Event:	Pre-Close Trading Update for the six months ending 30 September 2010
Date:	28 September 2010
Speaker(s):	Peter Clarke - Chief Executive Kevin Hayes - Finance Director

Forward looking statements

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Operator: Hello, and welcome to today's Man Group Interim Pre-Close Trading Update call. Today I am very pleased to present Peter Clarke, Chief Executive, and Kevin Hayes, Finance Director, of Man Group. During this call all participants will be in listen only mode and afterwards there will be an opportunity for questions. Peter, please begin.

Peter Clarke: Okay. Thank you, Hugh. Good morning everybody and thank you for dialling in to our Q2 FUM update and the Pre-Close for the first part of 30 September. We'll adopt the usual format which is I will speak through some points in the release and around the release for 10 or 15 minutes and then pass over to you all for Q and A.

The first point is obviously it's pleasing to note that our assets under management are up from both 31 March and 30 June level of earlier this year at $39.5 billion. Within movements for FUM clearly some pickup in sales has helped create a positive net flow for the institutional components of our business. You will have heard me say that I expected this to be positive in the first and second quarter of this year; it didn't happen then but it has happened in the third quarter of our financial year.

Within private investor, small net outflow continues; that is as much a function of maintained redemptions and maintained sales rather than any significant mixed shift between them. I will talk about the mix between structured and open-ended products shortly. My manager note today tells FUM at $21.9 billion is up on both 30 June of this year and 31 March of this year and indeed 31 March 2009 when FUM was at $22.4 billion in AHL. That's the main reason you will have noted that our margins have been stable for the period.
Performance has been significantly positive across the bulk of our assets under management base in absolute terms and relative to industry benchmarks. That's clearly very encouraging, particularly given the wide dispersion of returns we've seen within styles and between styles, particularly in the hedge fund arena, as many of you will be familiar with.

So, the calendar year for AHL is up 7.6% to 31 August and we're pretty much flat month to date for September, so that's not going to change much as we sit here. IP220, our flagship structured product, is up 17.5% in the same period, so clearly a very strong performance from that against world stocks down around 6% in the period.

So, performance contributed fairly materially to Funds Under Management in the second quarter, given those numbers, adding about $800 million in the second quarter and about $1 billion to the half as a whole. Ultimately we have to believe that performance will drive sales and hence FUM, FUM drives profits, particularly good to note that AHL has been outperforming as indeed some of the GLG content and we'll come back to that in a moment. Through the difficult months, and the difficult months in this calendar year so far have been May and August, many of our investors and distributors look at what's happening in those difficult months because those are the periods when you really see how people are positioned differently from their peer group and May and August produced some very positive out-performance across most of our assets against the industry. So, very encouraging performance period in the difficult months.

Looking at products and demands, clearly we see continued interest in open-ended liquid onshore regulated products. You will have seen from the release that we have continued success in UCITS planned with about $450 million in Man UCITS products, GLG have about $1 billion. It is interesting to note that we have literally just, in the matter of the last few days, received approval from the Singapore Monetary Authority for the first UCITS they have allowed onshore for any managed futures content. So, a good signal of the portability of UCITS and the uniqueness of managed fund UCITS which we can provide through AHL in conjunction with our relationship with global regulators.

Clearly on the structured products side we've seen lower levels of demand; that's not because we can't structure product, we do have a Q1 launch inclusive of GLG content coming up in the calendar year 11, so that's Q1 of calendar year 11, that's our fourth quarter of our financial year.

Clearly, as I mentioned, performance products will ultimately drive demand, so we do expect guaranteed sales to reflect this as and when sentiment settles down across the investor-base globally. But do note, we have said this before, and you will have seen it from the results, that our net margin from AHL open-ended products is very similar to our net structured product margin. So, P&L reasons as the first half shows, even a shift to open-ended AHL is not detrimental to margins. I think that's a point that people sometimes overlook.

On the institutional side, clearly institutions are looking for yield in the portfolio, looking for liquid and diversifying assets. We've seen some positive flows, those are likely to continue as the structural portfolio requirements for institutional investors require allocation to performing assets, especially in a controlled manner, for example, through managed accounts, and I'll say a word about that in a minute as well.

On the redemption side, they remain low in institutional, indeed declining. You will have seen from the release that the quarterly institutional redemptions that we have pre-notice of for 1 October are very, very much reduced at around $200 million. So, it continues our clear focus on the product and satisfaction with our product for existing investors and material shift in favour of sales for new investors.

On the private investor side we have seen some profit taking given the out-performance, particularly from some of our structured products against other asset classes. As I said earlier, that performance will drive sales and is already impacting open-ended and will in due course move across to structured product.

On the multi-manager side we continue to see strong demand for MAC-based solutions. The mandate wins we've talked about in the past are now funding and that has produced the net inflow in institutions. There will be more to come there. It's quite clear that the managed account proposition resonates very strongly with the institutional investor in particular and as we have said before the pipeline there is extremely encouraging although, as we have seen before sometimes the mandate win and the impact on sales has a couple of quarters lag as we set up the managed accounts, and we're seeing positive consequences of earlier mandate wins now.

We also have a new head of the multi-manager business that we've already announced and you will have seen Luke Ellis who formerly was responsible for running the FRM business and built a very substantial business there with a very strong performance track record. In going around and seeing our investors, it's clear that they very much welcome the arrival of Luke into our business and combined with our infrastructure and our global reach both Luke and I are confident that our multi-manager business is in a position to grow assets from this space.

On the GLG side, since printing last night we have had the final regulatory consent to the transactions, so all regulatory consent are now in. The GLG stockholder vote is scheduled for 12 October and we will close shortly after that. It's been particularly pleasing to see positive performance from the GLG product set since we announced the transaction and also to see continued inflows. There were some concerns in the market, I know, that during the hiatus between announcement and close those flows might slow down, but we've seen no evidence of that.

Strong performance continues to be a key differentiator of GLG. They have a number of products which have seen over 20% positive performance year to date in macro, which is a standout success against benchmarks and peers, market neutral and European distress. We have made excellent continued progress on the integration of GLG. One of the advantages of a slightly extended timeframe is that we have had an opportunity to get the integration process completely sorted out. So, as you will have seen from prior announcements, Manny Roman is becoming COO with a clear one unified team. We have a new management governance structure all agreed, sales on our side and their side and portfolio managers on the GLG side are clearly enthusiastic and continue to be very excited about the prospects of combination.

On the investor side, as I mentioned earlier, strong support from investors in both firms, so since the proposed combination we've not seen any issues at all from our investors and I know GLG has not either. We've both collectively seen many, if not all, of the main core investors and they are all very satisfied with the prospects of the combination.

On the product side, clearly investors recognise the power of the combination in terms of creating flexible access to a full range of investment solutions. I've talked about our ability to create a new structured product which will be launched in the first quarter of calendar 2011. Obviously we're also looking at single manager appetite for GLG content, particularly with new content for us. In sales, we have a focused list which has come out of the integration planning process which has identified those products for clients in the regions which will be on our priority for marketing as and when the transaction closes, and as soon as it does close we will be ready to go through that focused list jointly as an integrated sales force, so a combined proposition.

Integration cost synergies of $50 million has been confirmed through the planning and will be implemented as originally indicated. It's clear that the combination has created a very powerful combined business with a focus on performance, tremendous geographic rep, multi-strategy product offering within single manager capability, which is obviously very important; a key structuring capability which combined with the content and distribution creates something really extremely unusual, and I would go as far as to say unique, in the context of what we can create. So, we have an excellent position to build assets over the coming quarters, even in uncertain markets, given that we performed well through this period.

So, I will stop there, having taken you through a whistle-stop tour of the press release and a few other matters, and pass back to Hugh for Q and A.

Operator: Thank you very much. We will now start the question and answer portion of this call. If you have any questions could I please ask you to press 01 on your phone keypad now in order to enter the queue and then after you're announced just ask your question. If you find your question has been asked before it's your turn to speak simply press 02 to cancel. So, once again, any questions just press 01 now.

Thank you. The first question is Bruce Hamilton of Morgan Stanley. Bruce, over to you.

Bruce Hamilton: Thank you. Morning guys. A couple of questions. Firstly, on the IP220 performance, I think clearly that's pretty impressive. Can you just give a sense of which strategies drove the out-performance of that product versus AHL which was up about 7.5% over the same period, and linked to that, are you starting to get any evidence from Asian and other distributors that they're keen to re-engage given the performance of that product and I guess any colour on that area.

Secondly, on the margin dynamics, I think that your interim results last year you indicated that there was around a kind of 70 basis points difference between open-ended and structured product sales, or about a 20% difference. Are you saying that you think that's a lot narrower now? I just wasn't quite clear on that point.

Thirdly, on the private client redemption rate at around 20%, is that given the increase in open-ended product? Is that a number that you think is more the kind of likely sustained rates, or given it bounces around quite a bit, would you still think sort of mid-teens is a better guide for the future?

Peter Clarke: Okay. Thank you, Bruce, I'll take one and three and Kevin perhaps can deal with two.

On the performance of IP220, clearly the performance of IP220 represents a combination of both the returns of AHL, and the returns of the multi-manager business, which is broadly reflecting a broad set of underlying strategies, Bruce, so it's just reflecting the broad industry with some overweight allocations to, for example, macro, where you have to be careful which macro investor you're because you've seen the dispersion there. It also includes, obviously, the management of the foreign exchange and the bond hedge, which we all actively manage, so the package is something which has seen very positive performance, as you have noted.

As far as the Asian demand is concerned, clearly Asia in particular is a region which is very strong for us in terms of asset raising and has been less-impacted by some of the macro-economic problems facing economies and it represents a big savings base of the planet. The Asian investor is still bias at the moment towards a liquid open-ended product but, as I've said before, two big distributors in Japan have said that they would like the previous product from last summer to be at par plus before they re-launched a product there in terms of structured product offering and those products are pretty much at par. So, I think it's obviously subject, as I always say, to our performance and markets more generally, but clearly we're moving in a direction where we would expect, if performance continues to be positive, outcome in terms of product there locally.

But just to pause there, of course it's not just Japan. I did mention Singapore UCITS on the way through, so again, as part of the wish to meet an onshore open-ended regulated product demand in that region getting onshore permission in Singapore has been a long-term goal. We now have that. Those of you who know Singapore will probably know that that is a very long-term process and as I said on the way through, the fact that we have regulatory approval there is testament to our relationship and strength of brand there as well as it is to the performance of AHL and the structure around the UCITS. So, that's extremely encouraging.

On the redemption rate point, I mean, the redemption rate for private investors hasn't really changed, whether it is a plus or minus 1 percentage point annualised over the last few quarters and halves. So, I don't think there's any trend in that at all except to say that when you see strong performance, and you've all heard me say this before, when we see strong performance in a guaranteed product we have historically seen redemption pick up a percent or two because investors typically are experiencing that at a time when they are not seeing performance elsewhere in the product set that they have from other providers. So, it is not at all unusual to see but it is extremely modest and if you look back at the numbers, Bruce, you'll see we're talking about a percentage point difference annualised over this half versus the previous two halves. So, I don't think there's anything significant in terms of the trend there.

On margins I'll pass over to Kevin.

Kevin Hayes: Thanks. Morning, Bruce. Just on the guaranteed product versus the open-ended product margin, the main difference, as you identified, is around 100 basis points, which accounts for the structuring fee that we can charge on the guaranteed product. The open-ended product has a slightly lower cost of distribution, and that difference between open-ended and guaranteed really is around about 40 to 45 basis points overall and that hasn't changed; we haven't seen any particular change in margin.

Bruce Hamilton: Thank you.

Operator: We now go on to Phillip Middleton of Merrill Lynch. Please go ahead.

Phillip Middleton: Yeah, thanks. I just wondered, could you say a little bit more about the likely evolution of your sales effort on the GLG products. You said that once the deal completes you'll be able to begin marketing. How long do you think it takes from that to results beginning to show through? How long will it be before you'll be able to show concrete signs of what you hope to be doing there?

Peter Clarke: Thanks, Phillip. Well, we will have an integrated sales force from the moment that we complete the transaction in the middle of October. So, it'll be a joint effort, point number one. Point number two, in terms of open-ended product and single manager content, we will go straight out from the day after completion, our sales force, marketing particularly the focussd list of products which include emerging markets, macro, market neutral products, off the GLG single manager track records. So, I mean, that is a day one initiative into territories, particularly Asia, where the GLG product range has not been widely marketed. So, I would expect, or I know, that we are going to be trying from day one and I would expect it to be producing some results reasonably quickly from that in the coming quarters but you'll recognise that people don't just suddenly buy, they need to do some due diligence, they need to understand the track record.

The good news is that in this period between announcement and completion the sales forces have spent literally days going through products, understanding products, meeting with PMs and exchanging views on how to market and where to market. So, we're extremely well-prepared. Ultimately it will depend on the product demand in each location but I would expect this to be creating sales in our third quarter and certainly into our fourth quarter. How much we sell will be a function of markets and performance but clearly that performance has been good.

As far as structured product is concerned, we have a specific launch slot for the first quarter of calendar 2011 so that will be the point at which a combined AHL GLG multi-strategy product will be available broadly across the Man client base. So, from a structured product you'll need to wait until the end of the first quarter. On the way through that I would expect during our second half we would be making progress selling GLG product, but as I say it's a totally combined sales force, so we're not going to be looking at saying, "Well, our people sold some of GLG's products". Our combined sales force will be selling the combined product range of the organisation.

Phillip Middleton: Okay, thank you.

Operator: We now go on to Sandy Mehta of Value Investment Principles. Go ahead, Sandy.

Sandy Mehta: Yeah, congratulations on strong investment performance. With the strong results at IP220 and Ore Hill, are they now above the high water mark, and are they earning performance fees? And AHL, how much below the high water mark is it? Also, what is the size of the IP220 fund? Thank you.

Peter Clarke: The IP220 product does still remain below high water mark; we're just trying to get that detail for you now. On the AHL piece, AHL's weighted average will be about 7% away from high water mark at the moment, but AHL's not homogenous, so it depends on the product and when it was launched, Sandy. So, the weighted average is the thing to look at. Some of the product will be closer than 7%, some of the product will be further away but the weighted average point is now 7% away and that obviously represents a significant move towards performance fees, but we do need to see continued performance to crystallise performance fees. You will have seen they were quite modest in the first half but if we see a 7% to 10% performance from AHL in the second half you'd expect to see some material performance fees coming through.

Sandy Mehta: What is the size of the IP220 fund?

Kevin Hayes: So, you wanted to know the size of the IP220 portfolio. It's around about $14 billion.

Sandy Mehta: $14 billion?

Kevin Hayes: Yes.

Sandy Mehta: One last question, Ore Hill, is that above the high water mark?

Peter Clarke: No, Ore Hill won't be above high water mark, despite the strong performance because it had a sharp drawdown, as did all the credit managers in 2008, but it's seen a strong recovery since that date, so it's on its way back, but it's still some distance from peak. The Ore Hill assets are not significant in the overall scheme of our assets under management, so the key to be looking for, as you have, is the AHL components and the IP220 product.

Sandy Mehta: Thank you.

Operator: Before going onto the next question, if anyone has any further questions at this stage could you please use this opportunity to press 01 on your phone keypad now. We now go over to Daniel Garrard of Barclays Capital. Please go ahead, sir.

Daniel Garrod: Yes, good morning. A couple of quick questions, if I may. You spoke about the Asian incremental distribution, but I wondered if you could also provide a bit of colour; the other motivation of the GLG transaction was to improve your distribution into the US. Has there been any progress on that front? If you could provide any colour there.
Secondly, in the text you seem to imply that there has been some funding of what you previously described as a very sort of healthy pipeline on the institutional side. I wonder if you could quantify how much of that pipeline has been utilised or funded in this quarter; and connected with that, do you feel confident now that you've turned the corner on the institutional side that we will see positive flows from here, or this very modest inflow, is that just the result of funding in this particular quarter of that previous pipeline?

Peter Clarke: Okay, Daniel, on the US, I mean, clearly both GLG and Man are underweight in terms of their representation into the United States market and we hope that the combination will put us in a better position in the United States than either of us was alone and clearly the United States will be a focus for us going forward but it wasn't really a component of the logic for the transaction; the logic for the transaction was focused very much on Europe and Asia where we have a very strong investor base and distribution franchise and we were short product which they can supply. So, it's a helpful combination of the two firms in terms of what we want to achieve in the United States, but wasn't really a material part of the logic for the transaction.

As far as the managed accounts is concerned, yes, what we have, and we have talked about it is some big mandate wins earlier in the years, it does take time to set up the MACs. About $200 million of the institutional inflows that we've recorded represent the funding of managed accounts from prior mandate wins, so that will continue because we've talked in the past about having over $1 billion of managed account intended assets coming into our sales numbers. So, there's still a good way to go on previous mandate wins as they fund.

As far as new mandate wins is concerned, as I think I mentioned on the way through, there is a lot of interest out there. The pipeline remains very healthy and personally, my view is, having met with a lot of these institutions that there is a very strong likelihood that we will continue to attract significant mandate commitments on the managed account platform over the coming quarters and although there is some delay from MAC mandate win to funding, as you've seen, it does provide a strong lead indicator of institutional sales and I would therefore expect to see continued net inflows from the institutional investor base over the coming quarters.

Daniel Garrod: Thank you.

Operator: Okay. We now go over to Sri Karthe of Execution Noble. Please go ahead.

Sri Karthik: Morning. I have three questions; one on the sales. You previously mentioned that as the performance of AHL increases you'd see increased sales, however, if we look at the list of private and institutional, the private sales have pretty much been flat in the first and second quarter. Are you starting to see any interest from the private investors as the performance of AHL has increased?

Peter Clarke: Yes. We are seeing interest; it is converting it into commitment. I think, firstly, going back to the comment about sales clearly performance is going to drive sales, no question about that. We all know in an investment management business that your performance ultimately dictates how much product you sell. What I've been saying is that AHL needs to continue, which it has done through the summer, with positive performance, and that will create the backdrop for sales. Summer does always represent a reasonably quiet period for us in terms of investors wanting to do things. We normally see a stronger period now. We will have to wait and see. What is clear is that the relative and absolute performance of AHL and IP220 particularly is very strong and the only thing that's impeding people is uncertainty in world markets at the moment.

In Asia Pacific that's less of an issue than it is, for example, in Europe and North America, so I think we just need to continue to see solid performance. I can't exactly time it for you, but if we see continued solid performance from AHL, IP220 and our other product range, we will see sales. The lag will be an impact of a result of market sentiment.

Sri Karthik: Yes. Secondly, on redemptions. You pointed out that redemptions were above the historical average, is that because of some of the profit booking on the back of AHL performance? Or what is the basic reason? Do you see that going forward also?

Peter Clarke: Well, that's right. I mean, we do have -- in the structured product in particular, and I don't know how long you've been following this through, but the long-term borrowers of Man knows that this happens. What happens, particularly following a negative performance period, one we see strong positive performance, some of the structured product investors tend to book profits at that point because it frequently coincides with negative performance in other things in their portfolio and that's a dynamic that we're quite used to and it has to a small extent been noticeable here, but my point earlier was that if you look at annualised redemptions from the private investor over the course of the last three or four halves you'll see that the difference between the annualised redemption is, like -- the plus or minus is one or two percentage points. So, it's not -- there's nothing significant here but I think the impact of a percentage point higher is probably the one we've just talked about, but I don't expect that to be a long-term trend. Historically, what we see is that the continued strong performance and out-performance of the product range translate to sales, so back to your first question, the dynamic goes back to a sales one in a normal environment.

Sri Karthik: Sure. Finally, on dividends it's currently at one time (inaudible), are you still comfortable with the same dividends?

Peter Clarke: We've made a statement around the minimum level of the dividend for the year and we absolutely repeat that statement; we pay a minimum of 22 cents for the full year.

Sri Karthik: Sure. All right, thank you.

Peter Clarke: Thank you.

Operator: Okay, we will now hand back to Peter for any closing comments. Peter, back to you.

Peter Clarke: Okay, thank you everybody for listening. I think just a couple of comments in roundup here. Two really; the first is connected with AHL. Coming into the year many people felt that it was going to be a difficult year for momentum. AHL has demonstrated that it can create material positive performance even in uncertain markets, choppy markets, and that I think is a very strong testament to the validity of AHL in terms of portfolio construction and that's why we've seen AHL's assets growing across the period.

Secondly, on GLG, we've spent quite a lot of time talking about this but clearly the gear shift, as it were, for the organisation from the closing of the transaction of GLG is not just around having a more expanded product range but also around bringing together structuring skills of Man, the distribution franchise of Man, and the complete product set that we have through single managers with GLG, where they have some excellent performing product, managed futures content and its ability to provide highly liquid defensive component to futures portfolio, right the way through to structured solutions for core institutions where we're seeing demand as we've touched on, and all of that can be provided in a controlled, structured, onshore if you want it, offshore if you don't, environment. So, we really can provide pretty much anything people want post the GLG transaction. So, I think it's no exaggeration to say that the teams at GLG and Man are very excited about what we can achieve on a combined basis and obviously it's up to us to crystallise that into sales over the coming quarters and years ahead, but I've no doubt that will happen.

So, once again, thank you. Thank you, Hugh, for hosting it, thank you everybody for listening.

Operator: This now concludes today's call. Thank you all very much for attending.