Event:	Third Quarter Interim Management Statement
Date:	15 January 2010
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<u>Forward looking statements</u>

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Operator: Hello, and welcome to today's Man Group Interim Management Statement Call. On the call today, I'm pleased to introduce Peter Clarke, Chief Executive, and Kevin Hayes, Director. During this call, all participants will be in listen-only mode, with a question and answer session at the end. Peter, please begin.

Peter Clarke: Thank you, and good morning, everybody, and welcome as usual to the analyst call surrounding the release of our quarterly management statement. You will have all seen the text of it, so I don't intend to go through it line by line, but I do want to pull out some highlights and to perhaps provide a bit of colour on some of the major points.

Overall, I would say that the third quarter has come out pretty much as expected, but with two negative impacts and one more recent positive event. So let's start with the two negative impacts. The two drivers to funds under management falling in the third quarter by about 4% were firstly AHL performance principally in December, and secondly, institutional redemptions, and I'd just like to add a bit of colour to both of those components.

AHL, as you know, because we published the data frequently, had a difficult December, ending off around 7%, which has caused a third quarter negative investment performance of around $1.2 billion, pretty much all coming in the last month. Just to put AHL performance in context, AHL has had a positive start to January, although only around about 1.25%, but positive nevertheless. Longer term, of course, since inception - and inception for our longest-running fund here is 1996 - it does still have a 17% annualised track record, and over the last two calendar years, if you invested at the beginning of 2008 and you were holding AHL at the end of 2009, you would be up 11% and the World MSCI would be down 27%. So that's the reason that people hold AHL, as a diversifying liquid investment which can perform regardless of market direction, and we continue to sell AHL to investors on that basis. Most of this impacts private investor funds under management, that being where most of AHL is, but note that total private investor funds under management, after all impacts at the end of the third quarter, is higher than it was at 30 June and higher than it was at 31 March 2009.

The second impact on FUM in the quarter was institutional redemptions, which we'd reported at $1.4 billion. Now, you will recall that in November, we had visibility over the quarterly institutional redemptions. We said they were going to be about $0.7 billion. What's happened is that the monthlies have come in a bit higher: I would have expected a couple of hundred million of monthlies. There's more than that, for two principal reasons: the first is that we had an effect of Ore Hill, where the lock came off from the previous restructuring around Ore Hill, which accounts for about $200 million. We also had some profit taking from performance in the converts and high-yield area, where institutions took out profits, and in addition, we had some of the expected monthly redemptions. So that number has added up to more than we'd anticipated in November, but I think for sound reasons, and indeed, in aggregate, not a large amount.

What you should note is that the third quarter of this financial year is the lowest redemptions in terms of gross institutional redemptions for six quarters, so I think that context is important. It's also the lowest third quarter institutional redemption for three years, so that's since the third quarter of FY 2007, so bear in mind that although the number is quite large, in the context of flows over the last couple of years, this actually represents something of a significant slowdown.

Before moving to the positive recent news, a word on the private investor side, and flows in the third quarter. The third quarter is a seasonally quieter period for us, as we've put in the note. We had an almost exact balance between sales and redemptions, and net outflow of $100 million for the quarter. In terms of net private investor flows, this third quarter is the best Q3 since the third quarter of FY 2007, so again, in the context, notwithstanding what's going on in the markets, our third quarter has proved on the private investor side to be the best since the third quarter of 2007, of our financial year 2007.

Now, private investor sales, by character pretty much as we anticipated and have talked to you all about, continued onshore, regulated and open-ended product, things we've talked about before - that's mostly AHL content, about $1 billion of AHL sold in the third quarter, so we can continue to sell AHL.

Redemptions following a fairly familiar pattern. Those of you that follow us over the years will know that with AHL performance turning down, guaranteed redemptions typically fall back, and that again is what's happened from the numbers. You can see that in the release. Private investor redemption levels are back to sort of pre-credit crisis levels, and of course our financial position remains as strong as ever in terms of liquidity and regulatory capital, as you've seen from the release.

Looking forward, our managed account business continues to make progress as we had planned. We have over $7 billion, nearly $7.5 billion, of assets in managed account format. That reflects investor wishes for results or returns which are delivered in these sorts of structures. The most significant news, in my view, in the trading statement is the fact that we've been selected as the provider of managed account hedge fund content for a leading institution, with an expectation of $1 billion of allocations from them over the coming months. It starts this quarter and will flow during the course of the year, and that commitment is for at least a three-year term.

So I think, as you will recognise, to secure such a sizable commitment, particularly in the context of still fairly modest inflows into the industry, is testament to the proposition that we've worked so hard to develop over the last year or two, and shows there to be something pretty compelling for leading institutional allocators, and clearly the point here is that these are amongst the most sophisticated institutional allocators anywhere in the world, and for them to give a commitment of this size to our managed account business is, I think, something extremely positive and tells you something about our differentiation in today's market.

I stated that I expected success in the third quarter or the fourth quarter of our financial year in respect of a significant win for the managed account platform. I'm delighted to see that we've seen that come right in the middle of our second half. It's come very effectively in size and very much in accordance with my hopes and expectations.

On the pipeline on the managed account format, we continued to have interest in Asia, in Europe, in the Middle East. We've talked to you about some of those prospects in the past. One of them has obviously just come in good. I can't promise the timetable or size, as I've always said to you, but the interest levels remain high and this recent win validates the concept in terms of demonstrating flows.

On the private investor side, Australia remains strong, new products in the EU, in the UK, the Brazil launch, as we've mentioned in the release. In Japan, we do expect to have launches in Japan. We don't know the timing of those. Those are dependent upon the wishes of the intermediaries, and of course depend on performance, both relative and absolute to other asset classes. So given the performance outlook and industry flow predictions, our recent progress confirms, as I say, that we're well-placed to capture flows as and when they occur. What we can't do is predict the exact timing of those flows.

So what I would like to do there is stop and give you all an opportunity to ask questions and hand back to our co-ordinator, Hugh.

Operator: Thank you very much for that. Okay, we'll now begin the question and answer portion of this call. If you're on the phones and you have any questions at all, could you please press 01 on your phone keypad now and you'll enter a queue, and then after you're announced, just ask your question. If you find your question has been answered before it's your turn to speak, just press 02 to cancel.

The first question is from Carolyn Dorrett of UBS. Please go ahead.

Carolyn Dorrett: Good morning, Peter. Can I ask a quick question in terms of this new institutional mandate win? I think in terms of your current institutional business, your management fee margins would be around the sort of 91 basis points. Are you able to give us an update or a feeling for what sort of fee levels you're going to get on this new institutional mandate?

Peter Clarke: Thank you, Carolyn. The answer is that we are not at liberty to disclose specific fees for specific clients. That is a matter which is of commercial sensitivity, particularly to them. Now, what I can say is that we've talked historically about the range of margins that we would expect to be able to get on the managed account platform, depending upon the depth of investment management services which are being bought, and we've also talked about administration fees that we can charge around that, so I can't give you a lot of guidance, except that if you go back and think carefully about what I've indicated in the past, you ought to be able to assume that this mandate slipped into that range that we've talked about for the managed account platform. Obviously given their size, you know, we've given them a discount for size, but they are within the range of our expectations.

Carolyn Dorrett: Thank you.

Operator: Okay, the next question is from Bruce Hamilton of Morgan Stanley. Bruce, please go ahead.

Bruce Hamilton: Morning, guys. Thank you. Just to understand, the institutional redemption notified for January, can you give a little bit of colour on what's been driving that, because the redemptions appear to be kind of remaining stubbornly high, and does that put at risk the comments you made about institutional moving positive in the second half?

Peter Clarke: Thanks, Bruce. I keep clarifying the comment. What I said is that they would move positive during our second half, not for the second half as a whole. I remain optimistic that that will be the case, although as I said earlier, we can't predict the timing of flows. On the institutional redemptions that are reported now, I think what we're seeing is some continued rebalancing of portfolios by some of the existing institutional investors; some people are taking profits; some people are reorganising their positions. Remember that if someone switches from one product to another, it goes as a redemption and a sale. You'll see we've got about $400 million of sales in the institutional line as well, so there's some switching, there's some portfolios being reallocated which have caused people to come out a bit of hedge fund content, whether it's from us or from other people.

So, yes, there continues to be a bit of churn around the portfolio. I think that - as you well know, Bruce - is something that the whole industry is seeing in terms of, you know, there aren't strong net inflows, but there is some turnover amongst providers, and we're seeing some of that turnover amongst our own products as well as with us and other investors. So I don't see anything in terms of a pattern that I can describe to you, other than the general backdrop that I've just run through.

Bruce Hamilton: Thank you.

Operator: We now go on to Andrew Mitchell of Macquarie. Andrew, please go ahead.

Andrew Mitchell: Thank you. Following on from that point on institutional investors, you've previously made - over the last month or so - quite positive comments on the industry background. You're obviously saying at the moment that overall flows remain fairly subdued. Do you still have a positive view on the outlook as you, for instance, set out with the half-year figures?

And the second question was on the other movements, which was totalling plus $1 billion, and in the statement, I'm not sure I quite understood the reference to positive investment performance, because obviously overall the performance movement was negative, and I'm assuming that this actually reflects some degree of regearing, but I'm just wondering if you can confirm that?

Peter Clarke: Yes, okay. Thank you, Andrew. Firstly, on the positive outlook comments for industry, it's undoubtedly the case that, you know, in my travels around the world speaking to institutional allocators - and distributors, actually, of product - there is very significant interest in people being able to rebalance their portfolios or commit cash or de-risk from equities and bonds into hedge funds. The question is, you know, when are they going to do that, and that's what I keep saying, is that there's a very strong feeling, and it's not just us, if you talk to the hedge fund community, as I'm sure many of you do, everyone is getting a feeling from allocators that allocators do intend to allocate incrementally to hedge funds. What we can't do is predict exactly when that is, so yes, in terms of my outlook for industry flows, it remains as positive as it did in November. What I couldn't do then and I can't do now is predict exactly when people will start moving money. I think that depends on so many things, particularly stability around what's happening in terms of quantitative easing and central bank liquidity. People need to, I think, get a little bit of a better feel for what's going to happen there and what the consequences are before they make significant commitments back into markets, but yes, from all my conversations, I would say that institutions and distributors remain very positive about the asset class, but are waiting to time that against their own thoughts around the market.

Now, on the specific comment around other movements, I think you're referring to the rebalancing line that we have in there, and rebalancing is an automatic process whereby we reallocate according to investment exposure, according to the recent performance, so as we saw some positive performance across some of the products up until December, then they actually rebalanced, they increased investment exposure. If you get negative performance like we did in December, then they will reduce investment exposure, so it's a purely mechanical, as it were, portfolio balancing technique, which is not new to us, and it's been in the numbers, and you will see that line come in every quarterly statement. How big it is in either direction depends on the relative performance of our investment.

Andrew Mitchell: Just to follow up then, I'm not quite following, given that the overall investment performance was actually negative.

Peter Clarke: Yes, but it was positive until December, so it rebalances out, it follows a month's lag, so effectively, the rebalance as a result of December performance occurs for January. So it's just the timing of that movement, it follows; it is not entirely synchronised with performance, because we rebalance at the end of each month.

Andrew Mitchell: Okay, thanks very much. So all else equal, there would be a sort of negative effect in the future.

Peter Clarke: Yes, so following December, the negative performance, there would be a reduction in the investment exposure in those products which gear on this rebalancing basis. Following January performance, if it remains positive, there would be an increase in investment exposure. It is a purely disciplined process.

Andrew Mitchell: Okay, thanks very much.

Operator: We now go on to Phillip Middleton of Merrill Lynch. Phillip, please go on.

Phillip Middleton: Yes, thank you. I wonder, could you say a little bit more about your marketing onshore? What do you think the lead time is here before getting the kind of flows that you're obviously capable of, because presumably you're trying to break into a new market? What's the response you're having with distributors there, and who typically are distributing your onshore products?

Peter Clarke: Thanks, Phillip. The time lag, as it were, for open-ended product is very much an open-ended timing, because unlike a global launch, which is the products that we continue to sell but, you know, are less relevant against total flows, because open-ended have become so significant, so that's where you launch a product, you raise money, the fund closes and you manage the money from there on. On the open-ended environment, then obviously what we do is set up an open-ended product and then that product over time grows, or might for a period shrink as investors invest and redeem out of that product. So having set up, for example, the two UCITS funds recently in Europe, the one on the continent and the one here, Trend and Diversity, those sit there as a product which is available for investors, you know, to routinely invest and redeem from, so the timing of that depends on growing familiarity and attraction of that product within each jurisdiction, as it were. You know, the example I use for this is the biggest open-ended fund anywhere in the world is our Hong Kong AHL Diversified Futures fund. It's the fund that we report the weekly statistics on, so that's a product that's been going there for - off the top of my head - ten years, and that's simply just got bigger and bigger and bigger over time on a net basis as people have got familiar with the product, and that probably has, you know, $3 billion in it or something at the moment. So it becomes a product with tremendous operating leverage. We've talked about this before, these open-ended products. They don't necessarily start with a bang, and we're not actually intending them to start with a bang. They sit there and they can be subscribed and redeemed from for many years to come. So it's not really a time-relevant question that I can help you with there, I think.

In terms of who's selling it, the answer is certainly in Europe, it depends on the geography of the country. We have specific partners in some jurisdictions. In others, for example, Italy, where it's more fragmented, it becomes more generally sold by the intermediary community in the UK. Again, it's sold by the IFA community as well as the banking environment here in the United Kingdom. So it depends on geography and how people access investment products in each jurisdiction, but in terms of timing, I can't really give you much more helpful information than that, Phillip, except that these things tend to simply progress over time and get larger.

Phillip Middleton: Thank you.

Operator: Okay, before we take the next question, if anyone else has any questions at this stage, please press 01 on your phone keypad now.
And we now go on to Daniel Garrod of Citigroup. Daniel, please go ahead.

Daniel Garrod: Good morning. Two questions, if I may. The first, I just wondered if you could comment on the sales environment for your guaranteed private investor product? I noticed very little gross sales in the quarter. I just wondered what your clients are indicating on that front; when do you expect a pick-up specifically there?

Secondly, at September you provided an indication on AHL of the weighted average distance for the funds away from the peak high-water mark, which I think was about -12% at that point. I was wondering if you could indicate just roughly where we are in relation to that sort of weighted average now? Has it improved or fallen away, given December's weaker performance? Thank you.

Peter Clarke: Okay, Daniel. Thank you for the questions. Firstly, on guaranteed sales environment, as you'd observed, you know, guaranteed sales haven't been a significant contributor to the third quarter. The third quarter isn't typically a big guaranteed sales period for us, as you will all be familiar, for the same seasonal reasons I referred to earlier. The places which tend to buy the guaranteed product are Asia, Australia in particular. I think it's fair to say that the Australian market, the guaranteed product remains very healthy, which is primarily driven by the superannuation, the compulsory pension contribution market there, which buys the guaranteed product because it's part of a long-term pension fund planning programme.

The other place where historically we've seen significant guaranteed product demand is Japan, and as I mentioned earlier, you know, we don't have a Japan launch in our Q3. We may or may not have one in Q4. It will depend on the appetite, the willingness of the distributors, but we normally see demand from Japan in guaranteed format. Those are the places where we generally see it.

In terms of the weighted sort of distance from peak of AHL, I mean, yes, you're right, it's gone further down as a result of the overall quarter's performance; obviously positive until December and then negative in December, so it stood at a little less than 18% away from performance highs at end December.

Daniel Garrod: Thank you.

Operator: Okay, as there are no further questions, Peter, can I pass it back to you to close the call?

Peter Clarke: Okay, thank you very much, everybody. I hope you found the summary that we've been through and the detail helpful. Just in conclusion, I would say that, wrapping up the points I have made, the principal movements, negative movements on FUM are things that we couldn't foresee in November, particularly around performance in AHL. I don't think that in any way indicates any issue in terms of our ability to sell assets. Clearly, as you see in the third quarter, in the context of our historical Q3s, it's actually not been out of the extraordinary at all. It's a perfectly ordinary quarter in that sense, and indeed, relatively strong in the context of the last few third quarters that we've seen. So nothing in that, I think, should have any material forward impact in terms of our ability to raise assets.

Clearly, the managed account platform win is a very significant one for us in terms of being the real validation, as it were, of concept, proof of concept there. I'm very pleased by that. I do expect us to be capable of winning more significant mandates over time, but as I have said many times, we cannot predict the timing of those, but the fact that we've had such a significant mandate from a significant investor I think proves to you that the concept is sound and attractive.

So on that basis, I don't have anything other to say than to thank you all for your time, and of course we're available for further questions offline as required. Many thanks.

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