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**Forward looking statements**

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OPERATOR: Hello and welcome to today's Man Group Pre-Close Trading Update with Peter Clarke, Chief Executive Officer of Man Group and Kevin Hayes, Chief Financial Officer of Man Group. During this call, all participants will be in listen only mode, and afterwards there will be a question and answer session. Mr Clarke, please begin.

PETER CLARKE: Thank you very much, and good morning, everybody who's on the line. Thank you taking your time to participate in this call. I'm going to add some colour to the pre-close trading statement that we announced this morning. I have Kevin with me if there are any technical questions on the numbers. Subsequently I'll take you through those highlights and then seek to leave plenty of time for Q&A from those of you on the line who have questions.

Well I guess the starting point for an analysis of our first half is of course the very strong sales that we've seen not withstanding the extraordinary market backdrop during the period. And I would particularly emphasise the fact that the private investor sales momentum is equally spread, as it were, between the two quarters. Institutional second quarter saw a slight net outflow, which actually was a result of a single institutional redemption in the second quarter which swung the numbers negative but otherwise, momentum in institutional asset raising continues also to be strong.

So clearly a strong first half; the reasons for that I think most of you are familiar with -- the wide ranging geography that we have, the broad product range that we have and the wide range of investment styles. I'll come back to investment styles but on the geography point note that we continue to see interest institutionally and private investor interest from Asia, Hong Kong and Japan; the Middle East where we have a new Sharia compliant product, which I think most of you are aware of; Europe and indeed the United States where we've seen higher levels of private investor subscription to our product than we've seen at any prior time and also some institutional mandate transaction in the United States, which has been particularly pleasing.

We've also seen redemptions, as we always do, but apart from the single institutional redemption I mentioned in Q2, the private investor redemptions have remained consistent with last year -- low and stable. As many of you are aware, the guaranteed structure of our products tends to mean that redemptions do stay low in difficult market conditions. On the institutional side redemptions overall not withstanding that single investor that redeemed in the second quarter, also remained at last year's level giving us a net sales position which is extremely robust.

On the performance side, the performance stats are in the pack for you. AHL, of course, we produce on a very regular basis and you can see what's happening to AHL. We have focused obviously and historically very strongly on having a low beta investment set of styles. Those have paid off in terms of being ahead of or consistent with industry benchmarks across the vast bulk of our products during this period. We are underweight long/short and overweight managed futures by allocations, as I think you all are aware. And that has clearly been a good set of style allocations through this extremely difficult period.

What we have seen around the markets is continued volatility. That makes it difficult for a number of styles. We have not seen leverage difficulties in the context of our managers or the Group being able to provide continued leverage into strategies where it makes sense to deploy leverage. What we have seen though is our risk systems de-leveraging some of our products as they see the volatility increasing across the product set. And you will have seen that de-leveraging in that investment risk management sense has occurred and reduced funds under management. But I would stress that that is a risk management tool, not a shortage of leverage tool. We continue to see full leverage availability to the Group. How that performance has impacted us financially is, of course, apart from the FuM is that we did see a reduction in performance income in the first half principally as a result of the lower contribution from AHL. Given that the bulk of our product now sits some way away from their net asset highs -- in other words the point at which they would begin once again to earn performance fees -- we would not expect there to be any significant amount of performance fees in the second half of our financial year. However, AHL in particular, as many of you who have followed us for years know, does have a history of recording rebounds which are very strong in markets such as this. So whilst I'm not suggesting that AHL will make up its distance from peak in the second half, it is capable of moving round very quickly in market conditions such as we're witnessing at the moment.

Where that took us to was to gross management fees which were up around 10%, net management fees which are going to be about flat year-on-year. The main reason for that is two-fold; finance income down, a component of that, which Kevin can go into in the questions is that, of course, we did not have the interest income on the proceeds of the MF Global float in this first half, whereas we did in the prior first half. If we added those back I think net management fees would be up around 5%. So that's a one-off impact. The other impact that you're seeing at the net level is that we've continued to invest in the business. We have continued to invest in people and products, because frankly, I am convinced that although times are extremely difficult, we are going to see major consolidation in our industry and across financial services widely. And those people that are in a position to invest through this period are going to be the ones that emerge strongest as markets re-stabilise.

There's a lot of questions people have got around short-selling restrictions in the UK and elsewhere around regulatory issues here and elsewhere, and I'll just make a couple of observations on those and then perhaps stop and let people ask questions. On the regulatory restrictions on short selling our underweight position in long/short means that we are less impacted than much of the industry by that. But nevertheless, there will be an impact on certain long/short strategies. As far as the managed futures platform is concerned at AHL, with the exception of some very small proprietary investment strategies we do not trade single equities in the main programme. So the main AHL programme is unaffected by that because we only trade equity indices rather than single equities.

In the context of regulation I will just finish by saying that Man Group is unique in the context of being a highly regulated Basle II compliant financial institution, which is pretty unusual in hedge funds to say the least and indeed, in alternatives generally. What that means if that we are resourced, structured and capitalised to deal with regulatory oversight across our products and at the manager level as a UK company listed here. So if there are regulatory issues and costs associated with regulatory oversight in the future that is an environment that we are well-equipped to deal with because it's an environment we currently operate in. So I do not see concerns about regulatory oversight or capital implications having any concern with regard to our business model.

You are also aware from the press release that we have surplus capital of around $1.5 billion. That's surplus regulatory capital. So a strong capital position accustomed to regulatory oversight, less exposed to short selling restrictions than most of the industry and overweight, the one style which has been seeing positive returns calendar year-to-date, which is managed futures. So what I propose to do is to stop there and give you all plenty of time to ask questions over the next 20 or 30 minutes or however you long we have in terms of questions to answer.

OPERATOR: Okay, we'll now begin the question and answer portion of this call. If you have any questions or comments could I please ask you to press 01 on your keypad now and you'll enter a queue. And then after you're announced, simply ask your question. And if you find your question has been answered before it's your turn to speak, just press 02 to cancel. So if you've not already, please press 01 on your keypad now.

The first question is from Hayley Tam of Citigroup. Please go ahead.

HAYLEY TAM: Morning, Peter. Good morning, Kevin.

PETER CLARKE: Good morning.

KEVIN HAYES: Good morning.

HAYLEY TAM: Can I ask a couple of questions, please? The first one's just a very simple one. Is there any update you can give us at all on the performance of RMF, MGS and Glenwood in September, because I know you've given us the figures to the year to August in the statement?

PETER CLARKE: Yes, I'll take that one, Hayley. Thanks for the question. All I can tell you on the general performance of the Fund of Funds activities is that we will reflect the general performance of the underlying style. So September for most styles has been a broadly negative month and so you would expect the Fund of Funds managers to be reflecting that. But we don't release the complete stats until the end of the month but they won't be far off, Hayley. But it'll be a negative month for most of the industry with the exception probably of some dedicated short, some of the global macro and we'll see where managed futures ends up.

HAYLEY TAM: Okay, thank you. And the second question was more general really. There's obviously been a lot of discussion in the market and in coverage in the press about that possibly hedge funds being the next big thing, so a run on hedge funds in the same way that we've seen a run on banks in the last few months. And I'm just really wondering from your point of view -- I mean clearly people are worried about some of the smaller hedge funds, they've got a lot of leverage in there and possibly have seen particularly negative performance in the last few weeks and months; what steps you're actually taking as Man Group firstly to possibly reassure some investors who are reading quite inflammatory articles in the paper to stop them taking money out, particularly from MGS. And secondly, any steps you might be taking to possibly isolate any problem funds you might have identified within the Fund of Funds stable? So quite a general question, I apologise for that.

PETER CLARKE: As it's obviously a very general question, I'll try and hit some of the main points of that, Hayley. Firstly that you've seen our redemptions, because you have the first quarter you can work out what the second quarter is from our first half stats. And that you can see that private investor redemptions were unchanged in the second quarter. So there has not been any current reaction from our investor base along the lines that you're suggesting. The main reason for that is that we are selling diversified products, so our investors are buying across a range of the managers that we've just been talking about and that typically includes a significant component of managed futures. So performance in the context of our product, particularly given what they're seeing elsewhere in the world and what they're seeing in respect of equity portfolios actually stands up really quite well. So we're not seeing that sort of issue with us, at all. Again, the structured product is a particularly important defensive characteristic, as I mentioned earlier on that.

HAYLEY TAM: Could I follow up very quickly there? Sorry to interrupt. There's been some comment that a lot of hedge funds have only quarterly redemptions. How does that look with regard to your particular investor base behaviour? Would you have seen applications for redemptions already so we can actually rest assured that you're not seeing a big increase in requests of that nature?

PETER CLARKE: Well our private investor product, Hayley, redeems monthly or weekly.

HAYLEY TAM: Okay, thank you.

PETER CLARKE: So you've got September's numbers in there. You've also got September's numbers -- anyone who wanted to redeem in September institutionally. Actually September has not been a big month for us institutionally at all in terms of redemptions. I mentioned one investor who actually came out in July. It was a specific issue about one particular investor we had in Europe and we knew that was coming about a year ago. It was unrelated to performance. So I think that there is no current indication of a rising tide of redemptions in so far as our product range is concerned.

The other point you made is that underlying managers may be in distress. It's inconceivable that there aren't a large number of underlying hedge funds whose performance or the availability of leverage isn't going to result in them seeing an outflow of assets. Our job is to make sure that we are allocated to those managers who are in styles that can withstand that. We are, of course, acutely aware across the firm of ensuring that we can see what managers may be under outflow stress and what consequences that would have for the remaining investors. But most of our Fund of Funds allocations are going to quite substantial managers who should be well able to deal with outflows, even quite significant outflows. But you're right; it's an important point.

It has some pluses, as well, Hayley. We see flows coming out of the industry, then in many styles the prospects of return actually increase. So whilst there may be some short term disruption in the longer term it's not necessarily a bad thing that there are fewer assets chasing some of the stars.

HAYLEY TAM: Very helpful, thank you.

OPERATOR: The next question is Phillip Middleton of Merrill Lynch. Please go ahead, sir.

PHILLIP MIDDLETON: Thanks so much. Obviously you've given us a good steer or you've told us what's happening in the second quarter. That feels an awful long time ago though. Can you tell us a little bit about what feedback you're getting from your sales people and your people in contact with end clients now about their sales prospects? Are everybody fazed by what's been going on or are people relatively sanguine?

PETER CLARKE: I think, Phillip, it depends. It depends who you're talking to in the terms of what product you're talking about and where they are in the world. It is true -- I was in New York last week, for example, that the mood there is significantly more depressed than the mood say here or in Asia. So it does depend. But if perhaps I can highlight as an example of current investor mood the Japan launch, which is in its final stages, where we have a product which is being sold there, which is IP-220 our AHL and Glenwood product, one of our staple product offerings. The feedback from that -- and it isn't closed yet and I can't give you information in completeness, as it were, because we don't have the final numbers -- but the response from the sales people who are in contact, as you point out, with clients there is that investor appetite remains strong.

So those products that we launch, it's in conjunction with Mitsubishi UFJ Securities in Japan, they've been a fantastically strong partner to us. They are a very strong bank, as you know, and they have typically raised $700 million to over $1 billion every time we've done one of these launches. And all I can say is that my current feel having talked to the people who are in touch with the clients there is that we will be inside that range and certainly not below that range in the context of the current launch. So whilst that isn't a promise that's a pretty healthy check on where we are currently are in that product.

So the most immediate product offering we have out there remains robust. We continue to see open-ended sales particularly of AHL where again, although performance of AHL calendar year-to-date may only be marginally positive, it has exhibited the negative correlation which it does historically seem to do at times of stress. So open-ended remains of interest, as well.

On the institutional side we've seen continued institutional demand. There is a view that institutions will be slowing up the process in terms of allocation which I talked about that at the results again in July. I have to say that we don't seem to have suffered from that especially yet, but as you point out the markets are moving very fast and in the coming quarters it may be that they will slow down the process, but at the moment we're not particularly seeing that.

PHILLIP MIDDLETON: Thanks very much.

OPERATOR: Okay, the next question is Bruce Hamilton of Morgan Stanley. Please go ahead, sir.

BRUCE HAMILTON: Morning, guys. Thanks. I just wanted to check on your credit availability. Can you remind us what your cash positions and the credit lines available to you are and has that changed at all in the last three to six months? And then secondly and linked to that have you seen any change in the cost of setting up your structured products? Have you seen any pullback from banks who provide the capital guarantee and so forth, ie, should we expect the returns maybe a bit lower going forward because of that in some of your products or is that unfair?

KEVIN HAYES: Bruce, maybe I can deal with the first question. Regarding our credit lines we, as Peter said, still have significant excess regulatory capital, about $1.5 billion. We have obviously the $2.5 billion committed facility which we have with a large number of banks, so it's a well-diversified facility. We actually extended that facility for one extra year and had a significant take-up of that to get the extension. I think around about 85% of the banks that were in the original facility agreed to extend. We have also off of our medium term note a shelf issued around about $250 million worth of debt in the last couple of months.

So we actually see continued access to the capital markets consistent with our strategy, our access into capital markets and a couple of weeks ago we were obviously rated by S&P A minus, which I think in this credit cycle and in this market is quite a strong validation of our excellent capital position.

PETER CLARKE: And then perhaps, Bruce, I'll just answer the second point. You asked about costs of structure impacting returns. There are probably wider issues that might impact returns, some of which we've covered off on but in terms of costs, availability has not been a problem. Cost is marginally higher but then leverage is likely to be lower. So the more likely impact is around leverage and opportunity than it is around cost of product structure.

What I would point out is that -- and some of you have heard me say this recently before but it's very relevant at the moment particularly -- that we're in two very distinct investor categories here. We have the mass affluent and we have the institutional. The reason I mention that is that those are categories who both tend to go for diversified, more conservative structured, lower target return, lower volatility product offerings. And it's much easier to meet investor expectations in those zones than it is in the single manager, ultra-high net worth family office space where the sorts of returns that are likely to be seen going forward might not seem so appealing to that group. So in a lower return environment, if that's where we're headed, we are -- in my view, have got the best client segmentation to address that.

BRUCE HAMILTON: Thanks.

OPERATOR: The next question is from Andrew Mitchel of FPK. Please go ahead, sir.

ANDREW MITCHEL: Yes, thanks very much. You partly addressed one of my questions already but I wonder if you could just explain a bit more the comment in the statement about the active risk management in response to volatility? You indicated that that gave rise to the automatic reduction of leverage in some products but in the statement you talk about it applying to core funds. And I'm just wondering whether actually within some of the investment processes the leverage has been invested as well in addition to what you do, for instance, in the level of leverage in the private investor products?

And secondly, just a very detailed point; I noticed that Gottex put out a statement this morning about its limited exposure to Petters Worldwide and the potential fraud there. Given that there are some comparisons drawn with RMF I'm assuming that that if it was an issue would not be a significant issue for RMF?

PETER CLARKE: I'll deal with the first question. I didn't actually hear your second question so maybe we can come back to that. Just on the leverage point first; there are layers of leverage in the product, one of which is at the product structure level and that is managed by effectively an automated risk management system, which is looking at the volatility and performance and liquidity of the underlying and thereby measuring the level of leverage to be deployed at the product structure level. That mechanism has operated and so we have de-geared products not surprisingly in volatile environments and that's a risk management system that operates routinely across our products. Product gear and de-gear with relative frequency. What of course has happened is that the very strong volatility in the most recent environment has caused that de-gearing to be quite a significant number so we identified it in the FuM moves, but it's always present plus or minus in the numbers.

As far as the underlying managers are concerned, many of them have de-levered, if that was what you were asking about. At the manager level many of them have de-levered. We in fact operate most of our allocations through managed account platforms with underlying managers, which means that we not only have visibility over the underlying positions but it does allow us to have our own leverage characteristics deployed whilst typically, fundamentally shadowing their flagship fund or whatever fund whose performance we're trying to track. So we have a degree of control there through the managed account platform which allows us to take different views of leverage to the manager, typically more cautious but not always so. So we have the ability to operate the leverage volume knob, as it were, at both levels.

Your second question I didn't quite catch. I'm sorry, the line was breaking up.

ANDREW MITCHELL: Yes. No, sorry. It was just a small question because Gottex made an announcement this morning pointing to reports of a fraud at Petters Worldwide which would potentially have some effect on some of their funds and I was just wondering because comparisons are drawn with RMF on occasion, just concerning that there's no significant issue there as far as RMF is concerned?

PETER CLARKE: Certainly there's no significant issue that I'm aware of with regard to RMF.

ANDREW MITCHELL: Thanks very much.

OPERATOR: The next question is from Caroline Dorritt of UBS. Please go ahead.

CAROLINE DORRITT: Morning, Peter. Morning, Kevin. Two quick questions if that's okay. The first on MGS; obviously poor investment performance there. Could you just elaborate a little bit more on what's going on there?

And secondly, if we could just turn to cost flexibility and could you outline to us what cost flexibility you see in your model over the next six months?

PETER CLARKE: Okay, Caroline, I'll take the MGS Performance Fund and let Kevin talk about the details on cost flex fixed and variable. With MGS, MGS is a multi-strategy platform as I think you're familiar, with allocations to a much smaller number of underlying managers than RMF or Glenwood; therefore, a more focused pool. It has focused historically on more quantitative investment stars and indeed, some of the ones which have been most impacted by recent markets and so it has to that extent suffered more than the fully diversified Fund of Funds products.

What we've been doing in MGS is working hard to use our negotiating leverage, as it were, rather than financial leverage to ensure that we are getting the best terms from both existing and new managers to come on to the MGS platform. What the current environment at the underlying manager level is allowing us to do is to get the requirements we have for MGS, which include managed accounts as I discussed earlier and other aspects around distributing the product or getting fee breaks to go into the manager.

The current environment has meant that many managers who have historically been closed to us in the sense that they will not offer up those benefits are now prepared to do that. So a sign of the outflow of money from some of the underlying managers is that it actually improves our access to some of the more established managers, MGS having historically focused more on the smaller intermediate size manager because that's where we had more negotiating leverage and that's where we've historically seen good levels of return. So some opportunity in MGS, quite a lot of work going around restructuring the allocations to managers that MGS has, so quite a dynamic process in MGS at the moment.

As far as costs and cost flexibility is concerned, just before I pass to Kevin I might just make one point. I think I mentioned it in my introductory remarks but in this environment where most other financial institutions are not making significant investments in people or new territories; that is precisely the environment in which we see an opportunity for the longer term. So we have continued to make investments in people, products, innovation, new territories because we view that as a very significant competitive advantage in the current climate. And that does increase costs but I'll let Kevin talk about the mix between fixed and variable.

KEVIN HAYES: I think it's consistent with our business model that we have been able to maintain a significant amount of cost flexibility particularly in the distribution network that we have. And it's matched with a new core diligence around cost discipline internally as far as our expense base overall. So we actually spend a lot of time looking at our cost base and optimising that cost base. We've obviously expanded, as Peter said, in products and geographies and our cost base in aggregate has increased as a result of spending increased amounts of occupancy, technology and to continue to build our infrastructure because obviously we've had a significant amount of growth year-on-year. And that growth, as Peter said, we see continued opportunities for it to grow.

So the bottom line is that we've maintained flexibility in our cost base. We have a very variable comp model and our distribution costs, which is our other significant cost, is variable with the sales. And obviously in an environment where we've had strong sales you'll see that increase and likewise it would reduce if we had less sales.

CAROLINE DORRITT: Thank you.

OPERATOR: Thank you very much. The next question is from Chris Smith of Jefferys International. Please go ahead, sir.

CHRIS SMITH: Morning, all. Sorry, it's the old chestnut again. You talked very helpfully about the low return environment we're likely to be in over the next – within the near -- medium term future. What implication has this got for the structure do you think of your business and maybe the industry as a whole if the three plus 20, the two plus 20, the hedge Fund of Funds sector of the world? I don't know whether you've got any feeling for that right now and what you think might happen to that going forward? Thanks so much

KEVIN HAYES: Chris, I lost a bit of it. I heard the introduction. Were you talking about fees?

CHRIS SMITH: Yes, is that Kevin? Yes, just about whether in a low return environment we're going to be getting pressure on the structure, the two plus 20 structure and obviously the variable -- the structure you've got in the hedge Fund of Funds both for you and perhaps if you're able to give a quick comment about how you think the industry as a whole might develop in that area? Thanks.

KEVIN HAYES: Okay. Thanks, Chris. Well on fees generally you can see from our gross management fee margin that fees have not changed for us at all. There are some mix issues in terms of what products we're selling and whether it's open-ended, guaranteed, institutional, private investor. In our experience people, certainly the private investor is not making a decision about whether to buy a product based on the fee. They're making a decision whether to buy the product based on their expectation of return and correlation and risk-adjusted return and so for us it's a question of whether we're performing for the investor.

For the institution clearly there's a more explicit negotiation to be had with each investor on the question of fees. And as you will have seen from our previous statements and analyst presentations we've seen some mild degradation of core Fund of Funds management fee but have seen that overcome to a large extent at Man by having operating leverage in RMF and also from having core satellite programmes that allow us to charge fuller fees for the satellite products because they are capacity constrained and in that environment you can justify the fee load.

So in the outlook for products people are going to look for conservatively leveraged, conservatively structured products which serve us well and they're going to look for products which have had an ability to perform through previous market turmoil. And I think our length of track record puts us in an advantageous position against some of the newer industry participants who have really only been here for the last three or five years. So I think those qualities are going to be what people are making decisions on rather than headline fees.

CHRIS SMITH: Okay, thanks so much. So I know it's very early days in a way but at the moment then there's no particular push that you can see?

KEVIN HAYES: No, I described the metrics, Chris.

CHRIS SMITH: Yes. Okay, thanks very much.

OPERATOR: Okay, if anyone else has any final questions or comments could you please press zero one now. Okay, as there are no final comments or questions can I please pass it back to you for any closing comments?

PETER CLARKE: Okay, thank you very much. Well thank you all for dialling in and asking your questions. I hope you found this helpful. I would just finish off with a few observations which are that clearly the markets are going to remain turbulent for some considerable time. That does mean that we need to watch underlying managed content. We've talked about how we do that through our transparency through managed accounts, our ability to control leverage directly rather than relying on managers to do so for us, the risk management systems we operate at the product structure level, the continuing availability of funding to us both at a Group and at a product structure level and that leaves us well positioned to deploy assets as and when risk asset are likely, from the investors' perspective meets likely return. What that means to sales is that we will continue to see robust sales particularly from the private investor and the Group's capital position means that we can invest, we can take advantage of the environment to build Man into what I think will be a bigger and stronger business when we get to the other side of current financial turmoil in the world. And there will be fewer players out that other side, so I think we're in a very strong position but there's going to be quite a lot of action on the way through.

So thank you very much for participating. We will be obviously announcing our results and giving full breakdown of the first half numbers in the beginning of November.

OPERATOR: This now concludes our call. Thank you all very much for attending.