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GAM split: Bluebell would

An alleged accounting misstatement is a grave matter. It is particularly serious for a business built on trust. So what explains the market's nonchalant reaction to developments at Swiss asset manager GAM? Shares hardly moved yesterday after the Swiss stock exchange alleged "deficiencies" in GAM's treatment of a 2016 acquisition.

The reason is that GAM has lost its power to shock. Recent woes include the suspension of a star fund manager, the gating of some funds, the departure of chief executive Alexander Friedman and a huge SFr59m (\$58.8m) write-off of the overpriced Cantab deal.

GAM's response to regulators was of secondary importance. It defended its accounting treatment of the purchase of UK-based hedge fund Cantab. It argued the cost of performance fees should only be recognised when it was clear they would need to be paid.

The shares have dropped 87 per cent from their 2015 high. Yet some reckon worse is to come. Nearly 8 per cent of the free float is on loan to short sellers.

GAM's scale reduces its agility without improving efficiencies. Founded in 1983, GAM gave star fund managers freedom and high pay. Falling client assets and competition from passive rivals means job cuts are inevitable.

Newish boss Peter Sanderson has that task. He also has to deal with Bluebell. This small new activist wants more scrutiny – and possibly a sale – of GAM's "private label" business, which administers funds for other investors. Demand for legal and compliance services are growing. But profitability is in decline. Fee margins are likely to fall, probably by a quarter this year to 4 basis points. The margin for the investment management arm is some 13 times higher.

Speculation a split might unlock some value sent shares up nearly 5 per cent on Tuesday. Many shareholders harbour bigger hopes. A takeover would make GAM someone else's problem. No offers have materialised. None are likely to while news is bad.



Spaccatura all'interno di GAM: Bluebell sarebbe capace