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Kevin Hayes - Finance Director  
Peter Clarke - Chief Executive

## **Jon Aisbitt - Chairman**

Good morning, ladies and gentlemen, and thank you for joining us for our interim results presentation for the six months to September 30, 2010. Our activities during the period were dominated, as I'm sure you would expect, by the acquisition of GLG. However, the deal formally closed on October 14 after the end of our reporting period, so it's important to bear in mind that interim results for the Man Group that we're presenting this morning do not include any contribution from GLG. However, we recognise your obvious interest in how GLG is faring, so we've provided some supplementary information on recent GLG funds, flows and investment performance to give you a sense of their recent progress.

Both Man and GLG funds performed well as we were working to complete the acquisition, with strong performance across a range of investment styles. GLG flows were positive in the period and whilst Man had net outflows for the period, the second quarter saw the first positive inflows for over two years on the institutional side, as previously announced institutional mandates continued to fund.

We've made significant progress on each of our five strategic priorities for the year. The acquisition of GLG is a very significant step in our quest to expand our active single manager capability. But we've also made good progress in terms of capturing the full potential of AHL, building scale and profitability in Man Multi-Manager, deepening our distribution reach and maintaining focus on efficiency by continually evaluating our cost base.

Peter and Kevin will tell you more about each of these initiatives and there's still a lot of hard work to be done, but let me just say that I believe the steps we've taken this half position us well for profitable growth going forward.

Finally I can confirm that the Board has declared an interim dividend of 9.5 cents per share and that, as previously announced, it's our intention to pay a total dividend for the year of at least 22 cents per share.

And with that I'll hand over to Kevin.

## **Kevin Hayes – Finance Director**

Thank you, John. Good morning and no it's not a typo, it is the month of November. Each year Man selects a charity and this year's charity is the prostate cancer charity, so many of us at Man will be growing moustaches, well at least the men, which is why I stand before you less well shaven.

Let me take you through the highlights for the six months to September 30. Funds under management increased from \$39.4b at the end of March to \$40.5b at the end of September, principally from a very strong investment performance across all of our flagship products. Gross management fee margins were stable across all product categories, guaranteed, open-ended and institutional.

We delivered \$227m of profit before tax and adjusting items. This demonstrates the focus on cost efficiency which Jon listed as one of our key objectives. Our balance sheet remains liquid and our capital base robust.

If we look at the funds under management and flows in more detail, the key word here is momentum. The institutional business saw positive flows in the second quarter with reduced redemptions and sales from previously announced mandates which have now started to allocate on the Multi-Manager business.

Open-ended sales also picked up slightly and redemptions held at fairly consistent redemption rates. We did see an increase in redemptions in the guaranteed product set, really driven by the fact that the IP220 product had very strong performance during the period. IP220 was up 13.1% for the period, 18.5% for the calendar ending September 30.

The other obvious large movement was the fact that we delivered \$1.7b of investment performance to our investors, predominately from AHL and mostly in the second quarter. Investment performance will be the catalyst for flows in the second half.

With regard to gross management fees, margins continued to be stable in all three product categories. In the guaranteed products, gross margins were slightly higher in the half, largely, as I said, as a result of the redemption fees that we earned on redeeming guaranteed products. Guaranteed product margins were 480 basis points. That redemption fee effect is about 15 basis points in that number. Open-ended product gross margins remained stable at 350 basis points. And the institutional gross margins, slightly up to 100 basis points.

We are launching products in these margin ranges. In the institutional business we'd indicated that there was a range of margins, ranging from the managed account mandates through to the discretionary mandates, and we continue to see mandates in and around these margin levels, based on the type of the mandate.

Statutory profit before tax was \$147m, after adjusting items the profit before tax is \$227m. Let me walk you through the adjusting items. The first one is for the costs of completing the acquisition of GLG, \$25m. The other two items relate to pre-acquisition rationalisation. One of the five strategic themes that we talked about in March was operational efficiency. Prior to the completion of the GLG acquisition we engaged with some external advisors, to look at our existing businesses with a view to gaining further efficiency. The cost of that advice is included in the other category, the \$11m.

In the half we took steps relating to this analysis and the result was a reduction in headcount and a charge for compensation, primarily the acceleration of previously granted stock awards. This action is separate from the \$50m of cost synergies we announced with the acquisition of GLG, or the integration of GLG. These synergies are still on track to be achieved.

The remaining item, which appears in discontinued operations, relates to an arbitration settlement with MF Global which dates back to their IPO and is included, as I said, in discontinued operations.

The tax rate is around 18.5%, pretty consistent with where we have been, and we anticipate that it will remain around that level post the integration of GLG as well.

Diluted earnings per share before adjusting items, 10.2 cents per share, and as Jon mentioned, our interim dividend will be 9.5 cents per share.

This slide takes a closer look at the P&L. Again, a solid result and an indication of the continued focus on cost management. Average FUM for the half was down around about 7%, and as you can see, gross management fees were down only around about 3%, indicating a slight shift towards the higher margin private investor FUM.

Performance fees of \$23m were earned predominantly from AHL. At September 30, AHL was 6% from performance fee highs, that's about 25% of the FUM in AHL was at or above performance fee highs, and Peter will update those numbers on performance through to October 30.

Investment in FUM products were flat with gains offsetting losses. On the sales commission line, as you may recall from last year, at the year end we talked about a \$30m sales commission adjustment which around about \$25m of that is sitting in the \$179m for the comparative.

I mentioned slightly higher redemption rates on the IP220, that results in redemption fees and obviously there's an associated write-off of the placement fees associated with those redemptions.

Compensation, the fixed costs for compensation includes in this half around about \$8m of additional pension expense, as we settled some of our pension liabilities on a closed defined benefit plan, which will reduce our liabilities going forward. And we also increased some base salaries reflecting changes in the market.

Variable compensation is driven off our net economics and the compensation to revenue ratio in the half was about 25% of revenues, compared to around about 24% for the full year 2010.

You can see on the other costs line, other costs were \$105m compared to the last half of last year of \$128m, that's a reduction of around about \$23m. This reduction was across a number of categories, marketing, recruiting, travel, which actually offset around about \$9m of additional expense that we had indicated at the end of last year for depreciation and the double rent period on Riverbank House, our London facility, which is being fitted out at the moment. So it continues to show solid focus around costs.

Our net finance expense, as we'd indicated, increased as a result of our debt issuance from January 2010 and is pretty much in line with the guidance that we've given you.

We have a strong pre-tax margin of 34%, even with the lower levels of performance fee and, as I mentioned earlier, with AHL coming up to performance fee highs there is possibility for further increase in that margin.

We continue to focus on operational efficiencies and have significant scale in the platform already to manage more assets at the same cost base. While our cost base is down, we have continued to invest in the franchise, particularly in areas of research to build out different parts of the existing franchise.

With regard to our balance sheet, our balance sheet at September 30, pretty much the same as at March 31. Loans to funds had a slight increase as result of some rebalancing between the funds. Our equity position and our cash are slightly lower as a result of paying the final dividend.

The balance sheet continues to be strong and liquid, as you can see. We also have the \$2.4b committed facility which at September 30 was undrawn and has remained undrawn.

With regard to our debt profile, in August we offered a par exchange for the existing subordinated floating rate note into a subordinated fixed rate note with a maturity of 2017. This has effectively extended out the maturity of our lower Tier 2 qualifying regulatory capital.

With the free cash balances and committed facilities we had available just over \$5.2b of liquidity.

We moved to the closing of the acquisition of GLG on October 14. It closed to plan and within our expectations. The rise in the share price of Man has meant that the value of shares issued to the founders increased from \$550m to \$700m.

At the closing on the left hand side we had cash of about \$2.9b. We settled for cash the US public shares and will shortly settle the convertible bond for around about \$1b in total. At closing we also repaid the GLG bank debt a net of cash on GLG balance sheet, so post the closing we have \$1.8b of free cash and, as I mentioned earlier, the \$2.4b committed facility still gives us cash and liquidity resources of around about \$4.2b post the transaction.

On the right-hand side, the transaction goodwill net of deferred taxes is going to be approximately \$1.85b. Net new shares issued which were issued to the founders, 162.7m which will obviously go into the EPS calculation, were issued for a value of \$700m, which partly support the goodwill. Then the excess capital we had will support the remaining part of the goodwill of around about \$1.15b. This leaves us with an excess capital of \$300m.

Given that the majority of our regulatory capital charges relate to Tier 1 deductions for goodwill and material holdings, our operational risk is a fairly formulaic calculation, and the remaining items on the balance sheet relate to loans to funds and our fund investments which are at our discretion. We actually have very little volatility in our capital requirements. The FSA were obviously consulted through the closing process of the acquisition of GLG and with regard to our overall capital position of the enlarged group, and we are therefore comfortable with the excess capital we have of the \$300m.

Let me just touch on how we will be reporting on the combined businesses. I think historically we've given a lot of transparency around flow of FUM, margins, the cost base and we will continue to do this. This chart basically shows the breakdown of funds under management at closing and we will report it in the four categories, guaranteed, open-ended alternatives, the institutional fund of funds and the long only business. We'll give you flow information and gross revenue and margin information on this basis as we've done before. In addition, we'll incorporate the GLG funds under management in our geographic, style, channel and currency disclosures. In terms of the P&L and the balance sheet we will maintain the format of our existing disclosures.

We're also announcing today that we will be changing our reporting year end to December 31 with effect from December 31, 2011. This aligns us with the rest of the industry that operate predominantly on a calendar year basis for performance reporting. It also aligns us with the performance fee periods of the GLG funds which are June and December end.

We've outlined here the various reporting dates on the table. The current financial year end will complete as planned through to March 31, 2011. The next interim date will be for the six months ended September 2011, so no change there. And then after that the next reporting date will be for the nine-month period ending December 31, 2011. Then from there it will be a six-month period ending June 30 and the year end December 31.

We've also given on the bottom of this table the dividend disclosure for the approximate timing of dividends.

So with that let me hand over to an, at least, clean shaven Peter.

### **Peter Clarke – Chief Executive**

Thank you, Kevin. Good morning, everybody. In my section I'm going to be focusing on the key themes which hopefully you'll find also the things you want to hear more about the business predominantly in terms of positioning and outlook, Kevin having gone through the historical financial information in some detail for you.

In particular, I'll be looking at how our product range, now including GLG obviously, gives us investment capabilities right across the liquid end of hedge funds and, indeed into active long only. How strong performance and, indeed, significant outperformance in most cases is fuelling a healthy pipeline of sales. And markets, despite some degree of continued uncertainty are providing returns for our investors and how we continue to invest to stay ahead. I'll talk about our competitive positioning, why capital resourcing and regulatory position gives us an edge in these markets, and why the flow outlook is positive notwithstanding the risk aversion in many market segments, which for the time being is continuing.

So what do we mean about the breadth of the investment management spectrum that we now have? Here we've presented the combined group in a different format than you're all familiar with. On the left we have our Multi-Manager business focused on investment solutions, able to source and combine returns in a risk managed and transparent format from discretionary pools through to managed account solutions. I'll talk those in a little bit more detail later on. The Multi-Manager also provides the non-AHL component of our flagship IP220 product range.

And then in addition we now have an extremely comprehensive set of complementary hedge fund strategies all managed internally. AHL, of course, part of the original Man stable of managers, currently \$23b under management. And then a series of GLG strategies of macro, emerging markets, equity long/short, market neutral, credit and converts, comprising \$16b of the \$29b on the slide, that's the \$12b of GLG, plus the \$4b of Man convertible and credit strategies in Pemba and associated managers. And then the active long only is the balance piece of FUM which is around \$13b.

These strategies are attractive both standalone and in combination and why they're attractive, well here are some statistics in terms of performance of the key components of our investment product offering. They're all performing well. IP220, if you include October is now up over 20%. AHL, confusingly because we report on non-calendar month periods so the latest stats you'll have is up to 17% to the October 27, although the latest weekly statement shows that we gave back about 1.5% of that. So if you assume that AHL calendar year to date on the latest published statistics is up a little over 15%.

One of the reasons, the helpful consequences of the change of calendar year end is we won't have to keep confusing you between calendar year stats and financial year stats. I work from calendar year stats in this part of the presentation.

Some of the flagship GLG strategies are also shown here and, as you can see, there's really some extremely strong performance here, both absolute and relative to bench marks where they're outperforming significantly. I would identify in particular the Market Neutral at over 28% and the Macro fund at over 28%, some very strong performance there. And clearly an attractive performing comprehensive set of products is what we're pleased to have and what motivates our investors to invest with us and therefore grows assets under management.

Looking now at AHL and the performance and the investment we continue to make in the AHL team. Performance attribution to September 27, the nearest we could give to financial year for you is here. What you can see is that the return from the year, the positive components have been from bonds, interest rates and currencies. Stock indices and energy the negative contributors through this period.

AHL's performance continues to be enhanced by our commitment to research, our investment in market analysis and trading methodologies. We now have 80 people in the research function at AHL, we have a unique collaboration with Oxford University which has now been operating for three years, and we've developed enhancements to both our trading and to our portfolio construction methodology which are yielding results in performance, tangible results which are showing in the positive year-to-date performance that we are showing you here, especially in bond trading.

Distance from peak, Kevin mentioned that I would talk a little bit about AHL's distance from peak. These statistics are at September 30. Currently, or as at September 30, 24% of AHL was through peak or at peak. If you factor in the October performance you will see that around 50% of AHL's assets are through or within 1% or 2% of peak. Clearly, continued strong performance from AHL will generate significant performance fee income in the second half if performance continues from here, although as you can see, we're already earning performance fees on a portion of AHL, some of which Kevin referred to in our first half statement.

Looking at the comparative position of the GLG funds, strong performance across a range of styles as you saw earlier. What that means is that we've seen assets through high water mark in the GLG stable of FUM. 80% of GLG's hedge fund assets are now above high water mark as at September 30. 34% of long only asset which carry performance fees are at high water mark. So the prospect of performance fee income for GLG at calendar year end, which is when it will be booked, remains healthy.

The continued performance of GLG has been a continued driver for net inflows during the period the transaction was announced. This is testament to the effective communication with investors, the confidence in the merits of the transaction and the continued focus of portfolio managers at GLG on creating investment performance. So an excellent outcome through a period of uncertainty as we moved from announcing a transaction in May to executing one in October.

In terms of product momentum, how does that all translate into what we're seeing on the ground as it were. Looking first at AHL and I will look at each component in turn on this series of slides, we're seeing open-ended AHL sales pick up off the strong recent performance, not surprisingly. We've secured regulatory approval from the MAS in Singapore for the first UCITS managed futures fund for distribution into Singapore; a process which took a couple of years but reflects the relationship and confidence that regulators have with us and with our product offering. I doubt that anyone else is going to secure MAS approval for this sort of product onshore in Singapore.

In the United States AHL is now recommended by five consultant firms, this is generating institutional interest. Institutions in the United States have not historically big allocators to managed futures, 2008 changed their view. And we've just secured access to the BAML Futures Access platform in the United States which is excellent timing in light of recent performance.

With GLG also good progress in terms of momentum, the European Equity Long/Short Fund celebrates its tenth anniversary, so a long track record here in equity long/short. A strong performance in Alpha Select which you saw on the earlier chart. The UCITS there has reopened to new investment. There's a strong institutional pipeline into Europe, the Middle East and Asia Pacific.

On our side from the retail investor level we are, as we've mentioned before, seeing private investor interest in Asia Pacific and particularly in Japan for macro and emerging market strategies, in particular, and I suspect those will be the strategies where we will first see Japan launches outside the structured product launches.

Private banking channels, a long and important channel for Man, are also showing interest in GLG single manager strategies, a product which until now we were not able to deliver outside of AHL.

In terms of UCITS clearly the continued focus on open ended onshore liquid strategies has continued to drive up UCITS FUM. On a combined basis we have \$1.7b in UCITS of which around \$400m is in the AHL UCITS products. As I mentioned before, I strongly believe that over time UCITS will become an important component of our FUM. There are only a few managers with the relevant resources, products and performance to succeed in this market, within alternatives at any rate, and we are clearly the pre-eminent amongst those.

On the Multi-Manager side, we continue to see particular interest in managed accounts as a basis for investment solutions. I'll spend a minute on this in addition in a slide or two. Interest coming particularly from Europe and Asia based institutional investors.

In addition to marketing standalone single manager funds off a focused list which we've prepared for different geographies for different GLG products and our sales teams, the integrated sales team, is now off marketing those. There is, of course, demand for composite products. The combination

of AHL and GLG's global opportunities fund will be our first global launch. It will be a Q1 launch for next calendar year. It's an attractive product, it's enjoying strong performance and although current demand for composite products remains subdued I remain convinced that these products will continue over time to prove extremely attractive to investors and to become a significant part of our own FUM over time in the same way that IP220 has done historically. These are, as you also all know, our highest margin components of FUM.

I said I would talk about the Multi-Manager, some more detail around here. We've seen strong flagship performance, 18.5% calendar year to date, over 20% if you include October. Infrastructure and access that we have here and our long track record of providing solution-based investment themes is what investors want. As I describe it, we don't so much find a solution as create one. We have strong research risk management portfolio skills. We're finding that many institutions are looking to us for non-traditional solutions, if I could put it that way, to traditional portfolio problems.

On the managed account side we are the biggest and most extensive provider of managed account infrastructure of any investment manager. The only bigger ones are investment banks. We're seeing particular interest here and I'm very confident that we're going to see strong inflows over the coming quarters onto our managed account platform.

With the new leadership of Luke Ellis, who has now as of October 14, taken over leadership of the Multi-Manager business, as previously announced, the business will be focused on performance clearly, balancing resourcing with investor requirements, building assets, and rebuilding profitability, is clearly the key focus for Luke and for the team at the multimanager.

A lot's been happening in the regulatory world, as you are all only too familiar. The regulatory framework continues to evolve but it's at least becoming a little clearer, certainly here in Europe. What is also clear is that Man is well placed in a new regulatory environment. Regulatory oversight in multiple jurisdictions, as you know, that's something that we are fully familiar with and resourced for. Regulatory focus on restricting banks from seeding, from prop trading, the hedge fund community is already seeing some of the benefits of that in terms of talent migration, and less capital chasing, some trades, particularly in the RV, the relative value area, as bank balance sheets de-lever is proving to be helpful to returns in some of those strategies.

Although some regulatory action does limit market behaviour, for example, limitations around naked shorting, increased disclosure requirements, I believe that the industry can broadly accommodate this for the most part. Indeed, some regulatory pressures, for example, the migration of OTC derivatives to exchanges and onto clearing houses, will be materially beneficial to the likes of AHL.

So, our familiarity with regulatory regimes, our relationships with regulators, the resourcing that we have will, and has already I guess, become a core competitive advantage for Man in our industry.

What are people looking for? Well, they're looking for stable well-capitalised managers. The counterparty issue around who investors give their money to for investment management purposes is becoming front and centre for them. Due diligence today spends as much time on the asset manager as it does on the fund.

With the GLG transaction now complete, a single operational management structure in place, our focus remains on a commitment to provide strong risk adjusted returns to our investors in whatever format suits their own requirements. Both Man and GLG shared a common philosophy that this is best provided by high quality institutional standard business with capital and resources to invest and grow and one which will continue to attract the best talent in the industry. And I'm confident that that is what the combination has created.

The established firms that can demonstrate these characteristics, and Man is not alone but it's one of the few, are seeing this in investor preferences. The focus investors have, as I say, on governance, on capital, on resources, on business sustainability, is growing and will continue to grow and marks a strong shift in historical basis on which people assess their hedge fund counterparts. The empirical evidence, which we've given here on the slide, simply confirms this.

So, in summary, we've seen our assets grow at Man in the first half and at GLG over a transition period up until closing. That asset, FUM growth, has continued as you've seen through October with a combined \$67b as at the end of last month. Performance has been strong, both absolute and relative to relevant benchmarks. GLG, as I say, has seen inflows through the transition period. Its investment teams are intact and growing and that is an excellent outcome.

The Multi-Manager business is making progress in assets and with a new leader will focus, as I say, on profitability and correct resourcing. Industry and portfolio trends are basically now a tailwind at least for firms such as Man as we move forward with a strong and comprehensive business focused on performing for our investors.

So, we are well placed to continue to grow assets and so to increase profitability from management fees, which obviously derive from FUM growth and clearly, as we've mentioned, the potential to earn significant performance fees at this stage in the performance cycle for both AHL and for GLG remains significant for the second half.

So, I will stop there and we will, as usual, move to Q&A.

### **Daniel Garrod – Barclays Capital**

Good morning, Daniel Garrod from Barclays Capital here. A couple of quick questions if I may. I was wondering if you could just comment on the GLG flows that you identify in the period from July to the closing of the transaction of \$0.4b. It's a little bit below the run rate previously of their quarterly inflow rate. Would you attribute that just to the noise surrounding the transaction? Is there obvious seasonality in their quarter-ending-September flows? And would your expectation be that it would pick back up for the last couple of quarters they've been doing a \$1b, a \$1.5b inflow rate?

Second question, the percentage of GLG funds above high water mark? Of the \$25b that they managed could you just give us an update on what amount of funds are actually performance fee earning now? Thank you.

### **Peter Clarke**

Okay. Well, I think you've identified in your question the components to the flow question. Clearly, some seasonality, summer does tend to be a quieter time. There was a transaction in the background and although there's no particular empirical evidence that that affected flows which was a stunning outcome, actually a stunningly positive outcome. I guess it may have had some impact.

Clearly, strong performance is going to continue to drive inflows and GLG has a strong pipeline without the incremental Man sales effort and with the incremental Man sales effort that should be even stronger. Manny Roman actually is at the back in the audience if anyone wants to catch him afterwards before he can escape for any detail on GLG. But, your question, the thrust of your question, is exactly correct in terms of the metrics there. And the prospects are that flows particularly given the strong performance will increase.

Your second question, there's \$12b of hedge fund assets in GLG. There is a portion of the long only, the \$13b or the balance of the \$25b, which carries performance fees. That's not going to be a

material component to the performance fee metric. It's going to be driven by the assets of the alternative component to that. So, look at the \$12b, for the main component to that.

### **Philip Middleton – Bank of America Merrill Lynch**

You talk a little about risk appetite in your previous presentation and comments. Do you think your products are seen as risk appetite as relatively medium to high risk products? Do you think you've got some things that investors perceive as safer which may be the sort of products that people are gravitating to at the moment? And how overall are you thinking about investor risk appetite at a time when this is actually quite a live question across the whole industry?

### **Peter Clarke**

It's a very live question. I think starting with the big picture. It's clear that institutions want to increase allocations to hedge funds, not without exception because some are already fully allocated. But, all the empirical studies suggest that that's the case. I was in Chicago a few weeks ago and there was an investor conference for state pension plans and others and they were asked to press their buzzer as to whether they were going to invest more or less in hedge funds. It was, I can't remember, 85% who said they were going to increase their allocation to hedge funds. The question is when and in what sort of products and who with.

What is clear is that the timeline is extended, due diligence takes longer, it's clearly helpful if they're already an investor in you in some other product. But, the due diligence process is more thorough and takes longer and the investment management process takes longer. But, there's no doubt that there are portfolio solutions needed to most large institutional plans potentially, particularly pension plans. So, the prize there I think is large.

On the investor, on the private investor side it's more patchy on geography. UCITS clearly does provide, to answer part of your question, Philip, on safe products. The UCITS platform is seen as a safe place to go and clearly the strong performance of AHL's UCITS and GLG's UCITS is attracting people who want onshore measured risk, controlled framework, but liquid investment strategy. So, I think the more cautious investor and indeed the smaller investor can now migrate into UCITS. It's one of the reasons why I think UCITS over time will become such a significant component of our FUM.

But, risk management, sorry, risk appetite, more generally is quite patchy. In Asia Pacific we do see strong levels of interest. It's not back to the levels that it was historically and they are focused on liquid, nimble strategies and obviously around macro themes such as emerging markets. So, mixed but overall improving rather than deteriorating.

And, sorry, just one other point I ought to mention. Although we say the demand for guaranteed product is subdued, which it is, ultimately that is, if you're concerned about risk, there is a price associated with investing in guaranteed products; that price being borne effectively by performance. But, that is a safe way in and I do think that we're going to see people coming back into guaranteed products for exactly that reason.

### **Bruce Hamilton – Morgan Stanley**

Just a couple of other questions on flows if I can. On the Japanese situation with your distributors in an area that's been historically very strong for you, what's the level of activity there? Are things warming, what looks like the timing in terms of any potential product launch?

And linked to that, are you picking up an increase in private client demand for structured products more generally or from your comments it sounded like it was still somewhat uncertain?

And then secondly on the institutional side, you've clearly pointed to being pretty optimistic on the opportunity for MAC and so forth. Are there any numbers around pipeline or around RFPs that support how close that is in terms of real numbers coming through in the next six months?

### **Peter Clarke**

Let's start with the last one first. The process of winning substantial managed account mandates is an intense and long one. The reason that I expressed some high level of confidence about flows is that we are in advanced, very advanced, stages of mandates with some big potential tickets. So, as I've said before, it doesn't mean you will win all of them but you'll certainly win one or more of them. Those mandates are for \$1b plus size. What I can't do is predict the timing of flows associated with that but I'm highly confident that we will secure one or more of those in the coming months.

In terms of Japan, in particular, Bruce, there is a lot of interest in Japan. They know Man, they like GLG products, they never really had the capability to invest in the format they're familiar with via Man in those sorts of products. So, we have an excited Japanese sales force and our two big distributors there are both keen to do something with us. Timing Q1, Q2, content possibly CTAs, probably, more probably, macro or macro CTA combination and emerging markets. There is, of course, also the Q1 structured product launch, GLG and AHL, which will have probably a Japan component to it as well. But, in terms of the big Japan focus launch, Q1, Q2, I would expect and, as I say, one or two products structured around that sort of content.

How active is all of that? It's very active. I'm there later this month with some very senior people there to talk about how we can get to Q1, Q2 structures that make sense for their investor base. Overall, demand not what it was but these sorts of products in formats that they're familiar with no one else is really providing.

### **Hayley Tam – Citigroup**

Good morning, it's Haley Tam from Citigroup. Three questions please. The first one on the structured product for Q1 next year, can you give us any more colour on what proportion that might be invested AHL versus GLG? And can you also confirm that the fee structure and the capital guarantee will be very similar to what you've done in the past?

And secondly, just two quick follow-up questions on GLG. Perhaps to ask again the questions that were asked earlier in a slightly different way. Can you confirm that the \$13b alternative GLG assets that all of that earns performance fees, or is there some that doesn't?

And also in terms of the net inflows you saw Q1/Q2 earlier this year, the \$1b and \$1.5b, was there something unusual in there or can we assume the Company can return to that level of flow on its own? Thank you.

### **Peter Clarke**

Okay. On structured product, Haley, we haven't finalised the structure around this. But, it's 100% AHL plus an incremental allocation, 50% or 60% to GLG Global Opportunities. It will be a CPPI structure. We've chosen the provider but I don't know that's public so I won't name the provider. And that is through mechanics and into execution in terms of producing the documentation and the paperwork and the modelling to support the track record and performance data that will go out with that. That product, as I say, is a Q1 launch so the documentation associated with that will be coming out in January.

In terms of the \$12b, pretty much all of it carries performance fees. So, a simplifying assumption is that, yes, it all carries, it's \$12b not \$13b, Haley.

And flows, yes, we would hope and expect that with continued strong performance the flow rate in GLG will be what it has been historically. As I say, there's nothing empirical, people have been satisfied with the transaction clearly, and performance is good to excellent. We really should be raising assets and the GLG pipeline remains strong, even without the contribution from the Man sales force.

### **Rupak Ghose – Credit Suisse**

Hi, it's Rupak Ghose from Credit Suisse. Two questions, one on GLG and second on BlueCrest. Firstly, with GLG, understandable that macro and emerging markets are clearly products with good performance and good demand generally out there. I'm just wondering how important the length of the track record of funds there is relevant. Clearly, the global macro fund, stunning track record this year, EM fund had a good year last year, very good managers on both funds, but funds that have not been around for a long time. EM, there was a change about two to three years ago; macro I think it's about a year or two. To what extent is putting the Man brand on that going to change that dynamic? Or, I'm just wondering how relevant the length of track record is important there?

The second thing, I think I saw Tim Wong in the audience, was relevant the extent to which you talk a lot about UCITS and AHL and so forth, but we saw one of your main competitors in that CTA space, Blue Trend, close their UCITS fund talking about tracking error and so forth. And I know that UCITS had some stringent regulations around commodities and government bonds, in particular, in terms of leverage and so forth, and I'm just wondering is that relevant to AHL or not?

### **Peter Clarke**

Tim is in the audience, so by all means collar him at the end. Poor Tim, he'll never get out the door. But, the answer to the last point first is that Blue Trend adopted a different way of being UCITS compliant. They traded in a UCITS compliant way which meant they had to exclude certain instruments, some of which you've identified. Us, and I think everyone else, actually in managed UCITS went the other way. There are two ways to do it, which is to invest in a representative index and then take a swap, swap that return back to the UCITS investor. That has proven to be more effective in reducing tracking error.

So, the tracking error components which applied to the Blue Trend UCITS do not apply to anything like the same measure to the AHL trend and diversity programs. There is, if you compare trend and diversity to ADP, you will see some difference but that's because of performance fees, because obviously performance fees are earned from launch on the UCITS. So if it sees performance it then has performance fees, but if you ex out performance fees the tracking error is manageable and apparent and certainly significantly lower than the Blue Trend one.

We are committed to onshore regulated open ended liquid trading strategies. So, our commitment to UCITS is unquestionable.

In your first question, length of track record, of course, it does matter. Of course, it's also fair to say that the track record of the teams that are managing the product although the duration of the track record at GLG might be 18 months or three years, their track record is attached also to their prior experience. These guys didn't start from scratch; they started with a record in other institutions.

I think in the context of Man, how important is the Man credibility for want of a better word around that, I think in Asia Pacific that's extremely important. If we put our name into a product in that region those investors expect us to be highly confident in the capability of the investment management team. So, I think we are much more likely to be able to sell large amounts of shorter track record product than anyone else into that region.

So, obviously, it would be nice if it were a longer track record. I don't think it's a major impediment, it being short.

**Sarah Ing – Singer Capital Markets**

Sarah Ing from Singer Capital Markets. Just on the balance sheet, you post the deal with a capital surplus of \$300m, you refer to financial strength being a key component in terms of investors' requirements. What sort of level of capital surplus do you feel medium term you'll be comfortable with? Do you expect to build upon that or what? I don't want to be premature in this but, obviously, when AHL fully kicks in it can add a lot to the bottom line.

**Peter Clarke**

I think we're pretty consistent with our statement. As I said, there's not a lot of volatility around additional capital requirements in the business and the \$300m buffer is a comfortable level for us. I think what you're asking about is then do we need to accumulate capital above that if there was strong performance out of the business. I think from our requirements at the moment, no.

**Sarah Ing**

That leads me to another question. In the past you have previously used post-tax performance fee income to buy shares in the market. Is that a possibility in the future or might you employ other methods?

**Peter Clarke**

I think dividend and distribution policy is obviously a Board matter, Sarah, so I don't think, as and when we have any policy change on that we will inform you. But, at the moment our focus is to commit to a distribution of dividend of at least 22 cents for the current year. When we have, and hopefully it won't be too far away, substantial performance income and we're accreting capital beyond our investment requirements, we will communicate a strategy around that.

**Jon Aisbitt**

Can I just add that we have made it clear that we want to return to a progressive dividend policy. When we're able to do that will be determined by our current period performance outlook and it will continue to be subject to the capital needs of the business. What we are keen to do and what I hope the GLG deal shows is that we believe in the Man franchise and we want to invest in that franchise and so there's always going to be a question of whether or not we're better to invest in our business or to return capital. But, we want an efficient balance sheet and we want a progressive dividend policy.

**Peter Clarke**

Any more questions for us? If there are no further questions I'll just thank you all for coming and we're still around if anyone wants to grab us individually. Thank you very much.