

# NewGAM

Dear GAM shareholders,

On Bastille Day, Liontrust CEO John Ions published what may be his last appeal before having his deal beheaded. As **NewGAME**'s Director leading the **NEWGAM** investor group, here is my response. I have taken his letter (grey text) and inserted my own comments in *italics*.

Albert Saporta  
Director  
**NewGAME** SA

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The clock is now at one minute to midnight for the future of GAM.

*Indeed!*

Liontrust's good and fair offer for GAM is the only one on the table and the only proposal that provides a viable solution for the business leading to a positive outcome for shareholders.

*Notwithstanding **NewGAME**'s analysis and views, the offer is currently priced between 28% and 55% BELOW the [Fairness Opinion](#) report dated June 12. Liontrust's offer is CERTAINLY NOT a fair offer and is NOT the only proposal that provides a viable solution for GAM.*

There is just over a week left for GAM's shareholders to tender their shares in support of Liontrust's proposed acquisition.

*Come on! As provided in the prospectus, it is not too late to extend the tender period and/or to improve on your offer. No need to scare investors into tendering early. They are rightfully holding off.*

GAM is a loss-making business that needs significant restructuring to return to profitability. The external auditors have signed off the 2022 annual report based upon the disclosed material uncertainty about GAM's ability to continue as a going concern without external funding. The Liontrust offer reflects this financial reality and provides a certain and sustainable solution for the business and its shareholders.

**NewGAME** is aware of the funding situation and has planned on providing more liquidity than Liontrust.

We have already provided liquidity to GAM to provide stability through to the completion of our offer.

*There are serious governance issues with GAM's board of directors recommending an offer made by "the creditor of last resort". It seems like the board had to recommend the offer with a pistol on the head.*

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Only after the completion of the proposed acquisition will GAM have permanent access to Liontrust's balance sheet, which had Cash and Cash Equivalents of £121 million at the end of March 2023.

*GAM's own cash and cash equivalents as of end of March 2023 was CHF 130m or GBP 115m.*

Only an asset manager of scale like Liontrust is able to deliver the required synergies to create value for shareholders.

*It is presumptuous and arrogant for Liontrust's management to think only IT can create value for shareholders. **NewGAME** has a second to none A-Team to turnaround GAM, with centuries of cumulative experience in asset management and has raised tens of billions. This team is heavily invested in GAM and plans to continue increasing its stake in a business they believe in, unlike Liontrust's management and board which have negligible ownership in the company, a serious issue that has plagued GAM's corporate life as well.*

The Liontrust offer has been subjected to full and detailed due diligence. This is important, not just for the protection of our shareholders' capital, but also for the fact that it has allowed us to develop a well-considered plan for how we will combine the businesses and where we will invest post-completion.

*Liontrust has a track record of value destruction through M&A according to an in-depth analysis by Numis Securities.*

Having undertaken formal due diligence, we have an understanding of GAM's staffing levels and infrastructure, technology, data and property arrangements which has allowed Liontrust to develop a plan which materially de-risks the delivery of the required synergies and our strategy to grow the enlarged group. These growth plans are underpinned by the highly complementary mix of funds, asset classes, investment styles and distribution footprint of the combined group, which will have its European headquarters in Zurich.

*We also have a clear understanding of GAM's staffing levels. Clearly, the cost structure needs to be aligned with the current AuM level. Liontrust "synergies" will necessarily result in laying-off significantly more people than **NewGAME**'s restructuring plan because of the duplication of jobs at all levels. Our growth plan, clearly detailed in our various investor presentations and reports, aims to retain GAM's talent, and return the company back to profitability in the next two years.*

Liontrust has a successful track record of acquiring asset management businesses and then efficiently integrating them into our operating model. There are a number of metrics that demonstrate the significant benefit of the last four Liontrust acquisitions since 31 March 2017:

- Assets under management and advice ("AuMA") has increased from £6.5 billion to £29.5 billion<sup>1</sup>, up 354%;
- Revenues have gone from £51.6 million to £230 million<sup>2</sup>, up 346%;
- Adjusted profit before tax has risen from £17.2 million to £87.1 million<sup>2</sup>, up 406%;
- Dividends have gone from 15p per share to 72p per share<sup>2</sup>, up 380%; and
- Market cap has increased from £177 million<sup>3</sup> to £464 million (as at 12 July 2023), up by 162%.

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*Liontrust has made seven major acquisitions since 2011. According to an in-depth report by Numis Securities dated June 23, six out of seven of these acquisitions have led to negative value accretion. More to the point, Liontrust's stock has been one of the worst performing asset management companies in the last 12, 18 and 24 months. Combining the worst performing stock in the sector with one of the worst ones does not make for a winning combination.*

Key to any asset manager's success is its investment managers and other talent across the business. The senior investment managers at GAM have publicly supported our proposed acquisition. On 23 May 2023, all of GAM's senior investment managers told the GAM Board that Liontrust's proposed acquisition "is highly credible and has our strong support. We believe there is a cultural alignment between GAM and Liontrust and this will provide the environment and support to enable the investment teams to focus on their clients' best interests".

*We are proposing a partnership model that will be extremely attractive to GAM's investment managers, senior and junior alike. We are also confident that we can attract amazing talent to the firm. Through our extensive global network, many people have already shown an interest in joining a revitalized GAM under **NewGAME's** stewardship.*

The proposed acquisition will provide corporate and financial stability that is essential in retaining existing and attracting new clients, to expand business with existing clients and to grow assets under management, as well as keep the talent within the business.

*I note that Liontrust just lost its two star fund managers, Matthew Smith and Tom Morris, who evidently thought that opportunities are better outside of Liontrust.*

By receiving 14.5% of Liontrust's issued share capital, GAM's shareholders are not being "diluted" but will be invested in a highly profitable and cash generative business with industry leading margins.

*To say "GAM shareholders are not being diluted" must be the most misleading statement of this letter. They are being MASSIVELY diluted in the Liontrust combined company. This is obvious just by the percentage number referred above. As shareholders in GAM, we would love to understand John Ions' logic when he says that shareholders owning 14.5% of the equity but contributing over 40% of the AuM are not being diluted. We demonstrate mathematically in our ["Debunking"](#) presentation that GAM shareholders will be diluted by at least twice as much in the Liontrust deal compared to the **NewGAME's** alternative.*

Liontrust is a highly ambitious business and GAM shareholders will be able to share in the rewards of any global expansion over the next few years. They will become shareholders in an asset manager with the 6th strongest brand in the UK (Source: Broadridge), which is a £10 trillion savings market (Source: Investment Association). Liontrust is considered a market leader for sustainable investment and UK equities among both professional intermediaries and retail investors in the UK (Source: Research in Finance).

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*Liontrust is a money manager with zero global footprint. Of course, John Ions would love to buy Global Asset Management, as GAM used to be called, for a ridiculous amount. Liontrust may be the UK's 6<sup>th</sup> strongest brand in the UK. GAM used to be the #1 brand in all of Europe (UK included) 20 years ago. This reputation was ruined by the current board who is proceeding with a fire sale of the company and its assets (case in point FMS sold for almost zero). We, as shareholders of GAM, don't want to be absorbed by the #6 UK brand whose stock price has collapsed for the last two years and whose top management and board own zilch in the company. We, as **NewGAME**, want to return GAM to its #1 status, through hard work, imagination, personal investments and commitments, and a clear vision of where we want to take this company.*

We are asking GAM shareholders to back our offer and tender their shares to Liontrust by 25 July. We point shareholders to the fact that in publicly declaring their intention to tender approximately 17.3% of GAM's issued share capital, Silchester International Investors LLP (GAM's largest shareholder) said they were doing so because it is in the best interests of its clients.

*We question that. We had a call with Silchester. It lasted about 20 minutes. It was the most uninteresting, unchallenging, and disappointing call we had with any shareholder of GAM, big or small. Not one question was asked about our plan for the company. None of our financial forecasts were challenged, nor our valuation models. None of the governance issues that we have raised with the board and which we think are so serious that we will be asking for a special audit of the board practices at the August 25 EGM, were discussed. I would have thought that when the #1 shareholder talks to the #2 shareholder, the conversation ought to be a bit more substantial. Silchester may own about 17% of GAM but, according to Bloomberg, it is position #90 in their portfolio and represents 0.06% of the Fund. Their position has not really moved for the last 8 years, and they are down 86% on their average cost. It must be their worst investment. I wonder what credibility Silchester brings by endorsing this deal.*

The action of each shareholder matters to enable us all to build a positive future for GAM.

*Totally. GAM's third largest shareholder, Gem, has said it will not back the Liontrust offer, and we have been contacted by countless GAM shareholders who have expressed the same view.*

Shareholders today only have an offer from Liontrust which is underpinned by a detailed plan, a strong platform and track record and by the financial resources to make it a success.

*Untrue. There is an alternative to this very very bad deal, and that's **NewGAME's**. We offer a [detailed plan](#) to return GAM to profitability and growth.*

*Every individual in **NewGAME's** team has a robust track record of value creation in the asset management business and the backers of this project have the financial resources to make it a success. Our investment objective calls for value creation of 3x to 5x over the next 2-3 years.*

*We encourage all GAM shareholders NOT to tender to the Liontrust offer.*

*GAM, with the right team at the helm, has a great future as a standalone listed Swiss company that can create significant value for all stakeholders.*