

Q&A

Suspension of dealing in ARBF funds

1. Can you quantify the level of redemptions you have received?

These funds have received redemption requests in excess of 10% of their assets since GAM's announcement on 31 July 2018 that Tim Haywood, investment director in the ARBF team, was suspended. GAM is committed to ensuring equal treatment of all investors and protection of their interests.

2. Have you paid out any investor redemption proceeds in ARBF funds since the suspension of Tim Haywood?

No redemption requests for the suspended funds have been paid out since the announcement of Tim Haywood's suspension.

3. Are the funds illiquid?

The funds have the necessary liquidity to serve the redemption requests we have received, but such actions would lead to a disproportional shift in their portfolio composition, which could compromise the interests of remaining investors. GAM is committed to ensuring equal treatment of all investors and protection of their interests.

4. Can the accuracy of the published fund values (NAV) be confirmed?

The NAV of the funds is the product of an independent valuation process involving State Street as the administrator of the relevant funds. To date, we have not concluded that there are any inaccuracies in the current NAVs of the relevant funds as determined by State Street. If that position were ever to change, we would of course notify investors.

5. I would like to redeem my investment, when will I get my money?

We are working with the fund boards to consider all future options, including fund liquidations. Our priority is to provide liquidity and maximise value for clients in a timely manner. We hope to be able to resolve the situation as soon as practicable.

6. Are you going to be prioritising redemption requests?

We are committed to ensuring equal treatment to all investors. There will be no priority list based on when redemption requests are received. All investors who own shares in the funds as at 31 July 2018 and who have provided redemption requests between 31 July 2018 and the end of suspension period will be treated equally. If the funds move to liquidation, subject to fund boards' approval, all investors as at 31 July 2018 will receive their proportionate interest in cash as it becomes available.

7. I would like to stay invested with the ARBF team, how can I do that?

We are working on establishing alternative structures for investors who want to remain invested with the ARBF team.

GAM's internal investigation

8. When will GAM complete its investigation of Tim Haywood?

As we stated in the announcement of 31 July 2018, we conducted a thorough investigation¹ involving external advisors. This part of our internal investigation is largely completed. We now intend to follow our internal disciplinary processes. We hope to complete that swiftly.

9. What did GAM investigate specifically?

GAM's investigation took a detailed look at Mr Haywood's conduct.

10. Is anyone else being investigated in this matter?

No other employees are being investigated in relation to these matters and no evidence was found to indicate such an investigation regarding other employees was required.

11. Can you elaborate on the findings regarding Tim Haywood?

The investigation concluded that in certain instances Mr Haywood may have failed, in GAM's judgement, 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. Additionally, the investigation concluded that Mr Haywood may have breached the firm's signatory policy by signing alone certain contracts where two signatures were necessary. And he breached the company's gifts and entertainment policy by not asking for required pre-approval and used his personal email for work purposes.

12. Have you established client detriment as a result of Mr Haywood's actions?

We have found no material client detriment to date, and are keeping this under review.

13. Was Mr Haywood investing in securities he was not allowed to invest in?

The investigation concluded that in certain instances Mr Haywood may have failed, in GAM's judgement, 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 is not prohibited by any of the restrictions applying to the respective funds.

14. Did you find any evidence of a conflict of interest?

The investigation found no evidence that Mr Haywood was motivated by an improper rationale in making investment decisions or that there was any conflict of interest between him and clients.

15. Do you expect Mr Haywood to be reinstated?

While Mr Haywood has been suspended, he remains an employee of GAM and we now intend to go through the firm's internal disciplinary processes. We do not believe it is appropriate to comment any further pending the completion of those processes.

ARBF team

16. Who is managing the ARBF strategy now?

¹ Our investigation is confidential and subject to legal privilege. GAM does not waive confidentiality or privilege in the investigation.

Investment directors Jack Flaherty and Alex McKnight have assumed joint responsibility for the ARBF and other associated portfolios. Jack Flaherty has been one of the co-managers of the ARBF strategy for more than six years, while Alex McKnight has been a key member of the ARBF team for the past 11 years. They remain supported by 18 other experienced investment professionals, who continue to manage client portfolios in accordance with the same investment philosophy that has been in place since the strategy's inception in 2004.

17. What experience do Jack Flaherty and Alex McKnight have?

Jack Flaherty and Alex McKnight have 33 and 21 years of investment experience, respectively. Jack Flaherty is based in New York, and Alex McKnight is now based in London, having been in New York previously.

Jack Flaherty is an investment director responsible for the co-management of GAM's unconstrained/absolute return bond strategy, a position he has held since 2012. He is also responsible for credit positions and strategies within the strategy – ranging from investment grade to high yield debt including both asset-backed and mortgage-backed securities allocations. In addition he has extensive experience in structured credit, trade finance, lending strategies and insurance linked securities both at GAM from prior roles. He was previously global co-head of credit fixed income and global head of emerging markets at UBS, and has also worked as a managing director at Barclays Capital in charge of credit fixed income. Jack Flaherty holds a BA in Economics from the University of Illinois, an MBA in Finance and Accounting from the University of Chicago and the Series 7, 63 and 24 qualifications. He is based in New York.

Alex McKnight is an investment director responsible for the co-management of GAM's unconstrained/absolute return bond strategy. Within the team he has specialised in convertible bond strategies, in addition to managing overlay credit and equity-linked strategies. He joined GAM following its acquisition of the fixed income and foreign exchange specialist, Augustus, in May 2009. Alex McKnight joined Augustus in 2007 from Allied Irish Bank (AIB), where he was a senior trader for European convertible bonds within the fixed income group. Prior to this, he was a credit analyst at AIB and began his career in markets there as a foreign exchange trader in 1996. Alex McKnight holds a BComm from the University College Dublin and is a CFA charterholder. He is based in London.

GAM

18. Can you comment on GAM's financial stability?

GAM's financial stability remains strong and is not affected by the recent events. As at 30 June 2018 the Group has no financial debt and CHF 327.9 million of cash and cash equivalents.