

FITCH AFFIRMS MAN GROUP AT 'BBB'; OUTLOOK STABLE

Fitch Ratings-London-06 October 2011: Fitch Ratings has affirmed Man Group plc's (Man) Long-term Issuer Default Rating (IDR) at 'BBB'. The Outlook is Stable. A full list of rating actions is at the end of this comment.

The ratings reflect Man's strong franchise in alternative investment fund management, prudent liquidity management, a long track record of solid, if volatile, cash generation, and the expected synergies arising from its acquisition of GLG Partners, Inc. in 2010. The ratings consider the market, credit and liquidity risks arising from exposures Man takes to its funds, although these have been significantly reduced. The ratings also reflect Man's reduced financial flexibility and net cash position following the acquisition of GLG and challenges facing the wider hedge fund industry over fund performance and fund flows.

The most significant threat to the IDR would be material damage to the franchise if Man suffered major losses of funds under management (FUM) or key staff, from persistent poor fund performance and any subsequent reputational damage or as the result of sector-wide developments. Downward pressure would arise from a material increase in leverage.

Fitch believes the acquisition of GLG should reinforce Man's strong franchise through the diversification of its client base, geographical reach and investment products, and its improved scale. However, the acquisition of GLG has also increased market earnings volatility in Man's overall performance. Margins remain stable, reflecting Man's strong franchise and track record. Although operating profitability improved in the year ending 31 March 2011 (FY11), recent market volatility, leading to net outflows of FUM will adversely affect profits. This is likely to more than offset the benefits of cost restructuring and large new institutional mandates.

Man has substantially reduced its risk appetite for and levels of loans to its funds and seed capital investments since FY09. The agency views this as a positive move to cut exposure to credit and market risks. Man remains exposed to some contingent liquidity risk from uncommitted credit lines to its funds. The integration of GLG appears to have been well managed, with no material loss of FUM or key staff.

After the USD1.7bn acquisition of GLG in October 2010, Man's regulatory capital surplus, cash position and gross leverage have weakened, but the group still maintains a net cash position. Outstanding debt is fairly substantial at USD1.1bn (end-FY11 adjusted for debt buyback), but did not rise on the acquisition.

The USD2.4bn revolving credit facility (RCF) was replaced by a five year committed USD1.5bn RCF in July 2011. It is mainly used to extend short-term liquidity to funds during redemptions. The reduction is acceptable as it reflects the fall in Man's stressed funding requirement due to the relatively low need in the crisis and the shift towards more liquid content.

The rating actions are as follows:

Long-term IDR: affirmed at 'BBB'; Outlook Stable

Senior unsecured debt: affirmed at 'BBB'

Dated subordinated debt: affirmed at 'BBB-'

Hybrid debt: affirmed at 'BB+'

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Additional information is available on www.fitchratings.com.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable criteria, 'Global Financial Institutions Rating Criteria', dated 16 August 2011 and 'Investment Manager and Alternative Funds Criteria', dated 23 December 2010, are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Global Financial Institutions Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=649171

Investment Manager and Alternative Funds Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=590125

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