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Kevin Hayes - Finance Director  
Peter Clarke - Chief Executive

## **Jon Aisbitt - Chairman**

Good morning, and welcome to our interim results presentation.

The second quarter of the first six months of our financial period was, as I know you're all well aware, as tough and as turbulent a period for the financial markets, for governments around the world, for Man, and especially for our shareholders, as we've ever experienced.

It's easy to forget, amidst the market carnage, but it followed a first quarter to June 30, which featured a number of very promising developments in our business. As you would expect, Peter will talk more about what he's taken to calling a half of two quarters in his presentation.

In the period since the summer of 2007, when the early tremors of the financial crisis were felt, the Board has focused on developing and maintaining a robust business model, designed not only to come through these periods of turbulence, but to emerge stronger. Let me highlight a few key features of that strategy.

First, with the acquisition of GLG, further investment in AHL, and the restructuring of our Multi-Manager business, we have significantly augmented our in-house investment management capability and, as a consequence, the breadth and quality of our investment product offering, giving investors access to a wide range of strategies, styles, and return streams.

Second, we have invested in, and maintained, our outstanding distribution network, which ensures that, when market conditions allow, we can access investor demand all around the world. As you know, we have particularly strong penetration in the growth markets of the world, for example, Asia.

Third, we have sought to create an efficient cost structure for our enlarged business with an appropriate balance between fixed and variable costs, and this remains a key focus of management.

We have a business that has tremendous operating leverage and we must deal with that in an environment of reducing funds under management, and at the same time be ready to capture the full benefit when investor interest in our products is high.

Fourth, we sought to maintain a very strong financial position in terms both of liquidity and capital strength. Investor confidence in our business is key and, with total liquid resources of \$3.4 billion as at the end of September and \$1 billion of surplus capital, we continue to earn that confidence.

That was a quick recap of what I see as the key elements of our strategy. Now, on the particular issue of our surplus capital, I want to make a couple of points at this stage of the year.

First, the Board continues to view the dividend as the primary means of returning capital to our shareholders. As we announced this morning, I'm pleased to report that the interim dividend will be maintained at 9.5 cents per share.

In these exceptional market conditions, the Board also thought it would be helpful to indicate that we will be maintaining the dividend on a pro rata basis for the final quarter of the nine-month reporting period to December 2011. The interim dividend will, therefore, be followed by a final dividend of 7 cents per share.

The uncovered interim dividend of 9.5 cents per share will absorb \$60 million of our capital surplus. But we're going further than this. And the Board has decided to supplement the dividend payments with an additional capital return by way of a share repurchase program. We apply the same financial criteria to this decision as we would to investment opportunities in our business.

We're looking to purchase up to \$150 million of our own shares, subject to the normal rules for such programs, in the eight weeks between now and the end of the year.

The decision to maintain our dividend and to pursue a share buyback program amidst the current market upheaval clearly reflects the Board's confidence in our strategy and our business.

With that, I'd like to hand over to Peter.

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

Thank you, Jon. Good morning, everybody and for those of you who haven't been to our offices, welcome to the Man headquarter building here in London.

What I'm going to do is talk about three things. Firstly, I'm going to take you through the first half results, plus an update obviously on October. I know you're keen to hear more about what's been happening recently in markets. Kevin's going to take you through the financials. I'll then come back to conclude on an outlook, and obviously then also to deal with Q&A.

Clearly, as Jon's already pointed out, the first half witnessed tremendous volatility in markets, finishing with a collapse in investor sentiment towards risk. Macro factors and continued policy uncertainty dominated investor behaviour. That period was difficult for investment management; it was difficult for performance; and it was difficult for our shareholders. So I'm going to take you through those challenges, what we're doing about them, and where we're going.

Firstly, performance. This, on the slide here you have, is the MSCI world index, that's the grey line, up until the end of September; dotted is HFRI, the composite hedge fund index. So, first point to note is that the index captured around about half of the upside, a little more, and protected against more than half the downside.

But more importantly, what that does mean for our own products? The red, by the way, is the VIX. For our own products, you'll see the performance of AHL. Coming across that period, we've highlighted two performance periods of this; the first being the spring, the latter being the summer. And the difference between the two is that, of course, AHL was drifting downwards, whilst equity markets were rising, pretty flat in between, and then obviously moving sharply up as we saw volatility increase and market disruption come into market strongly.

The second line that's appeared on your screen is the orange Multi-Strategy line. This is the dynamically allocated internal manager program, where we're allocating money across the range of only internal managers, with the objective, as you can see, of producing a more stable return. And reflecting, as Jon noted earlier, the breadth and scale of our internal investment operations, which allows us to capture both the positive investment performance for our investors, but also the margin associated with managing that money internally.

Within the GLG complex this slide isn't in your pack; I'm afraid the animation didn't come across in this slide. Within the GLG piece of our business, there's also a dispersion. These are the same two lines you saw before on the world stocks and HFRI.

And then what you can see is a series of performances from the components of our business, ending in a big dispersion of the outcome for this period. This is starting at the beginning of the calendar year and ending at the end of September. The point of illustrating this, is to prove to you that we have a wide variety of investment return streams within GLG which are capable of seeing performance at different points of the market cycle.

What's interesting, of course, is that, as we've seen, we talk about market cycles; we seem to have been through these market cycles several times in the year. In fact, sometimes it feels like we're doing it within the day.

What you can see within this is some things have done particularly well. I would identify, especially in this grid, European Long Short, Market Neutral and Macro strategies. Macro is, to some extent, mirroring the CTA environment and the AHL performance.

Some have fared less well; Emerging Markets, UK, the Long Short, in particular. And although October's seen a significant rebound in many of those strategies, they remain below their targeted performance. Bear in mind that this is a very short-term snap of performance. Long term, all of those products have an excellent track record.

But I've put it up here to demonstrate to you that within our own internal managers' stable we have, deliberately, a wide set of strategies capable of performing at different times. And that, indeed, as Jon pointed out, is key to our ability to attract assets through all points of the cycle.

Now, coming to my half of two quarters, this is the ladder chart of the two quarters in terms of the FUM developments over the half. I think it's quite important that we do note that overall we actually saw an in-flow across these two quarters. But memories fade quickly about the particular strength of the first quarter.

As you will recall, the first quarter saw record sales, very strong inflows into alternatives, that's the dark blue box on all of these components, given especially two Japan launches, you remember. Spectacular successes in Japan.

We did, in July, say that we expected investor sentiment to be a bit more subdued going into the summer; that we expected that to mean that sales would fall back, and particularly given the absence of big Japan launches. I have to say that actually sales held up better in the second quarter than I had feared given what was happening in markets, so a strong performance there.

In terms of performance, I'm going to come back to redemptions, by the way, the first quarter saw GLG performing, and AHL de-gearing and not performing, seeing negative performance. The second quarter saw a reversal of that.

And again, very important that people realize that the reason we've had a diversified set of strategies is that we can see performance at different points and, therefore, raise assets in different points of the cycle.

And I would also remind you, people do tend to think of AHL as negatively correlated to hedge funds; it actually has no correlation to hedge funds and a slight negative correlation to equity markets. So they can both go up and both go down at the same time, but the point is they are uncorrelated in long-term performance terms.

The second quarter saw a sharp reversal in performance; AHL performance was positive, GLG was negative.

In terms of market movements, you'll see, in particular, the long-only component, this is the light grey box here, in the second quarter pulling our assets down \$1.7 billion in the last quarter, which we referred to in our pre-close. This, of course, is simply a function of market movement in the long-only business.

The second big factor that hit us in the second quarter was foreign exchange, where you can see a \$2.1 billion, all in alternatives, that's where the non-dollar denominated components of our assets

are, all hitting the alternatives piece of the business. Again, something about which we can do nothing.

A lot of focus at the time around the increase in redemptions in alternatives between the two quarters, and I will come back to explain that to you in a minute.

One thing I want to add, in addition, is a mix point around those two flows. So when you look at the flows, this is not an inventory point, this is a flows point, what you note is that where we've seen outflows between the periods it's been in the long-only business, which is the lower margin component of our business. Where we've seen in-flows, which is here in orange, which is open-ended, in this case predominantly AHL, it's in our higher margin content. So the mix issue is beneficial.

A small net outflow in the guaranteed, whereas you will have seen guaranteed demand remains relatively subdued. We are selling, but at lower levels than we did historically.

So, from an overall perspective, the mix was beneficial.

The second point I want to make about sales is to remind you all of what we've seen from the GLG transaction. We have seen \$2 billion of directly attributable sales related to the GLG transaction, which would not have happened absent the combination of our businesses. That is a result of our ability to structure product; our ability to market product; and our ability to create new product.

So distribution in Asia, for example, we've talked about joint product being marketed globally, while we combine for the investor both a GLG and an AHL content; a new UCITS Multi-Strategy product; and of course Man Systematic Strategies initiatives that I'll talk about again in a moment.

What's important that you remember, I think, as we go through this is that we talk a lot about the onshore liquid offering that we have. It's also important to note that, that liquidity that we're giving, that provision of, in many cases, daily liquidity, is not just something we offer directly to the investor; it's an integral part of why distributors manage our product, or distribute our product.

They insist on daily liquidity, even if they don't actually offer that out to their underlying investors. So, for example, in Australia, to get on to the platforms there to attract superannuation money, you have to offer daily liquidity to the platform provider.

They do not expect daily liquidity offering out to the investor; it's part of a pension plan portfolio allocation. But if we didn't give daily liquidity, we would not be able to get on to those platforms.

So what happened in terms of the increase in redemptions that we saw? A couple of stats here for you about behaviour and location of redemptions in the second quarter.

It was a phenomenon for September. Investors, mostly retail, mostly European investors, did take fright as market uncertainty and volatility took bites into markets late in the summer.

When we announced in late September, we were probably the first out of the trap with September numbers. And I think people were surprised by the reaction of the European private investor. But I think, as you've seen other people report, you will see that, that is not a Man phenomenon, that is an industry wide phenomena; we were just the first to report on it.

Interestingly, I'll come back to this, of course, October has seen redemption levels revert back to normal levels.

So the graph shows European bias to the redemption component, which I've touched on already. That's not just the direct investor; that's also where a wealth manager has aggregated on behalf of

retail investors and they pull money out of markets in anticipation of their own redemptions. And that you see in the lumpiness that we'll come to in a moment.

On the liquidity front, you can see, not surprisingly, the outflows within the liquid content. So anyone that was uncomfortable with Man product through this period is out of our product, presumably into cash; and hopefully will come back in when they see our performance.

The lumpiness point is this one; that, effectively, what you can see is that where an allocator, is allocated to Man, on a wholesale basis and is redeeming out to settle redemptions, underlying redemptions that they have, that's caused, and again this is mostly European, caused an increase in the larger piece.

You can see the smaller component, the smaller redemptions actually not dissimilar, but a few large impacts from the aggregators in Europe. And this is particularly a phenomena of Italy and France, by the way.

So, back to the Man over-arching structure, what we've been doing through this period is obviously focusing on performance; but also focusing on continued investment in our business, where it makes sense to do so and where we can add investment management edge.

So continued investment in AHL; both in new markets, both in operating platforms in Hong Kong.

We're using the GLG platform to build out our discretionary management capability; integrated Ore Hill.

We've recruited a new head of Asian equities, a long short; David Mercurio, who'll be starting in Hong Kong. He's come out from a sovereign wealth firm to start a long short Asian business for us, organically, off the infrastructure that Man has, and the discretionary fund management capability that GLG has in Hong Kong.

We also have been marketing, some of you may well be aware of this, the European Equity Long Short Fund, which has a spectacular track record of over 10 years; and also is positive year to date to the tune of about 7%. So a very strong performance. And that's now being marketed in a UCITS format, as well. As you can see, we've just started marketing that; some progress there.

Man systematic strategies, I mentioned earlier. This is where we've combined the research technology systematic components of AHL's infrastructure with discretionary fund management oversight and interaction from GLG.

There's some interesting products in that, of which perhaps the most noteworthy is TailProtect, which is attracting a lot of interest. It's up, I think including October, over 25%. It's a volatility protection product which is, not surprisingly in these markets, attracting a lot of interest.

And on the institutional fund of funds side, our Multi-Manager business continues to build on the managed account theme in terms of growing assets, and is building a strong track record with its dynamic Multi-Strategy Fund in terms of capital allocations. And that, as you've seen, has seen net inflows in the period.

A recap of why all this works; how can we raise money? We've talked about investment management; we've talked about the investor. You will be familiar with, many of you, the M&M/Smartie chart of the world. Those are our offices. I'll just quickly move through the world in terms of what we're seeing and how we're preparing for customer demand.

Japan, you're familiar with our very strong market share in the offshore; that was a guaranteed structured product. We've gone onshore in Japan with the Nikko and Nomura products; that's \$3.5 billion of asset-raising there, where we've seen no significant redemption levels at all.

It's important, again, to recall that the reason that we have such success here is that we are able to offer daily liquidity. And that is why we are probably, currently, 100% of the onshore hedge fund market. There's no-one else that can easily get there.

It is daily liquidity, but it does pay monthly coupons. The coupon components of this is important because it adds to the stickiness of the asset. The investor is there to clip the coupon. This is a yield opportunity, as much as it is a capital one.

And being Japan, a particular strong focus on currency selection. So we offer a component of currency classes for that, as well.

So continue to see progress there. As always with Japan, this is about relationship building and about client servicing.

Outside Japan, some interesting innovations we have an RMB AHL fund. We have denominated RMB from Hong Kong. We have an AHL Gold fund. We're looking at banking channel distribution, both onshore in markets in Taiwan and Korea, and also in China.

In Australia, we have two GLG onshore products. Again, this is because we can get liquid product into the market. These are new instruments into this market. It is a huge market, as you will all be well aware.

I touched earlier on the ability to get onto platforms. This is a big platform-driven market, those of you who know Australia will know well, of the compulsory superannuation. Huge market opportunity. We need to have high quality performance, infrastructure, substance, and daily liquidity. And in alternatives, there's not competition. It's also a huge institutional market, which we've only just begun to tap.

The Middle East is broadly, for us anyway, a sovereign wealth, a bespoke private bank component. We do have some Shariah Compliant product coming out of that. That remains an important part of our franchise.

And then in the Americas, North and South, we've long had a presence in Canada. We're in the process of a Canadian product launch there, which is an emerging market content, which is going well.

We've also, I think on our Investor Day, mentioned that we had an Equity Long Short RIC, which has been distributed by Morgan Stanley; the marketing for which, this is into the United States, has literally just started, and the response so far has been favourable.

And lastly, in Europe, again, clear that we have a bit presence in UCITS, and that's long only, as well as alternatives. We've talked about the profile of that business. We've added a couple recently here. The Man GLG Multi-Strategy; that's the internal allocator, the one that I showed you earlier, that allocates purely to our internal investment management capabilities but on a dynamic basis. And lastly, the European Equity Long Short Fund, the UCITS' version, or Pierre's fund, with a very strong track record.

So we've talked about investment management; we've talked about asset raising; we've talked about flows; we've talked about our office infrastructure. I also want to spend a moment on costs and efficiencies; firstly, to tell you what we've been up to; but also of course just to remind you of some of the dynamic that Jon referred to earlier in our business.

Kevin will obviously take you through the detail of the P&L, but I think it's important that we recall that almost half of our assets or half of our costs rather, automatically flex with either sales, because it's a commission-based distribution, or revenues and profits because it's a variable piece of compensation. So half of that flex is automatic.

Of the balance of our business, the red and light blue, about 20% of the total is in infrastructure and technology, that's the fabric of the firm, and about 34% is in people.

I would remind you, when you look at the mass here, that this people piece includes the fixed component of variable compensation. How can you have fixed component variable compensation? This is the amortization of previous deferred share awards. So we view that as a fixed component because that is a fixed component of our business.

So we're putting prior amortization of deferred share awards into the fixed, into this people piece. So we're not flattering this blue piece at all. The blue piece is an accurate reflection of our functional variability in our business model.

What have we been doing specifically around this, as well? Well, we talked about, at the time of the GLG transaction, not only synergies, and we've identified \$2 billion of those for you that we've seen in the first half, but also costs. We are on track to deliver all of those cost synergies.

We've identified two other things subsequently, Kevin will take you through these in detail; but a \$20 million operational savings from outsourcing; another \$20 million saving per annum on interest expense from the debt buyback recently.

We also work on sharing infrastructure. AHL, and there's some detail that you can see, does use some systems that we can bring together with GLGs; either by way of saving money or saving forward expense.

We're also conscious of the fact that compensation levels need to be viewed carefully in this environment. We will repeat the fact that the GLG compensation ratio, and this, to be clear, includes the cost of the portfolio managers and their support staff on their desks, is going to be at 55%, it's currently at 65%/66%, because of the amortization of prior share awards. All of which goes, as I said earlier, in the fixed component cost bucket here. So that amortization tails off over the upcoming 18 months.

What I'm going to do now is let Kevin take you through the detail of the numbers, and then I'll come back with an outlook, and then we'll deal with Q&A.

### **Kevin Hayes – Finance Director**

Thank you, Peter, and good morning. For the six months ended September 30, 2011, statutory profit before tax was \$154 million. That was slightly ahead of our September 28, pre-close trading statement. We announced a pre-tax at that point of \$145 million. The increase of about \$10 million is due to some additional AHL performance fees that lock in on an annual basis in September, and so this \$10 million has also increased the adjusted pre-tax by the same amount; \$10 million.

Adjusted pre-tax profit was \$195 million, comprising \$202 million of net management fee income; \$39 million of net performance fee income; and \$46 million of net finance expense.

Comparing the net management fee income of \$202 million to the six months ended March 31, 2011, which was \$242 million, the decrease results primarily from a reduction in associate income as a result of our sale of the BlueCrest stake in March 2011, whereby we realized a gain of around about \$257 million.

So net management fee income for the six months ended March 2011 included around about \$38 million of BlueCrest associate income, and that came in, in the last quarter of that period.

Net performance fee income of \$39 million, compared to \$152 million for the previous period. The decrease here is due to lower gross performance fees from both GLG and AHL. In the comparable period, we had a compensation credit, as you'll recall, from the acquisition balance sheet of GLG.

As we explained in May, just to highlight, we have defined our net management fees as exclusive of the interest components. We show the three lines, net management fees, net performance fees, and net finance expense.

Net finance expense for the six months ended September includes a charge of around about \$19 million linked to the repurchase of \$335 million of our senior debt, and this will reduce our interest expense by about \$20 million per year.

There is another effect to note; interest earned on our cash balances will decrease in the next period as we have lower cash balances. We purchased the Lehman claims for around about \$355 million from the funds. We have the debt repurchase, I just mentioned. The dividend and the announced share buyback for cancellation will reduce our cash balances. And so, on an annualized basis, we anticipate our net finance expense to be around about \$42 million per year.

Our capital position continues to be strong, with regulatory capital surplus of over \$1 billion. Net cash of around about \$700 million, so we still have significant excess cash. And a \$1.5 billion committed facility was undrawn.

You have seen previously Fitch, Moody's, and S&P all reconfirmed Man's long-term credit rating as BBB/Baa2, with a stable outlook.

If we turn to gross management fee margins, this slide gives you a breakdown of the margins by product type. Just starting from the top, guaranteed product margins remain stable. And the guaranteed products that Peter mentioned earlier that we launched during this period were at the average historical margins.

On the AHL open-ended line, average gross management fee margins have decreased by around about 40 basis points, from 364 in the last period to 320 basis points, as a result of two effects.

The Nomura Global Trend open-ended onshore product that Peter mentioned earlier has a gross management fee margin of approximately 200 basis points. This fee, however, remember, is already net of the cost of distribution so we incur no further distribution costs. And the fund administration for the product is done by Nomura so we incur no incremental costs associated with the fund administration for the product.

If the Nomura Global Trend product were taken out of the margin calculation, the average margin would be around about 340 basis points. So it's a reduction of about 24 basis points, and this really results from a mix shift between retail and institutional AHL product.

On the institutional fund of funds business, margins have remained stable. But as we've noted previously, the increase in this margin, from around about 100 basis points, is due to additional fees on the Pemba CLO structures, as those products have actually come up to NAV highs and we earn more management fees on those products.

But I think, generally, we've indicated that, that margin should trend down to at least back to 100 basis points. And then as we allocate some of the large mandate wins on the managed account platform that margin will decrease again.

The margins of the other product types remain broadly in line with the prior periods. Overall, we continue to see margins remaining stable within these product types.

So on the revenue, gross performance fees and investment gains and losses of \$83 million in the period; split about 50/50 between AHL and GLG. The majority of the AHL performance fees were earned on Man AHL Diversity sorry, Diversified, which locked in on an annual basis in September, and on the Nomura Global Trend, which was at peak in August and at the beginning of September.

For GLG, which records its performance fees in June and December, the June performance fees earned in the period were from the Credit and Convertible Funds, the Market Neutral Fund, and the European Long Short Fund.

Average funds under management in the period were broadly similar to the preceding six months. However, there is a reduction in the average FUM on the guaranteed products, as you've seen, some of those products de-gear, which has been offset by higher levels of average FUM in AHL and the GLG open-ended products.

Just talk about performance fee highs at this point. So this is AHL's funds distance from peak as of October 31. And, as you can see, the weighted average AHL distance from peak is around about 11% from peak; that's the weighted average. But just to note that around about 56% of the assets are between 0% and 10% away from performance fee highs.

This is the same graph showing for the GLG performance fee earning FUM. In GLG, there's about \$16 billion of FUM eligible to earn performance fees. 46% of GLG's performance fee earning FUM is within 5% of high watermarks at September 30, with 13%, or about \$2 billion, at high watermarks already. Obviously, performance fee revenue is important for the overall economics of the GLG business.

This rather detailed slide is a breakdown of GLG funds under management by fund. It gives you more detail regarding the individual FUM by both asset type, and references it to the reference funds and the related Bloomberg ticker.

So this makes it actually relatively easy to track using the UCITS on a weekly basis, and some of the products are on a daily basis, the performance of GLG using these reference funds and the FUM. This should allow you to be able to model and monitor the GLG performance and performance fee earning capability. And we'll include this information in our quarterly trading statement, going forward.

Turning to costs and synergies, just going through the cost base, on the first line, distribution costs are approximately 6% lower than the prior period. This is largely due to lower amortization of placement fees on the guaranteed products.

The next line down, asset servicing, we mentioned this at the year end. Asset servicing costs include third party costs of fund administration, custodial, and valuation services for the funds.

At the beginning of the calendar year, we commenced an initiative to transition these services, previously performed at Man, to third party providers to give us more flexibility in our cost base. GLG had previously outsourced these services to third parties prior to the acquisition.

The \$17 million for the first six months is expected to increase to around about \$20 million on an annual basis for Man, and about \$20 million on an annual basis for GLG; a total of \$40 million annualized. And we have previously indicated that at the year end.

And, as previously discussed, and as mentioned by Peter, the internal costs of Man, which will be reduced, now these costs are primarily staff and consultant costs so they'll appear on the compensation line and other costs line, and on a run rate basis from December 31, we will have reduced by about \$20 million the Man component of these costs. This is the cost savings that Manny had mentioned in the Investor Day.

Fixed compensation costs, primarily comprising fixed base salaries, were \$132 million, compared to \$117 million in the previous period. The increase here is due to foreign exchange movement on the base salaries; and, as Peter has mentioned, a headcount increase on the consolidation of the Ore Hill business; the new hires in AHL Research, Man's systematic strategies, and sales; partly offset by the reductions from compensation synergies from the GLG acquisition.

The variable compensation costs in the period were \$183 million, compared to \$219 million in the six months ended March 31.

Compensation for the six months ended March includes a \$54 million credit related to the GLG acquisition. So, effectively, to get a comparable you have to gross that up, and then that shows that the variable compensation does reflect the lower performance fee income in the six-month period to September 30.

Other costs increased to \$166 million, from \$160 million in the last period. And you'll recall, in the year-end presentation we indicated that we would have an increase of around about \$25 million of costs, primarily related to the new London headquarters, and depreciation, which has been partly offset by the cost synergies from the GLG acquisition.

As Peter mentioned, following the acquisition in October 2010, we have now achieved the cost synergies we'd indicated of \$50 million, and that is coming through on those lines for other costs, as well as compensation.

Just turning to the earnings summary, just to highlight on the adjusting items, the adjusting items includes \$31 million of amortization of GLG intangible assets. Now these are the investment management agreements that will amortize over their life, and a \$10 million provision in for restructuring costs related to us exiting three leases in New York and consolidating our office into one location.

As far as the effective tax rate, it's trended back to the historical norm of around about 17.5%/18%. You'll recall, in the last comparable period there were a number of prior year adjustments and tax settlements and adjustments for UK corporate tax on deferred taxes, which brought that rate down.

Final comments on the balance sheet; the balance sheet remains liquid. The decrease in cash and cash equivalents and in borrowings, as I mentioned earlier, is due to the repurchase of \$335 million of senior debt. The decrease in investments in some products is due to lower loans to fund balances; that balance is running around about \$350 million.

Other investments increased and cash decreased as a result of buying the Lehman receivables for \$355 million, and there was an IMS on that earlier. Those receivables were mainly in the European Long Short and the North American Opportunity strategies.

We continue to have significant excess liquidity and undrawn facilities. Cash balances are invested in short-term bank deposits with highly rated commercial banks.

Our regulatory capital remains stable, and we do not anticipate any changes in the regulatory capital regime.

Thank you. I'll pass back to Peter.

## **Peter Clarke – Chief Executive**

Thanks, Kevin. I just wanted to come back and wrap up what you've heard so far from the three of us, bring you up to date with FUM and looking forward.

As you've seen in the release that we put out this morning, our assets under management at the end of October were about \$63.5 billion. We did see redemption levels reduce back to more normal levels in October after the spike in September.

We do continue to plan for subdued investor appetite, given continued uncertainty and volatility in markets more generally.

We are still focused, as always, on an efficient, effective, and flexible cost base, and that's why we've spent some time on it with you this morning. We do, however, of course, continue to invest on a targeted basis on our investment management edge, which is at the core of our business proposition.

We also have substantial surplus capital. In addition to the dividend, as you have seen, we've committed to repurchase up to \$150 million of our own shares over the next two months or so; a little less than two months given the timing of the holidays.

So, where does that put us all in all? I think given our resources that you've seen, our investor access that we've spent some time on with you and for you, our performance, our profit focus, we're extremely well placed to capture flows as investors recommit capital. That will happen as sentiment improves and risk appetite returns, as it surely will.

So I'm going to stop there. We are now, obviously, going to move to the Q&A session. We do have some roving mics, please wait for one of them to reach you, and we will deal with all the Q&As.

## **Haley Tam – Citigroup**

Haley Tam, Citigroup. Can I have three questions, please; two quick factual ones and one slightly longer one.

On the two factual questions, firstly, the European Long Short Equity is a fund you've mentioned a few times in the presentation today, could you give us some idea of how much AUM is actually in that? I note it's not listed as a reference fund on slide 22.

And secondly, in terms of the European retail exposure, obviously a big driver of the fund outflows in Q2, can you give us an idea, on slide 30, how much of the European assets there are actually retail?

And then my final question really is about the October redemptions having slowed down. Can you give us more colour in terms of product or customer type, exactly what has improved in the last month? That would be great.

## **Peter Clarke**

Okay, I'll see if I can remember all those questions, Haley. The first point is that, effectively, on slide 22, it's in the top bucket on Equity Europe. It's split between the European Opportunity and European Equity Long Short. And there's a bit of one in there as well, which is European Alpha.

So roughly going to be equally split that component that you see in aggregate is roughly equally split between the three; of those; of which Pierre's fund is the first one listed.

Desperately trying to remember your second question, Haley; I should have written it down.

### **Haley Tam**

It's all right. It's just slide 30.

### **Peter Clarke**

Of our current European assets, what proportion are retail? I would say that if you recall that we said we had \$9 billion in UCITS; not all retail; that includes long-only, as well as hedge fund content. And if you add up the Europe excluding UK and Switzerland, UK, so that 42% will give you some idea and it's about \$9 billion in aggregate in UCITS. And it sits in those two components of our FUMs, so obviously that will flex with FUM.

And the third question, on October redemptions.

On Europe, as I say, it's really there are two components of that, which I tried to go through on the way through. I'm not sure I can say much more apart from repeat that.

The European investor environment from mid-August, and particularly into later September, was a concern around macro issues. So it was a concern particularly around Europe, which is why it was a Europe-centred reaction. It was a private investor reaction, and those are investors who come directly into our UCITS products and many of them left to make a spike up in redemptions.

Where did it come from? It wasn't indiscriminate in the sense that it did tend to come from those managers that had seen less good performance in October and September. So it tended to come from the equity trading strategies because those were the ones that were being most impacted by the markets.

Since the end of September, of course, those are the strategies which have been doing particularly well again. So I think we just have to accept that in this environment sentiment, slightly influenced by performance, but sentiment is the dominant factor for the European private investor.

Japan, for example, no movement on redemptions. The Japan retail investor has not reacted in the same way as the European onshore investor has.

In terms of the other components that I mentioned, there is, in terms of the retail investors that we have from Europe, we do have allocations, effectively, from aggregators on the retail side. So these are wealth managers who have collected assets, either on a discretionary or a bespoke portfolio, to allocate and some of that comes our way.

And, as I mentioned, France and Italy were places where we saw some of those allocators come out of markets in anticipation of their own redemption profiles. And that was the explanation, the reason I gave that explanation around lumpiness. As far as we can see, again, that's through the system.

So my take-away from that, which I think is borne out by October, is that if someone didn't like what was happening in the world in August and September they're already out of our FUM. The opportunity for us, there's capital just sitting on the sidelines which surely has to come back into markets; that our performance and our track record will mean that they come back to us.

### **Haley Tam**

Thank you.

## **Daniel Garrod - Barclays Capital**

Daniel Garrod, Barclays Capital. A couple of questions, if I may. The first, I wonder if you could provide any more colour around the end October AUM figure of \$63 billion. Are you signalling there's a further \$0.8 billion of AHL de-gear on top of the \$0.8 billion that you signalled in the pre-close, so \$1.6 billion taking effect there?

We know there's been, obviously, negative AHL performance in the month of October, 6% or 7% negative, so what is counterbalancing those two effects that mean that the decline versus September is actually so mild?

Second question around the GLG comp ratio. You signal in one of the slides coming down from 65% to 55% as the deferred stock options roll off, can you give an indication - is there any step down? Or is it straight line? How does that 65% to 55% unroll, as it were? Thank you.

## **Peter Clarke**

This time, learning from my previous mistake, I've made copious notes of your questions, Dan.

So, firstly, on the FUM point, the components are, as you say, there's one de-gear in that. There's a second de-gear, which we point out for November 1. It happened on November 1, so that's not in the first numbers. And we saw negative performance in AHL in that period, as you've noticed.

What we've seen at the positive side is reduced redemptions; our positive performance in GLG; positive market moves on long-only; and positive FX. So, effectively, some of the sharp down moves that we saw in September, some of those have reversed.

But the big drivers on the negative side, as you've pointed out, are investment movement in AHL, and the de-gear which follows that investment movement through the structured products.

On the comp ratio, you're exactly right in everything you said. In terms of the guidance, we said it dropped off over 18 months. I think we've actually given some details of this already somewhere, but we can give you some guidance. So it's basically the last piece comes off roughly in March of 2013. And Miriam's shouting at me something. It does step down, it's back-end loaded. Okay, fine, if that helps.

But it's a defined amount over a defined period, so it doesn't change. So by March 2013, it's pretty much completely gone. So we get some benefit this year, and we get the final piece of the benefit in March 2013; which, of course, will be the first quarter of the new financial year.

## **Carolyn Dorrett - Deutsche Bank**

Carolyn Dorrett, Deutsche Bank. Two questions, if I may. First of all, could you give us some more detail in terms of your planned fund launches? I think you mentioned you might launch in Canada; any more detail there would be great.

And secondly, in terms of seed capital profit and losses, we appear to have lost the slide that we've previously had, could you give us an update on what your seed capital profit and loss was in the first half?

## **Peter Clarke**

I'll let Kevin deal with the last one, and then I'll deal with the first one.

## **Kevin Hayes**

Sure. It was a negative 1, so it was basically flat.

### **Peter Clarke**

On the first one, yes, Canada, we have an Emerging Market product in Canada which is currently in distribution. Canada has, long term, been a good, solid market for us. And that's a fund which is going extremely well, but we're talking about a couple of hundred million dollars, not a billion dollars, but still significant appetite in Canada.

We're obviously using the distribution system, the main Canadian banks that we use for these product offerings. But it's seeing a lot of interest. It's an EM-based product.

### **Bruce Hamilton - Morgan Stanley**

Bruce Hamilton, Morgan Stanley. Just two follow-up questions. So, on the AUM at the end of October, obviously you've given us some help there, but you've talked about some normalization and redemptions. Are flows in the period since September, therefore, positive or just slightly negative, to clarify?

And then secondly, when you talked about the margins, obviously the open-ended margin is drifting lower. Can you give us some sense of how much of the AHL sales have been institutional? And should we be thinking, going forward, when you launch big products there'll be more two and 20 with lower distribution in, say, Japan? Or would they be back to the 350 mark?

### **Peter Clarke**

Okay, on the flows point, there was a small net outflow. So it didn't go to an inflow; reduced redemptions, did not go to create an inflow for October.

On the margin mix point, I'll make some observations. Kevin may have some others to throw in as well here. The point is that it is a mix issue. Nomura, in many ways, is a poster child of what we would like to do. We've sold \$2.5 billion; we manage it at two and 20. And the headcount of the firm doesn't change. There's no operational infrastructure. We have a big Japanese presence, as you know, and that can be serviced back.

So Kevin's explained why that is a mix change. Obviously, the net level, that's a particularly good sort of structure for us to be doing.

It is relatively unusual that we find someone that can launch and self-administer an onshore fund of that sort, so it's not likely to be something we can replicate. Although, don't get me wrong, we would like to replicate that structure; that's, actually, a very effective structure for us.

On the institutional mix component, AHL is attracting institutional assets, which is a good thing. And that is partly a function of the fact that we have consultant buys out on AHL as institutions are moving more towards recognizing the value of quantitative, particularly CTA strategies, which many, interestingly, view as a systematic means of their own portfolio allocation, as well as an outright generator in their own right. So in the flows it's more significant than it is in the stock.

Again, over time, it is incremental. Those of you who have been following Man for a long time know that we're very careful to ensure that we do not cannibalize capacity in terms of institutional access to AHL, and we preserve capacity where it's scarce for the direct retail investor, where we do earn higher fees.

### **Bruce Hamilton**

Can I just check on the fees for the institutional AHL? What sort of level are those set at?

**Peter Clarke**

Our largest investors are paying around the two and 20 mark.

**Peter Lenardos - RBC Capital Markets**

Peter Lenardos, RBC. Just a few questions. Are you committing to maintain the \$0.22 dividend as a minimum going forward for fiscal '12?

And second, would there be any potential, if cash flow generation remains strong, for further buybacks, or a special dividend in the New Year?

And lastly, on the Lehman claims, when do you expect to realize this investment? Thanks.

**Jon Aisbitt**

Okay, on the first two of those, we feel we've been as helpful as we can, as a Board, in terms of both making it clear that we're maintaining the interim dividend by effectively pre-announcing that we're going to maintain a pro-rata final dividend, by announcing a buyback for the period to the year end.

We have to take, as a Board, decisions about future financial periods when we have better visibility as to what those are likely to bring. But it is no accident that I've stressed that the Board continues to view the dividend as the primary means of returning surplus capital.

So when we get to that point that we have greater visibility, when we've dealt with the opportunities for investing in our business and we look to see whether we have surplus capital, to the extent that we have surplus capital, the dividend will be the primary route through returning it to shareholders.

**Peter Clarke**

And on the Lehman's point, there's a timeline to this. This is the settlement, effectively the cash payment comes as a result of the legal cases, of which there are many tracks that you are undoubtedly aware. So this has quite a timeline to it.

We've taken steps to ensure that we believe that we're not at any significant risk on that at all, and we would hope for some upside around that. But that is going to realize over, probably, years. It does depend on the speed of claim settlement through the courts.

There is a big court case underway at the moment, actually, in the Supreme Court in the United Kingdom. And some of those outcomes will determine both the speed of repayment and, indeed, the priority of those repayments.

And in calculating our expected return, we've assumed that all of those cases go adverse to us. In other words, where you think you're secured, or prior, you go into the unsecured bucket.

We have, actually, already had some cash back; they are already making distributions. I think we've had \$25 to \$20 million back already. So it is flowing, but it is going to depend on some quite big court cases around creditor rights for full repayment.

**Sarah Ing - Singer Capital Markets**

Sarah Ing, Singer Capital Markets. Just following up from Bruce's question on AHL institutional margins, would I be right in thinking, if you're selling AHL to institutions at lower gross margins, that the net profit margin is at a similar level than the retail funds? In other words, you're not cannibalizing the net effect, assuming that there'll be lower distribution costs with selling institutional funds.

**Kevin Hayes**

I think if you look at the Nomura product, as I outlined, that's around about 200 basis points. That's inclusive of the distribution, so we do not pay any further distribution costs.

**Sarah Ing**

I'm not talking about Nomura; I'm talking about the other.

**Kevin Hayes**

And on the institutional side, likewise.

**Peter Clarke**

We don't pay distribution costs on institutional.

**Sarah Ing**

What I mean is, is it right to conclude that whilst the growth management fee margin on AHL has fallen, if I was looking at the profit margin on AHL after forecast, it wouldn't be lower because of the increased institutional fund sales?

**Kevin Hayes**

That's right.

**Sarah Ing**

Is that right?

**Kevin Hayes**

Yes.

**Peter Clarke**

I think this is the point that we were trying to make earlier, and it applies to Nomura as well in a sense, that the infrastructure of the organization, particularly on the systematic side is there. And the more that you can raise and put through that, it drops through. And if you're not paying distribution, you're not hiring people to manage and sell; obviously you end up in a good place.

**David McCann - Numis Securities**

David McCann, Numis. Just back to back to the share buyback just one sec, the \$150 million, can you just give us some colour as to how you actually came about that number, specifically, because you have a lot more surplus capital?

Second point on that, you talked on the conference call before about reviewing your capital position at the time of the results next year, can you confirm that's still going to happen, now that we've had this buyback already? Thanks.

**Jon Aisbitt**

Let me answer, not necessarily that helpfully, the first of the two questions. You won't be surprised to hear that we took advice from people in the market as to the likely volume that we would be allowed to buy. You know there are restrictions on how much of a daily flow you can buy. And having taken a look at that, a look at the trading volume of Man shares, we actually thought that a realistic order, if you like, which we hope to fill, is \$150 million. It's as straightforward as that.

Your second, the second part of your question?

**David McCann**

The second part was just on, you talked before about reviewing capital in the New Year.

**Peter Clarke**

In March, we'd expect to give you an update on the Board's thinking on all the difference aspects of capital strategy that I've touched on today.

**David McCann**

Okay, thanks.

**Philip Middleton - Bank of America Merrill Lynch**

Philip Middleton, Merrills. Couple of things. Firstly, MF Global, you've not mentioned it, which is probably the best thing to do, but I just wondered if you could reconfirm you've got no exposure; and then say how come, given that it's a natural counterpart of some of your strategies.

Secondly, I saw in your Smartie chart that you had some comments about US institutional recommendation, which you've been saying for a while. One of the feedbacks I've had on both your pre-merger firms was that the US institutional business was poor because of poor consultant relations. How long does that improvement take to feed through to flows?

**Peter Clarke**

On MF Global, we did release a statement a couple of days ago regarding MF Global, where we said that we had no counterparty exposure to them.

But how come, which is your question I think really, given the history? The answer is that at the time of the separation we had a commitment to continue to use them, subject to pricing, which expired three years after, back in 2010. At that point, we moved quite a lot of the business in order to protect ourselves against having large counterparty exposure in any single entity. And where we continued to execute, we moved our clearing away. So if they're executing, it's on a give-up basis to a high quality clearing counterpart.

So really, we would say this wouldn't we, but it's good counterparty management to ensure that we don't have our fund investor counterparty exposure with people that aren't of the highest quality we can possibly manage in terms of counterparty risk. And MF Global was not one of them, so we made sure that we had our clearing relationships elsewhere.

There have been, I think, a few other things where people have been looking around for other relationships. If any of you do hear anything, do tell us because we're confident there aren't any of those. There's some historical documentation, I think, that refers to the Group as guaranteeing some of their original debt prior to separation; I think that all of that has fallen away. So there is no residual legal liability from the separation, or current counterparty issues, with regard to the MF Global issues.

The United States; you're absolutely right, Philip, we've talked for a while about our deficiencies in ability to distribute, particularly in the United States, by having insufficient consultant access prior to GLG transaction, also product that US institutions weren't really buying. They didn't really look at CTAs until 2008/'09.

We have buy recommendations on AHL; there's a buyer now out there. And we have positive buy recommendations from consultants, both in the United States and Europe on GLG products. And, I've actually mentioned, this is a synergy point effect, it's quite clear that many of those consultants have moved to a buy because Man owns GLG. They would not have got there on their own. And that is a reflection of the value of the combined firm.

Those, how long do they take to get through, they take a little while. But there's quite a direct feedback. We're not allowed to quote which funds we have buy recommendations from, but we recently went onto a buy from one large consultant, and immediately won, actually here in the UK, a \$100 million mandate off the back of that; just instantaneous, virtually off that. So when it happens, it can be quite significant. It's absolutely at the very front edge of that.

But it is important, of course, that consultants focus, as well as on everything else, on performance. It is very performance-focused. But the good news is that those that do the work come up with the conclusion that GLG has high performing content.

So I think this is something that in 2012 and '13 we should be able to say more about, Philip, in terms of what's really crystallized from that. It's a big goal of ours to get into that flow. And, by the way, one of the reasons we're making headway is not just the transaction, but the fact that we now have two consultant teams, one in the United States and one here, that are working hard on those relationships.

### **Philip Middleton**

Okay, thank you.

### **Andrew Mitchell - Charles Stanley**

Andrew Mitchell, Charles Stanley. I was just wondering, in your comment on planning for subdued investor appetite, beyond what you've already done on costs, is there a great deal that you can do in terms of short-term flexing to respond to the difficult background? Or is that just a general market comment?

### **Peter Clarke**

I meant it as a general market comment, Andrew, but I think it's one of the things that we look at constantly. I was trying to make the point earlier, this isn't something we look at month on month; we're always looking at how we can be operationally more efficient as an organization. And we continue to look at that.

And there are some IT things that we've talked about where can save money, or not spend money in the future, and we will continue to look at that.

So nothing specific, but clearly highlighted by our wish to make sure that we are focused on high levels of continued profitability of our assets for shareholders, and that remains a core component. Compensation is a piece of that, IT and technology are pieces of that; and the synergies that have come from the transaction are a piece of that.

**Jon Aisbitt**

Okay, thank you very much indeed, everybody.

**Peter Clarke**

Thank you.