Board and for the Board of Directors:

	Proposal	Approval	Binding vote	AGM vote
Maximum aggregate amount of annual fixed compensation for members of the Board of Directors for AGM 2019 to AGM 2020	Compensation Committee	Board of Directors	Annual General Meeting	Prospective
Maximum aggregate amount of annual fixed compensation for members of the Group Management Board for 2019	Compensation Committee	Board of Directors	Annual General Meeting	Prospective
The aggregate amount of annual variable compensation for members of the Group Management Board for 2018	Compensation Committee	Board of Directors	Annual General Meeting	Retrospective

	Proposal	Approval	Consultative vote
2018 compensation report	Compensation Committee	Board of Directors	Annual General Meeting

The Board of Directors remains of the view that obtaining prospective approval for the maximum aggregate amount of fixed compensation for both the Board of Directors and the Group Management Board is appropriate to ensure stability in the day-to-day management of the Group. Shareholders at the 2019 Annual General Meeting and beyond will be asked to approve the aggregate variable compensation for the Group Management Board on a retrospective basis, as this provides shareholders with greater transparency on the variable compensation requested in relation to the prior year's performance. In addition will also be a consultative vote on the compensation report. Details of the 2019 Annual General Meeting resolutions can be found in section 9.

In respect of 2018 fixed compensation for the Board of Directors and the Group Management Board, the Compensation Committee fully complied with the prospective levels approved by the shareholders at the 2018 Annual General Meeting.

Approved and paid fixed compensation for the Group Management Board and the Board of Directors

	Approved	Paid	Approved	Paid
CHF (including any shares)	**2018**	**2018**	2017	2017
Board of Directors [1]	2,500,000	2,321,544	2,250,000	1,962,617
Group Management Board [2]	8,000,000	7,641,250	8,000,000	7,648,882

[1] The approved and paid compensation for the Board of Directors is for the period AGM to AGM. The figure for 2018 includes an estimate for the period 1 January to 8 May 2019.

[2] The approved and paid compensation for the Group Management Board is for the financial year.

9. AGM RESOLUTIONS

This section of the report outlines the compensation resolutions to be put to shareholders at the 2019 Annual General Meeting.

1) **Elections to the Compensation Committee of the Board of Directors (binding vote)**
Shareholder approval will be sought for the election of three Compensation Committee members until the 2020 Annual General Meeting, as proposed by the Board of Directors.

2) **Approval of the fixed compensation of the Board of Directors (binding vote)**
Shareholder approval will be sought for fixed compensation for the Board of Directors of a maximum of CHF 2,350,000 for the period AGM 2019 to AGM 2020 (this figure was CHF 2,500,000 for the period AGM 2018 to AGM 2019). The fee framework for the Board of Directors is set out in section 5 of this compensation report.

3) **Approval of the fixed compensation[1] of the Group Management Board (binding vote)**
Shareholder approval will be sought for fixed compensation for the Group Management Board of a maximum of CHF 6,000,000 for the 2019 financial year, a 25% reduction from the previous year. The fixed compensation framework for the Group Management Board is set out in section 3 of this compensation report.

4) **Approval of the compensation report (consultative vote)**
The shareholders' meeting shall be asked to approve the 2018 compensation report on a non-binding consultative basis.

5) **Approval of variable compensation[1] of the Group Management Board (binding vote)**
Shareholder approval will be sought for variable compensation for the Group Management Board of CHF 5,581,373 in relation to the 2018 financial year, a 59% reduction from the previous year. A summary breakdown of this figure is set out in the table below.

	Value (CHF)	Term	Detail of award
Cash annual bonus	1,969,168	Paid post 2019 AGM	Section 4.1 and 4.5
Deferred share annual bonus	1,759,168	Granted post 2019 AGM; released over four years	Section 4.1 and 4.5
LTIP award (fair value at grant)	761,247	Granted post 2019 AGM; subject to performance over period 2019-21; vested element released in 2024	Section 4.1 and 4.6
Variable compensation sub-total [2]	4,489,583		
Replacement award to GMB member	486,094	Variable terms	Section 4.1 and 4.7
Social security and pension costs	605,696		Section 4.1
Variable compensation total	5,581,373		

1 Local currencies are converted into Swiss francs at the exchange rates stated in the notes to the consolidated financial statements. Please refer to page 143.

2 GMB variable compensation for 2018 of CHF 4,489,583 excluding pension, social security and one time replacement awards represents 3.4% of underlying profit before taxes (excluding GMB variable compensation) – within the 5% GMB variable compensation cap.

Statutory Auditor's Report

To the General Meeting of GAM Holding AG, Zurich

Report on the Audit of the Compensation Report

We have audited the accompanying compensation report of GAM Holding AG for the year ended 31 December 2018. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in sections 4.1 to 4.4 on pages 88 to 89 as well as sections 6.1 to 6.4 on pages 95 to 96 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report for the year ended 31 December 2018 of GAM Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Christoph Gröbli Licensed Audit Expert Auditor in Charge	Thomas Dorst Licensed Audit Expert

Zurich, 20 February 2019

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

CONSOLIDATED FINANCIAL STATEMENTS

(see the following page for a detailed list)

NOTES TO THE CONSOLIDATED INCOME STATEMENT

NOTES TO THE CONSOLIDATED BALANCE SHEET

ADDITIONAL NOTES

CONSOLIDATED INCOME STATEMENT

	Note	2018 CHF m	2017 CHF m	Change in %
Net management fees and commissions	1	495.4	503.6	(2)
Net performance fees	1	4.8	59.0	(92)
Net fee and commission income	1	**500.2**	**562.6**	**(11)**
Net other income	2	42.4	12.4	242
Income		**542.6**	**575.0**	**(6)**
Personnel expenses	3	255.1	271.6	(6)
General expenses	4	160.2	110.5	45
Depreciation and amortisation		31.0	37.9	(18)
Impairment losses	13	1,029.7	6.8	-
Expenses		**1,476.0**	**426.8**	**246**
(Loss)/profit before taxes		**(933.4)**	**148.2**	**-**
Income tax (credit)/expense	5.1	(4.3)	25.0	-
Net (loss)/profit attributable to the shareholders of the Company		**(929.1)**	**123.2**	**-**
(Loss)/earnings per share				
Basic (loss)/earnings per share (CHF)	7	(5.98)	0.78	-
Diluted (loss)/earnings per share (CHF)	7	(5.98)	0.78	-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2018 CHF m	2017 CHF m	Change in %
Net (loss)/profit attributable to the shareholders of the Company		**(929.1)**	**123.2**	**-**
Remeasurements of pension liabilities	16	12.4	9.9	25
Income tax charges relating to remeasurements of pension liabilities		(1.5)	(2.1)	(29)
Items that will not be reclassified subsequently to the income statement, net of taxes		**10.9**	**7.8**	**40**
Net gains on financial assets available-for-sale		-	2.4	-
Net realised gains on financial assets available-for-sale reclassified to the income statement		-	(2.5)	-
Translation differences		(9.2)	10.7	-
Items that may be reclassified subsequently to the income statement, net of taxes		**(9.2)**	**10.6**	**-**
Other comprehensive income, net of taxes		**1.7**	**18.4**	**(91)**
Total comprehensive (loss)/income attributable to the shareholders of the Company		**(927.4)**	**141.6**	**-**

CONSOLIDATED BALANCE SHEET

	Note	31.12.2018 CHF m	31.12.2017 CHF m	Change in %
Cash and cash equivalents	8	328.2	373.8	(12)
Trade and other receivables		39.6	53.6	(26)
Accrued income and prepaid expenses	9	94.7	152.8	(38)
Financial investments	10.1	30.6	45.9	(33)
Assets held for sale	11	42.9	39.2	9
Current assets		**536.0**	**665.3**	**(19)**
Financial investments and other financial assets	10.1	5.6	2.5	124
Employee benefit asset		0.9	-	-
Deferred tax assets	12.1	37.1	52.3	(29)
Property and equipment	13	24.1	8.8	174
Goodwill and other intangible assets	13	654.6	1,716.5	(62)
Non-current assets		**722.3**	**1,780.1**	**(59)**
Assets		**1,258.3**	**2,445.4**	**(49)**
Trade and other payables		32.8	30.9	6
Other financial liabilities	10.2	18.3	21.8	(16)
Accrued expenses and deferred income	14	219.5	250.0	(12)
Current tax liabilities		1.2	15.7	(92)
Provisions	15	31.7	6.8	366
Liabilities held for sale	11	1.9	2.6	(27)
Current liabilities		**305.4**	**327.8**	**(7)**
Financial liabilities	10.2	28.7	79.8	(64)
Provisions	15	6.7	7.8	(14)
Pension liabilities	16	72.0	109.7	(34)
Deferred tax liabilities	12.2	6.3	37.7	(83)
Non-current liabilities		**113.7**	**235.0**	**(52)**
Liabilities		**419.1**	**562.8**	**(26)**
Share capital	17	8.0	8.0	0
Capital reserves		893.4	995.0	(10)
Retained earnings		115.3	1,026.5	(89)
Revaluation reserve		-	0.8	(100)
Foreign currency translation reserve		(105.4)	(96.2)	10
Treasury shares	17	(72.1)	(51.5)	40
Equity attributable to the shareholders of the Company		**839.2**	**1,882.6**	**(55)**
Liabilities and equity		**1,258.3**	**2,445.4**	**(49)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital CHF m	Capital reserves CHF m
Balance at 1 January 2017		**8.0**	**1,097.2**
Net profit attributable to the shareholders of the Company		-	-
Other comprehensive income, net of taxes [1]		-	-
Total comprehensive income		**-**	**-**
Capital reduction	17	-	-
Dividends paid	17	-	(102.2)
Share-based payment expenses, net of taxes	5.3/22	-	-
Acquisitions of own shares and derivatives on own shares	17	-	-
Disposals of own shares and derivatives on own shares	17	-	-
Total transactions with shareholders of the Company		**-**	**(102.2)**
Balance at 31 December 2017		**8.0**	**995.0**
Effect of adoption of IFRS 9, net of taxes	29.2	-	-
Adjusted balance at 1 January 2018		**8.0**	**995.0**
Net loss attributable to the shareholders of the Company		-	-
Other comprehensive income, net of taxes [1]		-	-
Total comprehensive loss		**-**	**-**
Dividends paid	17	-	(101.6)
Share-based payment expenses, net of taxes	5.3/22	-	-
Acquisitions of own shares and derivatives on own shares	17	-	-
Disposals of own shares and derivatives on own shares	17	-	-
Total transactions with shareholders of the Company		**-**	**(101.6)**
Balance at 31 December 2018		**8.0**	**893.4**

[1] Details of the line item ‘other comprehensive income, net of taxes’ are shown in the consolidated statement of comprehensive income.

Retained earnings CHF m	Revaluation reserve CHF m	Foreign currency translation reserve CHF m	Treasury shares CHF m	Equity attributable to the shareholders of the Company CHF m
889.6	0.9	(106.9)	(44.8)	1,844.0
123.2	-	-	-	123.2
7.8	(0.1)	10.7	-	18.4
131.0	(0.1)	10.7	-	141.6
(9.6)	-	-	9.6	-
-	-	-	-	(102.2)
17.6	-	-	-	17.6
-	-	-	(18.4)	(18.4)
(2.1)	-	-	2.1	-
5.9	-	-	(6.7)	(103.0)
1,026.5	0.8	(96.2)	(51.5)	1,882.6
0.8	(0.8)	-	-	-
1,027.3	-	(96.2)	(51.5)	1,882.6
(929.1)	-	-	-	(929.1)
10.9	-	(9.2)	-	1.7
(918.2)	-	(9.2)	-	(927.4)
-	-	-	-	(101.6)
14.5	-	-	-	14.5
-	-	-	(28.9)	(28.9)
(8.3)	-	-	8.3	-
6.2	-	-	(20.6)	(116.0)
115.3	-	(105.4)	(72.1)	839.2

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2018 CHF m	2017 CHF m
Net (loss)/profit attributable to the shareholders of the Company		**(929.1)**	**123.2**
Adjustments to reconcile net (loss)/profit to cash flow from operating activities			
Non-cash items included in net (loss)/profit:			
– Impairment losses	13	1,029.7	6.8
– Depreciation and amortisation		31.0	37.9
– Share-based payment expenses	22	15.5	17.0
– Other non-cash items		26.4	9.8
Net changes in:			
– Financial investments and other financial assets		7.6	14.9
– Trade and other receivables (excluding tax receivables)		12.6	(20.2)
– Accrued income and prepaid expenses (excluding accrued interest)		53.7	(46.7)
– Trade and other payables		8.5	8.6
– Accrued expenses and deferred income (excluding accrued interest)		(21.0)	32.6
– Other liabilities		(81.2)	(57.1)
Net interest expenses		6.6	7.9
Interest received		0.3	0.2
Interest paid		(1.2)	(1.1)
Income tax (credit)/expense	5	(4.3)	25.0
Income taxes paid		(34.5)	(18.5)
Cash flow from operating activities		**120.6**	**140.3**
Payments of acquisition-related deferred consideration		(1.3)	(1.1)
Disposal of subsidiaries (net of cash)		0.1	0.1
Purchase of property, equipment and intangible assets		(23.7)	(5.4)
Disposal of property and equipment		-	0.1
Cash flow from investing activities		**(24.9)**	**(6.3)**
Purchase of treasury shares	17	(28.9)	(18.4)
Dividends paid to shareholders of the Company	17	(101.6)	(102.2)
Deferred payment for the acquisition of non-controlling interests		(2.2)	(3.5)
Cash flow from financing activities		**(132.7)**	**(124.1)**
Effects of exchange rate changes on cash and cash equivalents		(8.6)	11.2
Net (decrease)/increase in cash and cash equivalents		**(45.6)**	**21.1**
Cash and cash equivalents at the beginning of the year		373.8	352.7
Cash and cash equivalents at the end of the year	8	**328.2**	**373.8**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. Net fee and commission income

	2018 CHF m	2017 CHF m	Change in %
Investment management, advisory and other fees	1,054.9	1,015.1	4
Distribution, fee and commission expenses	(559.5)	(511.5)	9
Net management fees and commissions	**495.4**	**503.6**	**(2)**
of which investment management	453.6	463.8	(2)
of which private labelling	41.8	39.8	5
Performance fees	8.4	73.7	(89)
Performance fees paid to external investment managers	(3.6)	(14.7)	(76)
Net performance fees	**4.8**	**59.0**	**(92)**
Net fee and commission income	**500.2**	**562.6**	**(11)**

2. Net other income

	Note	2018 CHF m	2017 CHF m	Change in %
Adjustments to deferred consideration liabilities	6	46.5	32.6	43
Net foreign exchange losses		(0.2)	(4.2)	-
Interest income		0.4	0.2	100
Interest expenses		(7.0)	(8.1)	(14)
Net gains on financial assets available-for-sale reclassified from other comprehensive income		-	2.5	(100)
Net (losses)/gains on financial instruments at fair value through profit or loss		(1.6)	0.1	-
(Loss)/gain on sale of Cayman business		(0.1)	0.1	-
Performance fees attributed to external interests	6/23.3	(0.3)	(14.9)	-
Other		4.7	4.1	15
Net other income		**42.4**	**12.4**	**242**

The line item ‘interest expenses’ includes negative interest on cash and cash equivalents of CHF 1.2 million (2017: CHF 1.0 million) and finance charges on discounted liabilities of CHF 5.7 million (2017: CHF 7.0 million) relating to the deferred consideration elements of acquisitions previously made. For further information on finance charges on discounted liabilities see note 6.

‘Other’ includes CHF 1.9 million (2017: CHF 1.5 million) of rent income and fund-related fees and service charges of CHF 1.5 million (2017: 2.1 million).

3. Personnel expenses

	Note	2018 CHF m	2017 CHF m	Change in %
Salaries and bonuses		196.8	202.6	(3)
Social security expenses		19.4	22.8	(15)
Defined benefit pension plan expenses	16.2	5.4	11.8	(54)
Defined contribution pension plan expenses	16.1	8.9	8.4	6
Share-based payment expenses	22	15.5	17.0	(9)
Other personnel expenses		9.1	9.0	1
Personnel expenses		**255.1**	**271.6**	**(6)**

In respect of the Group's restructuring, CHF 17.7 million (2017: CHF 8.5 million) were included in salaries and bonuses and CHF 2.4 million (2017: CHF 0.8 million) in social security expenses, with a credit to provisions. In addition, in respect of the restructuring, CHF 2.1 million share-based payment expenses were credited to equity due to accelerated vesting and CHF 0.2 million employee benefit plan expenses for fund units granted were credited to accrued expenses. These items result in a total restructuring expense for personnel expenses of CHF 22.4 million. For further information regarding restructuring see notes 6 and 15.

In early March 2019, as in the prior year, the Group will grant to certain employees fund units as a variable deferred element of their total compensation for 2018. These fund units will vest and be delivered in three equal tranches on the first three anniversaries of the grant date subject to recipients continuing to be employed with the Group on the vesting date. The related expense is recognised over the relevant vesting period in the line item 'salaries and bonuses'. Other elements of the deferred bonuses are granted in form of share-based payments (for further information see note 22).

4. General expenses

	2018 CHF m	2017 CHF m re-presented [1]	Change in %
Occupancy	27.5	22.2	24
Technology and communication	17.7	12.7	39
Data and research	23.4	17.9	31
Professional and consulting services	38.4	18.6	106
Marketing and travel	17.7	19.1	(7)
Administration	9.5	8.8	8
Other general expenses	26.0	11.2	132
General expenses	**160.2**	**110.5**	**45**

[1] Comparative figures have been re-presented. For further information see note 28.

Administration expenses represent outsourcing fees paid to the external service provider for back office and middle office functions.

'Other general expenses' include irrecoverable taxes of CHF 9.5 million (2017: CHF 4.2 million), client and fund reimbursements of CHF 7.6 million (2017: CHF 0.6 million) as well as CHF 3.9 million (2017: CHF 3.6 million) for regulatory fees, insurance premiums and fund related expenses.

The line item 'professional and consulting services' includes CHF 12.6 million (2017: none) of costs incurred in relation to ARBF matters (see note 6) and CHF 0.4 million (2017: CHF 0.2 million) in respect of the restructuring (see note 15).

5. Income tax (credit)/expense

5.1. Tax effects recognised in the income statement

	2018 CHF m	2017 CHF m
Income tax (credit)/expense at the Swiss statutory tax rate of 21.15% (2017: 21.15%)	(197.4)	31.3
Impairment loss on goodwill	186.8	-
Tax rates differing from Swiss statutory rate	5.5	(2.4)
Non-taxable income	(8.9)	(6.2)
Write-down of deferred tax assets	4.6	-
Previously unrecorded tax losses now utilised	-	(0.4)
Current year losses for which no deferred tax asset is recognised	0.4	-
Prior year adjustments	(0.2)	(0.5)
Non-deductible expenses	4.9	1.9
Adjustment to deferred tax assets due to US tax rate reductions	-	1.3
Income tax (credit)/expense	**(4.3)**	**25.0**

In relation to the impairment loss on goodwill (see note 13 for further information), GAM Holding AG recognised an impairment on investments in subsidiaries in its individual statutory financial statements, resulting in a significant loss in those statutory financial statements (see the parent company's financial statements). No deferred tax asset has been recognised relating to this loss as GAM Holding AG's primary source of income, dividends received from subsidiaries, is generally not taxable and therefore it is not probable that future taxable profit will be available against which GAM Holding AG can utilise the loss.

The Group has accumulated unrecognised tax loss carry-forwards amounting to CHF 689.0 million (2017: CHF 5.6 million), of which CHF 1.0 million will expire within 1 year (2017: CHF 0.6 million), CHF 3.1 million between 2 to 5 years (2017: CHF 3.3 million), CHF 680.9 million between 6 to 10 years (2017: CHF 1.7 million) and CHF 4.0 million after ten years (2017: none).

	2018 CHF m	2017 CHF m
Current income tax expense	18.6	30.6
Deferred income tax credit	(22.9)	(5.6)
Income tax (credit)/expense	**(4.3)**	**25.0**

5.2. Tax effects recognised in other comprehensive income

For further information refer to the consolidated statement of comprehensive income.

5.3. Tax effects recognised directly in equity

In 2018, tax effects on share-based payments resulted in a debit to equity of CHF 1.0 million (2017: credit of CHF 0.6 million). With share-based payment expenses of CHF 15.5 million (2017: CHF 17.0 million) and these tax effects, CHF 14.5 million (2017: CHF 17.6 million) is included in the respective line item within equity as shown in the consolidated statement of changes in equity.

6. Reconciliation between net profit (IFRS) and underlying net profit

			2018			2017
	IFRS CHF m	Reconciling items CHF m	Underlying CHF m	IFRS CHF m	Reconciling items CHF m	Underlying CHF m
Net management fees and commissions	495.4	-	495.4	503.6	-	503.6
Net performance fees	4.8	(0.3)	4.5	59.0	(14.9)	44.1
Net fee and commission income	**500.2**	**(0.3)**	**499.9**	**562.6**	**(14.9)**	**547.7**
Net other income	42.4	(42.1)	0.3	12.4	(10.2)	2.2
Income	**542.6**	**(42.4)**	**500.2**	**575.0**	**(25.1)**	**549.9**
Personnel expenses	255.1	(15.5)	239.6	271.6	(7.0)	264.6
General expenses	160.2	(32.5)	127.7	110.5	(4.4)	106.1
Depreciation and amortisation	31.0	(24.8)	6.2	37.9	(31.2)	6.7
Impairment losses	1,029.7	(1,029.7)	-	6.8	(6.8)	-
Expenses	**1,476.0**	**(1,102.5)**	**373.5**	**426.8**	**(49.4)**	**377.4**
(Loss)/profit before taxes	**(933.4)**	**1,060.1**	**126.7**	**148.2**	**24.3**	**172.5**
Income tax (credit)/expense	(4.3)	32.8	28.5	25.0	10.4	35.4
Net (loss)/profit	**(929.1)**	**1,027.3**	**98.2**	**123.2**	**13.9**	**137.1**
(Loss)/earnings per share						
Basic (loss)/earnings per share (CHF)	(5.98)		0.63	0.78		0.87
Diluted (loss)/earnings per share (CHF)	(5.98)		0.63	0.78		0.86

Reconciling items

	Note	2018 Acquisition-related items CHF m	2018 Non-recurring items CHF m	2018 Total reconciling items CHF m	2017 Acquisition-related items CHF m	2017 Non-recurring items CHF m	2017 Total reconciling items CHF m
Performance fees attributed to external interests	23.3	(0.3)	-	(0.3)	(14.9)	-	(14.9)
Net fee and commission income		**(0.3)**	**-**	**(0.3)**	**(14.9)**	**-**	**(14.9)**
Adjustments to deferred consideration liabilities	2	(46.5)	-	(46.5)	(32.6)	-	(32.6)
Foreign exchange (losses)/gains on deferred consideration liabilities		(0.7)	-	(0.7)	0.6	-	0.6
Performance fees attributed to external interests	2/23.3	0.3	-	0.3	14.9	-	14.9
Finance charges on discounted liabilities	2	5.7	-	5.7	7.0	-	7.0
Other income		-	(0.9)	(0.9)	-	(0.1)	(0.1)
Net other income		**(41.2)**	**(0.9)**	**(42.1)**	**(10.1)**	**(0.1)**	**(10.2)**
Adjustments to deferred consideration liabilities		1.7	-	1.7	3.1	-	3.1
Reorganisation charge	15	-	(22.4)	(22.4)	-	(9.3)	(9.3)
Pension plan curtailment and amendments	16	-	5.3	5.3	-	-	-
Deal and integration costs		-	-	-	-	(0.8)	(0.8)
Other expenses		-	(0.1)	(0.1)	-	-	-
Personnel expenses		**1.7**	**(17.2)**	**(15.5)**	**3.1**	**(10.1)**	**(7.0)**
Reorganisation charge		-	(14.6)	(14.6)	-	(3.0)	(3.0)
Deal and integration costs		-	-	-	-	(0.5)	(0.5)
Costs relating to ARBF matters		-	(12.6)	(12.6)	-	-	-
Other expenses		-	(5.3)	(5.3)	-	(0.9)	(0.9)
General expenses		**-**	**(32.5)**	**(32.5)**	**-**	**(4.4)**	**(4.4)**
Amortisation of investment management and client contracts		(24.8)	-	(24.8)	(31.2)	-	(31.2)
Depreciation and amortisation	13	**(24.8)**	**-**	**(24.8)**	**(31.2)**	**-**	**(31.2)**
Impairment of goodwill	13	-	(883.4)	(883.4)	-	-	-
Impairment of investment management and client contracts	13	-	(146.3)	(146.3)	-	(6.8)	(6.8)
Impairment losses		**-**	**(1,029.7)**	**(1,029.7)**	**-**	**(6.8)**	**(6.8)**
Total reconciling items before taxes		**(18.4)**	**1,078.5**	**1,060.1**	**3.1**	**21.2**	**24.3**
Write-down of deferred tax assets	5/12	-	(4.6)	(4.6)	-	-	-
Income tax credit		4.8	32.6	37.4	6.4	4.0	10.4
Total reconciling items after taxes		**(23.2)**	**1,050.5**	**1,027.3**	**(3.3)**	**17.2**	**13.9**

The Group has defined principles for reporting non-IFRS profit information – including labelling, transparency, prominence and presentation, comparability, consistency and materiality – which are considered to be appropriate to meet the needs of users of financial information. The Group discloses underlying profit before and after taxes as alternative performance measures representing a measure of earnings adjusted to exclude items which are not viewed as part of the Group's underlying operating activities. This enables better comparison of business performance across periods.

According to its policy, the Group distinguishes between two categories of excluded items, in adherence to the principles mentioned above, being acquisition-related items and non-recurring items.

Below items are stated before taxes.

Acquisition-related items

2018

Adjustments to deferred consideration liabilities and related foreign exchange impacts

The Group acquired GAM Lugano, the Singleterry Mansley business, the Renshaw Bay real estate debt business as well as the investment management businesses of Taube Hodson Stonex (THS) and Cantab Capital Partners (Cantab), all with a deferred consideration element. In 2018, the consideration payable, compared with that recognised at acquisition or in subsequent periods, was reduced by CHF 48.2 million. Thereof, CHF 46.5 million was recognised as income in the line item 'net other income' and CHF 1.7 million as a credit in the line item 'personnel expenses'. In addition, a net of hedging gain of CHF 0.7 million was recognised as a credit in the line item 'net foreign exchange losses' included within 'net other income'.

Finance charges on discounted liabilities

The CHF 5.7 million finance charges on discounted liabilities relate to the deferred consideration elements of the acquisitions of GAM Lugano, the Singleterry Mansley business as well as the investment management businesses of THS and Cantab.

Amortisation of investment management and client contracts

The CHF 24.8 million amortisation of investment management and client contracts relates to the acquisitions of the Singleterry Mansley business, the Renshaw Bay real estate business as well as the investment management businesses of THS and Cantab.

Performance fees attributed to external interests

The Group has a contractual commitment, through the agreement to acquire Cantab, to pay 40% of performance fees received by Cantab to employees (in the first five years and capped at USD 50 million as determined by previous partners) and previous partners thereafter indefinitely via "A" interests. Such liabilities are recognised when respective performance fees crystallise and are received by Cantab. The performance fees payable in relation to "A" interests of Cantab amount to CHF 0.3 million.

2017

Adjustments to deferred consideration liabilities

The Group acquired GAM Lugano, the Singleterry Mansley business, the Renshaw Bay real estate debt business as well as the investment management businesses of THS and Cantab, all with a deferred consideration element. In 2017, the consideration payable, compared with that recognised at acquisition or in subsequent periods, was reduced by CHF 35.7 million. Thereof, CHF 32.6 million were recognised as income in the line item 'net other income' and CHF 3.1 million as a credit in the line item 'personnel expenses'. In addition, a related net of hedging loss of CHF 0.6 million was recognised in the line item 'foreign exchange losses' included within 'net other income'.

Finance charges on discounted liabilities

The CHF 7.0 million finance charges on discounted liabilities relate to the deferred consideration elements of the acquisitions of GAM Lugano, the Singleterry Mansley business as well as the investment management businesses of THS and Cantab.

Amortisation of investment management and client contracts

The CHF 31.2 million amortisation of investment management and client contracts relates to the acquisitions of the Singleterry Mansley business, the Renshaw Bay real estate business as well as the investment management businesses of THS and Cantab.

Performance fees attributed to external interests

The Group has a contractual commitment, through the agreement to acquire Cantab, to pay 40% of performance fees received by Cantab to employees (in the first five years and capped at USD 50 million as determined by previous partners) and previous partners thereafter indefinitely via "A" interests. Such liabilities are recognised when respective performance fees crystallise and are received by Cantab. The performance fees payable in relation to "A" interests of Cantab amount to CHF 14.9 million.

Non-recurring items

2018

Reorganisation charge

The charge of CHF 37.0 million in respect of the Group's implementation of its strategic initiatives includes restructuring costs of CHF 22.4 million associated with redundancies in connection with the comprehensive restructuring programme announced in December 2018 recognised in the line item 'personnel expenses' (for further information see note 3) as well as CHF 14.6 million in connection with costs recognised in the line item 'general expenses' relating to the Group's London office move, IT infrastructure outsourcing, restructuring-related professional costs and the liquidation of Group legal entities.

Pension plan curtailment and amendments

The planned reduction in the number of employees in Switzerland in connection with the measures taken under the restructuring programme announced in December 2018 qualifies as a curtailment to the Swiss defined benefit pension plan resulting in a non-cash gain of CHF 4.7 million.

In addition, pension plan amendments in the UK defined benefit pension scheme resulted in a non-cash net gain of CHF 0.6 million (see note 16 for further details).

Costs relating to ARBF matters

In connection with events and circumstances leading to the suspension and subsequent dismissal of the investment director and business unit head for the unconstrained/absolute return bond fund (ARBF) strategy, and the subsequent liquidation of the ARBF strategy related funds and mandates, various costs were incurred, mainly reflecting legal fees and other professional fees.

Impairment of investment management and client contracts

The CHF 146.3 million impairment loss (before taxes, CHF 120.7 million net of taxes) on investment management and client contracts relates to the acquisitions of the investment management businesses of Cantab (CHF 145.8 million) and THS (CHF 0.5 million). For further information see note 13.

Impairment of goodwill

For further information on the CHF 883.4 million impairment loss on goodwill see note 13.

Write-down of deferred tax assets

The write-down relates to deferred tax assets on previously recognised temporary differences and tax losses.

Other income and expenses

Other income and expenses include certain items which have been combined in one line item considering materiality.

2017

Reorganisation charge

The charge of CHF 12.3 million in respect of the Group's implementation of its strategic initiatives includes restructuring costs of CHF 9.3 million associated with redundancies and the revaluation of the restructuring provision recognised in the line item 'personnel expenses' as well as CHF 3.0 million in connection with non-staff costs recognised in the line item 'general expenses' relating to the Group's London office move, rebranding costs and the Group's compensation and strategic review. For further information regarding restructuring see note 15.

Impairment of investment management and client contracts

The CHF 6.8 million impairment loss on investment management and client contracts relates to the acquisition of the investment management business of THS. For further information see note 13.

Deal and integration costs

In 2016, the Group acquired the investment management businesses of THS and Cantab. As part of these acquisitions, CHF 1.3 million of deal and integration costs were incurred in 2017.

Other expenses

Other expenses include certain other costs and other minor adjustments to previously reported items which have been combined in one line item considering materiality.

7. Earnings per share and shares outstanding

7.1. Earnings per share

	2018	2017
Basic (loss)/earnings per share		
Net (loss)/profit attributable to the shareholders of the Company (CHF m)	(929.1)	123.2
Weighted average number of shares outstanding (millions)	155.4	157.0
Basic (loss)/earnings per share (CHF)	**(5.98)**	**0.78**
Diluted (loss)/earnings per share		
Net (loss)/profit attributable to the shareholders of the Company for diluted EPS (CHF m)	(929.1)	123.2
Weighted average number of shares outstanding (millions)	155.4	157.0
Dilution effect (millions)	-	1.8
Weighted average number of shares outstanding for diluted EPS (millions)	155.4	158.8
Diluted (loss)/earnings per share (CHF)	**(5.98)**	**0.78**

At 31 December 2018, 1.2 million potential shares were excluded from the weighted average number of shares outstanding for diluted EPS calculation because their effect would have been anti-dilutive due to the net loss recognised in 2018.

7.2. Shares outstanding

	Note	2018	2017
Shares issued at the beginning of the year		159,682,531	160,294,731
Cancelled during the year		-	(612,200)
Shares issued at the end of the year	17	**159,682,531**	**159,682,531**
Treasury shares – share-based payment plans	17	(4,627,353)	(3,361,073)
Shares outstanding at the end of the year		**155,055,178**	**156,321,458**

NOTES TO THE CONSOLIDATED BALANCE SHEET

8. Cash and cash equivalents

	31.12.2018 CHF m	31.12.2017 CHF m	Change in %
Cash at bank	311.9	357.2	(13)
Short-term deposits	16.3	16.6	(2)
Cash and cash equivalents	**328.2**	**373.8**	**(12)**

9. Accrued income and prepaid expenses

	31.12.2018 CHF m	31.12.2017 CHF m	Change in %
Accrued fee and commission income	82.3	141.7	(42)
Prepaid expenses	11.1	10.5	6
Accrued other income	1.3	0.6	117
Accrued income and prepaid expenses	**94.7**	**152.8**	**(38)**

10. Financial instruments

10.1. Financial investments and other financial assets

	Note	31.12.2018 CHF m	31.12.2017 CHF m	Change in %
Seed capital and product management investments at fair value through profit or loss	29.2	25.0	-	-
Equity financial assets available-for-sale	29.2	-	16.6	(100)
Equity financial assets at fair value through profit or loss	29.2	-	29.8	(100)
Derivative financial instruments	10.3	2.6	0.4	550
Other financial assets		8.6	1.6	438
Financial investments and other financial assets		**36.2**	**48.4**	**(25)**
Current		30.6	45.9	(33)
Non-current		5.6	2.5	124
Financial investments and other financial assets		**36.2**	**48.4**	**(25)**

10.2. Other and non-current financial liabilities

	Note	31.12.2018 CHF m	31.12.2017 CHF m	Change in %
Derivative financial instruments	10.3	0.4	1.5	(73)
Financial liabilities at fair value through profit or loss		42.1	97.7	(57)
Financial liabilities measured at amortised cost		4.5	2.4	88
Other and non-current financial liabilities		**47.0**	**101.6**	**(54)**
Current		18.3	21.8	(16)
Non-current		28.7	79.8	(64)
Other and non-current financial liabilities		**47.0**	**101.6**	**(54)**

10.3. Derivative financial instruments

	Contract/ notional amount CHF m	Positive replacement value CHF m	31.12.2018 Negative replacement value CHF m
Foreign exchange derivative financial instruments	118.8	0.3	0.4
Other derivative financial instruments (index futures/swaps)	26.7	2.3	-
Derivative financial instruments held for trading	**145.5**	**2.6**	**0.4**

	Contract/ notional amount CHF m	Positive replacement value CHF m	31.12.2017 Negative replacement value CHF m
Foreign exchange derivative financial instruments	224.9	0.4	0.5
Other derivative financial instruments (index futures/swaps)	44.0	-	1.0
Derivative financial instruments held for trading	**268.9**	**0.4**	**1.5**
Derivative financial instruments designated as fair value hedges (foreign exchange forwards)	2.3	-	-
Derivative financial instruments designated as hedging instruments	**2.3**	**-**	**-**
Derivative financial instruments	**271.2**	**0.4**	**1.5**

In 2018, there were no derivative financial instruments designated as hedging instruments.

In 2017, losses of CHF 0.2 million on derivative financial instruments designated as hedging instruments and losses of CHF 0.1 million on the hedged items attributable to the hedged risk (foreign exchange exposure of financial assets and liabilities) resulted in a hedge ineffectiveness of CHF 0.3 million, which was recognised in the income statement in 'net other income'.

10.4. Financial instruments by category

	31.12.2018 Carrying amount CHF m	31.12.2017 Carrying amount CHF m
Cash and cash equivalents	328.2	373.8
Trade and other receivables (excluding tax receivables)	34.0	53.6
Accrued income	83.6	142.3
Other financial assets	1.4	1.6
Financial assets measured at amortised cost	**447.2**	**571.3**
Financial assets mandatorily at fair value through profit or loss	75.0	-
Financial assets available-for-sale	-	16.6
Derivative financial instruments held for trading	2.6	0.4
Financial assets designated at fair value through profit or loss	-	29.8
Financial assets at fair value held for trading	-	39.2
Financial assets measured at fair value [1]	**77.6**	**86.0**
Financial assets	**524.8**	**657.3**
Trade and other payables	32.8	30.9
Accrued expenses	219.5	250.0
Other financial liabilities	4.5	2.4
Financial liabilities measured at amortised cost	**256.8**	**283.3**
Derivative financial instruments held for trading	0.4	1.5
Financial liabilities designated at fair value through profit or loss	44.0	100.3
Financial liabilities measured at fair value	**44.4**	**101.8**
Financial liabilities	**301.2**	**385.1**

[1] Under the transition method chosen, the opening balances have been adjusted to reflect the adoption of new accounting policies in line with IFRS 9 as of 1 January 2018. Therefore, comparative information is not restated. For further information see note 29.

The Group has not disclosed the fair values for cash and cash equivalents, accrued income and expenses, trade and other receivables and payables, other financial assets and other financial liabilities as their carrying amounts are a reasonable approximation of fair values. Regarding the level in the fair value hierarchy for financial assets and liabilities measured at fair value see note 10.5.

The categories 'financial assets mandatorily at fair value through profit or loss' (2017: 'financial assets at fair value held for trading') and 'financial liabilities at fair value through profit or loss' include the balance sheet line items 'assets held for sale' and 'liabilities held for sale' which contain the controlled funds' direct investments in the amount of CHF 42.9 million (31 December 2017: CHF 39.2 million), representing investments into financial instruments. See note 11 for more information.

10.5. Financial instruments – fair value determination

For financial investments whose prices are quoted in an active market, the fair value is derived directly from the quoted market prices.

For financial instruments for which quoted market prices are not directly available, fair values are estimated using valuation techniques or models based, where possible, on assumptions supported by observable market prices or rates existing at the balance sheet date. This is the case for the majority of OTC derivatives, most unlisted financial instruments, and other items that are not traded in active markets. The main pricing models and valuation techniques applied include forward pricing and swap models using present-value calculations and option models. The values derived from applying these models and techniques are significantly impacted by the choice of the valuation model used and the underlying assumptions made, such as the amounts and timing of future cash flows, discount rates, volatility and credit risk.

Financial instruments measured at fair value subsequent to initial recognition are grouped into levels 1 to 3 based on the degree to which the fair value is observable, ie:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of total return swaps over shares is based on the fair value of the underlying shares.
- The fair value of forward foreign exchange contracts is determined by discounting the difference between the contractual forward exchange rate and the current forward exchange rate at the balance sheet date for the residual maturity of the contract.
- Other techniques, such as discounted cash flow analysis, are used to determine the fair value for the remaining financial instruments.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1 CHF m	Level 2 CHF m	Level 3 CHF m	31.12.2018 **Total** CHF m
Derivative financial instruments	-	2.6	-	**2.6**
Seed capital and product management investments at fair value through profit or loss	55.8	12.1	-	**67.9**
Other financial assets at fair value through profit or loss	-	7.0	0.1	**7.1**
Financial assets measured at fair value [1]	**55.8**	**21.7**	**0.1**	**77.6**
Derivative financial instruments	-	0.4	-	**0.4**
Financial liabilities at fair value through profit or loss	1.8	5.4	36.8	**44.0**
Financial liabilities measured at fair value	**1.8**	**5.8**	**36.8**	**44.4**

	Level 1 CHF m	Level 2 CHF m	Level 3 CHF m	31.12.2017 **Total** CHF m
Derivative financial instruments	-	0.4	-	**0.4**
Financial assets at fair value through profit or loss	61.3	7.4	0.3	**69.0**
Financial assets available-for-sale	15.7	0.8	0.1	**16.6**
Financial assets measured at fair value [1]	**77.0**	**8.6**	**0.4**	**86.0**
Derivative financial instruments	-	1.5	-	**1.5**
Financial liabilities at fair value through profit or loss	2.6	14.9	82.8	**100.3**
Financial liabilities measured at fair value	**2.6**	**16.4**	**82.8**	**101.8**

[1] Under the transition method chosen, the opening balances have been adjusted to reflect the adoption of new accounting policies in line with IFRS 9 as of 1 January 2018. Therefore, comparative information is not restated. For further information see note 29.

The categories 'seed capital and product management investments at fair value through profit or loss' and 'financial liabilities at fair value through profit or loss' include the balance sheet line items 'assets held for sale' and 'liabilities held for sale' which contain the controlled funds' direct investments. See notes 10.4 and 11 for more information.

Transfers into and transfers out of the fair value hierarchy levels are recognised as of the date of the event or change in circumstances that caused the transfer. On 31 December 2018, compared to prior year, financial assets in the amount of CHF 0.9 million were transferred from level 1 to level 2 due to less regularly occurring market transactions meaning that those markets no longer met the definition of an active market. On 31 December 2017, compared to prior year, financial assets in the amount of CHF 8.0 million were transferred from level 2 to level 1 due to more regularly occurring market transactions meaning that those markets then met the definition of an active market.

Financial liabilities at fair value through profit or loss mainly represent deferred consideration liabilities relating to previous acquisitions. These are measured based on their contractual terms and expected future business performance.

The following table presents the changes in level 3 financial instruments:

	Financial assets at fair value through profit or loss CHF m	Financial assets available-for-sale CHF m	**Total financial assets** CHF m	Financial liabilities at fair value through profit or loss CHF m
Balance at 1 January 2017	0.4	10.9	**11.3**	120.5
Disposals/settlements	(0.2)	(12.0)	**(12.2)**	(5.9)
Total gains/losses:				
– in profit or loss	0.1	(1.1)	**(1.0)**	(35.2)
– in other comprehensive income	-	2.3	**2.3**	-
Translation differences	-	-	**-**	3.4
Balance at 31 December 2017	**0.3**	**0.1**	**0.4**	**82.8**
Effect of adoption of IFRS 9, net of taxes [1]	0.1	(0.1)	-	-
Adjusted balance at 1 January 2018	**0.4**	**-**	**0.4**	**82.8**
Disposals/settlements	(0.1)	-	**(0.1)**	(5.0)
Total gains/losses in profit or loss	(0.2)	-	**(0.2)**	(38.4)
Translation differences	-	-	**-**	(2.6)
Balance at 31 December 2018	**0.1**	**-**	**0.1**	**36.8**

[1] Opening balances have been adjusted to reflect the adoption of new accounting policies in line with IFRS 9 as of 1 January 2018. For further information see note 29.

In 2018, net gains of CHF 38.2 million (2017: net gains of CHF 34.2 million) included in profit or loss relate to level 3 financial instruments held at the end of the reporting period. These gains and losses are included in the line items ‘net other income’ and ‘personnel expenses’. For further information on the financial liabilities see note 6 regarding adjustments to the deferred consideration liabilities.

Sensitivity of fair value measurements of financial assets

As in the prior year, there is no reasonably possible change in the inputs used in determining the fair value of level 3 financial assets which would cause a significant change in the fair value of these financial assets.

Sensitivity of fair value measurements of financial liabilities

Level 3 financial liabilities, representing the deferred consideration liabilities from acquisitions made by the Group, are impacted by reasonable possible changes to the inputs used in determining their fair value, predominantly the deferred consideration liability from the acquisition of Cantab which is estimated to amount to CHF 33.1 million as at 31 December 2018 (31 December 2017: CHF 72.6 million).

The deferred consideration regarding the acquisition of Cantab is based on net management fee revenue from the strategies managed by the Cantab investment team for 2018, 2019 and 2020, payable after each period end. The deferred consideration liability represents the present value of expected payments, determined by considering the forecasted net management fee revenue, discounted using a risk-adjusted discount rate. The significant unobservable inputs are as follows:
- forecasted revenue from net management fees for 2019; and
- estimated future growth rates (2019: -17% and 2020: 1%) (31 December 2017 for 2018 to 2020: 15% to 32% annually).

The estimated fair value would increase / (decrease) if:
- the forecasted revenue from net management fees for 2019 were higher / (lower). An increase / (decrease) of 10% would result in the estimated fair value being higher / (lower) by CHF 3 million / (CHF 3 million);
- the estimated future growth rates were higher / (lower). An increase / (decrease) by 10 percentage points would result in the estimated fair value being higher / (lower) by CHF 3 million / (CHF 3 million).

11. Assets and liabilities held for sale

The Group makes seed capital investments in certain fund products in order to establish track records for new products, to test new investment strategies or to launch a new product at a viable minimum size.

Those financial investments under the Group's control, in accordance with IFRS 10, which are available for immediate sale and for which management expects to complete the sale within one year, are presented in the balance sheet line items 'assets held for sale' and 'liabilities held for sale' in accordance with IFRS 5 Non-current Assets Held for Sale. The balance sheet line item 'assets held for sale' consists of the controlled funds' direct investments in financial instruments and the balance sheet line item 'liabilities held for sale' consists of the direct liabilities of those controlled funds under the Group's control.

	31.12.2018 CHF m	31.12.2017 CHF m
Assets held for sale	42.9	39.2
Liabilities held for sale	1.9	2.6

12. Deferred tax assets and liabilities

12.1. Deferred tax assets

	2018 CHF m	2017 CHF m
Balance at the beginning of the year	52.3	56.3
Recognised in profit or loss	(7.3)	(1.5)
Recognised directly in equity	(1.0)	0.7
Recognised in other comprehensive income	(6.5)	(4.0)
Translation differences	(0.4)	0.8
Balance at the end of the year	**37.1**	**52.3**
Components of deferred tax assets		
Tax loss carry-forwards	22.3	25.2
Pension liabilities	12.5	19.9
Employee compensation and benefits	-	0.8
Share-based payments	0.9	2.7
Property and equipment	0.5	1.9
Other	0.9	1.8
Deferred tax assets at the end of the year	**37.1**	**52.3**

Tax loss carry-forwards mainly relate to the simplification of the Group's operating legal entity structure in Switzerland.

Tax effects recognised in profit or loss

In 2018, tax effects recognised in profit or loss include the write-down of deferred tax assets of CHF 4.6 million on previously recognised temporary differences and tax losses (see note 5).

Tax effects recognised in other comprehensive income

In 2018, income tax charges relating to remeasurements of pension liabilities resulted in a debit to other comprehensive income of CHF 1.5 million (2017: debit of CHF 2.1 million) as shown in the respective line item in the consolidated statement of comprehensive income. These tax effects on pension liabilities include CHF 6.5 million (2017: CHF 4.0 million) credited to deferred tax assets and CHF 5.0 million (2017: CHF 1.9 million) debited to current tax liabilities.

12.2. Deferred tax liabilities

	2018 CHF m	2017 CHF m
Balance at the beginning of the year	37.7	42.9
Recognised in profit or loss	(30.2)	(7.1)
Translation differences	(1.2)	1.9
Balance at the end of the year	**6.3**	**37.7**
Components of deferred tax liabilities		
Intangible assets	6.2	37.5
Property and equipment	0.1	0.2
Deferred tax liabilities at the end of the year	**6.3**	**37.7**

13. Property and equipment, goodwill and other intangible assets

	Property and equipment CHF m	Goodwill CHF m	Investment management and client contracts CHF m	Brand CHF m	Software CHF m	Goodwill and other intangible assets CHF m
Historical cost						
Balance at 1 January 2017	**63.6**	1,977.3	1,248.7	273.0	43.2	**3,542.2**
Additions	**1.9**	-	-	-	3.5	**3.5**
Disposals	**(2.6)**	-	-	-	-	**-**
Translation differences	**1.2**	6.1	12.1	-	0.9	**19.1**
Balance at 31 December 2017	**64.1**	**1,983.4**	**1,260.8**	**273.0**	**47.6**	**3,564.8**
Additions	**15.5**	-	-	-	8.2	**8.2**
Remeasurement of reinstatement provisions	**3.7**	-	-	-	-	**-**
Disposals	**(0.1)**	-	-	-	(8.6)	**(8.6)**
Translation differences	**(1.5)**	(6.2)	(12.3)	-	(1.4)	**(19.9)**
Balance at 31 December 2018	**81.7**	**1,977.2**	**1,248.5**	**273.0**	**45.8**	**3,544.5**
Accumulated depreciation, amortisation and impairment losses						
Balance at 1 January 2017	**52.6**	764.4	1,005.9	-	35.3	**1,805.6**
Additions	**4.2**	-	31.2	-	2.5	**33.7**
Disposals	**(2.6)**	-	-	-	-	**-**
Impairment losses	**-**	-	6.8	-	-	**6.8**
Translation differences	**1.1**	-	1.7	-	0.5	**2.2**
Balance at 31 December 2017	**55.3**	**764.4**	**1,045.6**	**-**	**38.3**	**1,848.3**
Additions	**3.6**	-	24.8	-	2.6	**27.4**
Disposals	**(0.1)**	-	-	-	(8.6)	**(8.6)**
Impairment losses	**-**	883.4	146.3	-	-	**1,029.7**
Translation differences	**(1.2)**	-	(6.2)	-	(0.7)	**(6.9)**
Balance at 31 December 2018	**57.6**	**1,647.8**	**1,210.5**	**-**	**31.6**	**2,889.9**
Carrying amounts						
Historical cost	**64.1**	1,983.4	1,260.8	273.0	47.6	**3,564.8**
Accumulated depreciation, amortisation and impairment losses	**55.3**	764.4	1,045.6	-	38.3	**1,848.3**
Balance at 31 December 2017	**8.8**	**1,219.0**	**215.2**	**273.0**	**9.3**	**1,716.5**
Historical cost	**81.7**	1,977.2	1,248.5	273.0	45.8	**3,544.5**
Impairment losses	**57.6**	1,647.8	1,210.5	-	31.6	**2,889.9**
Balance at 31 December 2018	**24.1**	**329.4**	**38.0**	**273.0**	**14.2**	**654.6**

Disposals include derecognition of fully depreciated and amortised assets. There is no capitalised property and equipment arising from finance leases.

Impairment testing – intangible assets

The Group has undertaken an assessment of the carrying value of its intangible assets. When reviewing the carrying value of these assets, the Board of Directors and the Group Management Board consider the current situation of the Group and its prospects by taking into account both Group-specific matters and the broader economic environment in which the Group operates. Significant management judgement is required with respect to the key assumptions used.

Goodwill and brand

The Group holds goodwill on the acquisition of various investment management activities. The brand relates to the acquisition of GAM. As the brand is directly linked with the ongoing operations of GAM, the brand is considered to have an indefinite useful life.

The Group tests the brand name GAM together with the goodwill for impairment annually, as both relate to the same cash-generating unit, or whenever there are indications that the goodwill and the brand might be impaired, by comparing its carrying amount with its recoverable amount.

The recoverable amount based on the value in use is determined for the respective cash-generating unit (i.e. for the smallest identifiable group of assets that generate cash inflows independently from other assets).

The Group uses a model based on the discounted cash flow method to calculate the recoverable amount. The Group estimates the free cash flows expected to be generated from the continuing use of the respective cash-generating units based on its own five-year financial planning, taking into account the following key parameters and their individual components:

- assets under management
- management fee margin on assets under management
- performance fees
- income and expenses
- expected tax rate

Other key assumptions are the discount rate and terminal growth rate. The Group's approach to determining the key assumptions is based on management's knowledge and reasonable expectations of future business, using internal and external market information, planned business initiatives and other reasonable intentions of management. For that purpose, the Group uses historical information as well as the current and expected market situations and the current and expected future relative market position of its products vis-à-vis its respective competitors and its industry.

The resulting free cash flows are discounted to their present value, using a pre-tax discount rate of 10.4% (2017: 10.6%) based on the risk-free rate obtained from the yield on 30-year bonds issued by the governments in the relevant markets and in the same currency as the cash flows. The data used in calculating the discount rate originates from information obtained from data service providers and external professional service providers. The discount rates used in the above calculation represent the Group's specific risk-weighted rates. To calculate the recoverable amount of the goodwill, the Group applies a 1.5% (2017: 1.5%) terminal growth rate, which is in line with the expected long-term growth rate of the gross domestic products for markets relevant to the Group.

As a consequence of the events and circumstances leading to the suspension of the investment director and business unit head for the ARBF strategy and the subsequent liquidation of the ARBF strategy related funds and mandates, the forecasted assets under management and profitability levels were significantly lower compared to previous forecasts. The resulting recoverable amount from the impairment test performed for the cash-generating unit, which includes goodwill and brand, amounted to CHF 872.5 million and was significantly lower than the carrying value as at 30 November 2018.

Based on the impairment test performed, considering the assumptions above, an impairment loss of CHF 883.4 million was recognised in 2018 (2017: none). As at 31 December 2018, the carrying value of the goodwill is CHF 329.4 million and of the brand CHF 273.0 million respectively.

Changes in key assumptions

Deviations of actual results versus forecasted/planned key assumptions as well as future changes of any key assumptions based on a differing future assessment of the development of relevant markets and/or the businesses may occur from time to time. Such deviations may result from changes in products, client mix, profitability, types and intensity of personnel resources, general and company-specific personnel costs, new business initiatives and other internal or external factors. These changes may cause the value of the business to alter and therefore either increase or reduce the difference between the carrying value in the balance sheet and its recoverable amount or may lead to a partial impairment of goodwill and the brand.

The Group uses a model based on the discounted cash flow method to calculate the recoverable amount. The Group estimates the free cash flows expected to be generated from the continuing use of the respective cash-generating units based on its own five-year financial planning (2019-2023). The estimated free cash flows are discounted to their present value.

Following the impairment loss recognised on the goodwill, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment. Changes in these key assumptions, which are deemed to be reasonably possible, and would cause the carrying amount of the cash-generating unit, which includes goodwill and brand, to exceed the recoverable value, are as follows:

An increase of 1.0% of the discount rate of 10.4% used for the impairment test would decrease the estimated recoverable value for the goodwill based on the value in use by approximately CHF 93 million.

A decrease of 5% for each year of forecasted free cash flows for 2019-2023, based on estimated future fee revenue derived from the Group’s assets under management and the respective estimated future operating expenses, would result in the estimated recoverable value for the goodwill, based on the value in use, being lower by approximately CHF 44 million.

Investment management and client contracts

Investment management and client contracts are amortised over their estimated useful life not exceeding a period greater than ten years using the straight-line method. Investment management and client contracts acquired prior to 2014 are fully amortised.

Whenever there are indications that investment management and client contracts are impaired, the Group uses a discounted cash flow model based on future cash flows attributable to identified investment management and client contracts to determine the recoverable amount.

Driven by lower than anticipated net inflows and investment performance the assets under management of the acquired Cantab business further decreased in 2018. Consequently, the actual and expected future cash flows were lower than originally assumed at the time of acquisition in 2016, which was considered an indication of impairment of the related investment management and client contracts. Therefore, an impairment test was performed using a discounted cash flow model based on estimated future cash flows attributable to identified investment management and client contracts acquired through the acquisition of Cantab to determine the recoverable amount, being CHF 35.1 million based on the value in use as at 30 November 2018. The estimated future cash flows were discounted to their present value, using an average pre-tax discount rate of 17.3%. As a result, an impairment loss of CHF 145.8 million was recognised in 2018.

As a result of the loss of mandates and clients, the assets under management of the acquired THS business and related forecasted cash flows significantly decreased in 2018 reflecting an indication of impairment of related investment management and client contracts. Therefore, an impairment test was performed using a discounted cash flow model based on future cash flows attributable to identified investment management and client contracts relating to the acquisition of THS to determine the recoverable amount. As a result, an impairment loss of CHF 0.5 million was recognised in 2018 (2017: CHF 6.8 million).

14. Accrued expenses and deferred income

	31.12.2018 CHF m	31.12.2017 CHF m	Change in %
Accrued commission expenses	122.4	139.6	(12)
Other accrued expenses and deferred income	97.1	110.4	(12)
Accrued expenses and deferred income	**219.5**	**250.0**	**(12)**

15. Provisions

	Restructuring CHF m	Reinstatement of leasehold improvements CHF m	Other CHF m	2018 **Total** CHF m
Balance at the beginning of the year	11.7	2.4	0.5	**14.6**
Recognised during the year	26.8	3.7	6.4	**36.9**
Utilised during the year	(6.2)	-	(0.1)	**(6.3)**
Reversed during the year	(6.3)	-	(0.3)	**(6.6)**
Translation differences	(0.1)	(0.1)	-	**(0.2)**
Balance at the end of the year	**25.9**	**6.0**	**6.5**	**38.4**
Current	25.2	-	6.5	**31.7**
Non-current	0.7	6.0	-	**6.7**
Balance at the end of the year	**25.9**	**6.0**	**6.5**	**38.4**

Restructuring
To reduce internal complexity and increase efficiency, the Group launched a comprehensive restructuring programme in December 2018. The implementation of this restructuring programme involves several actions, including consolidating investment teams, optimising the distribution footprint, streamlining operations and support functions, refining the corporate structure and re-prioritising projects as part of the Group's change programme to ensure efficiencies are achieved while continuing to enhance the control framework. The restructuring measures are anticipated to be substantially completed by the end of 2019.

The restructuring provision was recognised in profit or loss, net of the reversal of the previous restructuring provision, in the following expense line items and is included in the non-recurring reorganisation charge (see note 6):

	2018 CHF m	2017 CHF m
Salaries and bonuses	17.7	8.5
Social security expenses	2.4	0.8
Personnel expenses	**20.1**	**9.3**
General expenses	**0.4**	**0.2**
Restructuring expenses	**20.5**	**9.5**

Reinstatement of leasehold improvements
The Group leases a number of buildings and provides for the reinstatement costs of these based on the lease agreements. CHF 2.1 million of this provision is expected to be used by 2020, the remainder of this provision is anticipated to be utilised between 2021 and 2033.

Other provisions
Other provisions include a provision of CHF 4.5 million for onerous contracts in relation to the London office move.

16. Pension plans

16.1. Defined contribution pension plans

The Group maintains a number of defined contribution pension plans, primarily outside Switzerland. In the case of defined contribution pension plans, the pension expenses are charged to the income statement in the corresponding financial year. The expenses for contributions to these pension plans amounted to CHF 8.9 million during the 2018 financial year (2017: CHF 8.4 million).

16.2. Defined benefit pension plans

The Group maintains various defined benefit pension plans, mainly in Switzerland and the UK. The plans are exposed to actuarial risks based on the legal provisions in each country. Main risks include investment, interest, disability and longevity risk.

Swiss Plan

The Swiss plan provides benefits in the event of retirement, death or disability. The plan's benefits are based on age, years of service, salary and on an individual savings capital account. The plan is funded by assets held by a foundation. This separate legal entity is governed by a foundation board, which is made up of an equal number of employee and employer representatives who have to take all relevant decisions jointly. The Foundation Board is responsible for defining the investment strategy, for making changes to the pension plan regulations and also for defining the financing of the pension benefits. In defining the benefits, the minimum requirements of the Swiss pension law (BVG) and its provisions must be observed. Actuarial calculations are based on the BVG 2015 GT actuarial tables.

The plan is financed by contributions paid by the employees and by the employer. In addition, interest is accrued on the savings capital accounts. The normal retirement age of the plan is 65 years. Upon retiring (including early and partial retirement) insured persons are entitled to a lifelong retirement pension. If they prefer, they may choose to have all or part of their savings paid out as a lump sum instead. The retirement pension is calculated on the basis of the accrued savings capital on the date of retirement and the conversion rate that applies at the time (current rate at the age of 65 is 5.44% (31 December 2017: 5.44%). In addition to retirement benefits, the pension plan benefits include disability, partner and children pensions. These will be calculated as a percentage of the employee's annual pensionable salary and are funded by risk premiums contributed by the employees and employer. On leaving the Company, the retirement savings will be transferred to the pension plan of the new employer.

If the Swiss plan became significantly underfunded on a Swiss pension law basis, additional employer and employee contributions could be required. In such a situation, the resulting payments are shared between employer and employees, whereby the employer is legally obliged to cover at least 50% of the additional contributions required. The Swiss pension plan has an estimated technical funding ratio under Swiss pension law of 103% as at 31 December 2018 (31 December 2017: 110%) and thus it is not expected that additional contributions will be required in the next year.

UK Plan

GAM UK operates a trust based pension scheme with both a defined benefit section (DB section) and a defined contribution section (DC section). Employees are generally accruing benefits in the DC section following scheme changes made on 31 March 2012. The UK pension scheme provides benefits in the event of retirement or death. The plan's benefits are primarily based on length of service and salary and the normal retirement age is 60. The DB section was closed to new entrants in January 2004.

The plan is funded by assets that are held in the form of a trust which are separate from the Group and governed by the trustees of the scheme. Funding of the DB section is determined by the UK scheme-specific funding regulations whereby the trustees and employer agree on a payment schedule in the event of any deficit at the date of an actuarial valuation. The last such valuation was performed as at 31 March 2017 and was finalised in the first half of 2018. The next actuarial valuation will take place as at 31 March 2020. The trustees are responsible for the investment strategy of the assets held in the trust.

The DB section is fully funded by the employer with the DC section being primarily funded by the employer, but also providing matching of employee contributions based on length of service. Active members of the DB section build up future benefits at an accrual rate of 1/60th based on their frozen final pensionable salary as at 31 March 2012. Deferred members of the DB section receive consumer price index-linked inflationary increases on their accrued past service benefits.

Defined benefit pension plans

	2018 CHF m	2017 CHF m
1. Movement in pension plan obligations and plan assets		
Present value of funded obligations at the beginning of the year	446.9	468.3
Current service cost	11.2	11.9
Past service cost recognised in the year (plan amendments)	(0.6)	-
Past service cost recognised in the year (gain on curtailment)	(4.7)	-
Interest expense on benefit obligation	7.6	8.5
Benefits paid	(25.4)	(51.2)
Actuarial gains	(26.2)	(4.7)
Translation differences	(13.2)	14.1
Present value of funded obligations at the end of the year	**395.6**	**446.9**
Fair value of plan assets at the beginning of the year	337.2	348.2
Interest income on plan assets	5.5	5.8
Return on plan assets excluding interest income	(13.8)	5.2
Employer's contributions	26.9	17.0
Employees' contributions	3.4	3.6
Benefits paid	(25.4)	(51.2)
Administration expenses	(0.8)	(0.8)
Translation differences	(9.4)	9.4
Fair value of plan assets at the end of the year	**323.6**	**337.2**

	31.12.2018 CHF m	31.12.2017 CHF m
2. Balance sheet		
Fair value of plan assets	323.6	337.2
Present value of funded obligations	395.6	446.9
Pension liabilities	**(72.0)**	**(109.7)**
Deferred tax assets	12.5	19.9
Pension liabilities, net of taxes	**(59.5)**	**(89.8)**

	Switzerland CHF m	UK CHF m	Rest of the world CHF m	31.12.2018 Total CHF m
Balance sheet by geographical locations and components				
Fair value of plan assets	143.6	175.0	5.0	**323.6**
Present value of funded obligations	155.0	234.8	5.8	**395.6**
Pension liabilities	**(11.4)**	**(59.8)**	**(0.8)**	**(72.0)**
Deferred tax assets	2.1	10.4	-	**12.5**
Pension liabilities, net of taxes	**(9.3)**	**(49.4)**	**(0.8)**	**(59.5)**
Active members/employees	136.4	11.2	1.3	**148.9**
Deferred members with vested benefits	-	170.8	4.5	**175.3**
Pensioners	18.6	52.8	-	**71.4**
Present value of funded obligations	**155.0**	**234.8**	**5.8**	**395.6**

	Switzerland CHF m	UK CHF m	Rest of the world CHF m	31.12.2017 Total CHF m
Fair value of plan assets	143.6	188.8	4.8	**337.2**
Present value of funded obligations	155.4	285.8	5.7	**446.9**
Pension liabilities	**(11.8)**	**(97.0)**	**(0.9)**	**(109.7)**
Deferred tax assets	2.3	17.3	0.3	**19.9**
Pension liabilities, net of taxes	**(9.5)**	**(79.7)**	**(0.6)**	**(89.8)**
Active members/employees	140.5	13.5	1.2	**155.2**
Deferred members with vested benefits	-	208.1	4.5	**212.6**
Pensioners	14.9	64.2	-	**79.1**
Present value of funded obligations	**155.4**	**285.8**	**5.7**	**446.9**

The weighted average duration of the defined benefit pension obligation as at 31 December 2018 is 21.0 years (2017: 21.4 years).

	2018 CHF m	2017 CHF m
3. Amounts recognised in the income statement		
Current service cost	(11.2)	(11.9)
Past service cost recognised in the year (plan amendments)	0.6	-
Past service cost recognised in the year (gain on curtailment)	4.7	-
Interest expense on benefit obligation	(7.6)	(8.5)
Interest income on plan assets	5.5	5.8
Administration expenses	(0.8)	(0.8)
Net pension cost for the period	**(8.8)**	**(15.4)**
Employees' contributions	3.4	3.6
Expense recognised in the income statement	**(5.4)**	**(11.8)**

	2018 CHF m	2017 CHF m
4. Remeasurements recognised in other comprehensive income		
Actuarial gains based on adjustment of demographic assumptions	0.7	7.5
Actuarial losses based on adjustment of financial assumptions	30.1	(17.8)
Experience adjustments	(4.6)	15.0
Return on plan assets excluding interest income	(13.8)	5.2
Remeasurements recognised in other comprehensive income	**12.4**	**9.9**

	2018 CHF m	2017 CHF m
5. Movement in pension liabilities		
Pension liabilities at the beginning of the year	(109.7)	(120.1)
Expense recognised in the income statement	(5.4)	(11.8)
Remeasurements recognised in other comprehensive income	12.4	9.9
Employer's contributions	26.9	17.0
Translation differences recognised in other comprehensive income	3.8	(4.7)
Pension liabilities at the end of the year	**(72.0)**	**(109.7)**
Actual return on plan assets	(8.3)	11.0

	Quoted in an active market CHF m	Unquoted CHF m	**Total** CHF m	**31.12.2018** Plan asset allocation in %
6. Asset allocation				
Cash and cash equivalents	13.7	-	**13.7**	4.2
Investment funds				
– Equity	131.5	-	**131.5**	40.6
– Bonds	51.0	-	**51.0**	15.8
– Real estate	27.6	-	**27.6**	8.5
– Other	17.3	10.6	**27.9**	8.6
Other investments	71.9	-	**71.9**	22.3
Fair value of plan assets	**313.0**	**10.6**	**323.6**	**100.0**

	Quoted in an active market CHF m	Unquoted CHF m	**Total** CHF m	31.12.2017 Plan asset allocation in %
Cash and cash equivalents	17.0	-	**17.0**	5.0
Debt instruments	52.6	-	**52.6**	15.6
Investment funds				
– Equity	121.2	-	**121.2**	36.0
– Bonds	77.7	-	**77.7**	23.0
– Real estate	24.3	-	**24.3**	7.2
– Other	22.7	9.2	**31.9**	9.5
Other investments	12.5	-	**12.5**	3.7
Fair value of plan assets	**328.0**	**9.2**	**337.2**	**100.0**

The pension plan assets are invested in accordance with local laws and do not include shares of GAM Holding AG.

It is a duty of the Foundation Board and the trustees to review whether the chosen investment strategy is appropriate with a view to providing the pension benefits and whether the investment profile is in line with the demographic structure of the plan members.

The expected employer contributions for the 2019 financial year are estimated at CHF 19.7 million.

Pension plan amendments

As a result of a pension increase exchange exercise carried out for pensioners of the UK defined benefit pension scheme, a one-off gain of CHF 1.1 million was recognised in the income statement in 2018. In addition, to provide for guaranteed minimum pensions equalisation between men and women CHF 0.5 million was recognised as an expense.

Curtailment to existing defined benefit pension plan

The planned reduction in the number of employees in Switzerland in connection with the measures taken under the restructuring programme announced in December 2018 qualifies as a curtailment to the Swiss defined benefit pension plan resulting in a non-cash gain of CHF 4.7 million.

Actuarial calculation of funded obligations

The latest actuarial calculation was carried out as at 31 December 2018. The actuarial assumptions are based on local economic conditions.

	Switzerland		UK	
	2018	2017	**2018**	2017
Discount rate	0.85%	0.65%	2.92%	2.39%
Interest credit rate	0.85%	0.65%	n/a	n/a
Future pension increases in deferment	n/a	n/a	1.91%	1.84%
Future pension increases	0.00%	0.00%	3.20-4.23%	3.18-4.22%
Life expectancy for males at age 65 for Switzerland and age 60 for UK (in years)	22.5	22.4	28.0	28.1
Life expectancy for females at age 65 for Switzerland and age 60 for UK (in years)	24.5	24.4	29.0	29.0

Sensitivity analysis

The following table presents a sensitivity analysis for the significant actuarial assumptions showing how the defined benefit pension obligations would have been impacted as a result of a change in the respective actuarial assumptions at the balance sheet date. In addition to the actuarial assumptions, the measurement of the overall net pension liabilities is further affected by changes in the fair value of the plan assets. Changes in the present value of the defined benefit pension obligations are set out below:

					31.12.2018
		Switzerland		UK	
	Change in assumption	Increase in assumption CHF m	Decrease in assumption CHF m	Increase in assumption CHF m	Decrease in assumption CHF m
Discount rate	0.25%	(4.9)	5.3	(12.0)	12.9
Interest credit rate	0.25%	1.4	(1.4)	n/a	n/a
Future pension increases in deferment	0.25%	n/a	n/a	3.2	(3.1)
Future pension increases	0.25%	3.2	n/a	1.5	(1.4)
Life expectancy	1 year	2.2	2.2	9.7	9.6

					31.12.2017
		Switzerland		UK	
	Change in assumption	Increase in assumption CHF m	Decrease in assumption CHF m	Increase in assumption CHF m	Decrease in assumption CHF m
Discount rate	0.25%	(5.6)	6.1	(16.0)	17.3
Interest credit rate	0.25%	1.7	(1.6)	n/a	n/a
Future pension increases in deferment	0.25%	n/a	n/a	4.2	(4.1)
Future pension increases	0.25%	3.6	n/a	2.0	(1.8)
Life expectancy	1 year	2.3	n/a	12.4	n/a

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit pension obligation to the significant actuarial assumptions, the same method has been applied as when calculating the pension liabilities recognised in the balance sheet.

17. Equity

Share capital
The share capital comprises all issued, fully paid registered shares of the Company.

	Registered shares (CHF 0.05 par)	
	Number	CHF m
Balance at 1 January 2016	163,394,731	8.170
Capital reduction	(3,100,000)	(0.155)
Balance at 31 December 2016	**160,294,731**	**8.015**
Capital reduction	(612,200)	(0.031)
Balance at 31 December 2017	**159,682,531**	**7.984**
Balance at 31 December 2018	**159,682,531**	**7.984**
of which treasury shares	4,627,353	

All registered shares are fully paid.

On 12 July 2017, the Company executed the capital reduction resolved by its shareholders at the Company's Annual General Meeting on 27 April 2017 and cancelled 612,200 shares repurchased under its share buy-back programme during 2016. The share capital of the Company now amounts to CHF 7,984,127 (159,682,531 registered shares at a par value of CHF 0.05 per share).

Conditional capital
At the Annual General Meeting held on 27 April 2017, the shareholders approved the cancellation of the conditional share capital.

Authorised capital
At the Annual General Meeting held on 26 April 2018, the shareholders approved the renewal of authorised capital equal to 10% of GAM Holding AG's current share capital. The Board of Directors was given the authorisation to increase the share capital at any time until 26 April 2020 by issuing a maximum of 15,968,240 fully paid registered shares with a par value of CHF 0.05 each. Of these 15,968,240 registered shares, the Board is authorised to restrict or withdraw the pre-emptive rights of the existing shareholders with respect to a maximum of 7,984,120 registered shares and allocate such rights to third parties in certain circumstances.

Capital reserves
Capital reserves represent the additional proceeds (premium) received from the issue of shares by the Company.

Capital reserves correspond to the amount of capital contribution reserves as reported in the balance sheet and note 2.11 of the parent company's financial statements.

Revaluation reserve
The revaluation reserve represented the cumulative unrealised gains and losses arising from fair value changes of financial investments available-for-sale, net of taxes. When such financial investments were derecognised or impaired, the related cumulative amount in the revaluation reserve was reclassified to the income statement. However, under the new standard IFRS 9 the revaluation reserve was recognised as an adjustment to the opening balance of retained earnings on 1 January 2018. For further information see note 29.2.

Foreign currency translation reserve
The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations into the Group's reporting currency, Swiss francs.

Treasury shares

Treasury shares comprise the cost of shares of the Company acquired and held by the Group. The Group acquires treasury shares to meet the obligations to deliver shares for the different share-based payment plans and to achieve capital reductions.

	2018		2017	
	Shares	CHF m	Shares	CHF m
Balance at 1 January	3,361,073	51.5	2,798,816	44.8
Capital reduction	-	-	(612,200)	(9.6)
Acquisition of own shares	1,805,792	28.9	1,325,800	18.4
Disposals of own shares	(539,512)	(8.3)	(151,343)	(2.1)
Balance at 31 December	**4,627,353**	**72.1**	**3,361,073**	**51.5**

In 2018, the GAM Employee Benefit Trust (EBT) was established with the purpose to encourage, motivate and retain the Group's employees by providing benefits, through a trust, to such employees. As a result, the EBT holds shares in the Company. Generally, the funding for current and future plans will be provided by the Company. As at 31 December 2018, of the 4.6 million treasury shares GAM Holding AG holds 3.8 million and the EBT holds 0.8 million.

Treasury shares – share-based payment plans

These treasury shares are held to meet the obligations to deliver shares in respect of the Group's share-based payment plans. For further information regarding details to the share-based payments see note 22.

The number of shares held by the Company in relation to the Group's share-based payment plans as at 31 December 2018 amounted to 4.6 million, equating to 2.9% of shares in issue (31 December 2017: 3.4 million, equating to 2.1% of shares in issue).

Treasury shares – share buy-back programmes

The 2017–2020 share buy-back programme for the purpose of capital reduction, which commenced on 28 April 2017, is for a maximum period of three years and allows for the purchase of a maximum of 16.0 million shares.

As at 31 December 2018, the Company held no shares as part of its 2017–2020 share buy-back programme (31 December 2017: nil).

The 2014–2017 share buy-back programme for the purpose of capital reduction, which commenced on 28 April 2014, was for a maximum period of three years and allowed for the purchase of a maximum of 16.7 million shares. This share buy-back programme expired on 27 April 2017. As at that date, 5.8 million shares had been purchased as part of the 2014–2017 share buy-back programme.

The number of shares held by the Company as part of its 2014–2017 share buy-back programme as at 27 April 2017 amounted to 0.6 million. These shares were cancelled in 2017 as described above in the section 'Share capital'.

Distribution of dividends

In 2018, a dividend of CHF 101.6 million was paid for the financial year 2017 (dividend per share: CHF 0.65). In 2017, a dividend of CHF 102.2 million was paid for the financial year 2016 (dividend per share: CHF 0.65). For the financial year 2018, the Board of Directors proposes to the shareholders that no dividend be paid to accelerate the Group's capital buffers rebuild. For further information, see the proposed appropriation of available earnings and distribution payment in the parent company's financial statements.

18. Capital management

The Group continues to actively and prudently manage its capital. In determining its capital targets the Group follows these basic principles:

- the Group maintains sufficient capital to ensure that its assets are financed with a commensurate amount of capital, taking into consideration the strategic importance of these assets to the Group as well as their respective liquidity and tail risks;
- the Group's capital should provide it with a sufficiently robust buffer to absorb severe unexpected losses (or other calls on capital) in those instances when they could exceed the Group's earnings capacity. For this purpose, capital is defined as the tangible equity (i.e. total book equity excluding non-controlling interests, goodwill and other intangible assets) and on 31 December 2018 amounted to CHF 184.6 million (31 December 2017: CHF 166.1 million);
- available eligible regulatory capital is continuously monitored, and if needed, actions promptly undertaken to ensure that the Group and all of its legal entities maintain sufficient regulatory capital to meet their applicable local regulatory requirements;
- the Group believes that a strong capital position is of critical importance in retaining the confidence of its clients and ensuring maximum financial and strategic flexibility; and
- excess capital not required for organic growth or for targeted accretive acquisitions will be returned to shareholders as efficiently as possible.

The Group is supervised and regulated on a consolidated basis by the Swiss Financial Market Supervisory Authority (FINMA). Consequently, the Group's governance, internal controls and available capital are reviewed on a regular basis by the Group Management Board and Board of Directors. Individual members of the Group are regulated by relevant regulatory authorities in Switzerland, United Kingdom, Luxembourg, Italy, Spain, France, Austria, Germany, Ireland, Japan, China (Hong Kong), United States of America, and Bermuda.

Regulatory capital requirements are based on factors such as an entity's level of assets under management, its fixed expenditures and/or the size and quality of its financial assets and liabilities. All Group entities (including the Group's UK holding company benefitting from a five-year consolidation waiver granted by the FCA on the acquisition of Cantab) currently maintain an appropriate level of capital resources relative to their respective applicable capital requirements. The aggregation of the current regulatory minimum capital requirements across the Group as at 31 December 2018 amounted to approximately CHF 95 million (31 December 2017: CHF 83 million) based on amounts for each entity, including the UK entities on a pillar 1 basis. The aggregate minimum regulatory capital requirement remains exposed to exchange rate fluctuations between the relevant Group entities' respective functional currency and the Swiss franc, the ongoing development of the business, and changes in regulatory requirements.

ADDITIONAL NOTES

19. Financial risk

For the purpose of this section, the Group is guided by IFRS 7 and accordingly reports its exposure to credit, market, liquidity and financing risks from the use of financial instruments.

As asset managers, our operating entities act in an agency capacity, investing assets entrusted to them by their clients. These investments carry with them associated market, credit and liquidity risks that are borne by the Group's clients and not by its operating entities and therefore do not form part of this financial risk section. They will nevertheless affect the growth of the Group's assets under management and the Group's resultant revenues.

19.1. Credit risk

Credit risk is the risk that the Group's counterparties will not be able or willing to pay interest, re-pay principal, or otherwise fulfill their contractual obligations when they fall due. The Group is exposed to credit risk arising from (i) placing its cash and cash equivalents in the form of bank deposits, (ii) its receivables and accrued income, (iii) engaging in OTC transactions to hedge foreign exchange or equity price risks, and (iv) financial investments and other financial assets.

The Group is not engaged in off-balance sheet transactions for its own account. The maximum amount of its credit risk exposure therefore is limited to the carrying amount of the relevant financial assets as indicated in the balance sheet.

The Group's credit risk exposure arising from derivative financial instruments is included in the balance sheet, under financial investments (see notes 10.1 and 10.3) and represents the positive replacement value of the underlying contracts.

The Group manages and controls its credit risk by entering into relationships with a range of creditworthy counterparties to limit any significant concentrations, and also by monitoring exposures in relation to their ageing. The Group's bank counterparty policy establishes high internal credit and rating standards for acceptable bank counterparties as well as exposure limits per counterparty. The Group's receivables and accrued income exposures, by the very nature of the Group's business, exhibit a high credit quality and are well-diversified. As a result of the high quality of the Group's counterparties and by avoiding undue concentrations, the Group does not expect to incur any material credit losses on its financial assets.

With reference to credit risk deriving from the Group's cash exposure, the majority of our counterparties are rated well above investment grade as at 31 December 2018.

The following table shows the Group's maximum exposure to credit risk as at the balance sheet date, which represents the exposure in the event of other parties failing to meet their obligations. For financial assets, these exposures are typically the gross carrying amount, net of any amounts offset on the balance sheet or any recognised impairment losses.

Maximum exposure to credit risk

	31.12.2018 CHF m	31.12.2017 CHF m
Cash and cash equivalents	328.2	373.8
Trade and other receivables (excluding tax receivables)	34.0	53.6
Accrued income	83.6	142.3
Financial investments and other financial assets	4.0	2.2
Total	**449.8**	**571.9**

As at the balance sheet date, there are no financial assets that are impaired (31 December 2017: none) and there is no indication of any material negative impact on the credit quality of any financial asset. No significant impairment losses were recorded on financial assets exposed to credit risk in 2018.

The following table provides an analysis of the ageing of financial assets with credit risk exposure.

Ageing of financial assets with credit risk exposure

	31.12.2018 CHF m	31.12.2017 CHF m
Not past due	447.5	569.7
Past due less than 3 months	1.1	1.7
Past due 3–12 months	1.0	0.5
Total	**449.8**	**571.9**

As at 31 December 2018, the 'expected credit losses'-impairment model did not have a material impact as (i) the majority of the financial assets are measured at fair value through profit or loss (FVTPL) and the impairment requirements do not apply to such instruments; and (ii) the financial assets at amortised cost are short-term (ie no longer than 12 months). As at 31 December 2018, expected credit losses were lower than CHF 0.1 million.

19.2. Market risk

Market risk is the risk of loss due to fluctuations in market variables such as foreign exchange rates, equity prices and interest rates. The Group classifies exposures to market risk into currency risk, equity price risk and interest rate risk. The Group has no significant concentration of market risk, beyond that relating to its financial investments, which predominantly relate to investments in funds.

Currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. As a result of its worldwide operations, the Group is exposed to movements in foreign exchange rates in relation to its operating results as well as to assets and liabilities contained within each entity's balance sheet, which can lead to foreign currency gains or losses. The Group's revenues are predominantly generated in US dollars and euros, whereas its expenses are incurred mainly in British pounds and Swiss francs. In accordance with the Group's risk policy, each entity within the Group continually monitors its foreign currency exposure and actively seeks to minimise its net balance sheet exposure on foreign currency positions in relation to its functional currency. Net exposures result from net positions of assets and liabilities in the same foreign currency. In the case of such net exposure on foreign currency positions, hedging strategies may be used, from time to time, to ensure that there is no material adverse effect on the Group's cash flows and profits.

The following exchange rates were used for the major currencies:

	Year-end exchange rates		Average exchange rates for the year [1]	
	31.12.2018	31.12.2017	2018	2017
USD/CHF	0.9858	0.9745	0.9769	0.9797
EUR/CHF	1.1269	1.1702	1.1506	1.1160
GBP/CHF	1.2555	1.3183	1.2996	1.2750

[1] Average calculated with 12 month-end values (January to December).

Equity price risk is the risk that the fair value of an equity investment will fluctuate as a result of changes in equity prices, whether caused by factors specific to an individual investment, its issuer or other factors affecting instruments traded in the market. The Group is exposed to equity price risk resulting from investments held by the Group and classified as (i) seed capital and product management investments at fair value through profit or loss, and (ii) other financial assets at fair value through profit or loss. The Group makes seed capital investments in certain fund products in order to establish track records for new products, to test new investment strategies or to launch a new product at a viable minimum size. In addition, the Group may, from time to time, hold a limited amount of product management investments in fund products to facilitate investor redemptions and switches. Hedging strategies may be used to limit equity price fluctuation adverse effects on the Group's investments. Since seed capital and product management investments are exposed to equity price, currency and liquidity risks, they require the joint approval of the Group Chief Executive Officer and the Group Chief Financial Officer and they are periodically reported on by the Group Chief Risk Officer to, and reviewed by the Group Management Board and the Audit Committee of, the Board of Directors in order to ensure that their individual and aggregated size and risk profile are within the exposure limits as defined by the Group's risk policy.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's income and operating cash flows are substantially independent of changes in interest rates, which is why the related Group risk exposure is minimal.

The interest-bearing financial assets in the amount of CHF 329.6 million (31 December 2017: CHF 375.5 million) include cash and cash equivalents of CHF 328.2 million (31 December 2017: CHF 373.8 million) and rent deposits of CHF 1.4 million (31 December 2017: CHF 1.7 million), on which no significant exposure to interest rate risk is expected. Furthermore, the Group has no exposure to interest rate risk on financial liabilities.

19.3. Liquidity and financing risk

Liquidity risk is the risk of the Group being unable to meet its payment obligations when they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, without incurring unacceptable losses or risking damage to the Group's reputation. The total amount of available liquidity is continuously monitored and periodically reported to the Group Management Board and the Audit Committee of the Board of Directors.

In 2015, the Group entered into a three-year revolving credit facility with two banks for a total of CHF 100 million. In 2017, CHF 50 million of this credit facility was extended until 31 December 2019 and CHF 50 million until 31 December 2020.

The following table shows an analysis of the Group's financial assets and liabilities by remaining contractual maturities as at the balance sheet date. Contrary to the balance sheet presentation, these amounts include the total of contractual future undiscounted interest payments related to these financial assets and liabilities.

Remaining contractual maturities of financial assets

	On demand CHF m	Due within 3 months CHF m	Due within 3–12 months CHF m	Due within 1–5 years CHF m	Due after 5 years CHF m	**Total** CHF m
Cash and cash equivalents	311.9	16.3	-	-	-	**328.2**
Trade and other receivables (excluding tax receivables)	2.3	28.7	3.0	-	-	**34.0**
Accrued income	-	66.3	17.3	-	-	**83.6**
Financial investments and other financial assets	-	-	-	1.4	-	**1.4**
Non-derivative financial assets at 31 December 2018	**314.2**	**111.3**	**20.3**	**1.4**	**-**	**447.2**
Derivatives – inflows	-	47.9	2.3	-	-	**50.2**
Derivatives – outflows	-	(47.6)	-	-	-	**(47.6)**
Derivative financial assets at 31 December 2018	**-**	**0.3**	**2.3**	**-**	**-**	**2.6**
Cash and cash equivalents	357.2	16.6	-	-	-	**373.8**
Trade and other receivables (excluding tax receivables)	2.2	46.9	4.5	-	-	**53.6**
Accrued income	-	138.6	3.7	-	-	**142.3**
Financial investments and other financial assets	-	-	0.1	1.7	-	**1.8**
Non-derivative financial assets at 31 December 2017	**359.4**	**202.1**	**8.3**	**1.7**	**-**	**571.5**
Derivatives – inflows	-	39.0	-	-	-	**39.0**
Derivatives – outflows	-	(38.6)	-	-	-	**(38.6)**
Derivative financial assets at 31 December 2017	**-**	**0.4**	**-**	**-**	**-**	**0.4**

Remaining contractual maturities of financial liabilities

	On demand CHF m	Due within 3 months CHF m	Due within 3–12 months CHF m	Due within 1–5 years CHF m	Due after 5 years CHF m	**Total** CHF m
Trade and other payables	1.3	31.3	0.2	-	-	**32.8**
Other financial liabilities	-	17.9	-	-	-	**17.9**
Accrued expenses	-	214.4	5.1	-	-	**219.5**
Non-current financial liabilities	-	-	28.0	0.7	-	**28.7**
Non-derivative financial liabilities at 31 December 2018	**1.3**	**263.6**	**33.3**	**0.7**	**-**	**298.9**
Derivatives – inflows	-	(70.6)	-	-	-	**(70.6)**
Derivatives – outflows	-	71.0	-	-	-	**71.0**
Derivative financial liabilities at 31 December 2018	**-**	**0.4**	**-**	**-**	**-**	**0.4**
Trade and other payables	1.2	28.7	1.0	-	-	**30.9**
Other financial liabilities	-	18.8	1.5	-	-	**20.3**
Accrued expenses	-	241.7	8.3	-	-	**250.0**
Non-current financial liabilities	-	-	-	79.4	0.4	**79.8**
Non-derivative financial liabilities at 31 December 2017	**1.2**	**289.2**	**10.8**	**79.4**	**0.4**	**381.0**
Derivatives – inflows	-	(187.8)	-	-	-	**(187.8)**
Derivatives – outflows	-	188.3	1.0	-	-	**189.3**
Derivative financial liabilities at 31 December 2017	**-**	**0.5**	**1.0**	**-**	**-**	**1.5**

Net remaining contractual maturities of financial assets and liabilities

	On demand CHF m	Due within 3 months CHF m	Due within 3–12 months CHF m	Due within 1–5 years CHF m	Due after 5 years CHF m	**Total** CHF m
Financial assets	314.2	111.6	22.6	1.4	-	**449.8**
Financial liabilities	(1.3)	(264.0)	(33.3)	(0.7)	-	**(299.3)**
Net financial assets/(liabilities) at 31 December 2018	**312.9**	**(152.4)**	**(10.7)**	**0.7**	**-**	**150.5**
Financial assets	359.4	202.5	8.3	1.7	-	**571.9**
Financial liabilities	(1.2)	(289.7)	(11.8)	(79.4)	(0.4)	**(382.5)**
Net financial assets/(liabilities) at 31 December 2017	**358.2**	**(87.2)**	**(3.5)**	**(77.7)**	**(0.4)**	**189.4**

20. Reporting by segment

IFRS 8 Operating Segments requires disclosures to reflect the information that the Group Management Board, being the body that is the Group's chief operating decision maker, uses to assess performance and to allocate resources. The Group is managed as a single business segment for reporting and control purposes, offering different investment management solutions and products across multiple asset classes and strategies that are managed across a range of products, distribution channels and geographic regions.

Discrete financial information is prepared to allow for an analysis at different levels. However, the Group Management Board reviews and uses for its decisions the aggregated financial information at Group level only.

Information about geographical areas

	2018 Income CHF m	2017 Income CHF m re-presented [1]	31.12.2018 Non-current assets CHF m	31.12.2017 Non-current assets CHF m re-presented [1]
Switzerland	139.1	147.6	480.6	1,362.4
United Kingdom	245.5	266.9	192.2	355.8
Rest of Europe	116.9	109.1	0.6	0.8
Rest of the world	41.1	51.4	5.3	6.3
Total	**542.6**	**575.0**	**678.7**	**1,725.3**

[1] Comparative figures have been re-presented to align the breakdown by region within the Group.

The geographical information for non-current assets is based on the location where the assets are held and represent property and equipment as well as intangible assets. The income is attributed based on the country of domicile of the Group entity providing the service.

The information about geographical areas is disclosed in accordance with IFRS requirements and does not reflect the way the Group manages its business.

21. Related party transactions

Key management personnel consists of the Board of Directors and the Group Management Board of GAM Holding AG.

The key management personnel compensation recognised is as follows:

	2018 CHF m	2017 CHF m
Salaries and other short-term employee benefits	9.2	10.7
Share-based payment expenses	5.4	7.8
Post-employment benefits	0.8	0.9
Long-term employee benefits	0.3	0.8
Social security expenses	0.3	1.8
Key management personnel compensation	**16.0**	**22.0**

Total social security expenses in 2018 were lower compared to prior year mainly due to lower accrued social security expenses on share-based payment awards. As the share price decreased during the year, related accruals for social security expenses, which are generally based on the current fair value of the share-based payment awards, were released and credited to profit or loss.

With effect from 6 November 2018, Alexander Friedman stepped down as the Group CEO and as a member of the Group Management Board. David J. Jacob, a member of the Board of Directors, assumed the role of the Group CEO on an interim basis with effect from this date.

Rachel Wheeler, the new Group General Counsel and Matthew Beesley, Group Head of Investments, were appointed to the Group Management Board with effect from 3 September 2018 and 1 October 2018 respectively. Natalie Baylis, Group Head of Compliance, joined the Group and the Group Management Board on 11 June 2018 and has since left the Group with effect from 28 September 2018.

Both, Larry Hatheway, Group Head of GAM Investment Solutions (GIS) and Chief Economist, and Tim Dana, Group Head of Corporate Development stepped down as members of the Group Management Board on 31 December 2018.

With effect from 1 February 2017, Dirk Spiegel (Group General Counsel), who has since departed the Group with effect from 9 March 2018, Elmar Zumbuehl (Group Chief Risk Officer), and Tim Rainsford (Group Head of Sales and Distribution), became members of the Group Management Board.

Monica Mächler was elected as a new member of the Board of Directors at the Annual General Meeting held on 26 April 2018. Johannes A. de Gier stepped down from the Board of Directors and David J. Jacob was elected as a new member of the Board of Directors at the Annual General Meeting held on 27 April 2017.

For information on compensation, loans and share and option holdings of the Board of Directors and the Group Management Board in accordance with the Swiss Code of Obligations please refer to the Group's 2018 compensation report.

22. Share-based payments

The plans described below reflect the situation as at 31 December 2018. The Company shares that the Group requires to settle obligations under the Group's share-based payment plans are purchased in the market. For further details on the plans please refer to the Group's 2018 compensation report.

The share-based payment expenses recognised for the various plans are as follows:

	2018 CHF m	2017 CHF m
Current plans		
Share plans for the Group Management Board	2.8	2.2
Share plans for members of the Board of Directors	0.8	0.8
2018 bonus deferrals	1.9	-
2017 bonus deferrals	2.9	3.3
2017 employee option award	0.5	0.5
Other option awards	0.6	0.6
Other share awards	1.7	2.3
2018 long-term incentive plan	0.1	-
2017 long-term incentive plan	-	0.2
Legacy plans		
2016 long-term incentive plan	4.3	3.8
2016 employee share ownership plan	0.3	2.1
Variable restricted share (VRS) grant	0.3	0.4
Three-year variable restricted share (VRS) scheme for members of the Group Management Board	-	(0.2)
Five-year variable restricted share (VRS) scheme for the Group CEO	(0.7)	1.0
Share-based payment expenses	**15.5**	**17.0**

Share plans for the Group Management Board

2018 compensation

After the Annual General Meeting in May 2019, in line with the Compensation Committee's proposals and subject to shareholder approval, relevant members of the Group Management Board will be granted GAM Holding AG share awards as part of their variable compensation for 2018. These shares will vest and be delivered in four equal tranches on the first four anniversaries of the grant date subject to recipients continuing to be employed with the Group on the vesting date.

The number of shares granted at grant date will be determined by dividing the predetermined aggregate fair value by the fair value per share. The expected aggregate fair value of these awards to be delivered in shares is recognised as an expense over the relevant vesting period starting 1 January 2018. CHF 0.5 million was recognised as an expense in 2018.

In line with the Compensation Committee's proposals and subject to shareholder approval, relevant members of the Group Management Board will also receive a long-term incentive plan (LTIP) award as part of their variable compensation for 2018. For further information on the 2018 LTIP see further below.

2017 compensation

At the Annual General Meeting on 26 April 2018, shareholders approved the proposed maximum variable compensation of the Group Management Board for 2017.

On 3 May 2018, relevant members of the Group Management Board were granted 289,466 GAM Holding AG shares with a fair value of CHF 15.82 per share as a variable deferred component of their total compensation for 2017. These shares will vest and be delivered in four equal tranches on the first four anniversaries of the grant date subject to recipients continuing to be employed with the Group on the vesting date.

The aggregate fair value of these awards to be delivered in shares amounts to CHF 4.6 million and is recognised as an expense over the relevant vesting period starting 1 January 2017. CHF 1.9 million was recognised as an expense in 2018 (2017: CHF 1.4 million).

Relevant members of the Group Management Board also received a long-term incentive plan (LTIP) award as a component of their variable compensation for 2017. For further information on the 2017 LTIP see further below.

2016 compensation
On 6 March 2017, members of the Group Management Board were granted 181,949 GAM Holding AG shares as a component of their variable compensation for 2016. These shares will vest in three equal tranches on the first three anniversaries of the grant date subject to recipients continuing to be employed with the Group on the vesting date or having retired and not subsequently taken up employment outside of the Group. The shares will be delivered three years after the grant date.

The number of shares granted at grant date was determined by dividing the predetermined aggregate fair value by the fair value per share. The aggregate fair value of these shares amounts to CHF 1.8 million and is recognised as an expense over the relevant vesting period starting 1 January 2016. CHF 0.2 million was recognised as an expense in 2018 (2017: CHF 0.6 million). In 2018, 30,324 shares have been forfeited (31 December 2017: no shares have forfeited) relating to one former member of the Group Management Board. For further details see note 21. As at 31 December 2018, 151,625 shares were outstanding (31 December 2017: 181,949 shares were outstanding).

2015 compensation
On each of the five business days from 1 March 2016 to 7 March 2016, the members of the Group Management Board were granted 189,687 GAM Holding AG shares as a variable deferred element of their total compensation for 2015. These shares will vest in three equal tranches on the first three anniversaries of the last grant date (7 March 2016) subject to recipients continuing to be employed with the Group on the vesting date or having retired and not subsequently taken up employment outside of the Group. The shares will be delivered three years after the last grant date.

The number of shares granted at each grant date was determined by dividing the predetermined aggregate fair value per grant (one fifth of the total grant for each of the five grant dates) by the fair value per share based on each grant day's closing share price.

The aggregate fair value of these shares amounted to CHF 2.4 million and is recognised as an expense over the relevant vesting period starting 1 January 2015. In 2018, an expense of CHF 0.2 million was recognised (2017: CHF 0.2 million). In 2018, no shares have forfeited (31 December 2017: 20,783 shares have forfeited relating to one former member of the Group Management Board). For further details see note 21. As at 31 December 2018, 116,935 shares were outstanding (31 December 2017: 116,935 shares were outstanding).

Share plans for members of the Board of Directors
On 27 April 2018, the members of the Board of Directors were granted a total of 53,355 GAM Holding AG shares at a fair value of CHF 15.93 per share. These shares will vest and be delivered on the day before the Company's 2019 Annual General Meeting, subject to certain conditions being met. The fair value at grant date is recognised as an expense over the relevant vesting period. In 2018, an expense of CHF 0.6 million was recognised.

On 28 April 2017, the members of the Board of Directors were granted a total of 64,651 GAM Holding AG shares at a fair value of CHF 11.60 per share. These shares have vested and have been delivered on the day before the Company's 2018 Annual General Meeting. The fair value at grant date is recognised as an expense over the relevant vesting period. In 2018, an expense of CHF 0.2 million was recognised (2017: CHF 0.5 million).

On 28 April 2016, the members of the Board of Directors were granted a total of 79,362 GAM Holding AG shares at a fair value of CHF 12.60 per share. These rights have vested and have been delivered on the day before the Company's 2017 Annual General Meeting. The fair value at grant date is recognised as an expense over the relevant vesting period. In 2017, an expense of CHF 0.3 million was recognised.

2018 bonus deferrals
In line with the compensation framework, deferral of variable compensation applies to all employees. The proportion of employees' variable compensation to be deferred, other than GMB members who have 50% of their variable compensation deferred, was generally one-third of any variable compensation over CHF 75,000.

In early 2019, the Group will grant to relevant employees GAM Holding AG shares as the deferred component of their variable compensation for 2018. These shares will vest and be delivered in three equal tranches on the first three anniversaries of the grant date subject to recipients continuing to be employed with the Group on the vesting date. For some employees, the deferred component of their variable compensation is granted in form of fund units. For further information see note 3.

The number of shares granted at grant date will be determined by dividing the predetermined aggregate fair value by the fair value per share. The expected aggregate fair value of these awards to be delivered in shares is recognised as an expense over the relevant vesting period starting 1 January 2018. In 2018, an expense of CHF 1.9 million was recognised.

2017 bonus deferrals

In line with the compensation framework, deferral of variable compensation applies to all employees. The proportion of employees' variable compensation to be deferred, other than GMB members who have 50% of their variable compensation deferred, was generally one-third of any variable compensation over CHF 75,000.

On 2 March 2018, the Group granted to relevant employees 534,384 GAM Holding AG shares with a fair value of CHF 17.00 per share as a deferred component of their variable compensation for 2017. These shares will vest and be delivered in three equal tranches on the first three anniversaries of the grant date subject to recipients continuing to be employed with the Group on the vesting date. For some employees, the deferred component of their variable compensation is granted in form of fund units. For further information see note 3.

As at the date of grant, the aggregate fair value of these shares amounted to CHF 9.1 million and is recognised as an expense over the relevant vesting period starting 1 January 2017. In 2018, an expense of CHF 2.9 million was recognised (2017: CHF 3.3 million).

As at 31 December 2018, 16,622 shares have been forfeited and 517,762 shares were outstanding.

2017 employee option award

On 6 March 2017, the Group granted, to certain employees (excluding all Board of Directors and Group Management Board members), a total of 1,122,850 options with an exercise price of CHF 11.25. Subject to certain terms and conditions, the Group will deliver one share in GAM Holding AG per option. The options have an exercise period of six months after their vesting date of 6 March 2020.

As at the date of grant, the aggregate fair value of these options amounted to CHF 2.0 million and is recognised as an expense over the relevant vesting period. In 2018, an expense of CHF 0.5 million was recognised (2017: CHF 0.5 million).

As at 31 December 2018, 210,290 options have been forfeited (31 December 2017: 91,882 options have forfeited) and 912,560 options were outstanding (31 December 2017: 1,030,968 options were outstanding).

Other option awards

Between 1 January 2017 and 6 March 2017 certain new employees were granted a total of 1,560,919 options (thereof to a member of the GMB: 1,016,949 options). Subject to certain terms and conditions, the Group will deliver one share in GAM Holding AG per option. The options will vest in either one or two tranches after a maximum of five years, subject to the recipients continuing to be employed with the Group on each vesting date.

As at the date of grant, the aggregate fair value of these options amounted to CHF 3.0 million (thereof for a member of the GMB: CHF 2.0 million) and is recognised as an expense over the relevant vesting period. In 2018, an expense of CHF 0.6 million (thereof for a member of the GMB: CHF 0.4 million) was recognised (2017: CHF 0.6 million, thereof for a member of the GMB: CHF 0.4 million).

As at 31 December 2018, 50,000 options have been forfeited and 1,510,919 options were outstanding.

Other share awards

CEO share award 2018

On 3 May 2018, the Group CEO was granted a total of 21,073 GAM Holding AG shares with a fair value of CHF 15.82 per share. The shares will vest in four equal tranches after a maximum of four years, subject to the recipient continuing to be employed with the Group on each vesting date. In 2018, an expense of CHF 0.1 million was recognised. Upon the departure of the Group CEO from the Group and in line with the relevant plan rules, 15,805 shares have been forfeited.

Share awards 2018
Between 9 March 2018 and 1 September 2018 certain new employees were granted a total of 86,973 GAM Holding AG shares with a fair value between CHF 5.57 and CHF 15.60 per share. The shares will vest in one to four equal tranches after a maximum of four years, subject to the recipient continuing to be employed with the Group on each vesting date.

The aggregate fair value of these share plans amounted to CHF 1.0 million and is recognised as an expense over the relevant vesting periods. In 2018, an expense of CHF 0.3 million was recognised.

Share awards 2017
Between 1 January 2017 and 31 July 2017 certain new employees were granted a total of 250,533 GAM Holding AG shares (thereof to a member of the GMB: 180,117 shares) with a fair value between CHF 8.55 and CHF 14.64 per share. The shares will vest in one to three equal tranches after a maximum of three years, subject to the recipients continuing to be employed with the Group on each vesting date.

The aggregate fair value of this share plan amounted to CHF 2.8 million (thereof for a member of the GMB: CHF 1.9 million) and is recognised as an expense over the relevant vesting periods. In 2018, an expense of CHF 0.9 million (thereof for a member of the GMB: CHF 0.5 million) was recognised (2017: CHF 1.5 million, thereof for a member of the GMB: CHF 1.2 million).

As at 31 December 2018, 85,152 shares have been forfeited and 165,381 shares were outstanding.

Share awards 2016
On 7 March 2016, one employee was granted 20,478 GAM Holding AG shares with a fair value of CHF 12.82 per share. The shares will vest and be delivered three years after the grant date, subject to the recipient continuing to be employed with the Group on the vesting date.

The aggregate fair value of this share plan amounted to CHF 0.3 million and is recognised as an expense over the relevant vesting period. In 2018, an expense of CHF 0.1 million was recognised (2017: CHF 0.1 million).

Share awards 2015
Between 7 September 2015 and 5 October 2015 certain new employees were granted 211,495 GAM Holding AG shares with a fair value between CHF 13.27 and CHF 17.21 per share. The shares will vest in three to five equal, yearly tranches, on the following three to five anniversaries of the respective grant dates, subject to the recipients continuing to be employed with the Group on each vesting date.

The aggregate fair value of these share plans amounted to CHF 3.3 million and is recognised as an expense over the relevant vesting periods. In 2018, an expense of CHF 0.3 million (thereof to members of the GMB: CHF 0.3 million) was recognised (2017: CHF 0.7 million, thereof to members of the GMB: CHF 0.7 million).

As at 31 December 2018, 47,181 shares were outstanding and 164,314 shares were delivered in 2018.

2018 long-term incentive plan
Relevant members of the Group Management Board will be eligible to receive an LTIP award which will form part of their variable compensation, subject to shareholder approval. The proposed LTIP award, should the variable compensation be approved, will be granted after the Annual General Meeting in May 2019.

The LTIP will be delivered 100% in performance shares and will have a three-year performance period plus a two-year holding period. The award will vest and settle five years after the grant date subject to the recipient continuing to be employed with the Group on the vesting date.

The metrics utilised will include the annual earnings per share (EPS) growth which will have a 50% weighting, three-year relative total shareholder return (rTSR) and three and five-year investment performance both of which will have a weighting of 25%.

A maximum of 25% of the LTIP will vest for achieving a threshold level of performance increasing to 50% for target performance and 100% for exceptional performance. The number of performance shares converted to GAM shares will be capped at one share for each performance share.

Performance under the 2018 LTIP award will be assessed using the performance conditions as mentioned in section 3 of the compensation report.

Subject to shareholder approval, the number of performance shares granted will be determined by dividing the predetermined aggregate fair value by the fair value per performance share at grant date. The expected fair value at grant date is recognised as an expense over the relevant vesting period. In 2018, an expense of CHF 0.1 million was recognised.

2017 long-term incentive plan

On 3 May 2018, relevant members of the Group Management Board and selected senior executives received an LTIP award as part of their deferred component of variable compensation, subject to the recipient continuing to be employed with the Group on the vesting date.

The LTIP will be delivered 100% in performance shares and will have a three-year performance period plus a two-year holding period. The award will vest and settle five years after the grant date subject to the recipient continuing to be employed with the Group on the vesting date.

The metrics utilised includes the annual earnings per share (EPS) growth which has a 50% weighting, three-year relative total shareholder return (rTSR) and three and five-year investment performance both of which have a weighting of 25%.

A maximum of 25% of the LTIP will vest for achieving a threshold level of performance increasing to 50% for target performance and 100% for exceptional performance. The number of performance shares converted to GAM shares will be capped at one share for each performance share.

Participants were granted 121,726 performance shares. As at the date of grant, the aggregate fair value of the performance shares amounted to CHF 1.4 million (thereof to members of the GMB: CHF 0.6 million) and is recognised as an expense over the relevant vesting period. In 2018, after remeasurement of the non-market performance conditions, an expense of less than CHF 0.1 million (thereof to members of the GMB: less than CHF 0.1 million) was recognised for the 2017 LTIP (2017: CHF 0.2 million, thereof to members of the GMB: CHF 0.1 million).

As at 31 December 2018, 20,454 performance units have been forfeited. The number of outstanding share-based awards at year-end is 101,272 performance units.

2016 long-term incentive plan

On 26 October 2016, members of the Group Management Board and selected senior employees received an LTIP award, subject to the recipient continuing to be employed with the Group on the vesting date. Each award is split and will vest in three tranches.

The award was split equally between two components:
- Performance units linked to the Company's relative total shareholder return (rTSR);
- Stock options issued at a premium to the share price at grant.

The performance units (or 'rTSR units') are converted to shares based on the performance of GAM relative to a peer group. The conversion of performance units to shares varies linearly from the 50th (50% of rTSR units vesting) to the 75th percentile (100% of rTSR units vesting). The number of performance units converted will be capped at one share for each unit irrespective of relative performance above the 75th percentile, while no performance units will vest if performance is below the 50th percentile.

The premium to the share price of one option is 20% in the case of non-GMB members and 30% in the case of GMB members, i.e. the options were granted out-of-the money.

Participants received an LTIP award in the form of 1,324,600 performance units and 6,720,391 options. The options have an exercise period of six months after their vesting date and for the performance units the exercise date is the same as the vesting date. As at the date of grant, the aggregate fair value of the performance units amounted to CHF 6.3 million and the aggregate fair value of the options amounted to CHF 6.4 million. The fair value at grant date is recognised as an expense over the relevant vesting period. In 2018, an expense of CHF 4.3 million (thereof to members of the GMB: CHF 0.7 million) was recognised for the 2016 LTIP awards (2017: CHF 3.8 million, thereof to members of the GMB: CHF 1.1 million).

As at 31 December 2018, 202,805 performance units (31 December 2017: 61,166 performance units) and 1,046,588 options (31 December 2017: 294,020 options) have been forfeited. The number of outstanding share-based awards at 31 December 2018 is 1,121,795 (2017: 1,263,434) performance units and 5,673,803 (2017: 6,426,371) options.

Information on the LTIP award and the inputs used in the measurement of the fair values at grant date were as follows:

	Awards vesting on 15 March 2019	Awards vesting on 15 March 2020	Awards vesting on 15 March 2021
Fair value of rTSR units and assumptions			
Fair value of rTSR unit at grant date	4.89	4.79	4.69
Original contractual life (in months)	29	41	53
Share price at grant date	9.17	9.17	9.17
Expected volatility	33.00%	33.00%	34.00%
Expected dividend yield	5.00%	5.00%	5.00%
Risk-free interest rate	-0.65%	-0.60%	-0.53%
Additional information as at 31 December 2018			
Remaining contractual life (in months)	3	15	27
Number of rTSR units outstanding	306,142	273,701	541,952

	Options vesting on 15 March 2019	Options vesting on 15 March 2020	Options vesting on 15 March 2021
Fair value of '20% premium' options and assumptions			
Fair value of options at grant date	0.85	0.96	1.10
Original contractual life (in months)	35	47	59
Share price at grant date	9.17	9.17	9.17
Exercise price	11.00	11.00	11.00
Expected volatility	33.00%	33.00%	34.00%
Expected dividend yield	5.00%	5.00%	5.00%
Risk-free interest rate	-0.65%	-0.60%	-0.53%
Additional information as at 31 December 2018			
Remaining contractual life (in months)	9	21	33
Number of options outstanding	984,592	960,500	1,894,879

	Options vesting on 15 March 2019	Options vesting on 15 March 2020	Options vesting on 15 March 2021
Fair value of '30% premium' options and assumptions			
Fair value of options at grant date	0.70	0.81	0.95
Original contractual life (in months)	35	47	59
Share price at grant date	9.17	9.17	9.17
Exercise price	11.92	11.92	11.92
Expected volatility	33.00%	33.00%	34.00%
Expected dividend yield	5.00%	5.00%	5.00%
Risk-free interest rate	-0.65%	-0.60%	-0.53%
Additional information as at 31 December 2018			
Remaining contractual life (in months)	9	21	33
Number of options outstanding	575,269	419,521	839,042

2016 employee share ownership plan (ESOP)

The Group introduced the ESOP for all permanent staff, excluding GMB members, to support the share ownership of the Group's employees. The ESOP gave employees the opportunity to acquire shares in GAM Holding AG, and for every share purchased, subject to certain terms and conditions, the Group granted a conditional award to acquire a matching share free of payment on the vesting date of 1 March 2018.

On 3 October 2016, the plan participants were granted 351,109 GAM Holding AG shares. As at the date of grant, the aggregate fair value of these shares amounted to CHF 3.2 million and is recognised as an expense over the relevant vesting period. In 2018, an expense of CHF 0.3 million was recognised (2017: CHF 2.1 million).

As at the vesting date of 1 March 2018, 26,753 shares (31 December 2017: 23,100 shares) had been forfeited and 324,356 shares were delivered (31 December 2017: 328,009 shares were outstanding).

Variable restricted share (VRS) grant

On 5 October 2015, one new employee received a one-time long-term incentive award in the form of 232,699 VRS units (options) which will vest in three equal tranches on the third, fourth and fifth anniversaries of the grant date subject to the employee continuing to be employed with the Group at each vesting date. The final number of shares received is dependent on the performance of the GAM Holding AG shares over the five years following the grant of the VRS units:

- Should the share price fail to increase relative to the price on the grant date (CHF 17.45), the employee will receive zero GAM Holding AG shares. The award is therefore fully at risk.
- The target share price appreciation for the GAM Holding AG share over the five-year vesting period is set at 65%.
- If the 65% target increase is achieved, then each VRS unit will entitle the employee to one GAM Holding AG share.
- Should the share price appreciate by 371% (4.71 times the share price on the date of grant) or more, the employee is entitled to two GAM Holding AG shares per VRS unit. Hence, awards are capped at two times the number of VRS units originally granted.
- For increases in the GAM Holding AG share price between 0% and 371%, the value of shares delivered for each VRS unit will vary linearly.

The VRS units will be automatically physically settled five years after the grant date. The settlement price of the VRS units is determined by taking the shares' average daily closing price on the 124 trading days prior to the settlement date.

As at the date of grant, the aggregate fair value of the VRS units amounted to CHF 1.3 million. The fair value at grant date is recognised as an expense over the relevant vesting period. In 2018, an expense of CHF 0.3 million (thereof to a member of the GMB: CHF 0.3 million) was recognised (2017: CHF 0.4 million, thereof to a member of the GMB: CHF 0.4 million). The VRS units were valued using a Monte-Carlo simulation approach. No VRS units were exercised or forfeited since the grant date. Thus, the number and weighted average exercise prices of VRS units under this scheme remained unchanged.

Information on the VRS units and the inputs used in the measurement of the fair value at grant date were as follows:

	VRS units granted on 5 October 2015
Fair value of VRS units and assumptions	
Fair value of VRS units at grant date	5.80
Share price at grant date	17.45
Exercise price (equals share price at grant date)	17.45
Expected volatility	30.40%
Expected dividend yield	5.00%
Risk-free interest rate	-0.74%
Additional information as at 31 December 2018	
Remaining contractual life (in months)	21

Three-year variable restricted share (VRS) scheme for members of the Group Management Board

On 20 January 2015, members of the Group Management Board (excluding the Group CEO) received 425,695 VRS units (options) as a variable deferred element of their total compensation for 2014 which vested in three equal tranches on the first three anniversaries of the grant date subject to recipients continuing to be employed with the Group on the vesting date or having retired and not subsequently taken up employment outside of the Group.

As at the date of grant, the aggregate fair value of the VRS units amounted to CHF 2.0 million. The fair value at grant date was recognised as an expense over the relevant vesting period starting 1 January 2014. In 2018, no expense was recognised (2017: income of CHF 0.2 million was recognised due to the forfeiture of 54,000 VRS units). The VRS units were valued using a Monte-Carlo simulation approach.

The VRS units were settled on 20 January 2018. As the average share price of GAM Holding AG on the 124 trading days prior to the settlement date was below the exercise price of CHF 15.45 all outstanding VRS units expired with zero value.

Five-year variable restricted share (VRS) scheme for the Group CEO

On 29 September 2014, the Group CEO received a one-time long-term incentive award in the form of 1,122,020 VRS units (options) which will vest in five equal tranches on the first five anniversaries of the grant date subject to the Group CEO continuing to be employed with the Group. For IFRS purposes, as the first tranche contains a two-year service condition, the related expenses will be recognised over the first two years following the grant date. The final number of shares received is dependent on the performance of the GAM Holding AG shares over the five years following the grant of the VRS units:

- Should the share price fail to increase relative to the price on the grant date (CHF 16.70), the Group CEO will receive zero GAM Holding AG shares. The award is therefore fully at risk.
- The target share price appreciation for the GAM Holding AG share over the five-year vesting period is set at 65%.
- If the 65% target increase is achieved, then each VRS unit will entitle the Group CEO to one GAM Holding AG share.
- Should the share price appreciate by 371% (4.71 times the share price on the date of grant) or more, the Group CEO is entitled to two GAM Holding AG shares per VRS unit. Hence, awards are capped at two times the number of VRS units originally granted.
- For increases in the GAM Holding AG share price between 0% and 371%, the value of shares delivered for each VRS unit will vary linearly.

The VRS units will be automatically physically settled five years after the grant date. The settlement price of the VRS units is determined by taking the shares' average daily closing price on the 124 trading days prior to the settlement date.

As at the date of grant, the aggregate fair value of the VRS units amounted to CHF 7.5 million. The fair value at grant date is recognised as an expense over the relevant vesting period. In 2018, due to forfeiture of all non-vested VRS units an income of CHF 0.7 million was recognised (2017: expense of CHF 1.0 million). The VRS units were valued using a Monte-Carlo simulation approach. No VRS units were exercised. Upon the departure of the Group CEO from the Group and in line with the relevant plan rules, 224,404 VRS units have been forfeited. The weighted average exercise prices of VRS units under this scheme remained unchanged.

Information on the VRS units and the inputs used in the measurement of the fair values at grant date were as follows:

	VRS units granted on 29 September 2014
Fair value of VRS units and assumptions	
Fair value of VRS units at grant date	6.67
Share price at grant date	16.70
Exercise price (equals share price at grant date)	16.70
Expected volatility	32.99%
Expected dividend yield	5.00%
Risk-free interest rate	0.06%
Additional information as at 31 December 2018	
Remaining contractual life (in months)	9
Number of VRS units outstanding	897,616

23. Commitments

23.1 Future commitments under operating leases

	31.12.2018 CHF m	31.12.2017 CHF m
Maturity of up to 1 year	9.8	14.6
Maturity within 1–5 years	25.8	27.8
Maturity within 5–10 years	19.0	17.5
Maturity within 10–15 years	17.0	17.4
Maturity of over 15 years	-	1.7
Future commitments under operating leases	**71.6**	**79.0**

The Group has non-cancellable operating leases for premises that usually include renewal options and escalation clauses, but no restrictions imposed by lease arrangements.

The operating lease expense, included in general expenses, was CHF 18.0 million for 2018 (2017: CHF 14.8 million).

Future sublease payments of CHF 2.7 million are expected to be received within three years.

23.2 Contractual commitments for the acquisition of assets
As at 31 December 2018 and 2017, there were no contractual commitments for the acquisition of assets.

23.3 Contingent liabilities
Contractual commitment to allocate future performance fees
The Group has a contractual commitment, through the agreement to acquire Cantab, to allocate 40% of future performance fees generated by Cantab Capital Partners to employees (in the first five years and capped at USD 50 million as determined by previous partners) and previous partners thereafter indefinitely. Such a liability is recognised when respective performance fees crystallise, resulting in CHF 0.3 million recognised in 2018 (2017: CHF 14.9 million).

Potential litigations, reviews and investigations
The Group is exposed to the risk of conduct related and legal matters as well as regulatory actions, which could give rise to the need to recognise material provisions or, in the case they do not qualify for the recognition of a provision, to disclose contingent liabilities. These potential exposures mainly relate to the events and circumstances leading to the suspension and subsequent dismissal of the investment director and business unit head for the ARBF strategy and the subsequent liquidation of the ARBF strategy related funds and mandates. Any potential exposures relating to these matters are dependent on the outcome of any potential legal and/or regulatory actions. The financial impact of these potential exposures cannot be reliably estimated and, as a result, no provision was recognised in the consolidated balance sheet as at 31 December 2018.

The Group operates in various jurisdictions which are subject to local laws and regulation. During the ordinary course of business the Group may become exposed to breaches of regulation and law, including breaches of client mandates, fund requirements or legal contracts, which may give rise to litigation and a liability.

During the ordinary course of business certain non-material financial exposures arise and the Group has recognised a provision for these events as appropriate in accordance with IFRS accounting standards.

24. Consolidated entities

Listed company

	Place of listing	Capitalisation as at 31.12.2018 CHF m	Head office	Share capital CHF m
GAM Holding AG	SIX Swiss Exchange	616	Zurich	7.984

Swiss securities number: 10265962, Reuters: GAMH.VX, Bloomberg: GAM VX

Unlisted subsidiaries

	Country of incorporation	Equity interest in %
GAM Group AG	Switzerland	100
GAM Capital Management (Switzerland) AG (including a branch office in Lugano)	Switzerland	100
GAM Limited	Bermuda	100
GAM GP Inc.	British Virgin Islands	100
GAM (UK) Limited	UK	100
GAM Investment Managers Limited	UK	100
GAM International Management Limited	UK	100
GAM London Limited (including a branch office in Israel)	UK	100
GAM Sterling Management Limited	UK	100
GAM (Guernsey) GP Limited	Guernsey	100
Renshaw Bay GP1 Limited	Guernsey	100
RB REFS 1 Limited	UK	100
RB REFS 2 Limited	UK	100
Renshaw Bay GP4 LLP	UK	100
GAM Unit Trust Management Company Limited	UK	100
GAM Systematic Holding Limited	UK	100
Cantab Capital Partners LLP	UK	100
GAM Systematic Services Limited	UK	100
Cantab Capital (Cayman) Limited	Cayman	100
GAM Fund Management Limited	Ireland	100
GAM Investment Management Singapore Pte. Ltd.	Singapore	100
GAM Hong Kong Limited	Hong Kong	100
GAM Japan Limited	Japan	100
GAM USA Inc.	USA	100
GAM Services Inc.	USA	100
GAM US Holding Inc.	USA	100
GAM (Switzerland) Holding AG	Switzerland	100
GAM Investment Management (Switzerland) AG	Switzerland	100
GAM (Italia) SGR S.p.A.	Italy	100
GAM (Luxembourg) S.A. (including branch offices in Spain, Austria and France)	Luxembourg	100
GAM Trade Finance S.à.r.l.	Luxembourg	100
GAM REFF II GP S.à.r.l.	Luxembourg	100
GAM (Deutschland) GmbH	Germany	100
GAM Investments (Australia) Pty Ltd	Australia	100
GAM Employee Benefit Trust	Jersey	-

Regarding consolidated structured entities see note 25. All voting rights equal the equity interest.

Changes to subsidiaries consolidated

In February 2018, the Group established the GAM Employee Benefit Trust (EBT). As the EBT is under control of the Group in accordance with IFRS 10, the EBT is fully consolidated. For further information see note 17.

In addition, the Group established GAM GP Inc., British Virgin Islands, and GAM Investments (Australia) Pty Ltd.

25. Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The Group acts as investment manager or investment advisor to a number of investment funds. The purpose of these investment funds is to generate fees from managing assets on behalf of third-party investors by providing investment strategies. These vehicles are financed through the issue of units to investors. The Group has no contractual obligations to provide financial support to these structured entities.

From time to time, the Group makes seed capital investments in certain fund products in order to establish track records for new products, to test new investment strategies or to launch a new product at a viable minimum size.

Determining whether the Group controls such an investment fund primarily focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any performance fees and management fees) and the investors' rights to remove the investment manager.

Consolidated structured entities

The Group consolidates funds, into which seed capital investments are made, where it is deemed to have control. Financial investments under control, which are available for immediate sale and for which management expects to complete the sale within one year, are presented in the balance sheet line items 'assets held for sale' and 'liabilities held for sale' (for details see note 11).

Non-controlling interests are not material to the Group.

Unconsolidated structured entities

Where the Group acts as an agent for the investors, it does not consolidate these investment funds. When the Group holds investments in unconsolidated investment funds, they are classified as financial investments at fair value through profit or loss and presented in the line item 'seed capital and product management investments at fair value through profit or loss' (for details see note 10). The fair value of these investments represents the Group's maximum exposure to loss from its investments into such unconsolidated investment funds.

26. Events after the reporting period

The Board of Directors approved these consolidated financial statements on 20 February 2019. In addition, they must be approved by the Annual General Meeting on 8 May 2019.

27. General information

GAM Holding AG (the Company) is a Swiss corporation domiciled in Zurich and listed on the SIX Swiss Exchange. The consolidated financial statements as at 31 December 2018 comprise those of the Company and all its subsidiaries (together referred to as the Group) including structured entities under the Group's control. The Group provides asset management services. The core investment management business is complemented by private labelling services, which include management company and other support services to third-party asset managers.

28. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Generally, the historical cost principle is applied, with the exception of financial assets and liabilities at fair value through profit or loss and derivative financial instruments (for details see note 29.2.6).

Except where otherwise indicated in these consolidated financial statements, all financial information is presented in millions of Swiss francs.

Re-presentation within general expenses

The breakdown of general expenses in note 4 has been enhanced to increase comprehensibility and clarity of expense categories by disclosing a more detailed breakdown. Re-presentations have been made to the prior year figures to conform to the current year presentation. These had no impact on net profit or total equity.

29. Summary of significant accounting policies

29.1. Use of estimates and judgements in preparing the consolidated financial statements

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets/liabilities. Actual results in future periods could differ from such estimates. Estimates and assumptions are mainly used in the following areas of the consolidated financial statements and are disclosed in the corresponding notes:

- determining fair values of financial instruments (notes 29.2.6 and 10.5)
- determining whether the Group controls another entity (notes 29.2.1, 11, 24 and 25)
- accrual of performance fees (notes 29.2.3 and 1)
- measurement and timing of provisions (notes 29.2.10 and 15)
- measurement of defined benefit pension plan obligations (notes 29.2.15 and 16)
- utilisation of tax losses and measurement of deferred tax assets (notes 29.2.14, 8 and 12.1)
- determining the fair value of share-based payments (notes 29.2.16 and 22)
- determining the fair value of consideration transferred (including contingent consideration) and the fair value of the assets acquired and liabilities assumed (notes 29.2.9 and 10.5)
- measurement of the recoverable amount of goodwill and other intangible assets (notes 29.2.9 and 13)

29.2. Accounting policies

All Group companies apply uniform accounting policies, which remained consistent with the previous year, except for the application of new standards and various amendments to existing standards for the first time in 2018. The adoption of these accounting pronouncements had no significant impact on the consolidated financial statements of the Group, except for the following.

IFRS 9 – Financial Instruments

- The Group has applied IFRS 9 on a retrospective basis and under the transition method chosen, the cumulative effect of initially applying this standard is recognised as an adjustment to the opening balance of retained earnings on 1 January 2018, with the benefit of certain optional practical reliefs. Therefore, comparative information is not restated.
- The main impact derived from unrecognised gains or losses on financial assets available-for-sale which, under IFRS 9, are recognised in the income statement instead of the revaluation reserve within equity (other comprehensive income). As at 1 January 2018, the revaluation reserve amounted to CHF 0.8 million and was recognised as an adjustment to the opening balance of retained earnings on 1 January 2018.
- As at 1 January 2018 as well as 31 December 2018, changes to the ‘expected credit losses’ impairment model do not have a material impact as (i) the majority of the financial assets are measured at fair value through profit or loss (FVTPL) and the impairment requirements do not apply to such instruments; and (ii) the financial assets at amortised cost are short-term (i.e. no longer than 12 months). See note 19.1 for further information on credit risk.
- Equity financial assets previously classified as available-for-sale under IAS 39, amounting to CHF 16.6 million as at 1 January 2018, have been classified as financial assets at fair value through profit or loss on 1 January 2018. Equity financial assets classified under IAS 39 as available-for-sale or at fair value through profit or loss are presented under the new line item ‘seed capital and product management investments at fair value through profit or loss’ going forward. There were no changes to the classification of financial liabilities.
- As permitted by IFRS 9, the Group has not yet adopted the new hedge accounting requirements of IFRS 9 and continues to apply the hedge accounting requirements of IAS 39.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 31 December 2017 CHF m	New carrying amount under IFRS 9 1 January 2018 CHF m
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	373.8	373.8
Trade and other receivables	Loans and receivables	Amortised cost	53.6	53.6
Accrued income	Loans and receivables	Amortised cost	142.3	142.3
Other financial assets	Loans and receivables	Amortised cost	1.6	1.6
Financial assets measured at amortised cost			**571.3**	**571.3**
Equity financial assets	Financial assets available-for-sale	Financial assets mandatorily at fair value through profit or loss	16.6	16.6
Equity financial assets	Financial assets designated at fair value through profit or loss	Financial assets mandatorily at fair value through profit or loss	29.8	29.8
Derivative financial instruments held for trading	Financial assets at fair value through profit or loss	Financial assets mandatorily at fair value through profit or loss	0.4	0.4
Assets held for sale	Financial assets at fair value held for trading	Financial assets mandatorily at fair value through profit or loss	39.2	39.2
Financial assets measured at fair value			**86.0**	**86.0**
Total financial assets			**657.3**	**657.3**
Financial liabilites				
Trade and other payables	Amortised cost	Amortised cost	30.9	30.9
Accrued expenses	Amortised cost	Amortised cost	250.0	250.0
Other financial liabilities	Amortised cost	Amortised cost	2.4	2.4
Financial liabilities measured at amortised cost			**283.3**	**283.3**
Derivative financial instruments held for trading	Financial liabilities at fair value through profit or loss	Financial liabilities at fair value through profit or loss	1.5	1.5
Financial liabilities designated at fair value through profit or loss	Financial liabilities designated at fair value through profit or loss	Financial liabilities designated at fair value through profit or loss	100.3	100.3
Financial liabilities measured at fair value			**101.8**	**101.8**
Total financial liabilities			**385.1**	**385.1**

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 results in more extensive disclosures about contracts with customers with no other significant impact on the Group's consolidated financial statements on adoption.

Disaggregation of revenue from contracts with customers

In line with the requirements of IFRS 15 on revenue from contracts with customers the Group now disaggregates 'net management fees and commissions' into revenue from investment management and private labelling. See note 1.

29.2.1. Subsidiaries

Subsidiaries are entities in which the Group exercises control and which are therefore fully consolidated. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control is transferred to the Group until the date control ceases. The effects of all intercompany transactions and balances are eliminated on consolidation.

29.2.2. Foreign currency translation

The Group companies prepare their financial statements in their respective functional currency. Assets and liabilities of the Group companies that have a non-Swiss franc functional currency are translated into Swiss francs at the closing exchange rates on the balance sheet date. Average exchange rates for the reporting period are used for the income statement. Foreign currency differences arising from consolidation using closing and average exchange rates for the reporting period are recognised in the foreign currency translation reserve in other comprehensive income.

In the individual financial statements of the Group companies, income and expenses denominated in currencies different to their respective functional currency are translated at the exchange rate on the date of the respective transaction. Monetary assets and liabilities are translated at the closing exchange rate on the balance sheet date. The resulting gains and losses on monetary assets and liabilities are recognised in the income statement as foreign exchange gains/losses. Unrealised exchange differences on financial assets at fair value through profit or loss are a component of the change in their fair value.

29.2.3. Income recognition

Revenue is measured based on the consideration specified in a contract with a client and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a service to a client. The Group accounts for the services as a single performance obligation as it is providing a series of distinct services that are substantially the same and have the same pattern of transfer (the services transfer to the clients over time and use the same method to measure progress, a time based measure of progress). Therefore, the performance obligation is generally satisfied over time as investment management, advisory and other fund-related services are provided.

Fee and commission income includes client management fees and fund management fees that are recognised in the period in which the services are provided.

In most instances, client management fees are calculated as a percentage of the clients' assets under management. Fund management fees are paid based on contractual agreements and received by Group companies for providing various services to those funds.

Fees or components of fees that are based on performance are recognised at a point in time, i.e. crystallisation date, once their value can be determined with a reasonable degree of accuracy and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

29.2.4. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the reporting period attributable to shareholders of the Company by the weighted average number of shares outstanding (excluding treasury shares held) during the reporting period.

Diluted earnings per share is calculated using the same method as for basic earnings per share, with the determinants adjusted to reflect the potential dilution that could occur if outstanding options or other contracts to issue shares were converted or exercised into shares.

29.2.5. Cash and cash equivalents

Cash and cash equivalents include cash on hand, call deposits held with banks and short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

29.2.6. Financial instruments

At initial recognition, the Group classifies its financial assets in the following categories on the basis of the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset:

- financial assets at amortised cost; and
- financial assets at fair value through profit or loss.

The assessment as to how an asset should be classified is made on the basis of both the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

Financial liabilities are classified in the following categories:

- financial liabilities at fair value through profit or loss, and
- financial liabilities at amortised cost.

All purchases and sales of financial assets are recognised and derecognised on the trade date – the date on which the Group commits to purchase or sell the asset.

Except for short-term receivables and payables as well as related accruals, financial instruments are recognised initially at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial assets at amortised cost

Debt instruments (e.g. trade receivables, loan receivables, investment in bonds that are not held for trading, investments in term deposits at standard interest rates) that (a) are held within a business model whose objective is to collect the contractual cash flows and (b) have contractual cash flows that are solely payments of principal and interest shall be subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement through the amortisation process and when the financial assets are derecognised or impaired.

Financial assets at fair value through profit or loss

A financial asset is classified and measured at fair value through profit or loss if the financial asset is:

- a held-for-trading financial asset (a derivative that has not been designated in a hedging relationship, or a financial asset that is held for the purposes of short term sale or repurchase)
- a debt instrument that does not qualify to be measured at amortised cost or fair value through other comprehensive income (for example, because the interest cash flows do not represent only compensation for time value and credit risk)
- an equity investment which the entity has not elected to classify as at fair value through other comprehensive income
- a financial asset where the entity has elected to measure the asset at fair value through profit or loss under the fair value option.

Derivatives that are not designated in a hedging relationship are categorised as held for trading. They are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Realised gains and losses on derecognition and unrealised gains and losses from changes in the fair value are recognised in the income statement in 'net other income'.

Financial liabilities

Financial liabilities (e.g. trade payables, loan payables, bank borrowings) are generally classified as subsequently measured at amortised cost using the effective interest method, except for financial liabilities held for trading and derivatives. Gains and losses are recognised in the income statement through the amortisation process and when the financial liabilities are derecognised.

A financial liability at fair value through profit or loss is a financial liability that meets one of the following conditions:

- it meets the definition of held for trading
- upon initial recognition it is designated by the Group as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss, including deferred consideration liabilities recognised in relation to a business combination, are subsequently measured at fair value. Realised gains and losses on derecognition and unrealised gains and losses from changes in the fair value are recognised in the income statement in 'net other income'.

Expected credit losses (impairment)
A loss allowance for expected credit losses is recognised on a financial asset that is measured at amortised cost or at fair value through other comprehensive income or a lease receivable.

At each reporting date, the loss allowance for a financial instrument is measured at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the loss allowance for that financial instrument is measured at an amount equal to 12-month expected credit losses.

Hedge accounting
As permitted by IFRS 9, the Group has not yet adopted the new hedge accounting requirements of IFRS 9 and continues to apply the hedge accounting requirements of IAS 39.

The Group uses derivative financial instruments for hedging fair values (fair value hedges). The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are reported in the income statement. Changes in the fair value of the hedged item that are attributable to the hedged risk are reflected in an adjustment to the carrying value of the hedged item and are also recognised in the income statement.

29.2.7. Property and equipment
Property and equipment include IT hardware, communication systems, leasehold improvements as well as furniture and office equipment. They are carried at cost less accumulated depreciation and impairment losses. Items of property and equipment are depreciated over their estimated useful lives using the straight-line method.

IT hardware and communication systems are depreciated over a period not exceeding five years, furniture and other office equipment over a period not exceeding eight years. Leasehold improvements are depreciated over the shorter of the residual lease term or useful life up to a maximum period of ten years.

Leasehold improvements are investments made to customise buildings and offices occupied under operating lease contracts to make them suitable for the intended purpose. If a leased property must be returned to its original condition at the end of the lease term, the present value of the estimated reinstatement costs is capitalised as part of the total leasehold improvement costs. At the same time, a provision for reinstatement costs is recognised to reflect the obligation incurred. The reinstatement costs are recognised in the income statement through depreciation of the capitalised leasehold improvements over their useful life.

Subsequent expenditure on an item of property and equipment is recognised in the carrying value of the item if it is probable that additional future economic benefits associated with the item will flow to the Group. Maintenance and servicing costs are expensed through the income statement.

At each balance sheet date, the items of property and equipment are reviewed for indications of impairment. If such indications exist, it is determined whether the carrying amount of the item is fully recoverable. An impairment loss is recognised in the income statement if the carrying amount exceeds the recoverable amount.

29.2.8. Leasing
Under an operating lease, the leased assets are not recognised on the balance sheet, as the risks and rewards of ownership remain with the lessor. Lease payments for operating leases are recognised in general expenses in the income statement over the lease term on a straight-line basis.

29.2.9. Goodwill and other intangible assets
Intangible assets are classified into the following categories:

Goodwill: In a business combination, the acquiree's identifiable assets and liabilities are recognised at their respective fair value at the acquisition date. Goodwill is measured as the difference between the sum of the fair value of the consideration transferred plus the recognised amount of any non-controlling interests in the acquiree, and the recognised amount of the identifiable assets acquired and liabilities assumed. Goodwill is not amortised, but tested for impairment annually, and whenever there is an indication of impairment, at the cash-generating-unit level and an impairment loss is recognised if the recoverable amount is less than its carrying amount.

Brand: The Group considers the capitalised brand to have an indefinite useful life. It is therefore not amortised, but tested for impairment (along with goodwill) and confirmation of its indefinite status on an annual basis.

Investment management and client contracts: This comprises long-term investment management and client contracts from business combinations. Investment management and client contracts are amortised over their estimated useful life up to a maximum period of ten years using the straight-line method.

Software: The Group capitalises costs relating to the acquisition, installation and development of software if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and that the costs of the asset can be identified and measured reliably. The capitalised software is amortised over its estimated useful life up to a maximum period of five years using the straight-line method.

On each balance sheet date, the intangible assets are reviewed for indications of impairment. If such indications exist, it is determined whether the carrying amount of these intangible assets is fully recoverable and an impairment loss is recognised in the income statement if the carrying amount exceeds the recoverable amount.

29.2.10. Provisions and contingent liabilities
A provision is recognised if, as a result of a past event, the Group has a legal or constructive present obligation existing on the balance sheet date that will probably lead to an outflow of resources embodying economic benefits and the amount of which can be reliably estimated. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation as of the balance sheet date, taking into account the risks and uncertainties related to the obligation.

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. The present obligation to be recognised, being the unavoidable cost of meeting the obligations under the contract, is the lower of the cost of terminating the contract and the net cost of continuing with the contract. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

Restructuring provisions in the event of sale or termination of a line of business, closure or relocation of business locations, changes in management structure or another fundamental reorganisation are recognised if a constructive obligation is incurred and a detailed and formal restructuring plan exists. In addition, the implementation must have begun or the announcement of the main features to the employees affected must have taken place before the balance sheet date. Restructuring provisions include only necessary direct expenditures caused by restructuring, not costs associated with the ongoing business activities.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is estimated to be remote.

29.2.11. Share capital
Ordinary shares are classified as equity since the shares are non-redeemable. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

29.2.12. Treasury shares and derivatives on own shares
Shares of the Company held by the Group are classified in equity as treasury shares and accounted for at weighted average cost. The difference between the proceeds from sales of treasury shares and their cost (net of income taxes, if any) is recognised in retained earnings.

An entity may enter into a derivative contract for the purchase or sale of shares of GAM Holding AG. Depending upon the nature of the contract and the settlement terms in particular, such contracts may be accounted for as equity instruments, financial liabilities or as derivative financial assets and liabilities. When the entity determines whether a financial instrument is a financial liability or an equity instrument, it considers the following:

- Contracts over shares of the Company that require settlement in a fixed number of shares for a fixed amount are recognised as equity instruments in retained earnings. Upon settlement of such contracts, the proceeds received (net of costs and any taxes) are also recognised in retained earnings.
- Contracts over shares of the Company that must be settled net in cash or settled net in shares of the Company or that offer a choice of settlement methods are treated as derivative instruments, with changes in fair value recognised in 'net other income'.

29.2.13. Non-current assets or disposal groups (assets and liabilities) held for sale

Non-current assets or disposal groups (ie a group of assets and liabilities associated with those assets) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less costs to sell and are presented in the balance sheet line items 'assets held for sale' and 'liabilities held for sale'.

29.2.14. Income taxes

Income tax expense comprises current and deferred taxes. Current income taxes are calculated on the basis of the applicable tax laws of the respective countries and are recognised as expense in the financial year in which the related taxable income arises. Liabilities related to current taxes are recognised in the balance sheet as current tax liabilities.

Deferred tax assets and deferred tax liabilities are taken into account using the balance sheet liability method for the expected future tax consequences of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax values.

Deferred tax assets arising from temporary differences and from tax loss carry-forwards eligible for offset are capitalised if it is likely that sufficient taxable profits will be available against which those differences or tax loss carry-forwards can be offset.

Deferred tax assets and deferred tax liabilities are calculated at tax rates expected to apply in the period in which the tax assets are expected to be realised, or the tax liabilities settled.

Current tax assets and tax liabilities are offset against each other when they refer to the same taxable entity, relate to the same tax authority, an enforceable right to offset exists and they are intended to be settled net or realised simultaneously. The same treatment applies to deferred tax assets and liabilities.

Current and deferred taxes are credited or charged directly to equity if the taxes refer to items that are credited or charged directly to equity. Current and deferred taxes are credited or charged to other comprehensive income if the taxes refer to items that are credited or charged to other comprehensive income.

29.2.15. Post-employment benefits

The Group maintains various defined contribution and defined benefit pension plans in Switzerland and overseas jurisdictions.

The pension plan obligations are largely covered through pension plan assets of the pension plans that are legally separated and independent from the Group.

Defined benefit pension plans

Defined benefit pension plan obligations are measured according to the projected unit credit method. The relevant calculations are carried out by independent qualified actuaries. The pension plan expenses are actuarially determined as the net pension cost (being service cost and net interest on the net defined benefit liability) minus the employee contributions and are recognised in the income statement in personnel expenses.

Remeasurements of the net defined benefit liability, which include actuarial gains and losses, are recognised in other comprehensive income.

Net defined benefit assets are only recognised in the balance sheet to the extent that the present value of any economic benefits is available to the Group in the form of cash refunds from the plan or reductions in future contributions to the plan.

Defined contribution pension plans

Defined contribution pension plan contributions are expensed when the employees render the corresponding service to the Group.

29.2.16. Share-based payments

The Group maintains a number of share-based payment plans in the form of share option plans or share plans for its employees. When such payments are made to employees, the fair value of these payments at grant date serves as the basis for calculating the personnel expenses. Share-based payments that are not subject to any further conditions are expensed immediately at grant date. Share-based payments that are subject to the completion of a service period are expensed over the respective service period. If the employees are not entitled to dividends, the fair value at grant date of these equity instruments is determined by the relevant share price reduced by the present value of dividends expected before the shares are delivered.

Conditions that determine whether the counterparty receive the share-based payment are separated into vesting conditions and non-vesting conditions. Vesting conditions are all conditions that determine whether the entity receives the services that entitle the counterparty to the share-based payment, and may be differentiated further between service or performance conditions. Performance conditions are either market conditions or non-market performance conditions. All other conditions are considered non-vesting conditions.

The modified grant-date method requires entities to distinguish between the above mentioned vesting and non-vesting conditions:

- Market conditions are reflected as an adjustment (discount) to the initial estimate of fair value at grant date of the instrument to be received and there is no true up for differences between estimated and actual vesting due to market conditions.
- The impact of service conditions and non-market performance conditions on vesting is estimated at grant date, but it is not reflected in the grant-date fair value itself. Instead, the accounting for the share-based payment is based on the number of equity instruments for which the service and non-market performance conditions are expected to be met. Subsequently these estimates are trued up for differences between the number of instruments expected to vest and the actual number of instruments vested.

Share-based payment plans that are settled in own equity instruments (shares or options) result in an offsetting credit in equity and are not remeasured for subsequent changes in the fair value of the underlying equity instruments. Share-based payment plans that are settled by the payment of cash are recognised as a liability and are adjusted through the income statement for changes in fair value of the underlying equity instruments until final settlement.

29.2.17. Segment reporting

IFRS 8 Operating Segments requires disclosures to reflect the information that the Group Management Board, being the body that is the Group’s chief operating decision maker, uses to assess performance and to allocate resources. The Group is managed as a single business segment for reporting and control purposes, offering different investment management solutions and products across multiple asset classes and strategies that are managed across a range of products, distribution channels and geographic regions.

Discrete financial information is prepared to allow for an analysis at different levels. However, the Group Management Board reviews and uses for its decisions the aggregated financial information at Group level only.

29.3. New standards and interpretations not yet adopted

Certain new standards, revisions and interpretations of existing standards have been published that have to be applied in future financial periods, but are not yet adopted by the Group. These changes are not expected to have any significant impact on the Group's consolidated financial statements, except for the IFRS 16 standard.

IFRS 16 – Leases

IFRS 16 was published in January 2016. The new standard replaces the current IAS 17 Leases, SIC-15, SIC-27 and IFRIC 4. The new standard includes the following changes to lease accounting:

Recognition of all leases is required on the balance sheet in the form of a right-of-use asset and a lease liability. As a result, a lessee would be required to recognise amortisation and interest as currently required for finance leases. Also future rental payments for e.g. property need in most cases to be capitalised as right-of-use assets. A lessee is required to provide qualitative disclosures in addition to the quantitative disclosures only if they are necessary to satisfy the lessee disclosure objective of enabling users of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases and therefore applies IFRS 16 only to contracts that were previously identified as leases.

IFRS 16 is required to be applied for annual periods beginning on or after 1 January 2019. An entity will be able to choose to either apply the standard on a fully retrospective basis or apply a retrospective approach with the benefit of certain transition reliefs. The Group will use the 'modified retrospective approach' and under the transition method chosen, the cumulative effect of initially applying this standard is recognised as an adjustment to the opening balance of retained earnings on 1 January 2019, with the benefit of certain optional practical reliefs. Therefore, comparative information is not restated.

The estimated impact of this standard on the Group's consolidated financial statements has been assessed as follows:

- The Group's consolidated balance sheet will be grossed up by the recognition of assets (right-of-use assets, receivables for subleases) and financial lease liabilities (discounted future lease payments) in the amount of approximately CHF 75-80 million. However, the actual impact of adopting IFRS 16 on 1 January 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.
- IFRS 16 changes the nature of expenses related to any leases replacing the operating lease expenses with a depreciation charge for right-of-use assets and an interest expense on lease liabilities. Consequently, in the Group's consolidated income statement, general expenses decrease due to lower occupancy expenses while depreciation and amortisation increase and net other income, including the increased interest expense, decreases.
- IFRS 16 will not have any effect on the total amount of cash flows reported. However, IFRS 16 is expected to have an effect on the presentation of cash flows related to former off-balance sheet leases.
- More extensive disclosures relating to lease agreements are expected by the Group.

Statutory Auditor's Report

To the General Meeting of GAM Holding AG, Zurich

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of GAM Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 107 to 169) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Recognition of net fee and commission income

Assessment of impairment of goodwill and other intangible assets

Provisions and disclosures for conduct risk, legal matters and regulatory actions

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Recognition of net fee and commission income

Key Audit Matter

Net fee and commission income is an area of focus due to the size and importance of net revenues to GAM's results. The fact that fees are based on diverse fee arrangements on different terms leads to the risk that such fees may be incorrectly calculated and/or recognised in the wrong period. In addition, the involvement of external service providers is adding complexity to the underlying processes.

Management fees and commissions are generally calculated as a fixed percentage of Asset under Management, net of any rebates and distribution costs. Management fees vary across different funds and portfolios. Distribution costs and rebates also vary across different distribution partners, funds and portfolios.

Performance fees are inherently more complex as judgement can be required in the determination whether performance criteria have been met. Performance fees are only earned once the investment performance exceeds the pre-defined levels and crystallisation periods are passed.

Our response

Our audit procedures included detailed walkthroughs of GAM's in-house management and performance fee income, rebate and distribution cost related processes and tested the design and implementation as well as effectiveness of key controls identified (including general IT controls).

We read independent third party reports where functions are outsourced to external services providers such as Administrators determined that they were appropriate for our purposes. Where the reports did not cover the full financial year we obtain bridging letters from the Administrator to confirm that the relevant controls operate consistently over the remaining period and that no deficiencies have been identified.

On a sample basis we agreed fee rates, rebates and distribution charges to underlying contracts. We conducted analytical procedures on data on Assets under Management, fees and charges obtained from source systems of GAM and the Administrators. We independently recalculate management and performance fee income, rebates and distribution costs, perform cut-off testing and re-assess whether performance criteria have been met.

For further information on the recognition of net fee and commission income refer to notes 1 and 29.2.3 to the consolidated financial statements on pages 113 and 163.

KPMG

Assessment of impairment of goodwill and other intangible assets

Key Audit Matter

As at 31 December 2018, total goodwill and other intangibles on GAM's balance sheet amounted to CHF 654.6m (2017: CHF 1,716.5m), which equates to 52% of total assets (2017: 70%) and mainly includes goodwill (CHF 329.4m), investment management and client contracts (CHF 38.0m) and brand (CHF 273.0m).

The recoverability of goodwill and brand is highly dependent on GAM's ability to generate positive cash flows in the future.

Goodwill and brand are together assessed for impairment on an annual basis, or at the end of each reporting period when there are indications of impairment, by estimating the current value in use of GAM's business and comparing this value with the carrying value.

Investment management and client contracts (IMCCs) are monitored for indications for impairment. Whenever there are indications for impairment, the recoverable amount is estimated and compared with the carrying value.

These estimations require judgement about projected future cash-flows and the discount rate used.

Current year's assessment by management resulted in an impairment of goodwill in the amount of CHF 883.4m and an impairment of IMCCs in the amount of CHF 146.3m.

Our response

Amongst other audit procedures, we tested the mathematical accuracy of the valuation and tested the key inputs to the model used by:

- Comparing the cash flow forecasts to the latest budget and five-year financial planning approved by the Board of Directors;
- Assessing the reasonableness of cash flow forecasts by back-testing historical forecasts to actual results and discussing the future outlook with management;
- Conducting sensitivity analysis taking into account the historical forecasting accuracy of the Group;
- Challenging growth rates by reference to economic and industry forecasts and historical results; and
- Challenging discount rates by comparing them to the cost of capital for the Group.

We compared the sum of projected discounted cash flows to the market capitalisation of the Group. We further recalculated the difference between the carrying value and GAM's valuation of goodwill and other intangibles to test whether there was sufficient headroom or that an appropriate impairment is recognised.

We further considered the appropriateness of disclosures in relation to goodwill and other intangible assets and the impairment of such.

We used our own valuation specialists to support our procedures.

For further information on the assessment of impairment of goodwill and other intangibles refer to notes 13 and 29.2.9 to the consolidated financial statements on pages 129 to 131 and 166.

KPMG

Provisions and disclosures for conduct risk, legal matters and regulatory actions

Key Audit Matter

GAM is exposed to the risk of conduct related and legal matters as well as regulatory actions, which could give rise to the need to recognise material provisions or, in case they do not qualify for the recognition of a provision, to disclose contingent liabilities. Significant matters in this regard relate to the events and circumstances leading to the suspension of the investment director and business unit head for the unconstrained/ absolute return bond fund (ARBF) strategy, the subsequent suspension of subscriptions and redemptions and the ongoing liquidation of the ARBF strategy related funds and mandates.

In assessing and measuring provisions or contingent liabilities, significant management judgement is required in respect to the probability and the estimation of potential financial outcomes based on available information. These outcomes are also dependent on regulatory and legal processes.

Therefore, provisions recognized and contingent liabilities disclosed are subject to inherent uncertainty. In addition, there is an inherent risk that conduct risk, legal matters and regulatory actions may not be identified and considered for financial reporting purposes on a timely basis.

Our response

Our procedures included amongst others developing an understanding of GAM's processes and key controls for identifying and assessing the impact of conduct risk, legal matters and regulatory actions.

We reviewed the minutes of GAM's key governance meetings (i.e. Board of Directors, Audit Committee and Group Management Board) and attended GAM's Audit Committee meetings.

We discussed such matters with management and obtained written representations and access to relevant documents, including lawyers' letters from external counsels and regulatory correspondence, in order to develop our understanding of the matters. In relation to such matters we challenged management's judgement as to whether there is potential material financial exposure for the Group, and if so the amount of any provision required by considering the range of reasonably possible outcomes. We further discussed and assessed the presentation of related expenses in the reconciliation between IFRS and underlying profit.

Where management determined that it is more likely than not that no present obligation exists or where management was not able to reliably estimate the possible financial impact, we assessed the appropriateness of management's conclusion.

Additionally, we evaluated whether the Group's disclosures around the application of judgement in estimating provisions and contingent liabilities are complete and accurate.

For further information on the assessment of contingent liabilities and provisions, refer to note 23.3 to the consolidated financial statements on page 157.

KPMG

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Christoph Gröbli Licensed Audit Expert Auditor in Charge	Thomas Dorst Licensed Audit Expert

Zurich, 20 February 2019

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

PARENT COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT

	Note	2018 CHF m	2017 CHF m	Change in %
Income from investments		38.3	100.7	(62)
Finance income		2.6	4.3	(40)
Recharges to affiliated companies		27.6	28.9	(4)
Income		**68.5**	**133.9**	**(49)**
Personnel expenses	2.2	(9.7)	32.4	(130)
General expenses		14.2	9.0	58
Finance expenses	2.3	4.7	3.6	31
Impairment loss	2.7	805.5	-	-
Expenses		**814.7**	**45.0**	**-**
(Loss)/profit before taxes		**(746.2)**	**88.9**	**(940)**
Direct taxes		0.5	0.8	-
Net (loss)/profit		**(746.7)**	**88.1**	**(948)**

BALANCE SHEET

	Note	31.12.2018 CHF m	31.12.2017 CHF m	Change in %
Cash and cash equivalents		30.4	27.4	11
Securities listed on a stock exchange		66.0	81.1	(19)
Trade and other receivables	2.4	16.6	2.7	515
Accrued income and prepaid expenses	2.5	42.9	107.5	(60)
Other financial assets		2.5	2.5	0
Current assets		**158.4**	**221.2**	**(28)**
Loans	2.6	37.8	72.6	(48)
Investments in subsidiaries	2.7	878.7	1,684.2	(48)
Non-current assets		**916.5**	**1,756.8**	**(48)**
Assets		**1,074.9**	**1,978.0**	**(46)**
Loans	2.8	15.0	38.6	(61)
Accrued expenses and deferred income	2.9	8.9	6.3	41
Other liabilities	2.10	12.8	37.7	(66)
Current liabilities		**36.7**	**82.6**	**(56)**
Share capital		8.0	8.0	0
Legal capital reserves				
Capital contribution reserve	2.11	893.4	995.0	(10)
Legal retained earnings				
General legal retained earnings		5.3	5.3	0
Voluntary retained earnings				
Net (loss)/profit		(746.7)	88.1	(948)
Other voluntary reserve		930.4	842.3	10
Treasury shares				
Treasury shares from capital contribution reserve	2.12	(11.1)	(17.1)	35
Other treasury shares	2.12	(41.1)	(26.2)	(57)
Shareholders' equity		**1,038.2**	**1,895.4**	**(45)**
Liabilities and shareholders' equity		**1,074.9**	**1,978.0**	**(46)**

NOTES

1. Accounting principles

1.1 General aspects
GAM Holding AG, incorporated in Zurich, Switzerland, presents its financial statements according to the provisions of the Swiss Law on Accounting and Financial Reporting. Where not prescribed by law, the significant accounting and valuation principles applied are described below.

1.2 Securities listed on a stock exchange
Securities with a short-term holding period are valued at their quoted market price as at the balance sheet date. A valuation adjustment reserve has not been recognised. Unrealised gains are recorded in finance income, unrealised losses are recorded in finance expenses.

1.3 Treasury shares
Treasury shares are recognised at acquisition cost and deducted from shareholders' equity at the time of acquisition.

1.4 Share-based payments
If treasury shares are used to meet share delivery obligations under GAM Holding AG's various share-based payment plans, the difference between the carrying value and the fair value at delivery date is recognised in personnel expenses. Not all recipients of share-based payments are employed by GAM Holding AG. For those employees, GAM Holding AG charges the Group entity employing the respective employee the expenses according to IFRS 2 and recognises them as recharges to affiliated companies in the income statement.

1.5 Income from investments
Dividend income from subsidiaries is accrued for in GAM Holding AG in the same period as the corresponding income was earned at the relevant subsidiary and is recognised through the income statement as income from investments.

1.6 Investments in subsidiaries
Investments in subsidiaries are measured at historical costs. If there are indications of impairment, the carrying amount of investments in subsidiaries is compared to their recoverable amount, reflecting the lower of value in use and fair value less costs of disposal. Any difference between the carrying amount and the lower recoverable value is recognised as an impairment loss.

2. Information on balance sheet and income statement items

2.1 Definitions

The term 'Other Group companies' is used for all other entities within the GAM Group of which GAM Holding AG is not the direct shareholder.

2.2 Personnel expenses

	2018 CHF m	2017 CHF m	Change in %
Salary and bonuses	10.7	11.0	(3)
Social security expenses	0.6	1.1	(45)
Pension plan expenses	1.1	1.1	0
Share-based payments	(22.5)	18.9	-
Other personnel expenses	0.4	0.3	33
Personnel expenses	**(9.7)**	**32.4**	**-**

2.3 Finance expenses

	2018 CHF m	2017 CHF m	Change in %
Loss on financial investments	3.4	1.9	79
Foreign exchange losses	0.6	0.8	(25)
Interest expenses	0.3	0.3	0
Other finance expenses	0.4	0.6	(33)
Finance expenses	**4.7**	**3.6**	**31**

2.4 Trade and other receivables

	2018 CHF m	2017 CHF m	Change in %
Third parties	0.6	0.3	100
Other Group companies	16.0	2.4	567
Trade and other receivables	**16.6**	**2.7**	**515**

2.5 Accrued income and prepaid expenses

	2018 CHF m	2017 CHF m	Change in %
Third parties	0.2	2.8	(93)
Direct subsidiaries	38.4	100.5	(62)
Other Group companies	4.3	4.2	2
Accrued income and prepaid expenses	**42.9**	**107.5**	**(60)**

2.6 Loans

	2018 CHF m	2017 CHF m	Change in %
Direct subsidiaries > 1 year	37.8	-	-
Other Group companies > 1 year	-	72.6	(100)
Loans	**37.8**	**72.6**	**(48)**

2.7 Direct subsidiaries and other Group companies

	Country of incorporation	2018 Equity interest in %	2017 Equity interest in %
GAM Group AG	Switzerland	100	100
GAM Capital Management (Switzerland) AG	Switzerland	100	100
(including branch office in Lugano)			
GAM Limited (in liquidation)	Bermuda	100	100
GAM GP Inc.	British Virgin Islands	100	100
GAM (UK) Limited	UK	100	100
GAM Investment Managers Limited	UK	100	100
GAM International Management Limited	UK	100	100
GAM London Limited	UK	100	100
(including branch office in Israel)			
GAM Sterling Management Limited	UK	100	100
GAM (Guernsey) GP Limited	Guernsey	100	100
Renshaw Bay GP1 Limited	Guernsey	100	100
RB REFS 1 Limited	UK	100	100
RB REFS 2 Limited	UK	100	100
Renshaw Bay GP4 LLP	UK	100	100
GAM Unit Trust Management Company Limited	UK	100	100
GAM Systematic Holding Limited	UK	100	100
Cantab Capital Partners LLP	UK	100	100
GAM Systematic Services Limited	UK	100	100
Cantab Capital (Cayman) Limited	Cayman	100	100
GAM Fund Management Limited	Ireland	100	100
GAM Investment Management Singapore Pte. Ltd.	Singapore	100	100
GAM Hong Kong Limited	Hong Kong	100	100
GAM Japan Limited	Japan	100	100
GAM USA Inc.	USA	100	100
GAM Services Inc.	USA	100	100
GAM US Holding Inc.	USA	100	100
GAM (Switzerland) Holding AG	Switzerland	100	100
GAM Investment Management (Switzerland) AG	Switzerland	100	100
GAM (Italia) SGR S.p.A.	Italy	100	100
GAM (Luxembourg) S.A.	Luxembourg	100	100
(including branch office in Spain, Austria and France)			
GAM Trade Finance S.à.r.l.	Luxembourg	100	100
GAM REFF II GP S.à.r.l.	Luxembourg	100	-
GAM (Deutschland) GmbH	Germany	100	100
GAM Investments (Australia) Pty Ltd	Australia	100	100
GAM Employee Benefit Trust	Jersey	-	-

Changes to Group companies
In February 2018, the Group established the GAM Employee Benefit Trust (EBT).

In addition, the Group established GAM GP Inc., British Virgin Islands, and GAM Investments (Australia) Pty Ltd.

Impairment loss on investments in subsidiaries
In relation to the impairment loss on goodwill recognised in the consolidated financial statements an impairment loss on investments in subsidiaries of CHF 805.5 million was recognised in 2018 (2017: none).

2.8 Loans

	2018 CHF m	2017 CHF m	Change in %
Direct subsidiaries < 1 year	15.0	38.6	(61)
Loans	**15.0**	**38.6**	**(61)**

2.9 Accrued expenses and deferred income

	2018 CHF m	2017 CHF m	Change in %
Third parties	3.5	4.8	(27)
Other Group companies	5.0	1.3	285
Auditors	0.4	0.2	100
Accrued expenses and deferred income	**8.9**	**6.3**	**41**

2.10 Other liabilities

	2018 CHF m	2017 CHF m	Change in %
Third parties	6.4	37.3	(83)
Direct subsidiaries	0.1	-	-
Other Group companies	6.3	0.4	-
Other liabilities	**12.8**	**37.7**	**(66)**

Other liabilities to third parties decreased due to lower share delivery obligations under GAM Holding AG's various share-based payment plans resulting from the decrease in GAM Holdings AG's share price in 2018. The change in these liabilities resulted in a credit of CHF 22.5 million in 2018 (debit of CHF 18.9 million in 2017) which was recognised in personnel expenses. Please refer to note 2.2.

2.11 Capital contribution reserve

	CHF m
Balance at 1 January 2017	**1,097.2**
Distribution to shareholders	(102.2)
Balance at 31 December 2017	**995.0**
Distribution to shareholders	(101.6)
Balance at 31 December 2018	**893.4**

Distributions from the capital contribution reserve are exempt from Swiss federal withholding tax of 35% and exempt from income tax for private investors resident in Switzerland.

2.12 Treasury shares

	Number of shares	Average price CHF	Highest price CHF	Lowest price CHF	Total value CHF m
Balance at 1 January 2017	**2,798,816**	**15.56**			**35.2**
Delivery of shares due to exercise of options	(151,343)	11.00			(1.6)
Purchase of treasury shares to cover share-based payments	1,325,800	13.90	16.10	9.89	18.4
Cancellation of shares approved at the Annual General Meeting on 27 April 2017	(612,200)	14.19			(8.7)
Balance at 31 December 2017	**3,361,073**	**12.86**			**43.3**
Delivery of shares due to exercise of options	(539,369)	11.00			(6.0)
Purchase of treasury shares to cover share-based payments	960,726	15.56	18.04	8.66	14.9
Balance at 31 December 2018	**3,782,430**	**13.81**			**52.2**
Thereof treasury shares from capital contribution reserve	1,012,509	11.00			11.1
Thereof other treasury shares	2,769,921	14.84			41.1

Shares are cancelled at purchase cost. Therefore the valuation of treasury shares differs from the Group's consolidated financial statements.

3. Other information

3.1 Contingent liabilities

	2018 CHF m	2017 CHF m
Guarantee obligations in favour of Group companies	5.8	7.7

GAM Holding AG is part of a value-added tax group and therefore jointly liable to the Swiss Federal Tax Administration for the value-added tax liabilities of other members.

3.2 Authorised capital

	Registered shares (CHF 0.05 par)	
	Number	CHF m
Resolution of the Annual General Meeting on 27 April 2016	16,339,460	0.8

3.3 Personnel

	2018	2017
Average number of full-time equivalents	23.5	23.4

3.4 Significant shareholders/participants

Based on notifications received by GAM Holding AG, each of the following shareholders/participants held more than 3% of the voting rights in GAM Holding AG as at 31 December 2018.[1]

	Voting rights conferred by shares/equity securities	Voting rights conferred by conversion rights, share purchase rights and granted share sale rights and financial instruments	**Resulting total percentage holding of voting rights at time of creation of the obligation to notify**
Shareholder/participant[2]			
Silchester International Investors LLP[3]	15.01%	-	**15.01%**
Credit Suisse Funds AG[4]	4.99%	-	**4.99%**
T. Rowe Price Associates Inc.[5]	4.96%	-	**4.96%**
Kiltearn Partners LLP[6]	4.92%	-	**4.92%**
BlackRock Inc[7]	3.00%[8]	0.07%	**3.07%**
Kabouter Management LLC[9]	3.04%	-	**3.04%**
Mario J. Gabelli[10]	1.65%	1.38%	**3.02%**
Dimensional Holdings Inc.[11]	3.00%	-	**3.00%**
GAM Holding AG[12]	2.90%[13]	-	**2.90%**

[1] The percentage holding of voting rights as well as the other terms used in this section bear the meaning ascribed to them and should be read in the context of the applicable stock exchange rules.

[2] Any change in the holding of voting rights between reportable thresholds does not trigger any notification duty.

[3] Silchester International Investors LLP, London, UK (as at 10 February 2014).

[4] Credit Suisse Funds AG, Zurich, Switzerland (as at 29 November 2018).

[5] T. Rowe Price Associates Inc., Baltimore, USA (as at 8 November 2017).

[6] Kiltearn Partners LLP, Edinburgh, UK (as at 1 March 2018).

[7] BlackRock Inc., New York, USA (as at 15 November 2018).

[8] BlackRock Inc. reported on 15 November 2018 a sale position of GAM Holding AG shares of 0.004% of shares in issue.

[9] Kabouter Management LLC, Chicago, Illinois, USA (as at 1 June 2017).

[10] Mario J. Gabelli, New York, USA (as at 14 November 2018).

[11] Dimensional Holdings Inc., c/o Corporation Service Comp, Wilmington, Delaware, USA (as at 8 March 2017).

[12] GAM Holding AG, Zurich, Switzerland (as at 31 December 2018).

[13] As at 31 December 2018, GAM Holding AG also had a sale position (representing obligations to deliver shares to employees under share-based payment awards) of GAM Holding AG shares of 8.82% of shares in issue. For further details, please refer to note 22 of the consolidated financial statements.

Based on notifications received by GAM Holding AG, each of the following shareholders/participants held more than 3% of the voting rights in GAM Holding AG as at 31 December 2017.[1]

Shareholder/participant[2]	Voting rights conferred by shares/equity securities	Voting rights conferred by conversion rights, share purchase rights and granted share sale rights and financial instruments	**Resulting total percentage holding of voting rights at time of creation of the obligation to notify**
Silchester International Investors LLP[3]	15.01%	-	**15.01%**
Kiltearn Partners LLP[4]	5.05%	-	**5.05%**
T. Rowe Price Associates Inc.[5]	4.96%	-	**4.96%**
Credit Suisse Funds AG[6]	4.93%	-	**4.93%**
Wellington Management Group, LLP[7]	3.08%	-	**3.08%**
Norges Bank (The Central Bank of Norway)[8]	3.07%	-	**3.07%**
Kabouter Management LLC[9]	3.04%	-	**3.04%**
UBS Fund Management (Switzerland) AG[10]	3.02%	-	**3.02%**
Dimensional Holdings Inc.[11]	3.00%	-	**3.00%**
GAM Holding AG[12]	2.10%[13]	-	**2.10%**

[1] The percentage holding of voting rights as well as the other terms used in this section bear the meaning ascribed to them and should be read in the context of the applicable stock exchange rules.

[2] Any change in the holding of voting rights between reportable thresholds does not trigger any notification duty.

[3] Silchester International Investors LLP, London, UK (as at 10 February 2014).

[4] Kiltearn Partners LLP, Edinburgh, UK (as at 6 April 2016).

[5] T. Rowe Price Associates Inc., Baltimore, USA (as at 8 November 2017).

[6] Credit Suisse Funds AG, Zurich, Switzerland (as at 4 August 2017).

[7] Wellington Management Group, LLP, Boston, USA (as at 22 August 2017).

[8] Norges Bank (The Central Bank of Norway), Oslo, Norway (as at 8 August 2017).

[9] Kabouter Management LLC, Chicago, Illinois, USA (as at 1 June 2017).

[10] UBS Fund Management (Switzerland) AG, Basel, Switzerland (as at 12 July 2016).

[11] Dimensional Holdings Inc., c/o Corporation Service Comp, Wilmington, Delaware, USA (as at 8 March 2017).

[12] GAM Holding AG, Zurich, Switzerland (as at 31 December 2017).

[13] As at 31 December 2017, GAM Holding AG also had a sale position (representing obligations to deliver shares to employees under share-based payment awards) of GAM Holding AG shares of 9.44% of shares in issue. For further details, please refer to note 22 of the consolidated financial statements.

3.5 Share and option holdings of the members of the Board of Directors

	Vested shares[1]		Unvested shares[2]	
	2018	2017	**2018**	2017
Hugh Scott-Barrett	28,056	16,683	15,693	21,551
Diego du Monceau	26,025	19,573	6,277	8,620
Benjamin Meuli	27,176	19,207	6,277	8,620
Nancy Mistretta	12,397	5,943	6,277	8,620
Ezra Field	12,397	5,943	6,277	8,620
David Jacob[3]	7,047	2,500	6,277	8,620
Monica Mächler[4]	-	-	6,277	-

1 The number of vested shares represents shares held by the individual (together with interests held by their connected persons) which are neither subject to performance conditions nor continued employment.

2 Board directors (excluding the Chairman) have each an entitlement to 6,277 unvested shares that were awarded after AGM 2018 and which will vest on the day before the Company's 2019 AGM. The Chairman of the Board of Directors has an entitlement to 15,693 unvested shares that were granted on an equivalent basis.

3 David Jacob is interim Group CEO since 6 November 2018 in addition to his role as Board Director.

4 Monica Mächler was elected to the Board of Directors at the 2018 AGM.

3.6 Share and option holdings of the members of the Group Management Board

	Vested shares[1, 5]		Unvested shares[2, 3, 5]	
	2018	2017	**2018**	2017
Alexander S. Friedman[6]	58,421	51,000	288,862	178,102
Richard McNamara	45,117	29,955	90,508	82,217
Larry Hatheway[6]	12,758	-	98,793	90,653
Tim Dana[6]	12,906	5,798	47,389	31,824
Martin Jufer	-	-	33,796	19,572
Tim Rainsford	31,696	-	180,531	180,117
Elmar Zumbuehl	5,721	4,829	20,546	960
Dirk Spiegel[4]	-	960	-	960
Natalie Baylis[4]	-	-	-	-
Rachel Wheeler[4]	-	-	-	-
Matthew Beesley[4]	-	-	14,075	-

1 The number of vested shares represents shares held by the individual (together with interests held by their connected persons) which are neither subject to performance conditions nor continued employment.

2 Unvested shares reflects the number of shares which will normally vest to the individual subject to continued employment at the relevant vesting date. This includes shares that are deferred under the annual bonus plan and one-time share awards granted at recruitment.

3 Unvested shares does not include unexercised options or unvested performance shares. These are excluded as the number of options that become exercisable or performance shares that vest will be dependent upon share price performance and/or GAM's performance against specific performance criteria as well as continued employment until the relevant vesting date.

4 Dirk Spiegel stepped down from the GMB on 9 March 2018. Natalie Baylis stepped down from the GMB on 28 September 2018. Rachel Wheeler joined the GMB on 3 September 2018. Matthew Beesley joined the GMB on 28 September 2018.

5 David Jacob's shareholdings are shown in section 7.2 as a member of the Board of Directors. As interim Group CEO and Group Management Board member David Jacob does not have any shareholding requirements.

6 Alexander S. Friedman stepped down as Group CEO and member of the Group Management Board on 6 November 2018. Larry Hatheway and Tim Dana stepped down from the GMB on 31 December 2018.

3.7 Share, performance unit and option grants to the members of the Board of Directors, members of the Group Management Board and to other staff members

		Shares quantity	Fair value CHF m	Performance units quantity	Fair value CHF m	Options quantity	Fair value CHF m
Granted to members of the	2018	53,355	0.8	-	-	-	-
Board of Directors	2017	64,651	0.7	-	-	-	-
Granted to members of the	2018	310,539	4.9	50,349	0.6	-	-
Group Management Board	2017	362,066	3.7	-	-	1,016,949	2.0
Granted to other members	2018	621,357	10.1	71,377	0.8	-	-
of the staff	2017	70,416	0.9	-	-	1,666,820	3.0

For further details on share-based payments, please refer to note 22 of the Group's consolidated financial statements.

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS AND DISTRIBUTION PAYMENT

	2018 CHF m	2017 CHF m
Available earnings for appropriation		
Balance brought forward	-	-
Net (loss)/profit	(746.7)	88.1
Available earnings for appropriation	**(746.7)**	**88.1**
Allocation to other voluntary reserve	746.7	(88.1)
Balance to be carried forward	**-**	**-**
Distribution to the shareholders out of capital contribution reserve	**-**	**101.6**

The Board of Directors proposes to the forthcoming Annual General Meeting the following appropriation of available earnings and distribution payment to the shareholders:

- No distribution per registered share;
- Allocation of available earnings of CHF 746.7 million to other voluntary reserve.

The Board of Directors

Zurich, 20 February 2019

Statutory Auditor's Report

To the General Meeting of GAM Holding AG, Zurich

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of GAM Holding AG, which comprise the balance sheet as at 31 December 2018, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 178 to 190) for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Valuation of investments in subsidiaries

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in subsidiaries

Key Audit Matter

The financial statements of GAM Holding AG include significant investments in subsidiaries in the amount of CHF 878.7m (2017: CHF 1,684.2m).

Investments in subsidiaries are valued at the lower of acquisition cost or value in use and are reviewed by management for potential impairment on an annual basis. During the 2018 financial year, GAM Holding AG recognised an impairment of investments in subsidiaries in the amount of CHF 805.5m.

The assessment of the value in use requires judgement about projected future cash-flows and the discount rate used.

Our response

Our audit procedures included, amongst others, evaluating the methods used in the model for the impairment test, the appropriateness of the assumptions used and comparing the cash flow forecasts to the latest budget and five-year financial planning approved by the Board of Directors.

For a sample of investments in subsidiaries we tested the mathematical accuracy of the valuation and ensured consistency to GAM Holding AG's five-year financial planning.

We also considered the appropriateness of disclosures in relation to investments in subsidiaries and the impairment of such in the financial statements.

For further information on valuation of investments in subsidiaries, refer to notes 1.6 and 2.7 to the financial statements on pages 180 and 182 to 183.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Christoph Gröbli Licensed Audit Expert Auditor in Charge	Thomas Dorst Licensed Audit Expert

Zurich, 20 February 2019

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

FINANCIAL SUMMARY AND SHARE INFORMATION

FIVE-YEAR FINANCIAL SUMMARY

	2018 CHF m	2017 CHF m	2016 CHF m	2015 CHF m	2014 CHF m
Net management fees and commissions	495.4	503.6	470.5	517.8	542.9
Net performance fees	4.5	44.1	3.0	82.8	65.9
Net fee and commission income	**499.9**	**547.7**	**473.5**	**600.6**	**608.8**
Net other income	0.3	2.2	5.1	0.7	14.7
Income	**500.2**	**549.9**	**478.6**	**601.3**	**623.5**
Personnel expenses	239.6	264.6	246.2	290.0	293.2
Fixed personnel expenses	153.9	150.1	155.7	165.1	166.0
Variable personnel expenses	85.7	114.5	90.5	124.9	127.2
General expenses	127.7	106.1	102.9	104.9	105.8
Occupancy	22.2	22.2	25.7	28.6	28.8
Technology and communication	14.1	12.7	13.8	15.1	17.2
Data and research	23.4	17.9	17.5	16.5	14.4
Professional and consulting services	17.6	15.5	10.2	11.7	15.1
Marketing and travel	17.6	18.2	17.8	20.3	20.6
Administration	9.5	8.8	6.1	-	-
Other general expenses	23.3	10.8	11.8	12.7	9.7
Depreciation and amortisation	6.2	6.7	9.4	8.6	7.8
Expenses	**373.5**	**377.4**	**358.5**	**403.5**	**406.8**
Underlying profit before taxes	**126.7**	**172.5**	**120.1**	**197.8**	**216.7**
Underlying income tax expense	28.5	35.4	25.9	39.4	39.5
Underlying net profit	**98.2**	**137.1**	**94.2**	**158.4**	**177.2**
Acquisition-related items	18.4	(3.1)	8.6	(13.4)	(5.9)
Non-recurring items	(1,078.5)	(21.2)	2.9	(8.5)	(2.3)
Tax on acquisition-related items	4.8	6.4	1.5	(0.5)	-
Tax on non-recurring items	32.6	4.0	(0.7)	2.3	-
Non-recurring tax item	(4.6)	-	27.8	-	-
IFRS net (loss)/profit	**(929.1)**	**123.2**	**134.3**	**138.3**	**169.0**
IFRS net (loss)/profit attributable to:					
The shareholders of the Company	(929.1)	123.2	134.3	138.3	165.8
Non-controlling interests	-	-	-	-	3.2
Operating margin (%) [1]	25.3	31.1	24.3	32.8	33.2
Compensation ratio (%) [2]	47.9	48.3	52.0	48.3	48.2
Average personnel (FTEs)	932	951	1,023	1,093	1,082

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

[2] Personnel expenses / net fee and commission income.

	2018	2017	2016	2015	2014
Assets under management at the end of the year (CHF bn)	**132.2**	**158.7**	**120.7**	**119.0**	**123.2**
in investment management	56.1[1]	84.4	68.2	72.3	76.1
in private labelling	76.1	74.3	52.5	46.7	47.1
Average assets under management (CHF bn)	**154.4**	**138.0**	**117.2**	**123.3**	**119.6**
in investment management	76.8[2]	74.7	68.3	73.7	72.9
in private labelling	77.6	63.3	48.9	49.6	46.7
Net flows (CHF bn)	**(2.2)**	**24.3**	**(6.4)**	**3.0**	**1.2**
in investment management	(10.5)[3]	8.6	(10.7)	0.3	2.0
in private labelling	8.3	15.7	4.3	2.7	(0.8)
Net management fees and commissions (CHF m)	**495.4**	**503.6**	**470.5**	**517.8**	**542.9**
in investment management	453.6	463.8	434.4	476.2	501.6
in private labelling	41.8	39.8	36.1	41.6	41.3
Total fee margin in investment management (bps)	59.6	68.0	64.1	75.8	77.8
Management fee margin in investment management (bps)	59.1	62.1	63.6	64.6	68.8
Management fee margin in private labelling (bps)	5.4	6.3	7.4	8.4	8.8
Weighted average number of shares outstanding for basic EPS (m)	155.4	157.0	157.7	159.9	162.3
Basic underlying EPS (CHF)	0.63	0.87	0.60	0.99	1.07
Basic IFRS EPS (CHF)	(5.98)	0.78	0.85	0.87	1.02
Weighted average number of shares outstanding for diluted EPS (m)	156.6[4]	158.8	157.8	160.8	163.4
Diluted underlying EPS (CHF)	0.63	0.86	0.60	0.98	1.06
Diluted IFRS EPS (CHF)	(5.98)	0.78	0.85	0.86	1.01
Dividend per share for the financial year (CHF)	-	0.65	0.65	0.65	0.65

[1] Excluding CHF 1.5 billion ARBF-related assets under management in liquidation as at 31 December 2018.

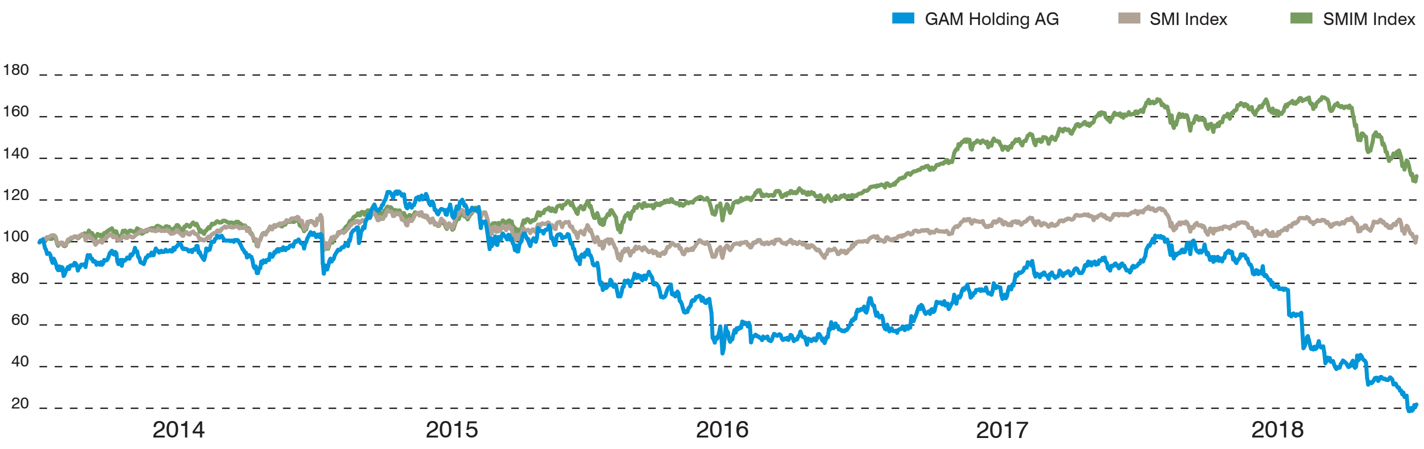
[2] Excluding ARBF-related assets under management since August 2018.

[3] Including ARBF-related net inflows in H1 2018 of CHF 0.3 billion and excluding ARBF-related net flows in H2 2018 and fund assets liquidated as at 31 December 2018.

[4] As a result of the IFRS net loss reported for 2018, for the calculation of the diluted IFRS EPS for 2018, the weighted average number of shares outstanding for diluted EPS equals the weighted average number of shares outstanding for basic EPS of 155.4 million.

SHARE INFORMATION

Share price performance (indexed)



Listing information

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

Share information CHF

	2018	2017	Change in %
Closing price at the end of the year	3.86	15.75	(75)
Highest price	17.92	16.10	11
Lowest price	3.29	9.82	(66)
Market capitalisation at the end of the year (CHF m) [1]	616	2,515	(76)

Treasury shares

	31.12.2018	31.12.2017	Change in %
Shares issued	159,682,531	159,682,531	0
Treasury shares	(4,627,353)	(3,361,073)	38
Shares outstanding	155,055,178	156,321,458	(1)

[1] Based on shares issued.

'Forward-looking statements'

This Annual Report contains statements that constitute 'forward-looking statements', including statements of the future financial performance of the Company, its plans and objectives and their anticipated effect on the Company's future business and development, as well as other projections and statements that are forward-looking or contain subjective assessments, regarding the intent, belief or current expectations of the Company. 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', 'predict' and similar expressions. Such statements are made on the basis of assumptions, estimates and expectations which, although the Company believes them to be reasonable at this time, may prove to be erroneous or unfounded in the future, as forward-looking statements are subject to risks and uncertainties that could cause the actual development, results and financial position of the Company to differ materially from the information presented herein. These risks and uncertainties facing the Company, which could affect the future accuracy of these forward-looking statements, 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; and changes in the size, capabilities and effectiveness of the Company's competitors. If one of these risks or uncertainties materialises or if underlying assumptions prove to be incorrect, actual outcomes may vary materially from those indicated in the forward-looking statements. Other than in accordance with the ad-hoc publicity rules of the SIX Swiss Exchange, the Company undertakes no obligation to release publicly any revisions or updates to any forward-looking statements herein to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events or to reflect any change in the Company's expectations.

CONTACTS

GAM Holding AG
Hardstrasse 201
P.O. Box
CH-8037 Zurich
Switzerland

T +41 (0) 58 426 30 30
gamholding@gam.com

Investor relations
Patrick Zuppiger
Head of Group Communications and Investor Relations
T +41 (0) 58 426 31 36
patrick.zuppiger@gam.com

Jessica Grassi
Investor relations officer
T +41 (0) 58 426 31 37
jessica.grassi@gam.com

Media relations
Marc Duckeck
Senior communication manager
T +41 (0) 58 426 62 65
marc.duckeck@gam.com

Tobias Plangg
Senior communication manager
T +41 (0) 58 426 31 38
tobias.plangg@gam.com

Further information
Our website provides further information on GAM Holding AG, including share price data, details of our share buy-back programmes, media releases, historical financial information and an events calendar.

www.gam.com