



Event: Pre-Close Trading Update and Funds Under Management Statement

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Speaker: Peter Clarke, Group Chief Executive  
Kevin Hayes, Finance Director

## Forward looking statements

**This document contains forward-looking statements with respect to the financial condition, results and business of Man Group plc. By their nature, forward looking statements involve risk and uncertainty. Man Group plc's actual future results may differ materially from the results expressed or implied in these forward-looking statements.**

**Operator:** Hello and welcome to today's Man Group Pre-Close Update Call. On the call today we have Peter Clarke, CEO of Man Group and Kevin Hayes, Financial Director. During this call all participants will be in listen-only mode, and afterwards there will be an opportunity for any questions. Mr Clarke, please begin.

**Peter Clarke:** Okay, thank you very much, and welcome to everyone who's logged on to this morning's call. There is obviously quite a lot of content in the pre-close statement and indeed in the adjacent statement about some business changes that we're implementing. So I'm proposing to give probably a slightly longer than normal introduction to this but we will obviously have plenty of time for questions, as usual, but I will try and be fairly comprehensive on the way through.

So firstly looking at the results themselves, clearly the backdrop, as we all know has been continued and extraordinary turmoil in global markets and we, whilst resilient to that, we're not immune to some of the factors. Clearly volatility levels in markets were unprecedented and in certain markets in certain periods the markets actually ceased to function. And it's that market problem which generated some of the hedge fund performance issues which comes through in terms of both the industry stance, and in terms of our own Fund of Funds product offering where we didn't see the benefits of diversification across hedge fund styles because of the dysfunctionality of markets.

However, 2009 has started much better for the industry and for us on our Fund of Funds platform, so there's some signs of that performance environment changing. We have, however, differentiated ourselves in many respects at Man. Firstly we saw some very strong private investor sales. We saw out-performance on the Fund of Funds platform at RMF principally because of style allocation but also manager selection. We clearly saw strong performance from Managed Futures and the AHL platform which continues to exhibit low or negative correlation to equities, which of course is why it's a core part of our offering. We've continued to see availability of leverage for our end product offering. We have maintained liquidity terms to our investors unlike much of the competition. However, of course there have been some impacts on funds under management. The most significant impact, the one that we've talked about before, related primarily to the derisking of the MGS portfolio and subsequent rebalancing for our investors. Clearly with hindsight for our investors, the product investors that was the right thing to do into a volatile quarter. We've also seen some outflows associated with overall negative performance, not withstanding AHL strength, foreign exchange and, of course, redemptions which I'll come back to.

So the net result of all of that is that our management fees are estimated to be down around 26% for the financial year ending at the end of this month. Performance fees down over 60%, although we did earn a significant performance from that strong AHL product performance it had an even stronger prior year and therefore it wasn't able to match the stupendous level of performance income that we saw in the prior year. So the net result at the pre-tax level is we're down about 40%, 43% before some exceptional items.

A word on those exceptional items. They broadly comprise three things. The first is some non-recurring restructuring costs. I'll come back and talk about what we're up to there and what it means. The other two are both non-cash and do not impact

regulatory capital. They both relate to the writing down of, or carrying values -- in one case our MF Global stake, the residual stake that we have in that business, to reflect the lower market value that it's now been trading at versus our original carrying cost of that investment. And the Ore Hill investment to reflect the environment, the credit around investors and the assets under management in Ore Hill where we've taken the prudent steps to write down the carrying value of that investment.

Overall our financial condition is extremely strong. I'll come back to that in a second, but what that means in terms of the shareholder is the headline of a maintained final dividend in dollar terms, clearly for sterling investors it is dramatically increased given that the sterling conversion rate for the last dividend a year ago was nearly \$2.00 and today obviously sterling is much weaker against the dollar. The shareholders will get the sterling benefit of that depending on what the rate is and at declaration payment date.

So that's the backdrop. Some detail on the fourth quarter, because the first three quarters we talked about before. The first thing to note is that there isn't a big private investor launch in this quarter. We have a number of private investor products in marketing at the moment. They will all drop into the first quarter of next financial year. What that means is in Q4 we did see a small private investor outflow, but we also saw a private investor redemption slowing both in guaranteed and open-ended. You may recall that the open-ended product saw quite high redemptions at the end of the calendar year in our third quarter. That has slowed down much as we anticipated.

On the institutional side we saw a net outflow. Again as anticipated we saw redemption levels in our fourth quarter at about the same level as for our third quarter and continued a subdued sales environment for institutions as institutions continue to broadly sit on the sidelines to assess the impact of current markets and I suspect also to see which businesses survive these markets. So an interesting opportunity, but still for the moment a very subdued one.

On the fourth quarter performance we've seen some negative investment movements on AHL, a positive year-to-date performance from our multi-manager platform, which is encouraging. Also with regard to the MGS rebalancing and de-gear that is now completely worked through. There is no leverage left in the MGS product offerings. We have no loaned funds to MGS and we've not taken any of their assets onto our balance sheet. So from a risk management and investor performance expected exactly as we had planned for and reported to you that we hoped to achieve. So we've completely delivered on that.

There have been some foreign exchange moves in the last quarter, particularly for the very early part of this week, Tuesday and Wednesday, which we've endeavoured to factor into our FUM estimate. So that has gone down, the FUM has gone down. It's gone down a bit as a result of recent foreign exchange moves but we tried to do it as of yesterday's close.

So that's where we've come and what we saw in the fourth quarter. I think it's appropriate that I spend a bit more time than normal talking about our strategic response to these markets, because it is comprehensive and effective as you will have seen and it really breaks down into two components, which I want to talk you through.

The first is our focus on protecting value in the organisation and the second is the focus for the future on creating value. On the protecting value point our key component here has been to maintain financial discipline. That is a core requirement

in these markets. It's been active through the year. We have reduced balance sheet risk. Our seeding balance sheet usage is down from \$1.2 billion to around \$850 at the moment. We've built regulatory capital significantly in excess of the 1.5 billion. There is no impact on regulatory capital from those impairment charges that we've taken through the P&L. We've grown cash as we've reduced loan to funds, liquidated seed capital and added operating cash flow so we have cash of over \$2 billion, but we're not using our long term credit lines, bank liquidity lines at all. You may recall that we extended those back in the summer of last year, so we have \$2.4 billion of which 75% matures in 2013 and 25% matures in 2012, so our balance sheet I think is irrefutably in a very strong condition.

The second component of protecting value is to protect our business franchise. I've talked about the MGS de-risk, which is clearly an important component of that to retain the confidence of our investors under appropriate investment management. We've maintained investor liquidity. That is important obviously because it retains credibility in our continued ability to offer product. We are continuing to market product in Europe and regional launches in Asia. We continue to see demand for product. These are guaranteed structured products into that region, so those who feel that we can't continue to create, deploy and sell structured products should note that we are doing all of the above.

We're also, of course, working through our investors to ensure that they can move into products to reflect the new environment if that's what they wish, so we are facilitating switching from non-performing products or from products which go into cash as a result of the MGS de-risking process. And importantly we're continuing to invest in AHL both in processes, in seeding, recruitment and research and we can do that because we have the capital and resources to do so at a time when much of our competition do not.

We also, of course, focused a lot on the shape of our business both in terms of the challenges in the markets, our competitive positioning and our opportunity for growth in market share. And really two components on that: the first is a focus on efficiency and cost. The second is redefining the investor proposition as far as the Man offering is concerned. Firstly on that efficiency and cost point you will have seen that in the announcement we reported that we have reduced the run rate in fixed costs by \$60 million with affect from 1 April. That is a combination of non-personnel related and personnel related components. It includes in terms of permanent employee headcount a reduction of around about 15% of our permanent headcount, but as I say, we've also cut fixed costs and non-employee costs, as well as consultants, contractors, travel and entertainment, all of the things that you'd expect us to be looking at in this environment. But clearly what we're focusing on there is efficiency. We're not cutting into muscle because we have a new and interesting business model for these markets.

And that's the second point, and is the feature of a second press release that we made simultaneously with the pre-close statement. And you'll have seen there that we've integrated all of the components of Man into a new multi-manager investment business. The key component of this is that it is integrated. It's strong, it's independent and it's comprehensive and I think the combination of those things put us in an extraordinarily strong proposition as far as the investors are concerned. A number of people are trying to do similar things to this. No one has our scale. We currently have 70 managed account platforms. We're intending to double that to 140/150 over the coming year. And that's important because it is a managed account, single account investment process which particularly institutions but also our larger distributors are focused on in this environment. They're also focused on governance and risk management and therefore, it's important to note that the new business model elevated risk management to the same level as investment

management and separates the reporting of that completely. We obviously have flexibility for our investors here. We can offer across the platform single manager through to multi-manager product and we have optionality for our shareholders in the context of where we want to be in the margin structure relating to those opportunities. Our key point here is optionality and choice for the investor, but also building confidence in a sense of institutions and major distributors and knowing that Man as an institution is addressing change and has scale and stability, which is important here.

On the managed account platform, a word on that. It's something a lot of people talk about. In my experience it's not something that many people have thought about in terms of what it means for resourcing, how they're going to police that, what they're actually going to do about it. As I say, we've been doing this for 12 years. We have the scale to execute on this and I think that gives us both market access, flexibility and insight into what's going on in underlying strategies which the imitators will struggle to replicate.

Ultimately, as I say, it's about confidence in Man and choice in format and clearly we can excel in both of those. Clearly the focus here is on a lower cost of production for the platform and a broad new product set, which will mean that we can offer a wider product range at a higher or the same net margins without increasing the fee load to the investor, which is an important metric.

In terms of the outlook, a few words on that. Clearly I feel we've very strongly demonstrated in the year a focus in discipline and flexibility of the Man business model. As I mentioned, we have a number of products closing and starting to trade in our first quarter. I don't think many people will have products that they're currently marketing and seeing demand for but we do. Across the regions, the global products, a Japan-focused product and a series of products in Australia, South East Asia. We are seeing continued interest from those regions in our products. We are seeing redemptions from the private investors staying at the lower rates we saw in the fourth quarter of last year. There's no indication that our investor base is seeking to withdraw more money from us, in fact on the contrary in this environment, helped by the backdrop of performance in our industry.

On the institutional outlook I think pretty much what I was saying to you all back in January. Sales will remain subdued for some time. There is massive opportunity here. Investors have got cash in waiting. It hasn't gone. It's got to come back. And there are issues that we need to address. Our business model addresses, I think, in terms of the increased focus on capital, tax transparency, risk transparency that institutions want and structured around that. And it's interesting that quite a lot of our institutional investors are now looking for quite structured product, which is addressing these particular issues around regulation, around capital for Basle II and tax reporting.

Investment returns, as I mentioned I think at the beginning, are encouraging from the industry. Our own multi-managers are seeing positive performance year-to-date. We've seen market transactional activity increased, some evidence of returning liquidity and volumes increasing in the markets and some clearing of some of those assets which were not transacting or for which prices were uncertain. So opening signs are that the outlook is as promising as we had hoped. I do believe the outlook for our industry for 2009/10 is very promising for performance, and that is an unleveraged performance. I don't think leverage is necessary to see positive good performance for our investors across the foreseeable future.

Clearly our competition is either damaged or distracted, which is an enormous opportunity for us. We've created a new business model integrating our own

investment management platform outside AHL. AHL remains unaffected by all of this. Everything that isn't AHL is integrated into the new platform, which addresses those investor requirements for confidence in the investment manager and choice of investment format.

So I'm very optimistic about the ability of the new platform to provide what investors want. It clearly plays to our key strengths at a time when the competition is damaged and that is why I made the statement in the press release about our being well placed for a growth in market share even if the wider investment community of hedge funds do not see overall assets growth there will be those within that group who will be able to pick up market share and I'm confident that Man will be one of those.

So what I'm going to do there is pause after that fairly lengthy but hopefully helpful introduction and hand back to the operator who I think will give you instructions on how to ask a question.

**Operator:** Thank you very much. If you are on the phones and you have any questions at all could I please ask you to press 01 on your phone 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 once again if you have any questions please press 01 on your phone keypad now.

And the first question's from Hayley Tam of Citigroup. Please go ahead, ma'am.

**Hayley Tam:** Good morning, Peter. Good morning, Kevin.

**Peter Clarke:** Good morning.

**Hayley Tam:** Thank you very much for the additional detail in today's statement. I think it's been extremely useful. Can I ask you two questions though, if that's okay? Firstly on the private investor demand, you have said that you're still seeing demand for conservatively structured guaranteed products with strong performance track records, for which I'm really reading AHL focused capital guarantee products. I know the current launch is one such product, but can you give us some colour on how you plan to continue to fulfil that customer demand throughout the next year or two?

And secondly, just in terms of the cost reductions that you have highlighted, if you could give us any colour on where the 15% staff cuts have been made and perhaps the mix of the 60 between staff and other elements that'd be fantastic. Thank you.

**Peter Clarke:** Okay. Thanks, Hayley. On the first point; yes, you're right that the current product offerings that I referred to on the private investor side are AHL dominant and in fact, in some cases AHL exclusive in terms of the content, exclusively AHL to make that clear. We are looking at a range of product for slightly further out on the horizon that will include other liquid trading strategies, not necessarily managed futures. But clearly the liquidity appetite that investors have at the moment means that our product range for the foreseeable future will be skewed towards where underlying investments have higher liquidity. So you should expect us to be looking at full range hedge fund content, but probably in the short term with more of a skew to equity long-short, global macro, the more liquid trading strategies part of that content in the nearer term. And that is, as I say, that's as much about investor demand. It's not about our ability to structure products. It's what investors want to be invested in as they take stock of these markets.

As for costs, maybe I'll say a few words about the overall approach to costs and then maybe Kevin can just fill in on the split of allocation. The headcount cost that we've referred to in terms of permanent headcount is around about 15%. Some of that has been under way over the course of the last few weeks. The bulk of it, the residual piece of that which is around 12% was announced to our employees this morning. I'm actually in Switzerland; Kevin is in London talking to the employee base around that. It's spread obviously most of it is where our key people are, which is here in Switzerland and in London, but it's spread across functions, across geography and across seniority in the organisation. It's not really about cost cutting. It's about efficiency in the way that we're operating the business. And we need to reflect the lower level of revenue certainly, but by more focus on creating the platform that's the correct one going forward.

So that's broadly how it's split. Kevin, in terms of the numbers?

**Kevin Hayes:** Sure. Morning, Hayley. The run rate saving is estimated to be around about \$60 million net split. Around about \$30 million in base salary compensation, fixed compensation; about \$30 million in non-compensation expenses. Obviously when you look at our P&L there are certain lines of our expense base that automatically adjust. For example, the commissions line adjusts with sales volumes and obviously our bonus pool adjusts with performance. So those items will adjust naturally in our flexible business model.

**Hayley Tam:** Right, thank you. Can I just quickly follow up on the first part about the capital guaranteed products? Just to make sure I understand this properly, I think in the past you've said because AHL is so intrinsically good in terms of how it trades that's actually quite advantageous for the capital guaranteed structure in terms of having the trading capital to put to one side to purchase the guarantee. Am I to understand that you continue to see this as not a problem going forward despite the new more liquid trading strategies you might move out into?

**Peter Clarke:** Correct.

**Hayley Tam:** Okay, perfect. Thank you. That's great. Thanks very much.

**Operator:** Okay, we now go on to Bruce Hamilton of Morgan Stanley. Over to you.

**Bruce Hamilton:** Thanks. Morning, guys. Just a question on redemptions. I hear what you're saying on the private client redemption dynamic slowing, but on an annualised basis it still looks like you're seeing about 30% redemptions. Obviously historically you've been more in the low teens or double digits. I just wanted to check whether you'd seen a kind of change through February/March which suggests that you're returning more to normalised levels, or whether you think there's some reason why we might just be running at a high level of churn going forward?

And secondly, on the institutional redemption profile you've indicated a similar level in the Q2 to Q1. I assume you've got pretty good visibility on that given that you would have had the notifications in by mid-March? I just wanted to confirm that.

And then thirdly, I totally agree with the product positioning into more liquid products, but what are you thinking of doing in terms of adding to your capacity? Because I guess clearly one of the concerns in the market is going to be the concentration risk for AHL. Are you looking to use some of your surplus capital to deploy in new managers, or are you going to do it more through distribution arrangements, or how are you thinking along new capacity lines?

**Peter Clarke:** Okay. Thanks, Bruce. There's a lot of questions in there, which I think I've divided into three. The first thing on the private investor redemption profile, clearly the second half of last financial year was materially higher than the first, but don't forget that there's a significant MGS effect into this, as well. And we did inject a fair degree of volatility in the way of redemptions associated with the MGS content, but that was only seen around MGS products. And obviously to the extent we facilitate a switch that counts as a redemption out of MGS product and a sale into whatever other product that they're investing in. So Q4 saw a reduction in private investor redemption rates. I would hope, as I said earlier, that Q1 will continue to see that reduction. I can't predict where and when we'll get back to the very stable levels of redemption rates that we would have seen in 2006, '07, '08. But clearly when markets stabilise again I think we will get back to that. There's nothing inherently different around the products or our investor type that would suggest we wouldn't revert to a more normal redemption profile once the markets revert to a more normal environment. I don't know when that will be.

In terms of institutional visibility, yes, we do have visibility over the institutional investors and therefore, my comments around institutional redemptions in our first quarter reflect the fact that I have visibility over those.

As for widening content, as it were, away from AHL. Clearly that's been a big factor in terms of our planning for the integrated platform. One of the operational advantages of this is that we can now bring much more easily, for example, the equity long/short programme from RMF which actually won awards in 2007 and 2008, into our private investor product offering.

So I think we will be able to build a framework which allows for a much more effective accessing of content, both the private investor structured product and for institutions. So don't expect us to be rushing out and either using our balance sheet or our capital to buy managers. Expect us to use our access to the market through managed accounts, through that integrated business to provide that access to our investors that doesn't actually use our capital. One of the things that this market has taught everybody is that if you don't need to use your own capital as part of this process then it's worth avoiding.

On your last point on the private investors; I talked about redemption rates of the guaranteed product. On the open-ended product we did also see redemption rates come down in the fourth quarter, but they do still remain relatively high against our historical open-ended redemption rate. And again, I think that will subside when investors are more confident about markets generally. I don't think that's a reflection on us. I think that's a reflection on the market environment.

**Bruce Hamilton:** Thank you.

**Operator:** Okay, we now go on to Carolyn Dorrett of UBS. Please go ahead.

**Carolyn Dorrett:** Good morning, Peter. Can I just ask you about the explicit bank leverage that you've still got in your products after the successful de-gearing of MGS?

**Kevin Hayes:** Hi, Carolyn. It's Kevin. Yes, the amount of external leverage across the whole product range is around about \$5 billion. It breaks down around \$1.3 billion in the RMF product, which is the 2XL version of the Four Seasons product and the remaining is across the IPG20 product set.

**Carolyn Dorrett:** Okay, so it's \$1.3 billion RMF, \$3.7 billion IP220. Okay, and --

**Kevin Hayes:** In the MGS product at the moment, as Peter mentioned, we've retained financing facilities to be able to re-leverage that product and we are in that process. I think the trading statement makes that point. And we have retained financing facilities to allow us to do that.

Of the balance that's in the MGS product, it's around about \$1 billion, \$1.5 billion. That can re-leverage up to a total of around about \$3.5 billion, but obviously that is a process that we will implement over a period of time as we see opportunities in the market and as we see leverage and strategies that require leverage.

**Carolyn Dorrett:** Okay, so is MGS \$1.5 billion included in the \$5 billion?

**Kevin Hayes:** No, \$1.5 billion is the amount of investor equity on an unlevered basis in MGS.

**Carolyn Dorrett:** Okay, thank you. So is there any risk that that RMF leverage comes out as the underlying cash redemptions come out?

**Kevin Hayes:** As redemptions occur in the 2 XL product there'll obviously be a reduction in leverage. That's investor driven as they make choices about the leverage level in that product. The Four Seasons product is sold as a variety of leveraged and unleveraged.

**Carolyn Dorrett:** Okay, thank you. And the second one is just a request in terms of when you have your full year results announcements. If there's any possibility of getting more clarity on the management fee revenue margins between guaranteed products and private and the open-ended that would be great.

**Kevin Hayes:** Yes, I think we will be adding that detail when we go to the preliminary announcement.

**Carolyn Dorrett:** Wonderful. Thank you.

**Operator:** Okay, we now go on to Andrew Mitchell of Fox-Pitt Kelton. Please go ahead, sir.

**Andrew Mitchell:** Thank you. I just have one question that's not been addressed. It was on the mention you made regarding the new platform where you talked about the optionality in margin. And you obviously said that you'd be able to offer products with attractive fees, but similar returns from a shareholder perspective. Could you talk about how that might work? I didn't quite follow what you were saying there.

**Peter Clarke:** Yes. Certainly, Andrew. Sorry if I was a bit obtuse on the rush through there. This is detail which is probably more appropriate as it were for the full results at the end of May, but strategically what we're trying to achieve here is to provide access to hedge fund investment management in whatever format across whatever mechanism investors want. And in order to do that on a transparent and flexible basis the managed account platform is the best way of doing that, which is why everyone's talking about it.

Now we happen to have, in my opinion, by far the best managed account platform available for an investment management perspective into hedge funds. What that means is that historically we've used that to construct portfolios either for our private investors or for our institutional investors. The fully integrated platform allows us to

look at the complete spectrum of what investors want. So for example, it may be that in the future with this platform we can offer single manager access through the platform to underlying managers, or allow product investors to build their own portfolio, as it were. And we would therefore charge a fee that reflects that's it not pure investment management, but something slightly less than that in terms of advised or administered content.

That's not where we're going in the short term, but I do see us having that capability in the longer term because what it effectively means is that we would be -- and this was my point about net fees -- we would be able to create an interesting net margin for our shareholders because the infrastructure and operating costs of the platform would be supported by those that are using it for access, and our investment management fees, as it were, would be on top of that for where we're taking investment decisions, fiduciary decisions effectively on behalf of our investors.

So it allows us to move right the way across that spectrum. Our focus remains investment management just to be clear.

**Andrew Mitchell:** So really we shouldn't expect any hidden erosion of net margin through this process is what you're saying essentially?

**Peter Clarke:** Indeed, indeed and I would hope that you would see an unhidden improvement, but recognising that our mix of assets might change across that spectrum, but the margin that we're making on the asset should be improved.

**Andrew Mitchell:** Great. Thanks very much.

**Peter Clarke:** We're taking the next question?

**Operator:** Sorry about that. The next question is from Sarah Ing of Singer Capital Markets. Please go ahead.

**Sarah Ing:** Hi, Peter. Hi, Kevin. Just a further question on the new managed account platform. Two points, will this change the identity or branding of RMF and Glenwood, and also the way that you report those assets through that?

And also, can you give me some idea of the current quantum of the 70 managed accounts that you're running in terms of size of asset?

**Peter Clarke:** Yes. Thanks, Sarah. On the branding point, absolutely the platform is a Man platform. It is not an RMF or Glenwood or MGS platform. It is a Man platform. It is responding to that integrated, comprehensive approach I was discussing earlier. So while existing products clearly retain both their name and their investment management mandate as the investor has given us, product on the integrated multi-manager basis will be Man product going forward. In terms of your other question, which I've forgotten -- sorry, Sarah. What was your --?

**Sarah Ing:** You said you currently run about 70 managed accounts, so just some idea of how much that is in terms of asset terms?

**Peter Clarke:** Sorry, thank you. Yes, the answer is that I'm slightly guessing here. Well obviously - - firstly, AHL is effectively a managed account platform for transparency anyway. But ignoring AHL the balance of our assets I'm going to say something like 30% of that will be currently on managed accounts, but obviously will increase dramatically as we double the number of accounts.

**Sarah Ing:** So 30% of non-AHL assets are managed accounts currently?

**Peter Clarke:** Correct.

**Sarah Ing:** Okay.

**Peter Clarke:** A higher percentage of the private investor piece and a slightly lower percentage of the institutional investors. But the institutional investor is obviously making some choices there that are their choices, not ours.

**Sarah Ing:** But in terms of where Glenwood currently is, obviously the majority of Glenwood's products are wrapped into the IP220. Any further requirements from or developments on Glenwood's process is going to be almost entirely through the new platform, not through any new Glenwood branded product.

**Peter Clarke:** That is correct, Sarah, and it will be on managed accounts.

**Sarah Ing:** Right, okay. Thank you very much.

**Peter Clarke:** And just a word, perhaps just before we go to the next question, just a word on managed accounts, because as I say, everyone talks about it a lot in this environment. The key issue for managed accounts is transparency and risk reporting and therefore, mandate supervision from the allocator. But the real reason everyone's excited about managed account platforms is that it gives you flexibility. You can get in and out of them fast, because they're your assets. You're not reliant on the typical redemption and subscription time table of the reference hedge fund. And that's important for dynamic allocation, which people want to do and we do. It's also important because it removes you from the business risk of the underlying hedge fund gating the other investors. It doesn't give you more liquidity than the underlying investment inherently has. What it does is say if the reference hedge fund is gated because redemptions are coming in at such a rate that the manager puts down a gate, if you have a managed account platform you are unconstrained by that gate. You own the asset. You can liquidate those assets.

So those are as important as the transparency of risk reporting components, which historically have been the main reason that we've been allocating through managed accounts for the last ten or 12 years.

**Sarah Ing:** Sorry, just one further bit on that. The 30% of existing managed account assets that you say, are you going to take those out and report them as a separate business division going forward?

**Peter Clarke:** No. No, we will continue to report our assets on a -- well certainly our current intention is to report our assets on an investor segmented basis, a margin rather than a construct or access.

**Sarah Ing:** Okay, thank you.

**Peter Clarke:** We'll try and be as helpful as possible.

**Operator:** Okay, we now go on to Phillip Middleton of Merrill Lynch. Please go ahead.

**Phillip Middleton:** Yes, thanks very much. I wonder could you say a little bit more about what sort of feedback you're getting on your current launches, the current retail launches? Have you actually launched any IP220 products recently? And also, what sort of success so far have you had moving people out of the cash box MGS fund into other products?

**Peter Clarke:** Okay. Thanks, Phillip. Good questions. We're still in launch periods for products. It's quite difficult to give a lot of detailed feedback, but what I can tell you is that we have what we call a global offering at the moment, and we have two regionals underway: one in Australia and one in Japan. And we have a second follow-on in Japan ready to launch in about the middle of April. So there's a lot of activity at the moment. We talked about the content of those offerings.

The backdrop to this, well clearly the sales environment is difficult even for strongly performing product like ours. Having said that we continue to see demand. I can't sit here and predict where that is because it's too early in the process, but we're seeing good levels of interest. In the very recent days and weeks we've seen that increase, which is good. I think people are getting a little bit more comfortable about the world over the last few weeks into particular.

So we'll have to wait and see but I think what I would say is that I think in the first quarter and probably in the first month we're likely to see a significant inflow as a result of all of those launches. And I would say without trying to break them down, but put them in aggregate, I would say we're going to say \$1 billion, \$1.5 billion, something like that of asset raising through those launches. So I think these remain significant amounts of money to be raising in this environment, but as I say, very early days. So I'm not predicting anything. I'm giving you a pure bit of Clarke speculation.

On IP220, we haven't launched an IP220 at the moment. The next product, as I say, is going to be likely to be more focused on underlying liquid strategy. That is primarily an investor driven requirement, rather than a funding driven requirement. We continue to have access to funding for our products, for leverage directly into the product. We can construct product, but obviously we're more interested in producing a product people want to buy. In this environment people are looking for highly liquid content, so we are skewing for that reason towards liquidity. But you're right, hopefully it also skews us towards those cash intensive structures. But do expect us to have those products outside managed futures later in our first quarter or into our second quarter.

On the cashbox point, what we describe as permanent cash vehicles in MGS where products have gone into permanent cash; yes, we have been moving those people into product launches as they come up. So in our Q1 Global launch, which is in market at the moment, we are offering that to existing MGS investors as a means of getting into a product which has an investment mandate which gives them the opportunity for return, rather than just sitting on cash. But to be honest, this is a process that we conduct with our intermediaries with the distributor and therefore it's a dialogue we have with them and then with their client. So we're driven very much there by the speed, rationale and motivation of the private bank or whoever.

**Phillip Middleton:** Thank you very much.

**Operator:** Okay, if there are any final questions, could you please use this opportunity to press 01 on your keypad now. Okay, as there are no final questions, in that case thank you all very much for turning up to this call. This now concludes our call.