

By Nishant Kumar and Patrick Winters

(Bloomberg) -- GAM Holding AG, still reeling from outflows more than a year after a scandal rocked the Swiss asset manager, is facing a fresh challenge as an activist hedge fund pushes the company to make deeper cost cuts and consider splitting its operations.

Bluebell Capital Partners, whose founders previously advised the likes of Elliott Management and Jana Partners in activist campaigns, sent a letter to GAM Chairman David Jacob urging a strategic review of the private labeling business so the firm can focus on repairing its investment management operations. The hedge fund also asked Jacob to accelerate the renewal of the board, which it says mishandled the scandal.

"GAM shareholders were left paying an expensive price for what increasingly appears as a mismanaged storm in a teacup," Giuseppe Bivona, co-founder of London-based Bluebell, said in the letter sent last week, a copy of which was seen by Bloomberg News.

Bivona confirmed the contents of the letter. A spokesman for GAM said the company declined to comment on shareholder interaction. The move adds to pressure on GAM Chief Executive Officer Peter Sanderson, who is weighing options including cutting more than 40% of the workforce, after plans by the firm to sell itself faltered. While Bluebell, with about 50 million euros (\$55 million) under management, is too small to force changes on its own, its campaign may hit a nerve with shareholders after the stock lost more than three-quarters of its value since the suspension of former star manager Tim Haywood 16 months ago triggered the crisis. GAM had accused Haywood of insufficient due diligence on some of the investments he made, and of breaching the company's gift and entertainment policy. His funds, which were among the firm's biggest, were liquidated and Haywood was dismissed this year for "gross misconduct." Haywood said in February that he was being made a "scapegoat."

Private Labeling

Bluebell's campaign comes as Sanderson, a former BlackRock Inc. executive who joined this year, is due to update the board this month on how he plans to restore profitability and reverse the investor redemptions. One scenario under consideration includes cutting employee numbers by between 250 and 350, Bloomberg reported Monday. GAM employed 863 staff at the end of June and is seeking to bring costs in line with lower revenues. GAM oversees a group of boutique asset managers as well as a private labeling business that sets up and helps administer funds for third-party fund managers. Bluebell is asking GAM to improve financial disclosures for the latter business, which is usually less profitable than the investment management operation, "in order to maximize future strategic options including a sale."

Bluebell started its activist hedge fund last month, a strategy that involves building a stake in a company and then agitating for changes to the business in an attempt to boost the share price. GAM is the firm's first bet, said Bivona, who started Bluebell with finance veteran Marco Taricco and Francesco Trapani, who ran Bulgari SpA for nearly three decades. It's not the first time GAM has been the subject of activist demands. Rudolf Bohli's RBR Capital Advisors AG waged a campaign to oust GAM's former CEO Alex Friedman in 2017. Krupa Global Investments, another activist firm, took a stake in the asset manager earlier this year.

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