Event:	Pre-Close Trading Update and Funds Under Management Statement
Date:	29 March 2011
Speaker(s):	Peter Clarke - Chief Executive Kevin Hayes - Finance Director

<u>Forward looking statements</u>

This document contains forward-looking statements with respect to the financial condition, results and business of Man Group plc. By their nature, forward looking statements involve risk and uncertainty. Man Group plc's actual future results may differ materially from the results expressed or implied in these forward-looking statements.

Operator: Hello, and welcome to today's Man Group Pre-Close Trading Update and Funds Under Management Statement call.

Today I'm very pleased to present Peter Clarke, Chief Executive, and Kevin Hayes Finance Director of Man Group and during this call all participants will be in listen only mode and after the presentation there will be an opportunity for questions.

Peter, please begin.

Peter Clarke: Thank you, Hugh. Good morning everybody. Thank you for dialling in. You will all have seen this morning's press release and pre-close statement and FUM update for our final quarter of the financial year. As usual I will go through some highlights and then provide some colour and come back to you all for Q and A.

So, starting with funds under management you will see currently estimated at $69 billion and that's up very slightly on 31 December of last year which was $68.6 billion. Sales in the fourth quarter of our financial year were $5.3 billion gross. Net sales were $0.7 billion, giving overall positive flow for the first time in quite a while, I think in two years indeed, so signs of recovery there in terms of the net sales move and particularly impressive gross sales in the first quarter of the year.

Performance investment movement was impacted by the macro events of March. We had overall a pretty flat January and February. AHL was down in January as you remember but many of our other strategies were up. However, the events of March, the macro events and obviously particularly the Japan earthquake, tsunami and nuclear events have impacted market sentiment there. I'll come back to that later but as you can see the FUM impact to our funds under management has been entirely accommodated with an overall growth of assets.

In financial terms we report an adjusted pre-tax of $560 million. That's exactly the same as last year. Adjusted EPS of 24 cents, which more than covers the 22 cents dividend confirmation that we made earlier in the year. Two main adjusting items in the second half: BlueCrest, the sale of our stake in BlueCrest which we announced a couple of weeks ago realising a significant gain there. I'll come back to the strategic rationale behind that in a minute and an impairment on the Multi-Manager goodwill which we recorded in the second half.

Our financial position remains strong. We've got surplus capital. We boosted that with the proceeds of the BlueCrest transaction. There will be over $800 million when we account for that and cash of nearly $1 billion. So, our financial position remains extremely robust and gives us flexibility going forward.

Strategically we've made real progress during the year. We've integrated GLG as you know and that's all on track. On BlueCrest, as I mentioned, we sold that. We are focusing on internal investment management capabilities. We've released capital for strategic purposes that was tied up alongside that stake. It's been a successful relationship for both companies going forward but we want to release that capital to develop our own business with our own internally owned managers.

We've also executed on Ore Hill to take the 50% we didn't already own. The details of that are in the press release. The logic again is to produce internally managed and owned capabilities. In this case Ore Hill being a credit manager based in the United States. They will come onto the GLG platform and that transaction is expected to be earnings enhancing in its first full year and we'll increase assets under management as we record the 50% of Ore Hill's assets that we don't currently record.

A bit more detail on sales. We saw a reduced outflow for guaranteed and that reflects the Synergy product which you know started trading in January of $350 million. We saw continued open-ended inflows which has been both encouraging but not surprising, given that we have been witnessing the on-shoring, as it were, of products both in Europe and globally and those tend to be an open-ended format. So, expect to see continued open-ended flows.

On the institutional fund-of-fund side in Multi-Manager, we still have an outflow there. We indicated that we have quarterlies effective 1 January of about $0.4 billion. We have seen some continued redemptions there but the BVK mandate, Bayerische Versorgungskammer mandate we announced at $1.5 billion, does two things: firstly, it confirms the attractiveness of the managed account platform that we have here at Man from the most sophisticated investors around the world, and secondly, it provides the forward pipeline of sales that we will have coming over. There's about $2 billion of those there now including the remainder of the USS managed accounts and in BVK's case the bulk of those should come in the calendar year, as they have a relatively small number of a relatively large allocation so the onboarding of those managed accounts is a faster process than for some of the USS hedge fund allocations.

The Multi-Manager business is profitable, it's focused, we have however taken an accounting impairment to reflect the forward sales being managed accounts predominantly and the fact that GLG now represent the contents for our guaranteed structured products, our composite products, rather than the Multi-Manager and that obviously impacts the forward sales and margin characteristics of that business but, as I say, we do have a profitable focused business there that is attracting some of the most sophisticated investors in the world. So, very confident that we have the correct format for that business.

Level of interest generally, particularly post GLG with a much enhanced product range, is very high indeed. I have over the last month been in New York, been obviously in Europe, in Hong Kong, in China and Australia and I can say that throughout my world travels it's clear that investor sense generally towards hedge fund remains very strong. There are parts of the world where there may be some impact from recent macro events in the private investor world, particularly of course people looking at Japan given the terrible events there. ‘

An update on our Japan business: clearly we’re based in Tokyo so our business, our people are all safe and sound. I’ve been struck by the commitment that our partners have to continue business there in Japan. We have, as I think you all know, a launch scheduled for April with a major distributor. This is an open-ended AHL, multi-currency product launch. That is scheduled to continue to go ahead and we would obviously report in due course on the success of that. It is an open-ended product so obviously a product which will be on the shelf in Japan for investors as and when they wish to invest but, as I say, our current proposition is to continue that and indeed marketing of that has already begun.

We also have with GLG the Japan Core Alpha fund which is a long-only strategy into Japan. That obviously has required a lot of time and attention. We remain committed and invested to the Japanese market, as have our investors. We really see no material flow impact around the events in Japan Core Alpha, including the financial consequences of the earthquake, is only down about 6% on the year to date. So, really in terms of impact on our numbers the impact has been limited to performance, a bit in Core Alpha and of course the consequence of more volatile markets on AHL’s performance which you will all have seen.

Coming back to performance. As I say, clearly we have all seen some macro shocks to market in March. Those have principally affected AHL but our overall performance continues to hold up well with peers and March has begun to see positive performance across a range of strategies as markets have bounced somewhat off the volatility of earlier in the month.

On the strategic side, as I mentioned, we’ve executed a number of strategic ambitions to internalise investment management for single managers, both with BlueCrest and today with the Ore Hill announcement. With GLG we now have a broad range of directional strategies which can cope with different markets and I think we’re already seeing some of the benefits of that as we see volatility in AHL offset by performance and interest in other aspects of our offering, particularly merging markets, global macro, and long-short.

As a firm, clearly we strengthened our infrastructure. We’ve boosted our financial resources, that range of investment skills and our access to investors globally I think leaves us extremely well-placed and I am very satisfied with performance and positioning for the coming quarters.

So, I will stop there and pass back to Hugh for Q and A.

Operator: Thank you very much for that, Peter. If you are on the phones and you have any questions can I please ask you to use this opportunity to press 01 on your phone keypad now and after you are announced just ask your question. Should you find your question has been answered before it’s your turn to speak just press 02 to cancel.

Okay. The first question is from Phillip Middleton of Bank of America Merrill Lynch. Please go ahead, sir.

Phillip Middleton: Good morning, and thank you very much. I wonder, could you say a little bit about what you're doing in terms of new product. Because I think one of the things you've highlighted before is rolling out new product coming out of the merged entity. I wondered what progress you're making with that.

Also, could you just say a little bit more about what you're seeing in terms of retail demand and how that's recovered from the various shocks and tragedies we've seen? Thank you.

Peter Clarke: Yes, okay, Phillip. On the product side we're seeing -- I mean, for example, that Japan launch I mentioned is an open-ended onshore AHL. It's the first time we've done that on shore in Japan. It also has two additional features; you can buy it in different currencies whether that's commodity currencies or other Asian currencies, or you can buy it in yen and dollar. It also has a monthly income option on it, so what you're seeing is a variety of sort of income producing and currency options around some of our normal products, as it were. Around the more traditional Man products, obviously we've got in the market at the moment an AHL GLG product which is obviously a direct consequence of the combination of the two firms.

We have in Man Systematic Strategies a couple of interesting products, an ETF on long-only research driven model which is now trading getting on for $400 million, so that's really seen some interest. We also have there a Tail Protect, a volatility protection model which I suspect will prove interesting again given some of the macro events in March, that's an institutional product.

In GLG we've got in parts of the world currency overlay strategies and volatility strategies which we're executing through the GLG platform. As well of course is the continued attraction of some of the mainstream, high profile, very successful products in GLG like Alpha Select. So, plenty of that. In terms of retail, clearly we will continue to innovate and adapt our product offering to suit the different requirements of geography and investors.

On the retail side, as I say, I've been all over the world over the last few weeks and I would say that the institutional investor appetite appears pretty much unperturbed by these events. The retail investor however in some parts of the world is a bit more sensitive to this. I would have to say, however, that in Asia sentiment seems to appear still very strong, notwithstanding the physical proximity to the events in Japan and our exposure to MENA strategies is somewhat limited in terms of emerging market strategies and indeed our penetration into the MENA regions for distribution is much more focused on institutions than private investors.

So, clearly volatility around March is unhelpful to people who are wondering what to invest in markets. Longer term I think the range of our strategies and the fact that traditional investment strategies can be knocked quite hard in these sorts of circumstances will play to our strengths. So, I think it would be unwise to assume there isn't some impact but I really don't think that that impact is going to be material in the context of the Japan market for us and we'll see how long markets remain volatile and uncertain as to whether or not that impacts more widely on private investor demand. So, some impact as we can tell at the moment I'm not suggesting that it's particularly significant.

Phillip Middleton: Thank you.

Operator: Okay. We now go onto Hayley Tam of Citigroup. Hayley, please go ahead.

Hayley Tam: Morning Peter. Can I just quickly follow up on that question on the private investor fund flows? You do say that you think the flows may be affected short term. Can you give us some colour on which geographies you perhaps see that happening particularly in, and also by product type as well. It sounds as though it's not GLG Core Alpha in Japan, so could you perhaps give us an idea of where else it might be.

On performance fees, if you could give us a breakdown of that $145 million into AHL, GLG long and GLG alternative. That would be great. Thank you.

Peter Clarke: On the first, Hayley, what I said -- in the context of Japan what I said was that the launch is continuing. It's unrealistic to expect that the onshore Japan AHL product will raise as much post the Tsunami as it would have raised pre the Tsunami. So, that is the point I was making about investor demand there. However, it is an open-ended product and therefore it's not a function of launch and close, it is a function of launch and stay open. So, I think we will see flows around that continuing as performance comes back.

In the context of private investors more generally, I think all private investors have been watching the volatility of March with some concern, whether that's in equities or whether that's in alternatives. So, I think that's just a general overall subduing for the private investor but, as I said, I don't think there's anything significant that's likely to flow from that but it depends on whether markets quieten down or not going forward from here. But, as I say, given what happened in March it would be odd if I didn't expect there to be some negative impact, but I'm not suggesting it's dramatic or significant in any way.

Kevin Hayes: Hayley, the net performance fee breakdown's about 60% from AHL and around about 40% from GLG on a net basis.

Hayley Tam: Thank you, and is most of that GLG alternative rather than long-only?

Kevin Hayes: Yes. Alternatives, yes.

Hayley Tam: Thank you.

Operator: Okay. The next question is from Nick Burgess of RBS. Nick, over to you.

Nick Burgess: Yes, good morning. Thank you. Just two questions on the impairment. Firstly, I'm just a little bit confused, you talk about the impairment being due to lower future sales, on the other hand you talk about a strong pipeline for the institutional business particularly $2 billion, which you mentioned. So -- and I guess if you factor that into the institutional business looking at what the flows have been over the last two years or three years since 2008 in actual fact this impairment looks like it's been taken when flows are going to be perhaps as good as they've been for at least three years. So, just a little bit of help in reconciling that if possible.

Secondly, that $375 million impairment, what is that roughly, as a proportion of the goodwill assets for that business?

Kevin Hayes: Okay, Nick, maybe if I can just go back to Peter's comment that strategy around Multi-Manager businesses is now predicated on the managed account platform, the institutional business. Previously the managed account platform has provided the content of the structured products. Now, that will be provided through GLG. So, it's a refocus of the business towards somewhat of a lower margin business and you correctly point out that we're making significant progress with a new mandate win on the institutional side but it's a lower margin business. Therefore, that changes the economics of the Multi-Manager business. It is now profitable and it's cash generative but then when we evaluate the cashflow of that business compared to the historical goodwill which really arose out of the acquisition of RMS and Glenwood over a decade ago, you would do that evaluation, you come up with a different construct as far as economics compared to the historical goodwill and that results in the breakdown. So, the goodwill now on the Multi-Manager business is around about $360 million.

Nick Burgess: So, it's roughly a 50% write down, is that what you're saying?

Kevin Hayes: Yes.

Nick Burgess: Okay. Thank you. I understand.

Kevin Hayes: Okay, thanks, Nick.

Peter Clarke: It's important to note maybe on that that this is a combination of businesses which since we've owned them have generated getting on for $1.5 billion of pre-tax profit. So, it's a reflection of the current configuration in the modern business environment, not a reflection of the fact that these businesses didn't create significant value as part of Man.

Operator: Okay. We now go onto Arnaud Giblat of UBS. Please go ahead.

Arnaud Giblat: Hi, a couple of questions from me. On the open-ended alternative products, can you split up for me what the net inflows from GLG standalone is, and second on the BlueCrest disposal, you've indicated helpfully what the contribution was in 2010. What is the contribution in 2011? Maybe if you can tell us about the plans for that cash.

Peter Clarke: Okay, Arnaud, firstly on the open-ended it's about half in half, a little bit more towards GLG.

Kevin Hayes: Sure, Arnaud, the contribution from the stake in BlueCrest was recorded on the associates line and this year we will have on that line around about $66 million and $26 million in the first half and about $38 million in the second half. In the previous year, and that is all management income. In the previous year the associate line was around about $70 million and that was broken down around about half of performance fees and half management fees.

Going forward as we've sold our stake we will not have that associate income coming through.

Arnaud Giblat: Thank you. The plan to increase surplus cash?

Peter Clarke: Okay, on surplus cash what we said in the announcement of the BlueCrest deal continues to hold true, Arnaud, that what we've done is release some tied up capital into strategic capital to deploy in the business. We want to continue to invest in our business and to grow our business. That will be through a combination of bringing talent onto the platform, it will be a combination of continuing to seize new strategies that we think are interesting, either a standalone or in conjunction with other investors which is an attractive proposition to them. We would like to do a number of things in terms of building up our investment management capabilities, particularly in Asia but also in other parts of the world. So, we feel that we have quite a number of options at the moment to deploy capital in a way that will create growth and earnings for the business going forward. We have however always been very disciplined about this to the extent that we continue to look at our business and can identify surplus capital which we don't need to invest in our business then as you all know. We have a strong history of returning that to shareholders. So, if we get to that point then we will distribute surplus capital back to our shareholders. But we do think in the near term that there are opportunities to invest in our business.

Arnaud Giblat: Thank you.

Operator: Okay. We now go onto Daniel Garrod of Barclays Capital. Please go ahead.

Daniel Garrod: Yes, good morning. Daniel Garrod from Barcap here. A couple of quick questions. Firstly, I wondered if you could comment on the sort of outlook for the guaranteed area. Obviously it's moved in the right direction this quarter but it was boosted by that Man Synergy in January. Are there other launches on the horizon, or is it expected that we could continue to see small outflows remaining in that area because of a lack of boost to the gross line?

Secondly, just touching on the Ore Hill acquisition. I was just curious why, when you've got such a strong excess cash, excess capital position, that you're issuing the consideration in shares. Is that from the demands of the owners? Perhaps you could say a bit about that and about what the flows of Ore Hill have specifically looked like recently. Thank you.

Peter Clarke: Okay, Daniel. On the guaranteed side we have product out at the moment which is the Man GLG product. So, we do have product out. We also have some Australian launches coming up because we see some fund rollovers down there in Australia. So, you will see some guaranteed product. As you rightly pointed out investor appetite has picked up a little bit there. There is life for guaranteed product. It's not at the level that it used to be historically, it's open-ended rather than guaranteed but there is product there and there will be another product to report in the next quarter which will be the Man GLG product. I would expect that to be a similar size to Synergy which raised $350 million plus or minus, depending on where we are in investor sentiment during the remainder period of the offering.

On Ore Hill, yes, we issued shares because -- it's obviously a very small amount of shares but we issued shares on the basis that what we wanted to do was continue the alignment of the managers there, or the owners in the success of the overall business and we thought that shares were the best way of doing that. They also have significant investment in their fund but we wanted to make sure that they have significant exposure to the combined Man Group entity as well. So, we thought it was appropriate to do that, particularly given, as I think we point out in the announcement, that that is earnings enhancing in the first full year.

Your other question, Daniel, was ...?

Daniel Garrod: Just sort of the flows, how they've been performing for Ore Hill specifically. I appreciate it's a small part of the group.

Peter Clarke: It's a small part of the group. There would be nothing material in flows in Ore Hill at all. Credit, they have done extremely well. They have a decile performing fund. Credit strategies have been attractive. At the moment, given credit outlooks people have been not so much investing in credit strategies, but I think given the performance of Ore Hill we're very encouraged that within the Man organisation they will present a very interesting investment case for investors going forward. So, nothing material at the moment but either way, positive or negative for Ore Hill, but obviously long-term we expect to attract assets to credit strategies.

Daniel Garrod: Thank you.

Operator: Okay. Before we go onto our next question, which is Carolyn Dorrett of Deutsche Bank, can I ask if anyone has any further questions at this stage could you please use this opportunity to press 01 now. Carolyn, while we're waiting, over to you.

Carolyn Dorrett: Hi, Caroline Dorrett from Deutsche Bank. Good morning. Two quick questions, if I may. First of all, on that Japan launch that is now back on schedule for April. I think you've discussed before potentially $300 million of new money coming in from that. I take your point that it's likely to be lower now. Do you have an indication of what that -- what you're hoping for on that?

Secondly, just on the guaranteed products, I take your point that you've got the Man GLG fund scheduled to be launched this next quarter. What plans do you have for a product in the following quarter? Could you just remind us of what your maturity profile is like for these nine months going up to December?

Peter Clarke: Okay, Carolyn, firstly on the Japan launch. Obviously predicting the size of launches is a notoriously difficult thing to do. It's not completely random but I would say that $300 million, the number that you just suggested there, would remain an entirely reasonable assumption. We could do better, we could do worse obviously. In the heyday of our launches there we could raise $800 or $900 million as you will recall. It's not that sort of environment particularly at the moment but nor do I think from what I can see at the moment, and we are talking about uncertain markets and uncertain numbers, the number you're suggesting is -- I wouldn't be guiding you away from that number.

On guaranteed products, as you know we do have the current launch which is the Man GLG one. We're still developing our plans for the next launch post this one. We do have a number of Australia launches rolling over some products which are maturing down in Australia. Overall maturities for this year, Kevin?

Kevin Hayes: I think the maturities are not significant. They're probably around about $300 million, but the key point on maturities is generally we've had a very good recapture rate, recapturing the 60% or 70% of the assets as they roll, based on the fact that that product has had very strong performance.

Carolyn Dorrett: Thank you.

Operator: Okay. At this stage there are no further questions in the queue. So, Peter, can I please pass it back to you to close.

Peter Clarke: Thank you, Hugh. Thank you all for listening and for your questions. I hope that's all been helpful. Really just to summarise; March has seen some extraordinary global macro-type events impacting markets. I think it's fair to say that markets have proved to be, in my personal view, very resilient to the things that have been thrown at them in March. The impact on our own business, you've seen some performance impact through a couple of our funds. That hasn't dented our overall ability to grow assets. We've seen inflows. As I say, there may be in some locations some subdued private investor demand for product; I don't expect that to hold true for the institutional investor. What private investor impact we've seen appears, certainly from my experience in the conversations in Japan, to be perhaps less significant than people might have thought but it is early days and it's appropriate that we point out that sentiment remains fragile in some areas for the private investor but overall, as you've seen, we've continued to raise private investor assets and I'm confident we will continue to raise private investor assets.

So, we're very well-placed with positions and I think notwithstanding some market shocks the overall balance of our business now in terms of where we can perform and how we can perform in terms of strategies and indeed our geographic diversification I think gives quite a high degree of resilience to the firm in just these sorts of events and of course also in terms of performance for our investors. So, as I said, I'm very satisfied with where we are in terms of our positioning and our prospects over the coming quarters.

So, many thanks to everyone for listening and obviously we'll be back with more detail around the numbers when we announce the full year results in May.

Operator: This now concludes today's call. Thank you all very much for attending. You may now disconnect your lines.