

GAM Holding AG

Results and Review H1 2014

Presentation for Media, Analysts and Investors

Zurich, 12 August 2014

Cautionary statement on forward-looking information

This presentation by GAM Holding AG ('the Company') includes forward-looking statements that reflect the Company's intentions, beliefs or current expectations and projections about the Company's future results of operations, financial condition, liquidity, performance, prospects, strategies, opportunities and the industry in which it operates. Forward-looking statements involve all matters that are not historical facts. The Company has tried to identify those forward-looking statements by using words such as 'may', 'will', 'would', 'should', 'expect', 'intend', 'estimate', 'anticipate', 'project', 'believe', 'seek', 'plan', 'predict', 'continue' and similar expressions. Such statements are made on the basis of assumptions and expectations which, although the Company believes them to be reasonable at this time, may prove to be erroneous.

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H1 2014 overview

Growth engines are in place – strongly positioned for the future

Strong profitability

- Underlying pre-tax profit of CHF 113.1 m, up 6% from H2 2013, as lower operating income was more than compensated by cost savings
- Underlying net profit of CHF 93.1 m, 5% lower than in H2 2013 reflecting a normalised tax rate
- IFRS net profit at CHF 90.8 m

NNM growth trend re-established

- Investment management with NNM inflows of CHF 1.3 bn¹
- Strong net inflows in Q2 2014 more than offsetting outflows in Q1
- Markedly improved flow momentum across product range (including our large absolute return/unconstrained and local emerging market bond strategies)

Expansion of investment capabilities

- Organic product development and hiring of teams complemented by acquisitions
- Latest addition: US residential mortgage-backed securities specialist in June 2014
- Three accretive acquisitions since 2009

Integrated structure

- Targeted cost reductions achieved
- Pooling of strengths across investment management, sales and operations
- Cross-selling targets for Julius Baer and GAM-branded funds

¹ Includes CHF 361 million acquired from Singletery Mansley Asset Management in June 2014.

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Group results

	H1 2014	H2 2013	H1 2013	Change from in % H2 2013 H1 2013	
Operating income (CHF m)	307.4	312.8	357.4	-2	-14
Operating expenses (CHF m)	194.3	205.9	231.2	-6	-16
Underlying pre-tax profit (CHF m)	113.1	106.9	126.2	6	-10
Underlying net profit (CHF m) ¹	93.1	98.5	111.7	-5	-17
IFRS net profit (CHF m) ¹	90.8	82.4	119.0	10	-24
Net cash (CHF m)	533.0	592.6	466.1	-10	14
Tangible equity (CHF m)	501.3	551.4	472.9	-9	6
Basic EPS (CHF) ²	0.57	0.59	0.67	-3	-15
Return on tangible equity ³	36.7%	34.6%	46.6%	6	-21
Cost/income ratio	63.2%	65.8%	64.7%	-4	-2
Period-end shares outstanding (m)	162.3	162.9	163.4	-0	-1

Robust profitability

- Pre-tax profit up from H2 2013 but down from strong result in H1 2013
- Cost structure well aligned with revenue volatility inherent in our business
- Normalised tax expense and tax rate

Balance sheet strong and highly liquid

- Very strong liquidity and capital base
- No financial debt

Sustainable progress

- Robust earnings per share
- Efficiency improvements and operating leverage reflected in improved C/I ratio

¹ Includes non-controlling interests.

² Underlying net profit excl. non-controlling interests / weighted average number of shares outstanding.

³ Underlying net profit excl. non-controlling interests (annualised) / tangible equity at the end of the period.

Business metrics

Investment management

(CHF bn)	H1 2014	H2 2013	H1 2013	Change from in % H2 2013 H1 2013	
Period-end AuM	73.4	69.8	72.1	5	2
Average AuM	70.6	71.9	74.2	-2	-5
Net new money ¹	1.3	-2.4	-0.2	-	-

Period-end AuM up by CHF 3.6 bn – thanks to NNM inflows and positive market performance

Average AuM well below prior periods

- Average AuM explain past earnings development
- Period-end AuM indicative of forward-looking earnings capacity

Private labelling

(CHF bn)	H1 2014	H2 2013	H1 2013	Change from in % H2 2013 H1 2013	
Period-end AuM	46.2	44.6	44.5	4	4
Average AuM	45.8	44.7	44.4	2	3
Net new money	-0.1	-0.7	-0.4	-	-

Period-end AuM increased by CHF 1.6 bn – despite marginal NNM outflows

Average AuM ahead of prior periods

¹ Includes CHF 361 million acquired from Singletery Mansley Asset Management in June 2014.

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IFRS net profit: adjustments

Items unrelated to business performance

(CHF m)	H1 2014	H2 2013	H1 2013
Underlying net profit	93.1	98.5	111.7
Gain from sale of investment in Artio	-	-	13.1
Amortisation of customer relationships	-	-5.8	-5.8
Impairment of investments	-2.3	-5.8	-
Zurich/London office move expenses (net of taxes)	-	-4.5	-
IFRS net profit	90.8	82.4	119.0

Reconciliation item H1 2014:

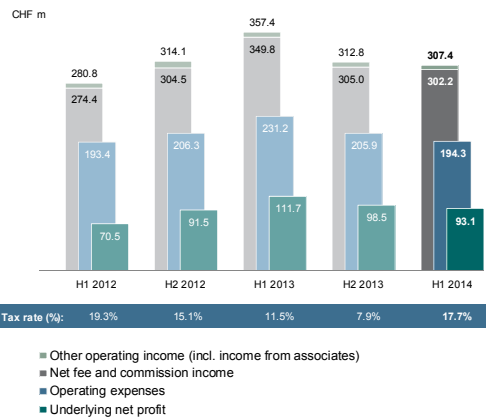
CHF 2.3 m, partial write-down of QFS stake

- Minority stake in US alternative asset manager QFS

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Group financial results

Cost structure well aligned with the revenue volatility inherent in our business



Our earnings are subject to a natural level of fluctuation

- Management fees only modestly variable, in line with development of AuM levels and mix
- Performance fees subject to greater volatility despite broad range of performance fee-eligible assets

Our flexible cost base is capable of absorbing revenue volatility

- High proportion of performance-oriented compensation expense acts as a natural 'cushion'

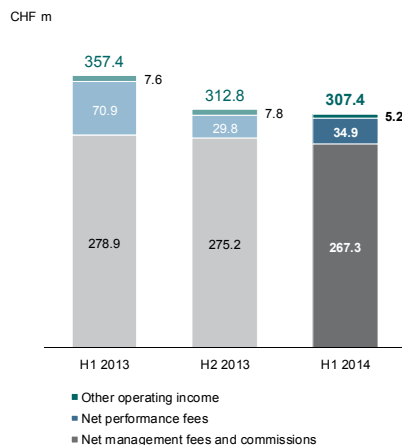
Exceptionally low tax rate in 2013

- Local tax deductions for 2009 LTIP options, largely offsetting the related accruals for social security expenses
- Reversal of tax accruals
- Excluding these effects tax rate roughly flat

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Group operating income

Development of operating income affected by average AuM levels and investment performance



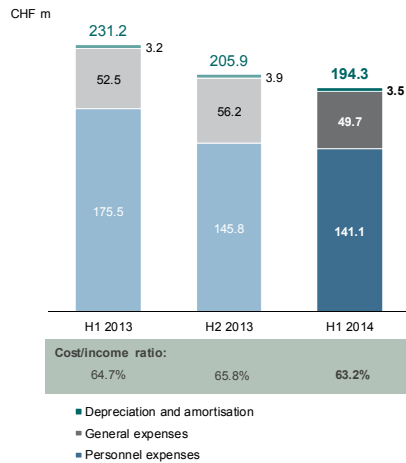
Reduced operating income (down 2% from H2 2013 and 14% from H1 2013)

- **Net management fees and commissions**
 - Down as average AuM in H1 2014 trailed prior periods
 - Margins resilient
- **Net performance fees**
 - Up from H2 2013 but significantly below the levels achieved in H1 2013
 - Performance fee-eligible assets broadly diversified, mitigates the volatility inherent in these revenues
- **'Other operating income' immaterial**
 - Includes net impact of FX gains as well as recurring fund-related fees and service charges

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Group operating expenses

Kept well under control and managed in line with revenue development



Operating expenses reduced (down 6% from H2 2013, down 16% from H1 2013)

- **Personnel expenses down 3% and 20% respectively**
 - Slight contraction of salary costs despite headcount expansion
 - Variable compensation reduced
 - Favourable impact from 2009 LTIP social security costs (delta of CHF 3.9 m vs H2 2013; delta of CHF 9.6 m vs H1 2013)
- **General expenses reduced**
 - Include a non-recurring credit relating to prior years (CHF 2.1 m)
- **Cost savings achieved, following introduction of integrated structure in early 2013**
 - Mainly personnel costs
 - In line with target

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Group balance sheet

(CHF m)	30.06.2014	31.12.2013	30.06.2013
Cash and cash equivalents	533	593	466
Seed capital investments ¹	114	126	136
Other assets	243	248	271
Goodwill and other intangible assets	1,371	1,363	1,368
Assets	2,261	2,330	2,241
Current liabilities	273	309	305
Non-current liabilities	115	101	93
Equity ²	1,873	1,920	1,843
Liabilities & equity	2,261	2,330	2,241
Tangible equity	501	551	473

Strong liquidity

- April dividend payment of CHF 105.5 m for 2013 financial year
- H1 2014 share buy-backs of CHF 23 m
- Strong operating cash and capital generated by our business in H1 2014

Robust capital base

- Capital well in excess of regulatory requirements

¹ Including gross up of CHF 0.5 m as at 30.06.2014 (CHF 8.4 m as at 31.12.2013).

² Includes non-controlling interests of CHF 1.5 m as at 30.06.2014 (CHF 5.0 m as at 31.12.2013).

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Treasury shares and shares outstanding

in millions	30.06.2014	31.12.2013	31.12.2012	31.12.2011
Shares issued	166.7	173.2	183.4	196.3
Treasury shares held for cancellation (2011–2014 programme)	-1.2	-6.6	-10.1	-12.9
Treasury shares held for cancellation (2014–2017 programme)	-0.2	-	-	-
Treasury shares held to cover share-based compensation plans	-2.9	-3.8	-8.7	-6.3
Shares outstanding, eligible for dividend	162.3	162.9	164.6	177.1

Maximum buy-back capacity left under 2014–2017 programme¹

16.4

Share count (shares outstanding)

- 6.6 million shares cancelled in June 2014
- 1.5 million shares bought back during 2014, to be cancelled following approval at 2015 AGM; of which:
 - 1.2 million repurchased under the former 2011–2014 programme (expired on 17 April 2014)
 - 0.2 million repurchased under the current 2014–2017 programme (launched on 28 April 2014)

Treasury shares held for share-based compensation plans reduced

- Residual options outstanding from 2009 LTIP as at 30 June 2014: 3.6 million (7.0 million at year-end 2013)

¹ The share buy-back programme 2014–2017 has a maximum limit of up to 16.7 million shares.

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Key figures

Investment management

	H1 2014	H2 2013	H1 2013	Change from in % H2 2013 H1 2013	
Net management fees and commissions (CHF m)	245.9	256.6	258.6	-4	-5
Net performance fees (CHF m)	34.9	29.8	70.9	17	-51
Net fee and commission income (CHF m)	280.8	286.4	329.5	-2	-15
Period-end AuM (CHF bn)	73.4	69.8	72.1	5	2
Average AuM (CHF bn)	70.6	71.9	74.2	-2	-5
Net new money ¹ (CHF bn)	1.3	-2.4	-0.2	-	-
Return on assets (bps)	79.5	79.7	88.9	-	-

Private labelling

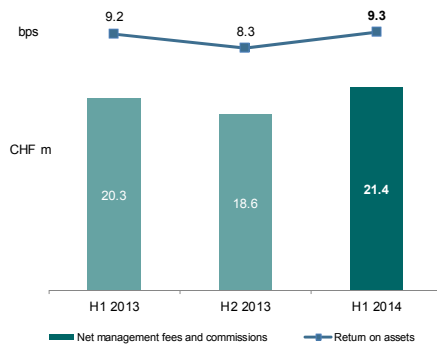
	H1 2014	H2 2013	H1 2013	Change from in % H2 2013 H1 2013	
Net management fees and commissions (CHF m)	21.4	18.6	20.3	15	5
Period-end AuM (CHF bn)	46.2	44.6	44.5	4	4
Average AuM (CHF bn)	45.8	44.7	44.4	2	3
Net new money (CHF bn)	-0.1	-0.7	-0.4	-	-
Return on assets (bps)	9.3	8.3	9.2	-	-

¹ Includes CHF 361 million acquired from Singletery Mansley Asset Management in June 2014.

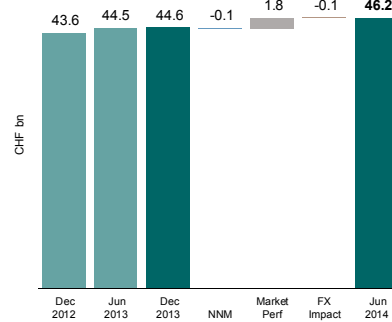
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Private labelling results

Revenues and RoA improving



AuM growing despite small NNM outflows

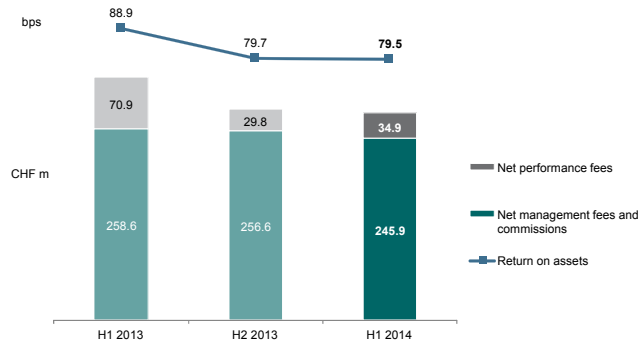


- Margin from new mandates higher than from business lost in H1 2014

- New mandates, launches of Swiss-domiciled funds
- Closure of an offshore mandate and outflows from existing funds of our partners (mainly money market funds)

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Investment management revenues and RoA



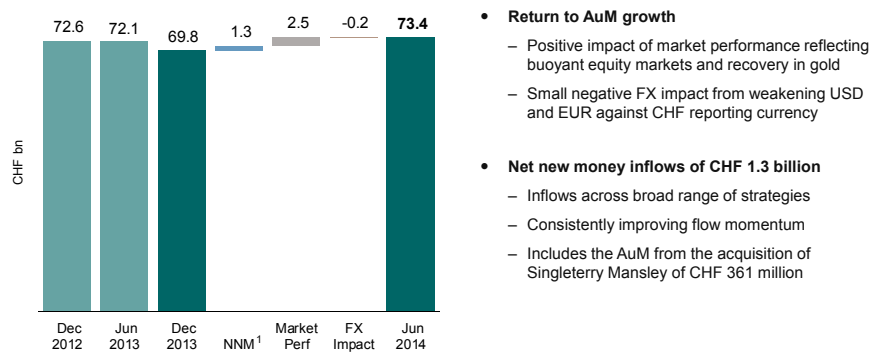
Net management fees and commissions resilient

- Affected by H2 2013 NNM outflows in absolute return/unconstrained and local emerging market bond strategies

Performance fees soft for macro/managed futures and non-directional equity strategies

- Reflects the challenges of active investment management
- Strong contribution from absolute return/unconstrained bond strategy, emerging market products and a number of active equity strategies

Investment management AuM and NNM



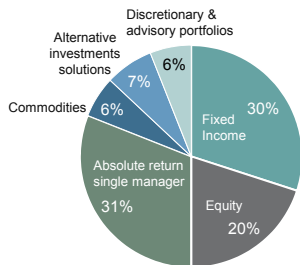
- **Return to AuM growth**
 - Positive impact of market performance reflecting buoyant equity markets and recovery in gold
 - Small negative FX impact from weakening USD and EUR against CHF reporting currency
- **Net new money inflows of CHF 1.3 billion**
 - Inflows across broad range of strategies
 - Consistently improving flow momentum
 - Includes the AuM from the acquisition of Singletery Mansley of CHF 361 million

¹ Includes CHF 361 million acquired from Singletery Mansley Asset Management in June 2014.

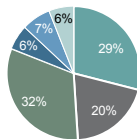
Investment management AuM by product type

AuM investment management by product type

As at 30.06.2014, CHF 73.4 billion



As at 31.12.2013, CHF 69.8 billion



Absolute return single manager

- Absolute return/unconstrained bond intermediary flows turning positive after negative Q1 and flat 2013 performance; stable net inflows from institutions
- Strong inflows into non-directional equity products for both brands
- Market-leading alternative UCITS offering (number 2 in terms of AuM and number of funds)¹

Equity

- Robust net inflows across GAM-branded equity funds
- Net inflows into Julius Baer-branded funds continue to increase

Alternative investments solutions

- Solid institutional wins for alternative risk premia mandates
- Offset by outflows from certain traditional FoHF strategies

Discretionary & advisory portfolios

- Return to growth after 6 years: Inflows into model portfolios for IFAs more than compensated for outflows of former captive channels

Directional fixed income

- Strong NNM contributor in H1 2014, across specialised strategies (credit opportunities, cat bond, European ABS)
- Net outflows in EM turning positive in Q2

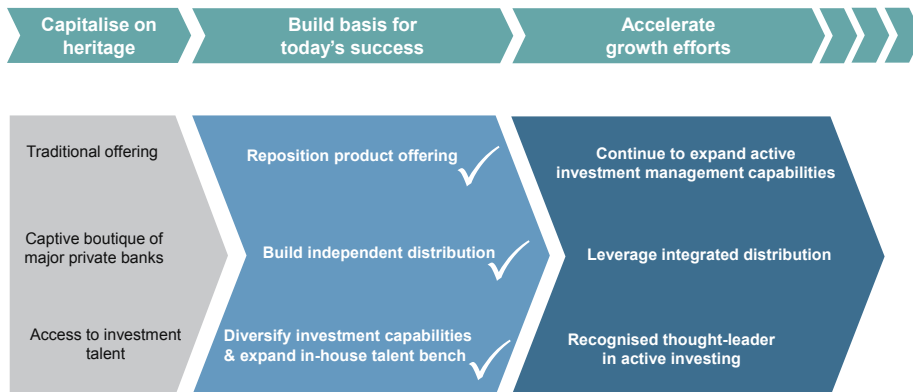
Commodities

- Continued net outflows in gold, but signs of stabilisation

¹ Source: Absolut Research, Q2 2014

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Our strategic direction

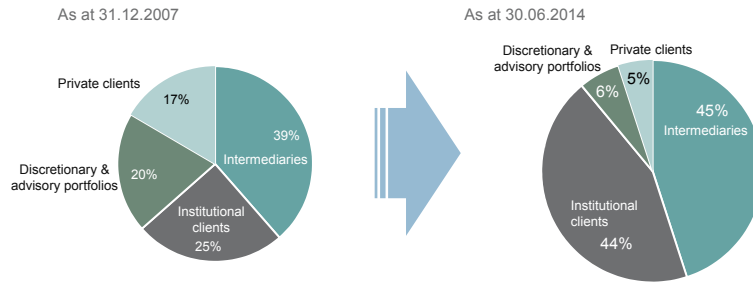


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Distribution: build-up of third-party channels & institutional access

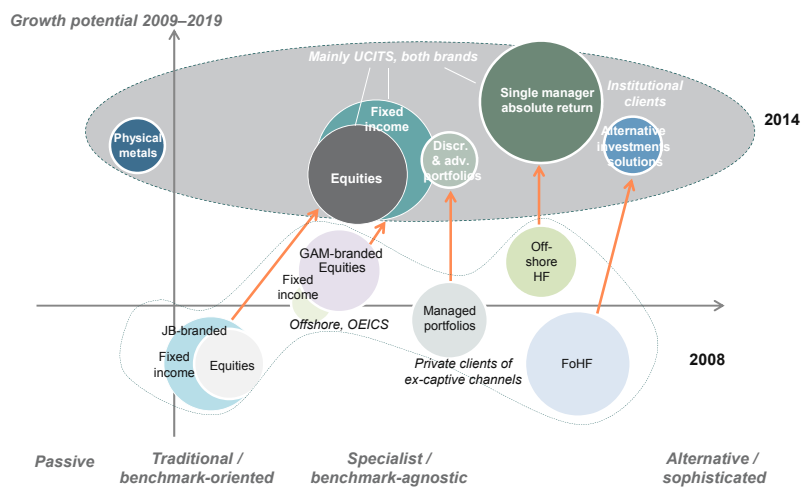
From captive boutique focused on private clients

...to **independent group** with strong and growing intermediary and institutional franchise



Development of AuM in investment management by client segment

Product offering: repositioned for growth

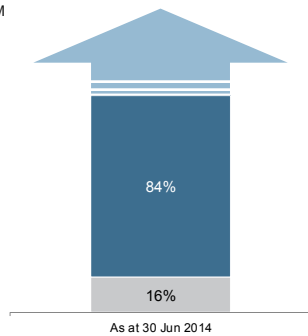


AuM, year-end 2008 and mid-2014, in CHF bn, scale ● = CHF 1 bn

Investment capabilities: our platform for growth

From 'access to investment talent' to 'home of investment talent'

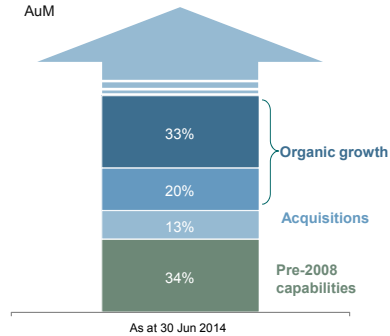
AuM



- AuM in in-house single-manager strategies
- AuM in multi-manager/externally managed strategies

Attractive & diversified investment capabilities, targeting new client segments

AuM



- AuM from capabilities and strategies developed & launched since 2008
- AuM grown from capabilities acquired since 2008
- AuM included with acquisitions made since 2008
- AuM from pre-2008 capabilities

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Product pipeline & innovation: new launches¹ since 2008

	2008/9	2010	2011	2012	2013	2014
Equities	Luxury Healthcare Energy Asia Pacific	EU large cap Swiss sustainable Asia	Technology Global* US* Emerging markets* Emerging Asia	Emerging markets Active ETFs		China Swiss opportunities
Specialist FI	Inflation-linked Credit opportunities Euro bonds		Credit opportunities* Total return EM inflation-linked	Cat bonds* EM corporate	EM investment grade	EM opportunities
Absolute return	Global equity I/s* Global rates Discretionary FX	Macro/mgd futures* EM rates Convertibles European equity I/s		Commodities		Tech equities I/s Systematic FX
Commodities	Physical gold	Physical silver Physical palladium Physical platinum			Physical aluminium Physical nickel Physical copper Physical zinc	
AIS				Alternative risk premia		
Discretionary portfolios				Model portfolio service for UK IFAs		

■ GAM (of which * = externally managed) ■ Julius Baer Funds

¹ New strategies launched for in-house or external fund managers (excluding products added through an acquisition and repositionings, new share classes, segregated accounts or customisations of existing strategies).

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Performance versus mid-term targets

	Actual results H1 14	Mid-term targets	
Basic EPS growth	-3% from H2 2013	Sustainable growth	<ul style="list-style-type: none"> Net profit decline driven by more normalised tax rate, not entirely offset by share buy-backs AuM growth in H1 2014 enhances future earnings capacity
Cost /income ratio	63.2%	60–65%	<ul style="list-style-type: none"> Tangible impact from operating leverage Efficiency gains from integrated functional structure

Net new money growth rates

Investment management	3.8% of AuM	5–10% of AuM	<ul style="list-style-type: none"> Well-positioned in areas with strong growth potential Improving flow momentum across product range Integrated global sales force
Private labelling	-0.6% of AuM	5% of AuM	<ul style="list-style-type: none"> Reflective of flows experienced by our partners and uncertain regulatory developments

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Summary and outlook

Expansion of investment capabilities	<ul style="list-style-type: none"> Demonstrated ability to add quality teams/strategies organically and via accretive acquisitions Time to market and proof of successful track records as active managers matter Investors are prepared to reward high quality and superior performance
Leverage integrated distribution	<ul style="list-style-type: none"> Two effective product brands – one common goal for all distribution teams Cross-selling effort and pooling of strengths is already paying off
Thought-leadership	<ul style="list-style-type: none"> Strong teams of proven investors across equities, fixed income & absolute return Integrated structure facilitates innovation and sharing of investment intelligence Decentralised decision-making enables nimble action and diversification benefits
Outlook	<ul style="list-style-type: none"> Broad set of relevant and strongly performing strategies, attracting client interest and inflows Attractive EPS upside given business leverage Well-positioned – with the right products, brands and efficient structure Highly cash-generative with shareholder-friendly distribution policy Focus now lies on enhancing visibility and become top-of-mind for key allocators globally

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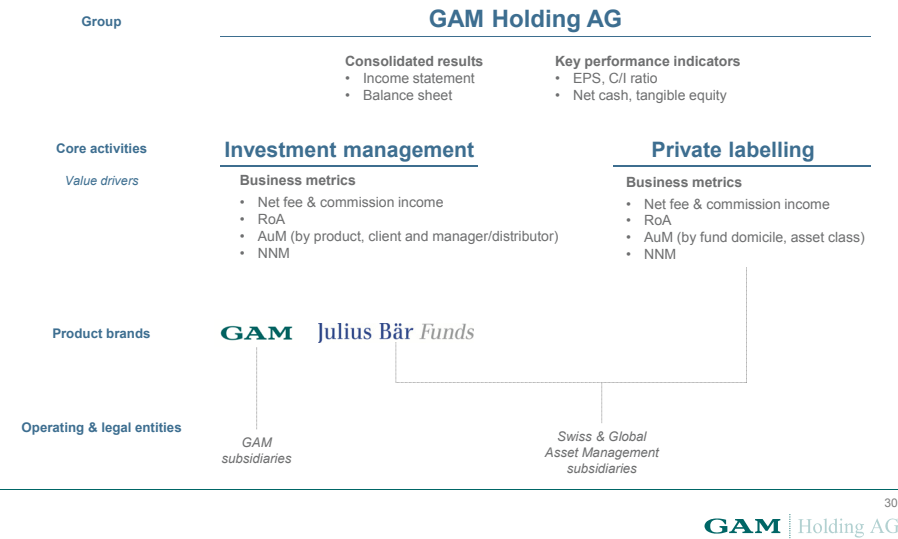
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- Group balance sheet
- Consolidated income statement (IFRS)
- Investment management AuM development
- Fund performance
- Private labelling AuM development
- Operating income and expenses by currency
- Corporate calendar and contacts

Group and reporting structure

Our disclosure at a glance



Group balance sheet

(CHF m)	30.06.2014	31.12.2013	30.06.2013	Change from in %	
				31.12.2013	30.06.2013
Cash and cash equivalents	533.0	592.6	466.1	-10	14
Trade and other receivables	45.8	64.9	46.6	-29	-2
Accrued income and prepaid expenses	143.6	125.9	160.2	14	-10
Financial investments	104.5	74.7	85.8	40	22
Assets held for sale	10.8	52.3	55.6	-79	-81
Current assets	837.7	910.4	814.3	-8	3
Investments in associates	0.8	3.1	9.5	-74	-92
Goodwill and other intangible assets	1,370.7	1,363.4	1,368.0	1	0
Other non-current assets	52.0	52.8	48.7	-2	7
Non-current assets	1,423.5	1,419.3	1,426.2	0	-0
Assets	2,261.2	2,329.7	2,240.5	-3	1
Trade and other payables	36.4	19.1	31.4	91	16
Accrued expenses and deferred income	203.4	251.6	226.3	-19	-10
Other current liabilities	35.1	38.5	46.9	-14	-29
Current liabilities	274.9	309.2	304.6	-12	-10
Pension liabilities	81.6	69.2	66.2	18	23
Other non-current liabilities	33.3	31.6	26.9	5	24
Non-current liabilities	114.9	100.8	93.1	14	23
Liabilities	389.8	410.0	397.7	-5	-2
Share capital	8.3	8.7	8.7	-5	-5
Treasury shares	-62.5	-145.5	-137.9	-57	-55
Other equity components	1,927.6	2,056.5	1,972.0	-6	-2
Equity	1,873.4	1,919.7	1,842.8	-2	2
Liabilities and equity	2,261.2	2,329.7	2,240.5	-3	1
Tangible equity (equity excluding non-controlling interests, goodwill and other intangible assets)	501.3	551.4	472.9	-9	6

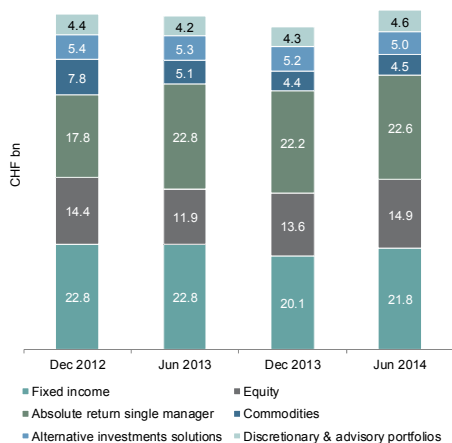
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Consolidated income statement (IFRS)

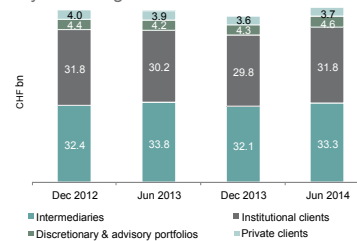
(CHF m)	H1 2014	H2 2013	H1 2013	Change from in %	
				H2 2013	H1 2013
Fee and commission income	491.0	511.9	517.4	-4	-5
Distribution, fee and commission expenses	-223.7	-236.7	-238.5	-5	-6
Net management fees and commissions	267.3	275.2	278.9	-3	-4
Net performance fees	34.9	29.8	70.9	17	-51
Net fee and commission income	302.2	305.0	349.8	-1	-14
Other operating income	5.2	7.8	20.7	-33	-75
Operating income	307.4	312.8	370.5	-2	-17
Personnel expenses	141.1	145.8	175.5	-3	-20
General expenses	49.7	57.7	52.5	-14	-5
Depreciation and amortisation	3.5	9.8	9.0	-64	-61
Impairments	2.3	8.9	-	-74	-
Operating expenses	196.6	222.2	237.0	-12	-17
Profit before taxes	110.8	90.6	133.5	22	-17
Income taxes	20.0	8.2	14.5	144	38
Net profit	90.8	82.4	119.0	10	-24
Net profit attributable to:					
- the shareholders of the Company	89.8	79.3	117.5	13	-24
- non-controlling interests	1.0	3.1	1.5	-68	-33
Net profit	90.8	82.4	119.0	10	-24

Investment management – AuM development

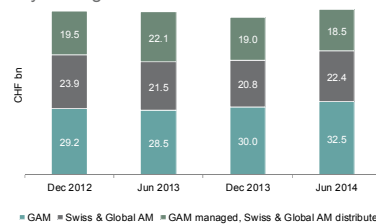
By product type



By client segment



By manager/distributor



Fund performance over three years, by product brand¹

% of AuM in funds outperforming their benchmark over three years (as at 30 Jun 2014)

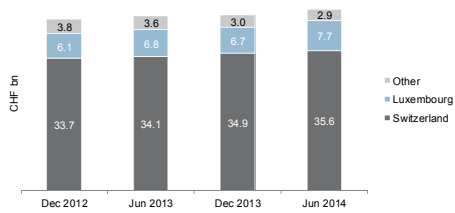
	Total	Absolute return	Equities	Fixed income	Alternative investments solutions
GAM	86%	94%	67%	100%	100%
Julius Baer Funds	80%	100%	48%	64%	n/a
Total funds	82%	98%	61%	72%	100%

¹ Excludes mandates, segregated accounts and Julius Baer-branded multi-asset funds.

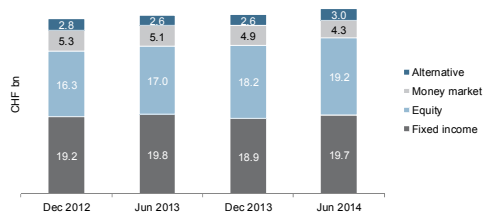
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Private Labelling – AuM development

By fund domicile

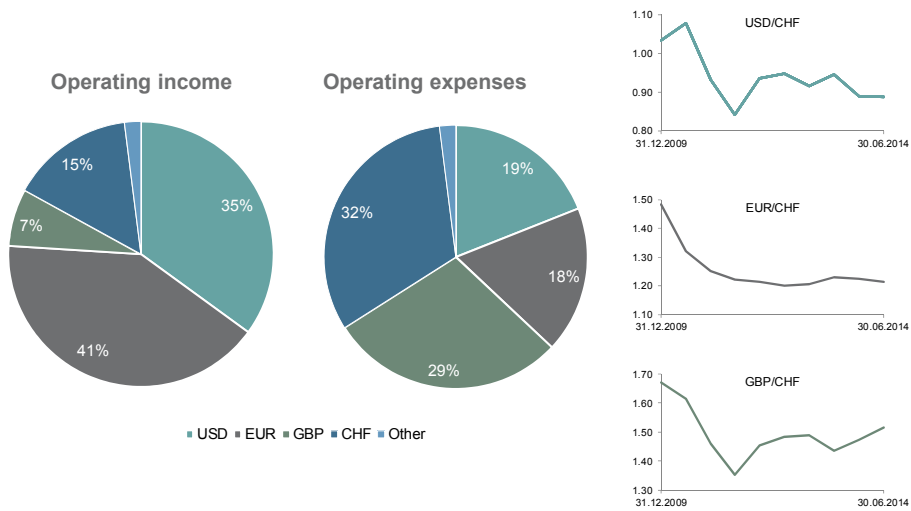


By asset class



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Operating income and expenses by currency



Corporate calendar and contacts

Forthcoming events

21 Oct 2014	Interim management statement Q3 2014
3 Mar 2015	Annual results 2014
21 Apr 2015	Interim management statement Q1 2015
30 Apr 2015	Annual General Meeting
11 Aug 2015	Half-year results 2015
20 Oct 2015	Interim management statement Q3 2015

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