



Event: Full Year Results  
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Speakers: Jon Aisbitt - Chairman  
Kevin Hayes - Finance Director  
Peter Clarke - Chief Executive

## **Jon Aisbitt - Chairman**

Good morning. I must be one of the few people in the world who normally gets one slide and three pages of disclaimer. Two slides today. Good morning to you all.

It's only 10 days since we announced the proposed acquisition of GLG and I'd like to welcome Pierre Lagrange to our results meeting this morning. In the short period since the announcement the management team has had the opportunity to discuss the transaction in depth with many of you and I have to say we're extremely pleased with the very positive response and the fact that there is a real appreciation of this transformational strategic move.

As I said when we first announced the deal, the combination of our two businesses will lead to the creation of an exciting new Group, marrying GLG's highly regarded expertise in discretionary investing with Man's quantitative skills and world class distribution and product structuring.

Now the timetable for such a transaction is inevitably not a short one and we will be seeking our shareholder approval for the acquisition later in the summer. This morning we're here to update you on our year-end results and to show how the GLG transaction fits into our plans for the Man Group as a whole. And as usual Kevin will review the numbers and Peter will talk about positioning and outlook before we answer any questions that you may have. But first I want to make just a number of brief summary comments.

We feel that we have controlled our costs extremely well during an extraordinarily volatile and difficult year. The performance of AHL is now improving and that of course is very important for future sales. As you all know, the hedge fund world has undergone and is undergoing a profound change and Peter will talk about how we have moved decisively to capture the resulting market opportunities.

Let me also reiterate what we said about dividends when we brought forward the announcement planned for today as a result of the GLG transaction. We're recommending a final dividend for the year ending March 31 2010 of \$0.248 per share giving a total dividend for the year of \$0.44 per share. We've also announced that we intend to re-base our dividend in 2011 to what we consider to be a sustainable level and will therefore recommend a full year dividend in 2011 of at least \$0.22 per share. Going forward it's our clear intention to adopt a progressive dividend policy from 2011 onwards.

The Man Group has remained strongly profitable with pre-tax profits of more than \$500m in the year just ended and well capitalized, and that through a period of great stress and change for us and our industry. Today we believe we're presenting to you a business built on strong foundations with outstanding growth prospects.

With that let me hand over to Kevin to tell you more.

## **Kevin Hayes - Finance Director**

Thank you Jon. Good morning. This is a solid set of results.

Pre-tax profits of \$541m, a pre-tax margin of 39%. Recognizing that our funds under management would be lower we took action at the beginning of the year to reduce our cost base as Jon has mentioned and that preserved our margin. The \$90m of cost savings we indicated at the beginning of the year have been achieved and that can be shown in our numbers. We have maintained flexibility in our cost base while at the same time continuing to invest in areas which create a competitive advantage for us, areas such as the quantitative research in AHL, the managed account platform in the multi-manager business and to build out the scale of our infrastructure for future asset growth.

Average funds under management for the year were \$42.6b versus the prior year average assets under management of \$65b. This translated into lower net management fees of \$463m. At the end of the year the funds under management were \$39.4b, down 16% from the year-end previous, 68% in the private investor space and 32% in the institutional space. Funds under management at the end of May 2010 are broadly unchanged from the year-end with positive investment movement essentially being offset by currency movement.

Our business continues to be underpinned by strong capital and liquidity and we end the year with a regulatory capital surplus of \$1.5b and net cash of \$1.7b.

Turning to the private investor funds under management, we had a record year in open-ended sales with \$5.3b for the year. This reflects investor demand for open-ended, transparent and regulated onshore products such as the UCITS products. But we had lower sales in guaranteed products. The guaranteed product redemption rate reduced during the year, returning to previous historical levels. Redemption rates for the open-ended product are going to be more variable than the guaranteed products as investors have more of a focus on a shorter investment horizon.

The resulting net sales of \$2b was offset by a combination of negative investment performance primarily from AHL and an associated rebalancing, a routine rebalancing of the investment exposure in the structured products.

With regard to the institutional funds under management, FUM reduced to \$12.6b reflecting the impact of redemptions and lower sales. Redemptions trended downwards quarter on quarter during the year from \$3.6b in the first quarter to \$1.7b in the second and in the two remaining quarters \$1.4b each. The quarterly redemptions notified for the first quarter of this fiscal are \$350m, again showing a downward trend in redemptions.

As Peter will discuss later, the mandates previously announced, \$1.5b, are a validation of the institutional multi-manager business and in particular investing through the managed account infrastructure.

Turning to margins, as we have previously discussed we merged the institutional manager RMF and the private investor managers, Glenwood and MGS, into a single multi-manager business during the year. In merging the three businesses we created one consistent investment management process, supported by a single infrastructure. As a result we were able to achieve some of the cost synergies that I mentioned earlier.

While it's still possible to identify the funds under management specifically to institutional and private investors, it's now not practical to actually break down the cost and the infrastructure between the two. And so from here we'll just show the net management fee margins on an aggregate basis. We will continue to show gross management fee margins and commissions related to the institutional and the private investor business. The net management fee margin which is gross minus all of the expense base related to management fee was 112 basis points this year compared to 133 basis points last year, reflecting the fact that we maintained a higher level of infrastructure on the expectation of future flows into the platform.

Broadly we think that we can manage double the institutional funds under management that we currently have on the existing cost base with the existing infrastructure.

Specifically for private investor margins we continue to have stable private investor gross management fee margins of 424 basis points before interest income, slightly ahead of last year.

As we noted in the trading statement, we had a \$30m one-time adjustment, catch-up adjustment in commissions which we have not treated as an exceptional item. So that is included in all these numbers. This has about a 19 basis point effect on the guaranteed product margin. Adjusting for this gives a gross management fee margin after sales commission consistent with last year.

At the bottom of the slide you can see we continue to show the gross management fee margins for the private investor open-ended and guaranteed products. And again, adjusting for that \$30m commission item, you will get a similar differential between open-ended and guaranteed as we've shown before which is accounted for by the structuring fees related to the guaranteed products.

With regard to institutional margins, the institutional gross management fee margins remain stable and as we've discussed the combination of discretionary management fees plus a managed account fee is expected to maintain these margins at these levels.

Net performance fees for the year were \$97m. On a gross basis this included \$48m of gains on fund investments, \$32m that appears on our associates line, primarily from BlueCrest and

\$48m related to AHL. The chart here shows the breakdown of AHL funds under management versus their high water marks. At the end of April AHL was on average 11% from peak. You will have noted recent AHL performance, in March plus 5%, in April plus 2%, just a reminder of the scope of AHL's recovery given a trending market.

As far as the earnings summary, as I mentioned statutory profit before tax was \$541m. We have three adjusting items. We had a \$34m gain on sale from the residual stake in MF Global. We had a one-time cost related to the restructuring of the business, and then as we reduced our headcount we re-evaluated our real estate and office space and took a one-time real estate charge of \$34m.

Our tax rate, 18.5%, we think that is fairly stable at that level.

We have continued to maintain cost flexibility and cost discipline. Sales commissions reduced in line with the reduction in funds under management and revenues. Total compensation is down by 29% year on year with variable compensation down 39%, variable compensation reflecting the decrease in our revenues. Our costs reflect the savings made as part of the \$90m run rate savings mentioned earlier. Even with lower performance fees, as you can see, we have still maintained a solid pre-tax margin of 39%.

Just a note for FY'11, you will have seen us in January issue EUR600m of medium-term note which means that the net finance interest is expected to be in the range of \$55m to \$60m as an interest expense next year.

Turning to other costs, we continue to give a breakdown of the cost base, particularly as now we are showing net management fee margins on an aggregate basis. There's been obviously significant focus in controlling and reducing costs. At the same time we've been able to continue as I mentioned earlier the investment program around AHL, the multi-manager business, and technology generally as you can see from these numbers to create a more scalable infrastructure.

We believe this is a fairly sustainable run rate for expenses and I'd just point out two items for fiscal 2011. We anticipate an increase in depreciation of around about \$10m as a number of technology projects come on line, including the build-out of our data center that was completed at the end of last year. Also we are taking possession or have taken possession of our new headquarter building in London and we've started to fit that building out. So 2011 we'll have double rent charge both on our Sugar Quay office and the Riverbank House office just for next year and that is estimated to be about \$10m.

Turning now to the balance sheet, our balance sheet continues to be highly liquid and we have maintained tight discipline around the seed money portfolio investing in the funds. We've reduced that exposure quite significantly during the year. Loans to funds paid down on a regular basis and the funding is completely discretionary. Likewise seed investments are discretionary and the majority of those seed money investments roll on a three month basis.

Receivables and payables relate to the fund fees and generally are paid within 30 days. So you can see from the asset side we actually have still maintained a commitment to invest in the business and support the products but they are very liquid assets.

On the liabilities side, you can see the increase in the liabilities from the issuance of the EUR600m five-year senior note under our medium-term note program in January as part of our strategy to term out our liabilities and to move to a more funded liquidity model.

This slide gives you the profile of contractual debt maturities. Our net cash position remains strong. The committed facility is undrawn. We have no covenants in any of our debt or our facilities. You will have noted the action by the rating agencies post the announcement of the GLG acquisition. We're working with the rating agencies as they continue to review the transaction but just to note that we have no credit downgrade triggers in any of our facilities or our debt.

With regards to the GLG acquisition, I have included this slide showing key financials for GLG for the year ended December 31 2009 and their first quarter ended March 31 2010 as published in their US SEC public filings. As I mentioned last week at the announcement of the acquisition, the majority of GLG's performance fees are recognized in their calendar

quarter two and calendar quarter four and therefore the historical full-year financial statements give a better view of their economics.

From their US GAAP SEC filings we have shown the non-GAAP income from operations before interest and taxes. At the bottom of the page we've added some notes that explain the reconciliation of the US GAAP to their non-GAAP adjusted net income, including footnote one which describes the gain on debt extinguishment.

We've also added some granularity regarding the analysts' estimates. Last week when we went through these numbers we used the IBES consensus and what we've looked to add is a little bit more granularity by taking the three main publishing analysts, Credit Suisse, Barclays and KBW, their research reports prior to the announcement and have given an average of those estimates for 2010 for closing funds under management, management fees, net revenue, total expenses, income from operations before interest and taxes and non-US GAAP net income after tax.

This is all publicly available information. As you can appreciate, we are limited in what further we can say at present pending the circular to our shareholders.

As we outlined in the presentation last week, the cash component of the acquisition will be funded from available cash. After completion of the transaction we will still have significant excess cash and undrawn facilities. Remembering from a net debt position, if you think back to the analysis of the balance sheet, we have somewhere between \$400m and \$500m of loans to funds and \$400m of seed investments, both of which are completely discretionary and can be converted to cash within a period of three months.

Post the acquisition we will have \$300m of regulatory capital surplus and remember again in the last two years even at the height of the credit crisis we maintained our excess regulatory capital at a similar level to the one that we end March with, validating that it is truly excess capital.

Given that the majority of our charges, regulatory capital charges relate to Tier One deductions for items like goodwill, we have a fairly stable regulatory capital framework which is why we are comfortable with the excess capital of \$300m post the acquisition.

So in summary, a solid result reflecting the actions taken to preserve our margins and the overall flexibility of our cost base. We have maintained financial discipline regarding our capital, balance sheet and liquidity and we end the year with surplus capital and an enhanced funded debt position. We have operating leverage to manage significantly more assets using our current infrastructure and in terms of capital and liquidity we're well placed for the acquisition of GLG and post the acquisition we'll have capital and liquidity to support the combined business.

Thank you and pass over to Peter.

**Peter Clarke - Chief Executive**

Thank you Kevin and good morning everybody. I'm going to use my part of this presentation to look at how we're positioned and importantly how we are positioning the firm to address change in our industry, to grow assets and to grow market share. That change is driven by investors focusing on transparency and liquidity in terms of investment management at the strategy level but also the stability and governance of the investment managers through whom they invest.

We focused our response to these changes on cost control which Kevin has already addressed, continued investment in research which I will talk about, building out the renewed concepts around the multi-manager business which I will also further elaborate on and extending our market reach and product set to capture new business. And I'll dig into some detail for you on that area as well.

We have in addition addressed our strategic ambitions in liquid discretionary strategies with the proposed transaction with GLG that we announced last week. And I will try and help fit all of that together for you in a way that I think will help demonstrate that our product positioning, performance and distribution franchise will give you an idea of what the power of the combination of the two firms can produce.

In view of markets over the last few years, in many ways the hedge fund concept has been validated: the need for diversification, downside protection, active management of invested portfolios within defined portfolio requirements. All surveys of markets and investors show that investors have appetite for continued or indeed in many cases increased hedge fund allocation. However, investors are now much more selective about who they will invest through and the format they want that investment return stream delivered in.

That translates into an increasing desire from institutions and private investors alike for onshore liquid products, often in a regulated format. The managed account-based institutional strategy is being adopted by some of the largest and most sophisticated hedge fund investors in the world, USS being one of the big mandate wins that we've had, and indeed reflected in the fact that GLG manages substantial amounts of its money through managed account platforms. Regulatory focus is increasing on both managers and products. Resourcing and adapting to meet those developments has been one of Man's strengths over many years.

It's an environment that we do not fear but rather embrace. Indeed it's part of our business model. So combining those attributes with liquid active investment management strategies is what we do.

I already showed you this slide in the context of the announcement last week of the transaction with GLG. Our goal, as illustrated, is to offer a broad range of liquid alternatives and long-only funds in the case of the GLG long-only component. It does allow us to provide a full spectrum of liquid strategies and a framework in which to integrate structuring and distribution around the capabilities of investment management which GLG clearly demonstrates.

Return streams from this sweep of investment returns can accommodate virtually all investor preferences in most formats and to all territories. It also offers cross-cycle performance to our investors and to our shareholders, building out our capability and providing balance. In my view this will be the most comprehensive solution to the future of alternative investments that you will find.

Let's look at the components that I touched on earlier and start with AHL. This is the performance attribution by asset class of AHL for calendar year 2008 and calendar year 2009. They were clearly very different years for AHL and for managed futures generally but they do demonstrate in both instances, and I'll come to this calendar year so far, the value of a liquid and diversifying strategy. Both years fell within the range of modeled expectations at plus 33% in 2008 and minus nearly 17% in 2009.

What happened in 2009 is that diversification benefit was lost, as an idiosyncratic event of global proportion, namely QE, descended on markets. And many of you will have asked and heard me respond about what about QE out, does that cause the same problem? My view was that it was unlikely to do that because on the way out it's each man for themselves, with every country running at different speeds and deciding on its own response to either tightening or loosening and continuing or stopping fiscal stimulus.

And so indeed it has turned out that 2010 has not been particularly problematic at all for AHL. The attribution again here, this is for the period to, up and to and including last Monday, this is the Monday of this week. It shows the diversification benefits across styles and what it shows you is that we're actually, we're capturing diversification benefits in these markets. Net AHL's returns have turned positive and increasingly the volatility of AHL's returns has declined even as market volatility has increased. Note the positive bond attribution in the light gray box, the second there, I'm going to talk about that in a minute.

So with only five months into 2010 but managed futures has once again been a stand out performer in terms of liquid, uncorrelated returns in difficult markets. AHL up as you can see around 5%, a little over 5% now, calendar year to date. Difficult markets elsewhere, especially in equities.

But it is not just about markets. We have continued to invest in research and trading capability at AHL. We have for example doubled the headcount over the last two years, for

our research team. We have also developed and continued to exploit the relationship with Oxford University through the Oxford-Man Institute.

That has provided us with three things. Recruitment opportunities, we are already seeing the quality of people coming into our organization through the connections to Oxford. It gives us early exposure to the latest and smartest academic thinking and it also, importantly, helps create with our own research teams the next generation of trading models for rapidly evolving markets.

And a good, tangible example of this is the application of a new trading model, an enhancement to our bond sector model, which has already added 1% of positive performance against the old model in bond sector returns just in the three months since it was applied. The model effect is shown for you on the chart, the cumulative model effect, which you can see over time creates a very substantial performance enhancement to AHL. The prior attribution charts I showed for 2009 will explain to you why it is so important to get the bond trading component in the volatile markets right.

Moving on to the multi-manager business, we've told you a year ago that we were reformatting the multi-manager businesses, the three businesses that we had, combining them into one process. Kevin mentioned that earlier. We now have a comprehensive approach to the investor portfolio, utilizing size, scale and our operational capabilities, particularly in managed accounts to serve the interests of our investors.

We did talk about this fairly extensively. A lot of people wanted to see demonstrable results. I am pleased to say that we have had over \$1.5b of mandates. But to remind you that those wins are not yet in our funds under management. It does take time to set up and fund the managed accounts, but what it does do is demonstrate two things for you. Firstly the attractiveness of the investor proposition, with some of the smartest and brightest institutions allocating to us for this purpose. And it also shows you the forward pipeline of funds under management as those MAC accounts fund.

In terms of the range of our multi-manager business, we offer the full range of products, requirements to our investors, from full discretionary management to direct access and managed account. Infrastructure and the fees for that obviously reflect the range that we have given you on the slide here. We're actively engaged with a range of bit ticket institutions above and beyond the USS mandate that we announced a couple of months ago. These institutions have very significant asset allocation firepower as and when and if they choose to use us. We also have many smaller proposals in the sub \$100m region. That interest is widely spread in terms of geography.

Naturally we don't win all the mandates. We know that. But the level of continued interest is an extremely positive sign of the momentum that we have in our business and the leadership shown by some of the biggest institutions in terms of allocating in this format.

I also said I would talk about markets, what we've done to broaden our market reach. We have focused on both our product range and our distribution franchise to give an ability to service investors globally. Onshore opportunities, as Kevin said, have continued to dominate near term prospects. The map shows you just how extensive our research is, the onshore, open-ended products being shown in that beige color. New markets are also opening up as our record and experience on open-ended products, regulated products in particular, plays well both with the regulator and of course the distributor.

Our managed account opportunities, as I mentioned, are spread geographically. We have shown a few on the slide here. Already mandate wins in Europe, interest from both Asia and the United States from the very biggest institutions.

With AHL we also -- we don't talk a lot about institutional investors into AHL, but we do have institutional, significant institutional investment in AHL from the Middle East and Europe. And we recently had two consultant recommendations in the United States market for AHL as a product. So we are expecting to make continued progress into the domestic US allocation market.

Looking in particular at Asia Pacific, you will all I think be familiar with the power of our Asia distribution. We have over half of our private investor assets sourced from these regions. It's

powerful because we built it with a long-term presence and a very strong commitment to the region.

We have built these relationships across the region. Historically our focus has been on Japan, where you can see our penetration here with the top banks, brokers, trust banks and insurance companies is extraordinarily extensive. Again in Hong Kong, the banks, insurance companies and the IFA network there, and in Australia, where we have a vast network of intermediaries and advisor groups in this important savings driven market. But we are also building out in new territories into the region, where we see strong potential and where we find leading regional partners to align with. So in Korea we have an onshore initiative with Samsung Securities and onshore in Taiwan with Cathay Financial.

The demand for single manager products is one of the demands which we have not, until now, been able to fulfill, other than through AHL and through the affiliates. But with GLG, and here's why it is so important, we do have a wide complement of single manager strategies to sell to an interested investor network across this region.

In terms of our previous success to give you some idea of numbers here again to remind you, this is the regional demand for Asia Pacific and from our existing product, Man product set. As you can see it is always significant and it sometimes is dramatic. Given the high degree historically of AHL content sales in the region have historically followed with a small lag the performance of AHL. Now remember these are financial year, these are to March. So when you coordinate with the calendar years, you can see that the March FY'10 sales number is really reflecting the performance of AHL in 2009.

Worth noting that we talk a lot about AHL and its performance, we have indeed grown the asset base of AHL. We have more assets under management in AHL at the end of March 2010 than we had at the end of March 2009, which reflects the net inflows we've seen into AHL over that period.

One of the other questions people had for us as a result of the transaction with GLG was product performance around GLG. We've just taken here public data again relating to GLG's performance. We've shown 11 of GLG's funds here with fund size. These exclude MAC content funding, just the fund size, returns to calendar 2009 and for the first quarter of 2010. Just to give you some idea of both the range of product offering, the spread of assets and the attractive returns that have been generated. We've also shown on the right hand side how each team is managed and supported in terms of numbers to show you the breadth of talent across GLG platform. And Pierre, who manages the European long-short fund, is here in the audience as well.

We said last week that the combination with uncorrelated returns from AHL and our distribution is compelling. And I think you can see why we are excited about that when you see the product range and capabilities within GLG. And the bulk of GLG's assets across alternatives are within or through NAV highs, within 5% or through NAV highs.

We also showed those of you who attended the GLG presentation last week this slide just to give you an idea of a combination product. We see opportunity not only to distribute GLG content to our investor base globally but also to combine the return streams from AHL with GLG strategies.

This is the Global Opportunities Fund. The top line is Global Opportunities and AHL. The blue line, middle blue line, is our current multi-manager and AHL, return combination. What you can see is that the GLG single manager strategy provides enhanced return and volatility characteristics. And we think this will be, as and when products such as this can be deployed into markets, we think this will be a very attractive proposition for our investors globally, but just an idea of the sort of things that we can generate as a combined enterprise.

So to wrap up, I've tried to show you how our focused investment performance and market access leaves us well placed even in uncertain markets near term but with very positive dynamics for our industry a constant backdrop to investor allocation trends over the medium and longer term. We've invested in our business and in AHL in particular and you've already seen tangible benefits flowing from that.

Clearly performance is a key determinant and AHL is once again demonstrating why it merits inclusion in investors' portfolios, especially in these uncertain markets. A continuation of AHL's solid performance over the summer will in my view be the stimulant for strong sales and asset growth from the current levels. We continue to build on the strengths of the multi-manager proposition, attracting the attention and funds from the biggest and most sophisticated investors. The completion of the GLG transaction scheduled for September will mark, as John said, a step change in our product, our assets and our prospects, providing cross cycle performance and a full spectrum of liquid alternative strategies.

So we believe we've positioned Man at the forefront of the industry in terms of product, in terms of reach, in terms of resources. We've demonstrated the ambition we have collectively to lead the industry forward and we are strongly positioned for long-term asset growth.

I will stop there and we will move to Q&A. We do have some microphones if any of you have a question. We do have a variety of questions. You can go first.

**Andrew Mitchell – Macquarie**

I wonder if you could give us an indication of the current appetite for product in two historically key areas, Australia and Japan.

And on the AHL research front, you highlighted the bond model. Are there any other separate products that might emerge from that?

**Peter Clarke**

Maybe I'll take them in reverse order, if I can. There are other developments in AHL around stock index trading in particular, which are just starting in operation and a series of others. I've chosen to identify the one which produced tangible results because I know people like to see tangible results from the research application. But we do also have some new technology in terms of stock index trading and there is more behind that in terms of trend prediction and turning point prediction. So a good pipeline of other research initiatives that we think will enhance the return characteristics for AHL.

In terms of Australia and Japan current appetite, I think I said on the slide that in Japan in particular the attraction or the demand at the moment is for single manager strategies. And one of the reasons that we are so pleased that we are going to have quickly on our platform the GLG capabilities is because that's what demand is for. And that demand is in long-short, macro, liquid strategies, particularly themed strategies and particularly Asia, emerging market strategies. We are seeing the Asian Pacific investor wanting to invest in their own region at the moment due obviously to the world dynamics that are occurring at the moment.

In Australia we have Aussie dollar funds which are designed to suit the pensions market, the superannuation market which are our principal investor base in Australia. That has kind of annuity characteristics. As you know there's a compulsory superannuation in Australia and that is self-directable. And the guaranteed products, Australia is one of the places where we continue to offer guaranteed product because the guarantee structure plays well to the long-term pension components of investors' wishes.

So again all of those areas looking at, currently in our portfolio looking at AHL to fill that single manager capability and recent performance should be very positive to appetite there. But still early days in terms of AHL performance.

**Rupak Ghose – Credit Suisse**

Just two questions. Firstly, it's only been six, seven weeks I guess since the quarter ended but I am just wondering if you could give us an idea of flows. It looks roughly flat clearly but always looking for an indication of what's going on currently.

Secondly, going back to Japan, any visibility on the big two distributors in terms of next launches perhaps there? Thank you.

**Peter Clarke**

On flows Rupak it is very early to be talking but I think you're right in the broadly flat territory. What we've seen - I think Kevin mentioned this - is positive investment performance in terms

of asset growth and negative FX on the translation of Aussie dollar and euro funds back into dollars when we aggregate for the cumulative asset total. So I don't think that there's much more that I can usefully add there.

As far as Japan is concerned, they are very keen to find a product that their investors are going to want to buy and, as I say, that is a single manager based product. So two things. Firstly, if we see AHL continue to perform strongly then I think they will want to distribute an AHL product later in this year. Once we have the GLG capabilities available to us for that market I think we will see quicker than that single manager opportunities through the GLG investment returns that are capable there.

I think the Japanese market is very focused on people it knows and it trusts, people that have client servicing and support infrastructure located in Japan. And as I think you all know, we have 35 people in Japan, all Japanese, servicing that client base, that extensive client base that you saw. And it's critical that you have that capability. The combination I think will be powerful. Obviously that content will flow later in the year.

#### **Haley Tam – Citigroup**

Two questions on the private investor business please and one quick one on multi-manager. The AHL performance is improving, which is encouraging. Can you tell us how much of the \$10.8b of open-ended AHL is actually with Asian investors? And the reason for asking is very much about the outflows we saw last year, what your expectation is as performance continues to recover there in terms of flows.

And then there's a second question on multi-manager.

#### **Peter Clarke**

Off the top of my head I can't tell you the AHL content. But off the top of my, precisely off the top of my head I would say assume half. But we can provide you with that detail. [Note: this was subsequently confirmed to be correct.]

#### **Haley Tam**

And in terms of your expectations in flows as performance recovers in AHL, do you have any view there?

#### **Peter Clarke**

We're likely to see the first consequences of performance in AHL because it's our most volatile manager and it's capable of producing high returns particularly in these markets. I can't predict sales. All I can say is that we've been through a period where the investors have continued to be net allocators to AHL, notwithstanding the performance characteristics that you saw for 2009. So, as I say, really plus 5% so far this year, we continue to build. I think we're on one of those cusps in terms of continued, solid performance. Doesn't need to be dramatic.

I think that will have a significant impact on sales Haley, but I can't do more than tell you that in the region they are sitting there saying right, we just need a couple more months like this and this will make a significant impact. It's clear that anecdotally from distributors they want to sell AHL products and --

#### **Haley Tam**

Can I try once more and then I'll move on? Do I not have to worry about profit taking until AHL is back at high water marks or is it something that I should worry about on the way up?

#### **Peter Clarke**

That's a good question. I don't think you should worry. My personal view is I don't think you should worry about profit taking until you are back above high water marks.

#### **Haley Tam**

Okay, and sorry there was a second question on multi-manager. In the notes to the accounts you talk about there being \$110m of hedge room over the goodwill, before you would have to

impair it based on the 2011 budget and that if sales were \$0.5b lower in that budget then you would be much closer to that number. I know it's hard to talk about budgets but can you give us any indication of just how big a move \$0.5b would be versus your expectation?

**Kevin Hayes**

Just going through the analysis that we've put in the financials, we put in the sensitivity analysis to give an indication of how far away we are from otherwise taking an impairment charge. There is significant headroom. We've given that sensitivity.

I think what Peter was talking about was the fact that having received a series of mandates, \$1.5b of mandates, a sort of validation of that platform. And so we feel confident about our expectations for strong flow from the multi-manager business. So it is definitely a gap disclosed that we have to put that sensitivity in, but from management's view we are confident, because of the fact that we've seen mandates, that we'll see flows.

**Sarah Ing – Singer Capital Markets**

Just a question on AHL. In terms of the developments you're making on the trading strategies, to what extent do new developments alter or change your ability to sell the product on the long-term track record?

**Peter Clarke**

It's a good question. It's a good question Sarah. It doesn't to the extent that what we are doing is enhancing a core model. What we are doing on the bond sector trading, it's the predictive component which is predicting what is happening in view of historical volatility and the state of the market, what the likelihood of forward volatility is. So it's basically trying to find the speed of trading within the bond sector. Doesn't change the fundamental algorithm.

So the fundamental track record remains sound. The reason that it takes so long to deploy these enhancements is because precisely we have to backtrack and model those to ensure that over time it's the right net trade. It's not a short-term issue. So it has to be predictive in that sense and have back-tested satisfactorily. This one does that. But there's no fundamental change to the systematic algorithm base to AHL.

So our investors don't want AHL to be static. AHL has always continued to evolve. What they want to know is that the core proposition remains valid and continues to be sound, but that we continue to make adjustments that reflect current market and forward market expectations, Sarah. And our investors are pleased, not disappointed.

**Sarah Ing**

And just further to that, I think Haley was trying to get this, but in terms of the guaranteed and open-ended funds, what tends to be the average investment horizon for the open-ended investors? Because you mentioned earlier that there obviously is a key change in that.

**Peter Clarke**

They are, as I think we have always said, I describe as higher velocity FUM, both in and out on the open-ended product. People invest in an open-ended product rather than a guaranteed one for a reason, which is it does provide more frequent liquidity.

If you look at the stats on redemptions you'll see that on average an open-ended product investor has probably got the product for three years, three or four years. And a guaranteed product investor has probably got it for four or five years. So it's a difference but it's not a dramatic difference.

**Kevin Hayes**

The only point that I would add is that in the AHL product terms we are selling guaranteed AHL as a single product as opposed to a combo multi-manager and AHL. So I think the preference has clearly been to the open-ended because people have wanted to stay invested, wanted the diversification that AHL offers, but wanted the flexibility of being able to get out without necessarily having a redemption fee. I think what you'll see as AHL performance will come back is that people will actually switch out of the open-ended to the guaranteed version

because in many jurisdictions, particularly Japan, they have a preference for that principal protection.

**Peter Clarke**

More questions? It looks like two presentations in two weeks, we've exhausted all the questions. So if there genuinely aren't any more questions, I'll just thank you all for coming. Thank you very much. Thank you.