



Event: Third Quarter Interim Management Statement

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Speaker(s): Peter Clarke - Chief Executive
Kevin Hayes - Finance Director

Forward looking statements

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Operator: Hello and welcome to today's Man Group third quarter interim management statement call. Today I'm very pleased to present Peter Clarke, Chief Executive, and Kevin Hayes, Finance Director. And during this call all participants will be in listen-only and afterwards there will be an opportunity for questions. So, Peter, please begin.

Peter Clarke: Thank you, Hugh. Good morning everybody. Welcome to our usual analyst call following our FUM update for the third quarter of the financial year, the fourth quarter of the calendar year. As usual I'll go through some highlights and some colour on the release and then we will open up to Q&A at the end. The first point to make obviously is our assets under management are up around 4% quarter-on-quarter like-for-like including GLG going from \$65.9 to \$68.6 billion at the end of that period and as you've seen from the release this is driven primarily by strong investment performance. The stats we've included in the release I think they speak for themselves both in terms of relative and absolute performance and obviously has been very well received by our investors.

The consequence of the strong performance we're seeing the vast bulk of our assets in Man AHL and the GLG hedge fund strategies at or through high water mark. AHL currently has 75% of its assets at peak or within 5% of peak and an additional 18% of assets between 5-10% so leaving a very small amount, about 6%, that's 10% or more away from assets. So an important time in terms of performance for AHL. In terms of the GLG portfolio we don't have the December numbers but the stats that we gave you before showed that around 80% of hedge fund assets in the GLG programme are at or through high-water mark.

On flows: pretty much as we anticipated the strong performance has first manifested itself in open ended sales. We saw net inflows in open ended both on the Man and the GLG side. For Man AHL and the open-ended product rate at Man, the first time we've had positive net sales in the open ended product set for over a year. With GLG we've given some details on the flows there; that includes the UK Alpha Select UCITS product which has been in much demand, reopened and closed very quickly during the quarter.

On the guaranteed side we didn't have a global launch which closed in the period and therefore there were no guaranteed sales. We did have one that started trading at the beginning of January which was Man Synergy. We talked before about that. We've indicated in the release that that is \$350 million as it starts trading. It's not in our FUM or our sales statistics; that will come into our fourth quarter; the quarter ending 31 March 2011. But as you can tell that already gives us \$350 million in guaranteed product. That alone represents the strongest private investor guaranteed sales for more than a year so some strong indication of increased interest in guaranteed product and of course we are about to launch at the end of January/beginning of February the new combined Man AHL GLG product, the global opportunities product, which is the new format combined structured product which we've talked to you all

about before and we've been marketing that as our Q1 and indeed Q2 release later on. On the multi-manager side significant progress on a very large managed account mandate: \$1.5 billion. That will finish documentation in February and will fund over the balance of 2010 so that gives us a forward indication of flows on the managed accounts platform in particular.

On the long area side we have good performance including Japan Core Alpha fund which showed strong performance; that is driven positive performance on the assets on the long only side. We did however see a single large redemption, over \$1 billion, from a single investor who switched out of European equities and invested in European equities with GLG; that's a low margin component of the long only business that did result in an outflow in the quarter specifically for that reason.

Moving aside from flows one piece of information in the release was the settlement of the MF Global class action. This relates to the 2007 IPO of MF Global where we realised around \$2.8 billion for our shareholders and returned that to shareholders. We have settled the class action which began subsequent to the IPO in connection with events that happened at MF Global after we had sold it without any admission of liability. It's under a court mediation process which absolves us from the continuing litigation costs and time with complex litigation and we contributed a minority to the overall settlement as you can see from the release.

Returning to 2011 and the outlook. Clearly we've got some good performance for 2010; excellent basis to 2011 and although investor sentiment remains fragile and still somewhat patchy it's clear from the progress that we've seen in the year and the funds which have closed subsequent to the quarter that interest levels are higher across open ended, guaranteed and on the multi-manager institutional platform from managed account concepts. So whilst there's still plenty to do to convert this momentum into our sales ambition the early indications are that demand is recognising the value of the performance that's been generated and that bodes well for the future.

The integration process at GLG continues to go very well indeed. We're on track for the cost synergies that we talked about last year at the time of the execution of the transaction. We're excited about the revenue synergies and clearly seeing some very strong levels of interest in the combination from the investment community more widely. I travelled extensively with many of the GLG teams and it's true to say there's a lot of people very interested in the offering both in isolation and in combination whether that's institutional or private investors. As hoped some other interesting investment ideas are emerging. You will note we've referred to the establishment of Man Systematic Strategies. This combines the Man AHL quantitative skills with GLG trading ideas and we have a couple of new products to launch off that initiative in the next few weeks, and we'll say more about those as and when they launch.

So, in summary some signs of progress across all components of the investor base; plenty of investment momentum for us to capture as we see our clients and obviously we will work hard on converting that into assets over the coming quarters. So I will pause there and maybe, Hugh, pass back to you for Q&A.

Operator:

Thank you very much for that. We will now begin the question and answer portion of this call. If you have any questions could I please ask you to press

01 on your phone keypad now in order to enter a queue. Okay, the first question is Hayley Tam of Citigroup. Hayley, over to you.

Hayley Tam: Morning, gentlemen. Two quick questions on flows please: (1) on the open ended \$1 billion net inflow you've indicated the majority of that was GLG and that did benefit from the \$240m into the Alpha Select opening for a short period of time. Can we assume the flows underlying excluding that reopening were similar to Q1/Q2 in 2010, so about \$500 million? If that is the case could you give some indication when you might expect to see some additional benefit come through from having the Man sales force on board there as well?

And (2) on long only if we do exclude that more than \$1 billion single redemption can you give an idea what the underlying rate of flows is there as well because that does seem to be much lower than the Q1/Q2 last year run rate? Thank you.

Peter Clarke: Okay, thanks, Hayley. Firstly we've seen inflows from open ended from both parts of business. It does include the Alpha Select flows. On the Man side that's been principally into AHL of course which is our single largest open-ended product offering. I think it's fair to say that the transaction closed in the middle of October so we haven't got much of the combined efforts of the organisation; clearly we couldn't sell each other's product ahead of the transaction closing but the indications are that that is working extremely well in the sense that I alluded to earlier that I've been travelling with many of the GLG teams. We do completely combined presentations on open-ended product ranges to institutional and private investor intermediaries around the world. I've been in Asia and in Europe with the combined teams so it's very difficult to identify the benefits of that in the couple of months we've been on the road but there's no doubt from the meetings we had that the level of interest for the combined presentations we do is higher than either of us would attract independently. So I can't give you a terribly helpful answer there other than anecdotally to tell you that attendance at meetings and the level of interest in the product that flows from that is high but obviously 2011 will be the test of the integrated sales force and the full suite of products that we offer with GLG on board as well.

On the long only side what was your question, Hayley, about long only?

Hayley Tam: A quick follow up on the open ended: of the \$1 billion that was open ended can you tell us how much was old Man Group and how much was GLG?

Peter Clarke: The largest component was GLG.

Hayley Tam: Okay. On the long only the question was about even if you exclude the more than \$1 billion single redemption which you highlight in the statement it looks like you only saw a very small net inflow in long only and I think history suggests the GLG funds saw \$430 million in Q1 March and \$1 billion in Q2 June.

Peter Clarke: Ultimately performance has been good. I mentioned the Japan Core Alpha fund for example which is one of the principal drivers of long-only performance. We've seen interest in GLG performance fund, Japan core Alpha, convertibles but also investor appetite around equities continues to rotate equity investment. I don't think there's anything to interpret from the quarter, Hayley, in terms of overall trajectory of long only though.

Hayley Tam: Thank you very much.

Operator: Okay, we now go to Bruce Hamilton of Morgan Stanley. Bruce, over to you.

Bruce Hamilton: Thanks. The outlook on pipeline looked pretty encouraging but thinking through the margins on the \$1.5 billion institutional mandate is that a product where you're providing all the content and the wrap so it's more 100 basis points or is it more the 50 basis point end of the range?

Then I assume given you're saying the vast majority of the open ended sales have been GLG that would imply it's 200 basis point product sales whereas AHL open ended would be more like 300 basis points. Just wanted to check on the margins.

Peter Clarke: Firstly you're right on the managed accounts. In the first instance there's a managed account solution to existing assets which is why we can be specific about the \$1.5 billion because those are the assets that will move across. Obviously we would hope to migrate over time those assets to higher margin investment advice or product we manage ourselves but it's starting at the lower end rather than the higher end of the spectrum.

As far as open ended is concerned the margin on GLG open ended is lower than AHL open ended. The margin on GLG's open-ended product would depend on the product and the range but it's going to be somewhere in the 175-200 basis point on the GLG piece. And as you point out on AHL it's going to be in the 2-300 margin range.

Bruce Hamilton: Thank you.

Operator: Okay we now go over to Phillip Middleton of Merrill Lynch. Phillip, over to you.

Philip Middleton: Could you say a bit more about when you see timing of incremental business coming from the merger because that's obviously cause of the whole piece. And also if you could say a bit about where you are in Japan because I think there's no Japanese money in the guaranteed launch and that has historically been quite a big buyer of guarantee products so I just wonder what you were seeing there as well.

Peter Clarke: Thanks, Phillip. The combination is most easily identified in terms of revenue synergies by combined product that we sell although clearly the sales force is completely integrated now so any salesman could be selling any component of the businesses. I guess the test of that will be the global launch; the integrated AHL/GLG launch. Apart from that it's going to be quite difficult to say, "This salesman would have sold that product if we hadn't combined the businesses" so clearly the integrated products, the consequences of the Man Systematic Strategy initiatives for example only come from an integrated business.

As far as Japan is concerned that is an important market for us. We have a number of initiatives in Japan which includes an onshore open-ended AHL product which will be interesting. In terms of timing for product there we're hoping to do a launch in Q1 and/or Q2; it's probably going to be somewhere on the cusp between Q1 and Q2 in terms of timing. That's one of the reasons why, as you point out, I've talked in the past about needing a global launch and probably a Japan launch for turning private investor flows substantially

positive and therefore Japan is an area which can make a difference when it comes in.

As far as the Man Synergy product is concerned which is the one that we've announced \$350 million of assets starting trading in January, that as I say is not in the FUM or sales numbers and that's why we can be clear that the guaranteed product is going to be for the first quarter of the calendar year the best sales number we've had for over a year. And indeed on open ended we've got the best next flows that we've had for more than a year so some interesting developments.

As far as Synergy itself is concerned we saw demand in Europe and the Middle East and South America in particular. That is a product which had both coupon and a guarantee alternative to it. Interesting the coupon component sold really well as well so it's as the investor demand changes its shape in terms of whether they want yield or capital protection we're able to offer both and it's interesting that in this particular launch, Synergy, we saw demand for the yield piece and I suspect that will hold true in other territories in the future as well. So long-winded answer on Japan but Japan will be a Q1/Q2; probably somewhere on the cusp and we might get two in that period; we might only get one.

Operator: We now go onto Daniel Garrod of Barclays Capital Markets. Daniel, please begin.

Daniel Garrard: Yes, good morning. First on the 0.8 billion in the "other" category, is that the usual re-leverage associated with the good performance of AHL? Is there a lag there? Is that an increase associated with the good performance of AHL to September or would it include the performance in the fourth quarter of the year as well and what do you expect for the next quarter on that line?

Secondly, you break down the funds by manager and area guaranteed open ended, fund-to-fund, etc. The GLG alternatives, that's \$17 billion, is that all within the open-ended alternative of 26.7? The multi manager of 14.7 billion, that corresponds to the 13.3 billion of institutional fund-to-funds but is the other 1.4 billion in guaranteed?

Peter Clarke: I think the answer is yes to everything there.

Daniel Garrard: Good.

Peter Clarke: On gearing as well you asked about timing re gearing. We set the leverage level of the combined products on a monthly basis so there's a month lag to AHL performance to the re-gear consequences.

Daniel Garrard: So given we did have positive AHL performance in December we would expect additional improvement well, depends what happens in this next quarter but --

Peter Clarke: Correct.

Daniel Garrard: Okay, thank you.

Operator: Okay, the next question is from Caroline Dorrett from Deutsche Bank. Caroline, please go ahead.

Caroline Dorrett: Good morning. On the institutional fund-to-funds business could you give us an update of how much pipeline is still left at the USS mandate? Also how long do you expect this new 1.5 billion mandate to take to fund? Is there anything to make us think it might fund more quickly than the USS mandate did?

Secondly, can you give us any more colour on this Man Systematic Strategies?

Peter Clarke: The USS mandate is only about 25% funded currently so there's still a significant amount of assets to come across as we open up managed accounts for them and migrate them over. That's a function of both speed at which they want to move the assets and speed at which operationally we can do that in conjunction with the underlying hedge fund. As far as the new mandate is concerned they have a much more concentrated portfolio so we'd expect that to move faster. We also have the experience with USS operationally in terms of doing this for large amounts of money and, therefore, we would expect the new mandate to have funded during the balance of 2011 so we would expect that to fund across the calendar year.

MSS: I'm loath to give you too much detail on this but suffice to say that we have concentrated this initiative on areas where we're confident that there will be significant interest. We actually have four products which are operational and ready to go; two of them already have some client money in them and will launch with assets already being managed and they cover a range of opportunity sets which includes some volatility protection strategies and also some quantitative overlays to some of the ways in which GLG have been trading equity long only strategies so they are both very interesting, relevant and both have good real track records and, as I said, there will be a number of these but we intend to concentrate on products for which we're confident there's a high level of demand and that will be weeks rather than months away and we will obviously give details of those as they launch.

Caroline Dorrett: Okay and will they go into your open-ended categorisation?

Peter Clarke: One of them will certainly go into the open-ended category; the others -- there's a slightly more sophisticated institutional product but it will be recorded in open ended.

Caroline Dorrett: Okay, thank you very much.

Operator: Before we go onto Andrew Mitchell of Charles Stanley if anyone has any further questions at this stage could you please use this opportunity to press 01 now. While waiting for further questions, Andrew, over to you.

Andrew Mitchell: Thank you very much. I had a question on fee margins: I was wondering on some of these newer products coming up how the prospective fee margins look like on those compared with the existing products?

Peter Clarke: You mean on these NSS type initiatives?

Andrew Mitchell: Yes indeed and also Man Synergy which has already launched.

Peter Clarke: Man Synergy sits as a guaranteed product which -- so therefore contains a significant piece of AHL so that carries with it the structure product margins that we're familiar with in the context of AHL. It also carries some outsourced

long short content so the overall result there is that that's broadly the same as an IP220 fee margin which obviously is an extremely good one.

As far as the MSS transaction launches will be concerned, they will be spread across a range of things. There's some sophisticated institutional product in there which is going to be at the percent type end and there will be some other more structured products that are probably over 100 basis points but those are not going to be 200 basis point products but they're going to be somewhere between long only and hedge typically. But they will carry performance fees.

Andrew Mitchell: Okay, thanks very much.

Operator: Okay there is a further question from Sarah Ing of Singer Capital Markets. Sarah, over to you.

Sarah Ing: Hi, Peter. Has the GLG acquisition/integration caused any disruption at all that you can mention in terms of GLG's own sales momentum during the period?

Peter Clarke: It's difficult to be specific on this. It is the case, as is the case in any transaction; a change of control in investment manager does cause the consultants to put you on watch lists and that's an unhelpful backdrop to sales but there's no concrete evidence that it's caused any significant issue for us which I think is an unusually positive thing to be able to say.

Having said that I've seen many GLG investors who, whilst delighted the transactions occurred, probably wanted to make sure that it had occurred before they made incremental investment decisions. I can't imagine that it was during the process positive but I can't substantiate it as being significantly negative. Coming out the other end of it it's clear to me, having spoken to them, that they do have a positive outcome.

Sarah Ing: Okay, thanks.

Peter Clarke: I'm not sure I can be much more helpful than that. Sorry, Sarah.

Operator: Okay, once again if we have any further questions could you please press 01 now. Okay, Peter, I think it's back to you.

Peter Clarke: Okay, well, thank you everybody for the time this morning. I hope you found the background to the release helpful. As you can see there's a lot going on; there's significant signs of life across all the components of our business, both geographically and by investor type and by product type. There's some good investment ideas and there's good investment performance as a backdrop to 2011 and obviously we're devoting a lot of hard work to converting that into assets over the course of 2011. We will update you on those as usual with our regular FUM updates. So with that I'll just thank everybody for their time on the call. Thanks, Hugh.

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