NewGAM

Open letter to GAM shareholders

20 July 2023

Dear GAM shareholder,

It is 30 minutes to midnight, and you still have plenty of time to consider tendering to Liontrust's ridiculous offer or not.

This is because Liontrust will most likely have to extend the tender period and "bump". Liontrust wants to pay CHF71m (CHF0.45/share – the value of Liontrust's offer as of the close July 19) for a business that will deliver about CHF35-40m in EBIT in 2025 according to Liontrust's own estimates ("30% EBIT margins in 2025").

This is not a "fair" offer. It is even significantly below the lowest point in the range of values (CHF 0.54–1.16/share) identified in the Fairness Opinion commissioned by GAM's board.

You should hold-off. An asset management company generating CHF 35-40m in bad or good times should be worth around CHF150-300m by 2025. The present value of which is at least CHF 115-230m. Not CHF 71m.

Any rational investor considering tendering but agreeing that the offer is not fair should therefore wait until the last minute to tender. All rational investors are behaving in the same way and will therefore exert maximum pressure on Liontrust to extend the tender deadline beyond July 25 and at the same time "bump" the offer. Shareholders that have already tendered or are considering tendering at the current terms must be a small minority by now.

The premium on GAM shares vs. the Liontrust deal value is indicative that Liontrust needs a bump to have any chance of closing their offer.

Not tendering, or waiting until the very last-minute, opens up three options for shareholders:

1/ wait for the Liontrust bump while maximizing the chances that it will come at the last minute

2/ tender to NewGAMe's partial tender offer in September

3/ not tender to any offer and ride NewGAMe's turnaround plan for GAM

We have made our case forcefully and convincingly that NewGAMe's turnaround plan is not only achievable, but also offers significantly more upside than the Liontrust buyout. The feedback we have received from shareholders and other investors has been very encouraging and positive. However, we also recognize that some shareholders may consider that our turnaround plan has execution risks (like the Liontrust buyout for that matter). Those shareholders might prefer a cash exit which we provide by way of the partial tender offer. This was announced on July 18 at a premium of almost 30% to the value of the Liontrust offer.

I also want to highlight in this letter the troubling governance issues surrounding the Liontrust deal, and which become governance issues for those shareholders that are tendering. We have written several letters (here and here) to David Jacob, GAM's chairman, asking to reply to a number of questions which we consider to be key in understanding the context of this deal with Liontrust. In particular, these questions have to do with the FMS transaction and the

Liontrust credit facilities to GAM. These questions remain unanswered. These governance issues and the important questions we have raised will not go away. If satisfactory answers are not provided at the latest during the August 25 EGM, a special audit (Sonderuntersuchung) will need to be put in place as noted in item #7 of the EGM agenda. We wonder for example how it is possible for the board to recommend, without any conflict of interest (to put it lightly), an offer made by its "lender of last resort". This is exactly what has happened at GAM. Liontrust extended a supposed lifeline to GAM (the first tranche of a CHF 20m loan) before completion of the deal which then must be approved and recommended by GAM's board. This is not only unusual. It is unprecedented. As mentioned in my previous letter (read here), it looks like GAM's board had to recommend the deal with a gun on its head.

We are also of the view that the FMS/Carne deal has many issues: i/ no proper auction was held, ii/ the absence of some of Carne's main competitors from the selling process, iii/ the lack of transparency on the simplest numbers – something we asked for and never received, iv/ of course the value paid which made no sense (close to zero), and v/ the accelerated timetable in order to fit the calendar of Liontrust to the detriment of the best interest of shareholders.

Finally, we object to GAM's message to shareholders that it is on the verge of collapse, a collapse brought about by the same management and board that is now trying to sell the company as fast as they can scream "bail me out". GAM would make you believe that if the Liontrust offer fails, its credit facility will need to be repaid immediately and GAM does not have the money. We do not have access to the credit facility agreement as it is not public information. But let's assume that the credit facility must be repaid. First, we are talking only about CHF 10m (the second tranche is triggered only if Liontrust reaches 66.7% in its tender). Item #6 of the agenda for the August 25 EGM calls for the issuance of a CHF 25m convertible bond. Is GAM telling us that it would not be able to find a one-month bridge finance between July 25 (first tender expiry) and August 25 with a creditor knowing that CHF 25m is coming in the door on August 25 or shortly thereafter? Moreover, as mentioned above, if Liontrust is serious about reaching the 2/3rds acceptance threshold, it will have to extend the tender period, possibly even beyond the Aug 25 EGM. Hence, we are looking at a period in "limbo" of probably much less than a month, possibly only just days or not even one. GAM is fearmongering with shareholders by extrapolating the past and current losses (including AuM losses) into the future. This is not going to happen, whether under Liontrust's management or NewGAMe's turnaround plan. Adding the CHF 25m, and at an AuM level over CHF20bn, we estimate that GAM will have CHF 3m to 7m in excess liquidity by the end of 2023. In 2024 and as our restructuring takes shape, we expect excess liquidity to be of the order of CHF 30m-40m. From 2025, we expect GAM to be highly profitable and the current cash crunch will be a distant memory.

NewGAMe's recommendation remains: do not tender to the Liontrust offer.

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