

14 April 2020

Press Release: Q1 2020 Interim Management Statement

GAM Holding AG announces an acceleration of its efficiency programme with total cost reductions of at least CHF 65 million in 2020

Assets under management of CHF 112.1 billion¹ as at 31 March 2020 down from CHF 132.7 billion¹ at the end of 2019; mainly driven by overall negative market and FX movements; net inflows of CHF 1.2 billion in Private Labelling offset by net outflows of CHF 6.5 billion in Investment Management

Investment performance and client risk appetite was impacted by the market turmoil in March but early signs of a recovery in performance and flows in April

Operations remain resilient with all employees working remotely; appropriate liquidity has been maintained in all GAM funds

GAM remains committed to its existing strategy and will provide a further update at the half-year results due for release on 4 August 2020

GAM continues to maintain a robust capital and liquidity position with no debt and appropriate buffers

- The efficiency programme, a core part of GAM's existing strategy, has been accelerated to deliver expected total cost reductions, including variable and fixed costs and those previously announced, of at least CHF 65 million in full year 2020 compared to full year 2019.
- SimCorp technology platform implementation is on track and supporting the accelerated efficiency programme.
- Investment Management (IM) saw net outflows of CHF 6.5 billion during the first quarter, which together with negative market and FX movements of CHF 6.2 billion resulted in AuM of CHF 35.7 billion¹ as at 31 March 2020 compared to CHF 48.4 billion¹ as at 31 December 2019.
- Overall flows in IM stabilised in late March and were flat in early April; client interactions continue to remain positive.
- PLF saw net inflows of CHF 1.2 billion, but these were more than offset by negative market and FX movements of CHF 9.1 billion, resulting in a total AuM of CHF 76.4 billion as at 31 March 2020 compared to CHF 84.3 billion as at 31 December 2019.
- As at 31 March 2020, 22% and 60% of AuM in IM outperformed their Morningstar² peer group and 14% and 17% their respective benchmarks over the three- and five-year periods respectively.
- GAM remains committed to the breadth of its investment management capability, client teams and Private Labelling Funds (PLF) platform.

Peter Sanderson, Group CEO, said: "GAM remains committed to the strategy we announced in February and we have moved to accelerate the efficiency element of the strategy in order to respond directly to the pressures of the current market environment. The health and wellbeing of our colleagues and clients has been our paramount concern and the GAM team has been successfully working remotely since 16 March. We have been able to maintain a seamless operation, and I am proud of the way our teams across the globe have responded and the clear dedication at the firm to support our clients in actively navigating through such volatile markets."

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

² The peer group comparison is based on 'industry-standard' Morningstar Direct Sector Classification. The share class references in Morningstar have been set to capture the oldest institutional accumulation share class for each and every fund in a given peer group.

“GAM has not been immune to some of the toughest market conditions the industry has seen, and we saw our assets under management decline as a result of the Covid-19 crisis. We saw strong investment performance until the end of February, but this was impacted by the market environment during March. I am pleased that we are now seeing early signs of recovery, both in terms of asset flows and also in the investment performance of our funds.”

“Making GAM fit for the future is a clear strategic goal and in view of the current industry headwinds we are accelerating our plans in order to bring forward some of our longer term efficiency targets. We remain committed to the breadth of our distinctive investment management capabilities, our strong client service proposition and our PLF platform, which we believe are particularly well positioned to help clients actively navigate these uncertain times.”

Accelerated efficiency programme

GAM has accelerated its efficiency programme, which is part of its three pillars strategy announced in February 2020 (efficiency, transparency and growth). This is expected to deliver total cost reductions, including variable and fixed costs, of at least CHF 65 million in full year 2020 (including the CHF 30 million exit run rate cost target already announced for 2020) compared to the CHF 315.7 million total expenses in full year 2019.

During March we completed a voluntary redundancy programme and we are planning a review of fixed compensation levels across the Group to ensure appropriate alignment, particularly of senior non-investment roles. These measures are intended to manage costs while ensuring that the impact of our continuing targeted compulsory redundancy programme is minimised during the difficult Covid-19 environment.

Through our on-going efficiency efforts, GAM expects headcount to be approximately 680 FTEs by the end of 2020 compared to 817 FTEs at the end of 2019.

GAM will continue to align bonuses to company performance, whilst investment teams will continue to benefit from their existing contractual compensation arrangements in relation to their portfolios.

The Board of Directors has reviewed its fee structures and, in recognition of the market environment and the resulting impact on GAM, will waive a portion of its fees, which would result in the expenditure being 25% less than the CHF 2.35 million being requested at the upcoming Annual General Meeting.

GAM believes that this acceleration of the efficiency programme is an important step to meaningfully increase operating leverage and support the Group's path to profitability.

Assets under Management

Group AuM were impacted by the market turmoil; as at 31 March 2020, Group AuM totalled CHF 112.1 billion¹, down from CHF 132.7 billion¹ at the end of 2019.

Investment Management

AuM totalled CHF 35.7 billion¹, down compared to 31 December 2019, due to net outflows of CHF 6.5 billion and negative market and foreign exchange movements of CHF 6.2 billion.

Assets under management movements (CHF bn)

Capability	Opening AuM 1 Jan 2020	Net flows	Market/FX movements	Closing AuM 31 Mar 2020
Fixed Income	25.8	(5.0)	(3.1)	17.7
Multi Asset	7.8	(0.1)	(0.9)	6.8
Equity	7.2	(0.7)	(1.4)	5.1
Systematic	4.4	(0.4)	(0.6)	3.4
Alternatives	2.1	(0.1)	(0.1)	1.9
Absolute Return	1.1	(0.2)	(0.1)	0.8
Total	48.4¹	(6.5)	(6.2)	35.7¹

Net flows by capability

In specialist fixed income, we recorded net outflows of CHF 5.0 billion. The outflows were primarily driven by the GAM Star Credit Opportunities, the GAM Local Emerging Bond, the GAM Star MBS Total Return and the GAM Greensill Supply Chain Finance funds.

The outflows from the Credit Opportunities funds contributed over half of the specialist fixed income outflows and mainly reflected the mechanical rebalancing of client holdings invested via structured products issued by third parties on the funds, reacting to the volatile market conditions during March. However, flows stabilised in tandem with markets in late March and early April.

In multi asset, net outflows totalled CHF 0.1 billion, driven primarily by redemptions from institutional investors.

In equity, we saw net outflows of CHF 0.7 billion, mainly driven by outflows from the GAM Japan Equity, GAM Global Eclectic Equity, GAM German Focus Equity and GAM Star Continental European Equity funds being partly offset by inflows into the GAM Star European Equity and GAM Emerging Markets Equity funds.

In systematic, net outflows totalled CHF 0.4 billion, mainly driven by outflows from the Alternative Risk Premia strategies and the GAM Systematic Core Macro (Cayman) fund.

Alternatives saw net outflows of CHF 0.1 billion, mainly driven by redemptions from institutional clients.

Absolute return saw net outflows of CHF 0.2 billion, primarily driven by redemptions from the GAM Star (Lux) Merger Arbitrage and the GAM Star (Lux) European Alpha funds.

Investment performance

We saw strong investment performance up until the end of February, followed by market turmoil in March; there are early signs of recovery in April. As at 31 March 2020, 22% and 60% of AuM in IM outperformed their Morningstar² peer group and 14% and 17% their respective benchmarks over the three- and five-year periods respectively.

Private Labelling

AuM of CHF 76.4 billion, down compared to 31 December 2019 with net inflows of CHF 1.2 billion primarily from existing clients being more than offset by negative market and foreign exchange movements of CHF 9.1 billion.

Assets under management movements (CHF bn)

Fund domicile	Opening AuM 1 Jan 2020	Net flows	Market/FX movements	Closing AuM 31 Mar 2020
Switzerland	34.5	-	(3.4)	31.1
Rest of Europe	49.8	1.2	(5.7)	45.3
Total	84.3	1.2	(9.1)	76.4

SimCorp implementation on track

The implementation of a new cloud-based SimCorp platform is at the heart of GAM's efficiency plan:

- In H2 2020 investment teams and related fund assets will start to transition to the platform, with all teams transitioned by H1 2021.
- The SimCorp platform will deliver a significant portion of the targeted cost savings, resulting in a lower-cost IT footprint and back office support.
- The new platform will enhance communications and client reporting.

Operational response to Covid-19

GAM enabled all employees to work from home as part of its business continuity plan to respond to the Covid-19 pandemic. Most employees have been doing this since 16 March 2020 and our operations have remained resilient in this new environment. We have been able to maintain appropriate liquidity in all our funds to meet client redemptions. GAM has maintained a high level of interaction with its clients throughout the Covid-19 crisis.

Outlook

GAM expects the market environment to remain volatile over the coming months. However, GAM believes that it is well positioned to continue to help clients actively navigate through these challenging times by offering differentiated products through a global distribution footprint. GAM believes that the acceleration of the efficiency programme as part of its strategy will support its profitability.

Upcoming events:

30 April 2020	Annual General Meeting
04 August 2020	Half-year results 2020
21 October 2020	Q3 2020 Interim management statement

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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 817 FTEs in 14 countries with investment centres in London, Cambridge, Zurich, Hong Kong, New York, Milan and Lugano as at 31 December 2019. 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 112.1 billion¹ (USD 115.8 billion) as at 31 March 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.

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