

4 August 2020

PRESS RELEASE

GAM Holding AG announces H1 2020 results

Net outflows in second quarter materially lower compared to the first and investment performance improving.

Resilient operations in a Covid-19 remote working environment.

Accelerated efficiency programme progressing well and on track to deliver at least CHF 65 million of total cost savings in full year 2020.

New distribution leadership structure to facilitate enhanced focus on specific client segments.

Significantly upgrading technology infrastructure with SimCorp implementation on track.

Group assets under management (AuM) of CHF 119.4 billion¹ as at 30 June 2020 compared with CHF 112.1 billion¹ as at 31 March 2020 and CHF 132.7 billion¹ as at 31 December 2019; investment management AuM of CHF 35.5 billion¹ and private labelling of CHF 83.9 billion as at 30 June 2020.

- **Investment management – materially lower net outflows in second quarter**
 - AuM totalled CHF 35.5 billion¹ as at 30 June 2020 compared with CHF 35.7 billion¹ as at 31 March 2020 and CHF 48.4 billion¹ as at 31 December 2019
 - Net outflows of CHF 8.5 billion and negative market and foreign exchange movements of CHF 3.9 billion in first half 2020
 - Materially lower net outflows of CHF 2.0 billion in second quarter compared to CHF 6.5 billion in first quarter
 - Stability of portfolios maintained during volatile period
 - Management fee margin of 51.3 basis points (bps) in H1 2020 compared to 54.2 bps in full year 2019
- **Private labelling – net inflows and improved margin in first half**
 - AuM as at 30 June 2020 totalled CHF 83.9 billion compared with CHF 76.4 billion as at 31 March 2020 and CHF 84.3 billion as at 31 December 2019; net inflows of CHF 2.6 billion and negative market and foreign exchange movements of CHF 3.0 billion in first half 2020
 - Improved management fee margin of 4.5 bps in H1 2020 compared with 3.9 bps in full year 2019
- **Improving investment performance in second quarter**
 - Over the three-year period to 30 June 2020, 34% of AuM in funds outperformed their respective benchmark compared with 14% as at 31 March 2020 and 74% as at 31 December 2019
 - Over the five-year period to 30 June 2020, 39% of AuM in funds outperformed their respective benchmark, compared with 17% as at 31 March 2020 and 78% as at 31 December 2019

¹ Including CHF 0.3 billion of money market funds, which GAM agreed to sell to ZKB as announced with the H1 2019 results.

- Of GAM's AuM tracked by Morningstar², 52% and 57% outperformed their respective peer groups over the three and five year periods to 30 June 2020, compared with 22% and 60% as at 31 March 2020 and 27% and 86% as at 31 December 2019
- **Accelerated efficiency programme on track**
 - Reduction of total expenses, including variable and fixed costs, of at least CHF 65 million in full year 2020 compared to full year 2019 is on track
 - Further simplification of the business with additional opportunities for efficiency gains in FY 2021 and FY 2022
- **Significant technological upgrade – SimCorp implementation on track**
 - Fully integrated front to back solution will enhance client experience, improve transparency, increase operating effectiveness and generate efficiencies
 - On track to transition significant proportion of equity capabilities to SimCorp in Q3 2020 and majority of fixed income capabilities by Q4 2020; remainder to transition to new platform in H1 2021
- **New distribution leadership**
 - Jeremy Roberts to join GAM on 1 September 2020 as Global Head of Distribution. Jeremy will partner with the newly created role of Global Head of Institutional Solutions to lead GAM's sales and distribution
 - New leadership structure to facilitate enhanced focus on specific client segments
 - Strengthened and augmented product specialist resources
- **Agile working**
 - Employees working remotely since mid-March, with productivity, collaboration and engagement high
 - Rolling out a new flexible and agile way of working in Q3 2020, which will further enhance our collaborative working environment
- **Net fee and commission income of CHF 123.8 million**, down from CHF 171.1 million in H1 2019 as a result of substantially lower levels of investment management AuM
- **Underlying loss before taxes of CHF 2.0 million**, compared to a profit of CHF 2.1 million in H1 2019, with diluted underlying EPS of CHF (0.02) and CHF (0.01) respectively
- **IFRS net loss of CHF 390.1 million**, with diluted IFRS EPS of CHF (2.50) compared with CHF (0.32) in H1 2019, mainly driven by the impairment of legacy goodwill of CHF 373.7 million, which was primarily created by the acquisition of GAM by Julius Baer in 2005 and UBS in 1999

Peter Sanderson, Group CEO, said: "Investment performance of our strategies is improving, and we have seen materially lower outflows in the second quarter compared to the first.

Our operations have remained resilient and productivity has remained high in a Covid-19 remote working environment, and we are making good progress with our strategy. The accelerated efficiency programme underpinned by the implementation of the new SimCorp platform is on track and, together with the new leadership in distribution, these are important steps in mobilising GAM for growth for the benefit of our shareholders.

² 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.

Clients are looking for investment themes which transcend the current economic outlook and GAM is well positioned to provide these with our specialist actively managed strategies. I believe that our products together with a more efficient platform offer significant avenues for GAM to grow.”

H1 2020 Group results

Net fee and commission income decreased 28% to CHF 123.8 million compared with CHF 171.1 million in H1 2019, driven by significantly lower average AuM in investment management. Performance fees decreased to CHF 0.8 million from CHF 5.4 million in the same period last year.

Net other income, which includes net interest income and expenses, the impact of foreign exchange movements, net gains and losses on seed capital investments and hedging as well as fund-related fees and service charges, were a net expense of CHF 1.3 million compared with a net expense of CHF 3.8 million in H1 2019. This improvement was primarily driven by net foreign exchange gains compared to net losses in H1 2019.

Personnel expenses were CHF 80.2 million, a decrease of 23% from CHF 104.0 million in H1 2019. Variable compensation was down 42% compared with H1 2019, primarily due to lower accruals for contractual and discretionary bonuses, driven by lower revenues. Fixed personnel costs decreased by 15%, driven by lower headcount, which declined by 13% from 863 full-time equivalents (FTEs) as at 30 June 2019 to 747 FTEs as at 30 June 2020.

General expenses were CHF 35.1 million, down 33% from CHF 52.1 million in the same period last year. This was driven by the implementation of the efficiency programme as well as lower professional, marketing and travel expenses.

The operating margin in H1 2020 was negative 0.6% compared with positive 3.4% in H1 2019. This was driven by a decrease in net fee and commission income that was greater than the decrease in expenses.

The underlying pre-tax loss was CHF 2.0 million compared with a pre-tax profit of CHF 2.1 million in H1 2019, driven by lower net management fees and commissions only partly offset by lower expenses.

The underlying tax expense for H1 2020 was CHF 1.5 million. The disproportionate level of tax compared with the negative pre-tax result was driven by non-taxable holding company costs and the impact of expenses which are not tax deductible.

The diluted underlying earnings per share were negative CHF 0.02 compared with negative CHF 0.01 in H1 2019. This was the result of the larger underlying net loss in H1 2020, compared to the same period last year.

The IFRS net loss was CHF 390.1 million compared with a restated net loss of CHF 49.7 million in the same period last year. This change mainly reflects the Group's recognition of non-cash impairment charges of CHF 402.8 million, net of tax, mainly related to goodwill intangibles which were primarily created by the acquisition of GAM by Julius Baer in 2005 and UBS in 1999, and investment management and client contacts (IMCCs) in relation to the Cantab acquisition in 2016.

Investment management AuM, flows and performance

AuM movements (in CHF bn)

Capability	Opening AuM 1 Jan 2020	Net flows	Market/FX movements	Disposal	Closing AuM 30 Jun 2020
Fixed income	25.8	(5.7)	(2.0)	(0.5) ³	17.6
Equity	7.2	(0.8)	(0.6)	-	5.8
Multi asset	7.8	(0.2)	(0.4)	-	7.2
Alternatives	2.1	(0.7)	(0.1)	-	1.3
Systematic	4.4	(0.9)	(0.7)	-	2.8
Absolute return	1.1	(0.2)	(0.1)	-	0.8
Total	48.4¹	(8.5)	(3.9)	(0.5)³	35.5¹

Net outflows in investment management amounted to CHF 8.5 billion in H1 2020, with negative market and foreign exchange movements of CHF 3.9 billion. This resulted in AuM of CHF 35.5 billion¹ as at 30 June 2020, down from CHF 48.4 billion¹ at year-end 2019.

Net flows by capability

Our specialist **fixed income** strategies saw net outflows of CHF 5.7 billion. The majority of these outflows were recorded in March from the GAM Star Credit Opportunities fund and the GAM Local Emerging Bond fund. In the case of the GAM Star Credit Opportunities fund, the outflows mainly reflected the mechanical rebalancing of client holdings invested via structured products issued by third parties on the funds. Net outflows from both funds materially reduced as markets stabilised in late March and in the second quarter.

In **equity**, net outflows amounted to CHF 0.8 billion. Inflows were recorded for the GAM Star European Equity, GAM Swiss Sustainable Companies, GAM Star Asian Equity and GAM Asia Focus Equity as well as GAM China Evolution Equity. This was offset by client redemptions mainly from the GAM Japan Equity, GAM Global Eclectic and GAM Star Continental European Equity funds. The outflows were mainly in March, after which they significantly reduced.

Net outflows from **multi asset** strategies were CHF 0.2 billion, primarily driven by redemptions from private clients and some mandates.

Alternatives recorded net outflows of CHF 0.7 billion, primarily reflecting outflows from the GAM Alternative Beta and GAM Multi-Emerging Market funds.

Systematic saw net outflows of CHF 0.9 billion. This was driven by outflows from the GAM Systematic Core Macro and GAM Systematic Alternative Risk Premia funds.

³ Disposal of mortgage loan fund to VZ Depotbank in April 2020.

Absolute return recorded net outflows of CHF 0.2 billion, again most of which were in March and were primarily driven by redemptions from the GAM Star Lux Merger Arbitrage and European Alpha funds.

Investment performance

Over the three-year period to 30 June 2020, 34% of AuM in funds outperformed their respective benchmark compared with 14% as at 31 March 2020 and 74% as at 31 December 2019. Over the five-year period to 30 June 2020, 39% of AuM in funds outperformed their respective benchmark compared with 17% as at 31 March 2020 and 78% as at 31 December 2019. The decreases in March were primarily driven by our largest funds having underperformed their respective benchmarks. Of GAM's AuM tracked by Morningstar², 52% and 57% outperformed their respective peer groups over the three and five year periods to 30 June 2020, compared with 22% and 60% as at 31 March 2020 and 27% and 86% as at 31 December 2019.

Private labelling AuM and flows

AuM movements (in CHF bn)

Fund domicile	Opening AuM 1 Jan 2020	Net flows	Market/FX movements	Closing AuM 30 Jun 2020
Switzerland	34.5	0.3	(1.1)	33.7
Rest of Europe	49.8	2.3	(1.9)	50.2
Total	84.3	2.6	(3.0)	83.9

AuM in private labelling totalled CHF 83.9 billion as at 30 June 2020, slightly down from CHF 84.3 billion at year-end 2019. Net inflows of CHF 2.6 billion came predominantly from existing clients, and market and foreign exchange movements had a negative impact of CHF 3.0 billion.

Liquidity and capital management

Cash and cash equivalents were CHF 272.1 million, down from CHF 315.8 million as at 31 December 2019, reflecting typical seasonal effects such as compensation payments, and up from CHF 251.3 million as at 30 June 2019.

Adjusted tangible equity as at 30 June 2020 was CHF 178.3 million compared with CHF 197.2 million at year-end 2019 and CHF 174.4 million as at 30 June 2019. The decrease since year-end 2019 was primarily driven by the pension liability revaluation and negative foreign exchange impacts.

The Group's long term dividend policy remains unchanged targeting a minimum pay-out ratio of at least 50% of the underlying net profit.

Outlook

We expect the market environment to remain volatile and investors to remain cautious over the coming months. However, clients are looking for investment themes which can transcend the current outlook for economic growth and GAM is well positioned to meet this need with its distinctive actively managed product offering. We remain committed to our strategy and are on track to deliver at least CHF 65 million of total cost savings in 2020 and further business simplification as we continue to mobilise GAM for growth.

The presentation for analysts and investors of the H1 2020 results of GAM Holding AG will be webcast on 4 August 2020 at 8:30am (CEST). A presentation for media will be webcast at 10:00am (CEST). Materials relating to the results (presentation, H1 2020 report and press release) are available at GAM.com.

Upcoming events:

21 October 2020	Interim management statement Q3 2020
18 February 2021	Full-year results 2020
21 April 2021	Interim management statement Q1 2021

For further information please contact:

Charles Naylor

Global Head of Communications and Investor Relations

T +44 20 7917 2241

Investor Relations

Jessica Grassi

T +41 58 426 31 37

Media Relations

Kathryn Jacques

T +44 20 7393 8699

Media Relations

Ute Dehn Christen

T +41 58 426 31 36

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About GAM

GAM is a leading independent, pure-play asset manager. The company provides active investment solutions and products for institutions, financial intermediaries and private investors. The core investment business is complemented by private labelling services, which include management company and other support services to third-party asset managers. GAM employed 747 FTEs in 14 countries with investment centres in London, Cambridge, Zurich, Hong Kong, New York, Milan and Lugano as at 30 June 2020. The investment managers are supported by an extensive global distribution network. Headquartered in Zurich, GAM is listed on the SIX Swiss Exchange with the symbol 'GAM'. The Group has AuM of CHF 119.4 billion¹ (USD 126.0 billion) as at 30 June 2020.

Disclaimer regarding forward-looking statements

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

These forward-looking statements are subject to risks, uncertainties, assumptions and other factors that could cause the Company's actual results of operations, financial condition, liquidity, performance, prospects or opportunities, as well as those of the markets it serves or intends to serve, to differ materially from those expressed in, or suggested by, these forward-looking statements. Important factors that could cause those differences include, but are not limited to: changing business or other market conditions, legislative, fiscal and regulatory developments, general economic conditions, and the Company's ability to respond to trends in the financial services industry. Additional factors could cause actual results, performance or achievements to differ materially. The Company expressly disclaims any obligation or undertaking to release any update of, or revisions to, any forward-looking statements in this press release and any change in the Company's expectations or any change in events, conditions or circumstances on which these forward-looking statements are based, except as required by applicable law or regulation.

Key Figures H1 2020

Income statement	H1 2020 CHF m	H2 2019 CHF m	H1 2019 CHF m restated	Change from H2 2019 in %	Change from H1 2019 in %
Net management fees and commissions	123.0	151.4	165.7	(19)	(26)
Net performance fees	0.8	7.4	5.4	(89)	(85)
Net fee and commission income	123.8	158.8	171.1	(22)	(28)
Net other (expenses)/income	(1.3)	0.1	(3.8)	-	-
Income	122.5	158.9	167.3	(23)	(27)
Personnel expenses	80.2	93.0	104.0	(14)	(23)
Fixed personnel expenses	62.6	66.3	73.6	(6)	(15)
Variable personnel expenses	17.6	26.7	30.4	(34)	(42)
General expenses	35.1	47.5	52.1	(26)	(33)
Occupancy	2.9	4.3	3.7	(33)	(22)
Technology and communication	7.2	8.0	11.0	(10)	(35)
Data and research	9.4	10.0	10.7	(6)	(12)
Professional and consulting services	3.4	7.8	10.3	(56)	(67)
Marketing and travel	4.4	7.3	6.6	(40)	(33)
Administration	2.9	3.4	3.6	(15)	(19)
Other general expenses	4.9	6.7	6.2	(27)	(21)
Depreciation and amortisation	9.2	10.0	9.1	(8)	1
Expenses	124.5	150.5	165.2	(17)	(25)
Underlying (loss)/profit before taxes	(2.0)	8.4	2.1	-	-
Underlying income tax expense	1.5	2.4	3.2	(38)	(53)
Underlying net (loss)/profit	(3.5)	6.0	(1.1)	-	-
Acquisition-related items	22.2	29.9	(42.4)	(26)	-
Non-recurring items	(402.1)	10.7	(7.5)	-	-
Tax on acquisition-related items	0.5	0.5	0.8	0	(38)
Tax on non-recurring items	0.9	(0.2)	0.5	-	80
Non-recurring tax item	(8.1)	(0.7)	-	-	-
IFRS net (loss)/profit	(390.1)	46.2	(49.7)	-	-
Operating margin (%) ¹	(0.6)	5.2	3.4	-	-
Compensation ratio (%) ²	64.8	58.6	60.8	11	7
Personnel at the end of the period (FTEs)	747	817	863	(9)	(13)

Client assets - investment management	H1 2020 CHF bn	H2 2019 CHF bn	H1 2019 CHF bn	Change from H2 2019 in %	Change from H1 2019 in %
Assets under management at the end of the period	35.5 ³	48.4 ³	52.1 ⁴	(27)	(32)
Average assets under management ⁵	40.8	50.2 ⁶	55.0 ⁶	(19)	(26)
Net flows	(8.5)	(3.5) ⁷	(7.6) ⁷	-	-
Total fee margin (bps) ⁸	51.7	57.4	55.9	(10)	(8)
Management fee margin (bps) ⁹	51.3	54.4	53.9	(6)	(5)

Client assets - private labelling	H1 2020 CHF bn	H2 2019 CHF bn	H1 2019 CHF bn	Change from H2 2019 in %	Change from H1 2019 in %
Assets under management at the end of the period	83.9	84.3	84.0	0	0
Average assets under management ⁵	82.0	84.7	81.4	(3)	1
Net flows	2.6	(1.3)	2.4	-	8
Management fee margin (bps) ⁹	4.5	3.5	4.3	29	5

Balance sheet	30.06.2020 CHF m	31.12.2019 CHF m	30.06.2019 CHF m restated	Change from 31.12.2019 in %	Change from 30.06.2019 in %
Net cash	272.1	315.8	251.3	(14)	8
Assets	813.3	1,335.1	1,382.4	(39)	(41)
Equity	457.3	875.0	829.9	(48)	(45)
Adjusted tangible equity ¹⁰	178.3	197.2	174.4	(10)	2

Share information	H1 2020	H2 2019	H1 2019	Change from H2 2019 in %	Change from H1 2019 in %
Number of registered shares at the end of the period	159,682,531	159,682,531	159,682,531	0	0
Share capital at the end of the period (CHF m)	8.0	8.0	8.0	0	0
Diluted underlying EPS (CHF) ¹¹	(0.02)	0.04	(0.01)	-	-
Closing price at the end of the period (CHF)	2.17	2.80	4.51	(23)	(52)

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

2) Personnel expenses / net fee and commission income.

3) Including CHF 0.3 billion of money market funds as at 30 June 2020 and 31 December 2019, which GAM agreed to sell to ZKB as announced with the H1 2019 results.

4) Excluding CHF 1.0 billion ARBF-related assets under management in liquidation as at 30 June 2019.

5) Average calculated with seven month-end values (December to June for H1 2020 and H1 2019, June to December for H2 2019).

6) Excluding ARBF-related assets under management in liquidation from August 2018 to June 2019.

7) Excluding ARBF-related net flows and fund assets liquidated as at 31 December 2018 and 30 June 2019.

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

9) Net management fees and commissions / average assets under management.

10) Equity excluding goodwill and other intangible assets as well as the financial liability relating to 40% of future Cantab performance fees.

11) Underlying net (loss)/profit / weighted average number of shares outstanding for diluted EPS.