# ENTREPRENEURIAL ASSET MANAGEMENT

# INSTITUTIONAL FRAMEWORK

**Man Group plc**
Interim report
for the six months ended 30 June 2015

Man

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

### Key points

- Funds under management (FUM) up 8% to $78.8 billion (31 December 2014: $72.9 billion)
    - Gross sales of $10.5 billion (H1 2014: $12.4 billion)
    - Redemptions of $13.1 billion (H1 2014: $9.6 billion)
    - Net outflows of $2.6 billion (H1 2014: net inflows $2.8 billion)
    - Investment movement of $3.8 billion (H1 2014: $0.7 billion)
    - FX translation effects and other movements of -$1.4 billion (H1 2014: $0.1 billion)
    - Acquisitions of Silvermine, NewSmith and Bank of America Merrill Lynch (BAML) fund of funds business completed during the period, adding $6.1 billion to FUM
- Adjusted profit before tax (PBT) up 89% to $280 million (H1 2014: $148 million)
    - Adjusted net management fee PBT of $108 million (H1 2014: $83 million)
    - Adjusted net performance fee PBT of $172 million (H1 2014: $65 million)
- Adjusted diluted EPS[1] of 13.9 cents (H1 2014: 7.1 cents); adjusted diluted management fee EPS of 5.4 cents (H1 2014: 4.0 cents)
- Statutory PBT up 54% to $163 million (H1 2014: $106 million) reflecting acquired intangibles amortisation ($45 million), impairment of FRM goodwill ($41 million) and other adjusting items ($31 million); diluted statutory EPS[1] of 7.5 cents (H1 2014: 5.0 cents)
- Completed $175 million share repurchase (59.0 million shares)
- Surplus regulatory capital of approximately $425 million, after adjusting for the interim dividend and H1 2015 profits
- Interim dividend of 5.4 cents per share (H1 2014: 4.0 cents per share)

| **Summary financials** | Page ref. | **Six months ended 30 June 2015 $** | **Year ended 31 December 2014 $** | **Six months ended 30 June 2014 $** |
|---|---|---|---|---|
| **Funds under management (end of period)** | 9 | **78.8bn** | **72.9bn** | **57.7bn** |
| Gross management and other fees[2] | 25 | 428m | 819m | 404m |
| Performance fees[3] | 25 | 231m | 367m | 107m |
| External distribution costs | 26 | (35m) | (104m) | (59m) |
| **Net revenues** | | **624m** | **1,082m** | **452m** |
| Compensation | 26 | (231m) | (391m) | (196m) |
| Other costs[4] | 27 | (105m) | (201m) | (105m) |
| Net finance expense | 27 | (8m) | (9m) | (3m) |
| **Adjusted profit before tax** | 24 | **280m** | **481m** | **148m** |
| Adjusting items[5] | 24 | (117m) | (97m) | (42m) |
| **Statutory profit before tax** | 24 | **163m** | **384m** | **106m** |

[1] The reconciliation of diluted statutory EPS to adjusted diluted EPS is included in Note 12 to the financial statements (page 28)
[2] Includes income from associates
[3] Includes income or gains on investments and other financial instruments
[4] Includes asset servicing costs
[5] Adjusting items primarily relate to amortisation of purchased intangible assets and the impairment of FRM goodwill. Refer to Note 2 to the financial statements (page 24) for further detail

### Manny Roman, Chief Executive Officer of Man, said:

"While the first quarter of the year saw a more stable environment in financial markets which benefitted all of our strategies and in particular AHL's momentum strategies, the second quarter was characterised by renewed volatility. As a result AHL's momentum strategies gave back the gains they had made in the first quarter however GLG, Numeric and FRM's strategies generated good risk adjusted returns adding to their strong start to the year.

Flows for the half were skewed by $3.4 billion of net outflows from our Japan CoreAlpha strategy as some investors redeemed following a long period of strong absolute and relative performance. We saw solid flows into our quant strategies including one large institutional mandate into AHL, however elsewhere investor appetite remained muted as renewed market volatility tempered investors' willingness to put their money to work.

Markets remain very challenging and accordingly we remain cautious in our outlook for the remainder of the year. As ever, we remain committed to investing in talent, research and technology and building the optimal environment to deliver superior risk adjusted performance for our clients which will ultimately translate into the delivery of value for our shareholders."

### Dividend

Man's dividend policy is to pay at least 100% of adjusted management fee earnings per share in each financial year by way of ordinary dividend. In addition, the Group expects to generate significant surplus capital over time, primarily from net performance fee earnings. Available surpluses, after taking into account required capital (including accruals for future earn-out payments), potential strategic opportunities and a prudent buffer, will be distributed to shareholders over time, by way of higher dividend payments and/or share repurchases. Whilst the Board continues to consider dividends as the primary method of returning capital to shareholders, it will continue to execute share repurchases when advantageous.

In line with this policy the Board has declared an interim dividend for the year to 31 December 2015 of 5.4 cents per share, being the adjusted management fee earnings per share for the six months to 30 June 2015 (refer to Note 12 to the financial statements (page 28)). The interim dividend will be paid at the rate of 3.47 pence per share.

### Dates for the 2015 interim dividend

| | |
|---|---|
| Ex-dividend date | 13 August 2015 |
| Record date | 14 August 2015 |
| Dividend paid | 2 September 2015 |

## CHIEF EXECUTIVE OFFICER'S REVIEW

The six months to 30 June 2015 have been challenging in terms of trading conditions and investor risk appetite. Against this backdrop however we continued to focus on creating a more diversified product offering, integrating our recently acquired businesses and running the group efficiently. Performance across our investment managers was good overall on a relative basis, but more varied on an absolute basis. Flows were negative in the half, skewed by $3.4 billion of outflows from the Japan CoreAlpha strategy as some clients chose to redeem after a sustained period of strong performance. We saw solid flows into our quant strategies, including one large institutional mandate into AHL, however elsewhere investor appetite remained muted as renewed market volatility tempered clients' risk appetite. The acquisitions of Silvermine, NewSmith and BAML's fund of funds business and strong long only investment performance drove an 8% increase in FUM to $78.8 billion at 30 June 2015. Adjusted profit before tax increased by 89% versus H1 2014 due to a more than twofold increase in AHL performance fees, the majority of which were earned in the first quarter. Adjusted management fee PBT was up 30% versus H1 2014 with the increase in FUM being partially offset by a continued decline in the Group management fee margin driven by business mix shifts. Statutory profit before tax was up 54% to $163 million.

### Market overview

After a very strong start to the year across most markets, April marked a turning point for market behaviour in 2015. Concerns over Greece's exit from the Euro caused a sell-off in European bond markets at the end of April and as the debt repayment date at the end of June loomed, currency and equity markets were impacted. A number of markets gave back gains made in the first quarter with the FTSE 100 ending the six months to 30 June 2015 down 0.7%, the S&P 500 up 1.2%, and world bonds and corporate bonds down 0.7% and 4.3% respectively.

### Investment performance

Against this backdrop absolute performance across our four investment managers was varied.

AHL's trend following strategies had a strong start to the year benefitting from trends in fixed income and equities markets. Returns were impacted in the second quarter however by the sharp reversal in European bond markets at the end of April, and by volatility in equities and FX, as well as sharp reversals in grain markets during June. The result was that performance for the AHL Diversified Programme was down 6.4% to 30 June 2015 and the AHL Alpha strategy, which runs at lower volatility, was down 2.8%. The AHL Evolution strategy, which trades a range of non-traditional markets not typically traded by CTA managers, was up 2.5% for the half and AHL's multi-strategy quantitative fund, AHL Dimension, was up 0.5%. The long only Europe Plus strategy was up 12.0% to 30 June 2015 but it underperformed its benchmark by 0.8%. TailProtect was down 8.7% but outperformed its benchmark by 4.5%. The strong performance in the first quarter resulted in AHL recording $162 million of performance fees in H1 2015, with over 60% of these being earned from Diversified and Alpha strategies in the first quarter of the year and the remainder from Evolution.

Numeric's range of strategies performed well in the first half of 2015. Since Numeric manages a variety of strategies that encompass many markets, the best indicator of Numeric's overall performance is the asset weighted outperformance versus benchmark. This was 302 basis points before fees in the six months to 30 June 2015. The aggregate performance was led by stronger performing strategies including Global Core (outperforming its benchmark by 3.8%) and Emerging Markets Core (outperforming its benchmark by 4.4%), partially offset by weaker performance in US Small Cap (underperforming its benchmark by 1.6%). This strong performance resulted in Numeric recording $13 million of performance fees in the first half.

Discretionary hedge fund performance at GLG over the first half was strong and broad-based, with almost all strategies delivering positive absolute returns. Some of the stronger performers included

European Long Short (+5.2%), Market Neutral (+3.9%) and the recently acquired NewSmith Japan New Horizons (+7.5%). Man GLG Multi-Strategy, which allocates across a range of internal styles, finished the period up 4.1%, outperforming the HFRX index by 2.8% in H1. This performance resulted in GLG recording $18 million of performance fees in the first half, the majority of which were from equity long short strategies.

Performance was also very strong within some of our key long only strategies, in both absolute and relative terms. In particular our Japan CoreAlpha strategy was up 23.0% (outperforming its benchmark by 6.0%), our European Equity strategy was up 11.7% (outperforming its benchmark by 4.6%) and the Undervalued Assets strategy was up 10.8% (outperforming its benchmark by 7.8%) in the six months to 30 June 2015.

FRM products had mainly positive performance in the first six months of the year. Actively managed diversified portfolios with exposure across strategies, such as FRM Diversified II, made a positive return of 2.8%, 0.6% ahead of the benchmark. Statistical Arbitrage performance was buoyant with FRM Equity Alpha returning +4.3%. FRM earned performance fees of $7 million in the first half, the majority of which were from the FRM Diversified and Managed Futures strategies.

## Business Development

### *Quant (AHL)*

At AHL good progress has been made in building a more diversified quant business with 54% of AHL's assets now in non-traditional strategies. The marketing of the multi-strategy Dimension product continues to progress well with sales of $1.6 billion in the first half of 2015, and there is some further capacity in this strategy to sell in the remainder of the year and beyond.

The four UCITS products have had strong performance since launch at the end of 2014 and we are seeing traction from a sales perspective in two of the products (Multi-strategy and Volatility) with assets of around $100 million in each of these products at 30 June 2015.

AHL's research effort continues to focus on adding new markets and models to our existing strategies as well as developing new strategies to further diversify and broaden the quant product offering. As an example, AHL launched the Evolution Frontier fund in May. It applies AHL's core momentum models to a very innovative set of markets which are less well known to other quantitative as well as discretionary investment managers. These markets, which are typically more lightly traded and harder to access, are arguably also more inefficient and therefore present a very exciting opportunity for early adopters such as AHL.

Given recent negative performance in the AHL Diversified and Alpha strategies, material retail sales of these products are unlikely in the near-term in our view, although we continue to see more reasonable levels of interest from institutional investors across a range of strategies.

### *Quant (Numeric)*

The Numeric business continues to perform well and good progress has been made during the half to integrate Numeric's operations onto the Man platform. Since acquisition Numeric has been leveraging the Group's relationships with institutions around the world and in March we started marketing the two UCITS strategies (Market Neutral and Emerging Markets) developed towards the end of 2014 to high net worth and institutional clients around Europe.

Since acquisition, Numeric has raised gross FUM of $4.1 billion, with total FUM increasing from $15.2 billion to $18.4 billion at 30 June 2015. The outlook for flows into Numeric for the second half is encouraging.

### *Discretionary (GLG)*

At GLG, the acquisitions of Silvermine and NewSmith were completed in the first half of the year. Silvermine, a Connecticut-based leveraged loan manager with $3.8 billion of assets, further expands our existing credit business and positions us to benefit from strong demand for US CLOs and other credit strategies. We launched two new CLOs in the second quarter, one in the US and one in Europe, which together raised over $800 million of assets. Silvermine has been smoothly integrated into GLG and we now manage all of our US CLO business within Silvermine, transferring the existing GLG CLOs across post the close of the acquisition. The NewSmith acquisition, which completed in April, added $1.2 billion of assets (across a range of equity strategies) and brings further alternatives and long only expertise to the GLG platform and an even closer relationship with Sumi Trust. NewSmith's investment business has been transferred in full onto GLG's platform and its operations are now fully integrated.

The Japan CoreAlpha strategy was reopened for investment in May 2015 following closure towards the end of 2014, principally due to capacity becoming available across the strategy, and given its strong track record of absolute and relative performance we expect to see flows back into that strategy. We would not expect to see meaningful flows into our alternatives strategies until we have a more sustained period of positive absolute performance.

We continue to attract talent to broaden out both our alternatives and long only product offering. On the alternatives side, Himanshu Gulati joined our New York office in February from Perry Capital as Head of our Select Opportunities strategy. This strategy launched on 1st July with $300 million. We have added a number of talented managers to our European Equity alternatives team, including Moni Sternbach who is managing our European Midcap Alternative strategy. In the long only business we appointed Simon Pickard and Edward Cole from Carmignac to run an Unconstrained Emerging Market Equity strategy.

Recent hires continue to make progress; Pierre-Henri Flamand's Value Opportunities strategy has performed well since launch in Q4 last year, Henry Dixon's Undervalued Asset strategy continues to perform well and is raising assets with FUM of over $450 million, while Rory Powe's European Equity strategy has had very strong performance and we are beginning to market that strategy.

### *Fund of Hedge Funds (FRM)*

In early May we completed the acquisition of the fund of funds business of Bank of America Merrill Lynch, adding a $1.1 billion portfolio of multi-strategy and strategy-focused funds to FRM, supported by a proven distribution platform. These portfolios are now fully managed by FRM and work is underway to review the underlying managers in the acquired portfolios and concentrate the manager list.

From an asset raising perspective we continue to make progress in our managed accounts offering. We were recently awarded a mandate in excess of $1 billion by a large US-based State Pension Plan, and this, together with the infrastructure mandate won in late 2014, will fund towards the end of 2015 and throughout 2016. In addition we have won two significant fund of funds mandates from UK local authorities totalling $380 million of FUM.

Despite these mandate wins and solid performance in the first half of 2015, weaker than expected flows and adverse FX moves (which impacted costs), led us to impair the FRM goodwill by $41 million.

## Distribution

The first half of 2015 has been muted in terms of flows with gross sales of $10.5 billion, down 15% compared to the first half of 2014, largely as a result of lower GLG sales. Sales of GLG's equity long short strategies suffered following negative investment performance in 2014 and the Japan CoreAlpha Strategy (which sold very well in the first half of 2014) was soft closed in late 2014 and only reopened for investment towards the end of the Q2 2015. Quant product sales were better in the half with strong inflows to the AHL Dimension strategy and various of Numeric's strategies. Redemptions were $13.1 billion in the six months to 30 June 2015, up from $9.6 billion in the first half of 2014, however this figure was skewed by $5.3 billion of redemptions in Japan CoreAlpha and a handful of large redemptions from our fund of funds business totalling $0.5 billion.

The majority of the demand continues to come from institutions with institutional sales in the period constituting 64% of total sales. Our business is more institutional in nature (at 30 June 2015 over 73% of the Group's assets were from institutions), with larger individual mandates causing greater variation in flows from one period to the next.

From a geographical perspective EMEA continues to be our biggest market, with sales from this region comprising 60% of the total in the six months to June 2015. Sales from the Asia Pacific region comprised 19% of total sales (including one $1.2 billion mandate) and 21% or $2.2bn of sales were from the Americas, up 214% from the first half of 2014.

## Efficiency

Having completed the cost reduction programme a little ahead of schedule in 2014, our focus in 2015 has shifted towards sustaining our focus on efficiency and ensuring that our cost base enables us to address both the opportunities and risks in our business appropriately. We continue to invest in new investment talent as outlined above and there are a number of areas in which we are investing in the infrastructure of our business, which will be reflected in higher capex relative to recent years.

Our balance sheet remains strong and liquid with net tangible assets of $0.7 billion or 42 cents per share at 30 June 2015. In June we renegotiated our revolving credit facility, reducing its size from $1,525 million to $1,000 million, and extending the maturity to 2020 (with two one-year extension options). The facility remains available and undrawn and the reduction in the size of the facility, coupled with an improved credit rating from Fitch (from BBB to BBB+), has resulted in annual commitment fee savings of $2.6 million.

As we have previously outlined we have increased the capacity of our seed capital programme to help to grow the business as we launch new products over time. The book is sized in accordance with a Value at Risk (VaR) limit of $75 million and in aggregate stood at $598 million at 30 June 2015 (see Note 15 to the financial statements for further detail). We expect the aggregate size of the book could reach up to $700 million, but will continue to be managed within VaR limits. The seed book consists of fund investments that will be redeemed as soon as practicable, typically within 12 months, as the funds are marketed to clients, and which will be hedged whenever possible, particularly for long only funds. In addition, we include in the seed book loans to structured product funds which are made on a discretionary basis and can be called at any time ($112 million at 30 June 2015), and a small residual balance of less liquid assets that remain from the 2008 financial crisis ($27 million at 30 June 2015).

On 12 May 2015 we completed the $175 million share repurchase announced in February at an average price of 195.6p, buying back 59.0 million shares. In total, since March 2014, we have repurchased 127.8 million shares at an average price of 144.0p. Surplus Capital at 30 June 2015 was $339 million with the decrease from the 31 December 2014 position of $419 million being primarily due to the payment of the final dividend, the share repurchase, the capital usage related to acquisitions, and an increased regulatory capital requirement related to higher seed investments, partially offset by the inclusion of the H2 2014 post-tax profits once they had been independently verified by the auditors. Surplus capital is around $425 million after taking into account the impact of interim profits which are not included in the 30 June 2015 figure until they have been verified and the payment of the interim dividend.

## KEY PERFORMANCE INDICATORS (KPIs)

The definition and calculation of our financial KPIs are presented on page 15 of our Annual Report for the year ended 31 December 2014. They illustrate and measure the relationship between the investment experience of our fund investors, our financial performance and the creation of shareholder value over time. The KPIs are used on a regular basis to evaluate progress against our four key priorities: performance, growth, distribution, and efficiency. The results of our KPIs for the six month period to 30 June 2015 reflect the recent market volatility and the uncertain macro environment in which we operate, with strong investment performance for AHL in the first quarter being largely reversed in the second quarter. GLG, FRM and Numeric investment performance have all been ahead of their benchmarks however as our business continues to become more institutional in nature, larger individual mandates have caused greater variation in flows on a quarterly or semi-annual basis, and as a result net outflows have been recorded in H1 2015. The general business mix shift from higher margin retail assets to lower margin institutional assets continues to have an adverse impact on management fee margins and management fee EPS growth with both these KPIs being towards the bottom of their target range.

### Investment performance

For the six months to 30 June 2015, we are achieving three out of the four performance targets as AHL's performance of –6.4% is below two of the three relevant peer benchmarks of -1.9%, -3.0% and –7.3%. GLG has performance of 2.9% and is above the relevant benchmark of 1.3%. FRM has positive performance of 2.8% and is higher than the relevant benchmark of 2.2%, and Numeric has generated asset weighted alpha of 3.0% before fees. The Numeric KPI has been added with effect from 1 January 2015. This metric monitors the asset weighted outperformance or underperformance of each Numeric strategy based on a predetermined benchmark for each strategy.

### Net flows

The target for this KPI is 0%-10% net inflows each year. Net flows are below the target range for the six months to 30 June 2015 with an annualised net outflow of 7.1%, compared to a net inflow of 6.1% for the year to 31 December 2014. Net inflows in Alternatives are more than offset by net outflows in long only discretionary strategies, particularly from Japan CoreAlpha as discussed above.

### Adjusted management fee EBITDA margin

The target for this KPI is 25%-40%. Our adjusted management fee EBITDA margin is a measure of our underlying profitability. The adjusted management fee EBITDA margin of 27.9% is within the target range for the six months to 30 June 2015, compared to 30.3% for the year to 31 December 2014. This margin is declining as a result of the roll off of higher margin guaranteed product FUM and the general mix shift from higher margin retail assets to lower margin institutional assets.

### Adjusted management fee EPS growth

The target for this KPI is growth of 0%-20% plus RPI each year. The adjusted management fee EPS growth is higher than RPI of 1% and within the target range for the six months to 30 June 2015 at 6.9%.

## FUNDS UNDER MANAGEMENT (FUM), FLOWS AND GROSS AND NET MANAGEMENT FEE MARGINS

In the six months to 30 June 2015, FUM increased 8% from $72.9 billion to $78.8 billion with acquisitions and investment performance adding $6.1 billion and $3.8 billion respectively, partially offset by $2.6 billion of net outflows and $1.4 billion of negative FX and other movements.

### Six months to 30 June 2015

| $bn | FUM at 31 December 2014 | Sales | Redemptions | Net inflows/ (Outflows) | Investment movement | FX | Other | Acq. | FUM at 30 June 2015 |
|---|---|---|---|---|---|---|---|---|---|
| **Alternative** | **38.2** | **5.7** | **(4.8)** | **0.9** | **0.7** | **(1.0)** | **(0.3)** | **5.2** | **43.7** |
| Quant (AHL / Numeric) | **12.9** | 2.7 | (0.9) | **1.8** | (0.1) | (0.2) | 0.5 | 0.0 | **14.9** |
| Discretionary (GLG) | **14.5** | 2.4 | (2.5) | **(0.1)** | 0.6 | (0.5) | (0.6) | 4.1 | **18.0** |
| Fund of funds (FRM) | **10.8** | 0.6 | (1.4) | **(0.8)** | 0.2 | (0.3) | (0.2) | 1.1 | **10.8** |
| **Long Only** | **32.7** | **4.8** | **(8.1)** | **(3.3)** | **3.2** | **(0.1)** | **0.0** | **0.9** | **33.4** |
| Quant (AHL / Numeric) | **16.7** | 2.0 | (1.6) | **0.4** | 1.0 | 0.0 | 0.0 | 0.0 | **18.1** |
| Discretionary (GLG) | **16.0** | 2.8 | (6.5) | **(3.7)** | 2.2 | (0.1) | 0.0 | 0.9 | **15.3** |
| **Guaranteed** | **2.0** | **0.0** | **(0.2)** | **(0.2)** | **(0.1)** | **(0.1)** | **0.1** | **0.0** | **1.7** |
| **Total** | **72.9** | **10.5** | **(13.1)** | **(2.6)** | **3.8** | **(1.2)** | **(0.2)** | **6.1** | **78.8** |

In aggregate, our total gross margin has decreased from 131 basis points for the year ended 31 December 2014 to 107 basis points for the six months ended 30 June 2015. Our total net margin has decreased from 114 basis points to 98 basis points over the same period. These reductions are due to the impact of acquisitions (which reduced the net margin by around 13 basis points) and a mix shift towards institutional money, particularly in the alternatives quant category. This product mix shift and consequent reduction in overall margin is likely to continue as we sell more open ended alternative products, particularly to institutions, and sales of guaranteed products remain negligible.

### Gross and net management fee margins

| | Six months ended 30 June 2015 | | Year ended 31 December 2014 | |
|---|---|---|---|---|
| | **Total gross margin (bps)** | **Total net margin (gross margin net of external distribution costs) (bps)** | **Total gross margin (bps)** | **Total net margin (gross margin net of external distribution costs) (bps)** |
| **Alternative** | **124** | **116** | **144** | **131** |
| Quant (AHL / Numeric) | 179 | 161 | 221 | 194 |
| Discretionary (GLG) | 104 | 100 | 136 | 124 |
| Fund of funds (FRM) | 82 | 78 | 88 | 86 |
| **Long only** | **62** | **54** | **77** | **61** |
| Quant (AHL / Numeric) | 33 | 33 | 33 | 33 |
| Discretionary (GLG) | 93 | 76 | 93 | 72 |
| **Guaranteed** | **524** | **483** | **521** | **405** |
| **Total** | **107** | **98** | **131** | **114** |

## Alternatives

Funds under management in alternative strategies increased by 14% in the period to $43.7 billion.

### *Quant (AHL / Numeric)*

FUM in the quant alternatives category (AHL / Numeric) increased by 16% to $14.9 billion. Net inflows of $1.8 billion in the six months to 30 June 2015 included $1.6 billion of institutional client flows into AHL Dimension and $0.1 billion into AHL's new range of UCITS strategies. Performance amongst AHL's strategies ranged from +2.5% (AHL Evolution) to -6.4% (AHL Diversified) resulting in broadly flat investment movement overall for the period. FX movements in the period were negative $0.2 billion (predominantly due to the US dollar strengthening against the Euro and Australian dollar) and the other movements of $0.5 billion comprised investment exposure adjustments of $0.3 billion and internal seeding of $0.2 billion. As at 30 June 2015, AHL performance fee eligible FUM (including long only and guaranteed) of $13.4 billion was 6.8% below peak on a weighted average basis.

The quant alternatives (AHL / Numeric) gross and net margin reduced by 42 basis points and 33 basis points respectively compared to the year ended 31 December 2014. This was due to the impact of including Numeric's alternative FUM and the bespoke AHL institutional mandate won in Q3 2014 for the whole period, as well as other institutional mandates won in the first half which are at a lower margin, together with the impact of the continued roll off of the high margin retail back book.

The run rate net margin at 30 June 2015, adjusting for the impact of including the AHL institutional mandates won in the first half for a full year, is 156 basis points. Looking forward, we would expect the mix shift towards institutional money to continue and hence we would expect the overall margin to decline further.

### *Discretionary (GLG)*

FUM in discretionary alternatives (GLG) increased by 24% in the period to $18.0 billion driven by the acquisition of Silvermine and NewSmith which added $4.1 billion to FUM. Sales for the six months were $2.4 billion with $0.8 billion raised into two CLOs which were launched in the second quarter, $0.8 billion into equity long short strategies and $0.5 billion into credit strategies. Discretionary alternatives redemptions totalled $2.5 billion. Within this, $1.3 billion came from equity long short strategies, $0.7 billion from credit strategies and $0.2 billion from the macro strategy (which was closed in Q1). Investment performance across the GLG alternatives range was positive for the six months and increased FUM by $0.6 billion. FX movements, mainly due to the US dollar strengthening against the Euro reduced FUM by $0.5 billion. Other movements relate to Pemba and Ore Hill maturities of $0.4 billion and $0.2 billion respectively. 44% of GLG performance fee eligible funds (including long only) of $12.1 billion were at peak at 30 June 2015 and 40% were within 5% of peak.

Gross and net margins in the discretionary alternatives category reduced by 32 basis points and 24 basis points respectively compared to the year ended 31 December 2014. This was due to the inclusion of the Silvermine assets which have an average margin of around 44 basis points, and due to redemptions out of the European Long Short strategy which were at a higher margin than the average for this category. The reduction is lower at a net level due to the release of around $5 million of historical commission provisions which are no longer required. Adjusting for this would give a run rate net margin of around 94 basis points at 30 June 2015.

### *Fund of funds (FRM)*

Funds under management in the alternatives fund of fund (FRM) category remained at $10.8 billion. The acquisition of BAML fund of funds business added $1.1 billion of FUM. Alternative fund of fund sales were $0.6 billion and included $0.3 billion into FRM Diversified strategies, $0.2 billion relating to the Cornwall mandate and $0.1 billion of flows into infrastructure mandates. Redemptions totalled $1.4 billion, $0.6 billion of which related to redemptions from FRM Diversified strategies, $0.3 billion from managed accounts and $0.2 billion from legacy multi-manager products. Performance in the six months was positive overall across FRM's strategies and increased FUM by $0.2 billion in the period. FX movements (mainly in relation to the strengthening of the US dollar against the Japanese Yen) reduced FUM by $0.3 billion. Other movements were negative $0.2 billion.

The gross and net margin in the alternatives fund of fund category decreased by 6 basis points and 8 basis points respectively in the period due to the inclusion of the acquired BAML fund of fund assets and a continued mix shift towards managed account mandates as legacy discretionary mandates have been redeemed. The run rate net margin at 30 June 2015 in this category is 81 basis points.

### Long only

Long only funds under management rose 2% to $33.4 billion in the six month period.

#### *Quant (Numeric / AHL)*

FUM in the quant long only category increased by $1.4 billion to $18.1 billion. Sales were $2.0 billion driven by flows into various of Numeric's strategies and redemptions were $1.6 billion, including $1.0 billion from various of Numeric's strategies and $0.3 billion from the long only ETF funds. Investment performance of $1.0 billion was driven by Global Core and Emerging Markets Core. The gross and net margin in this category remained stable compared to the year ended 31 December 2014.

#### *Discretionary (GLG)*

Discretionary long only FUM decreased by $0.7 billion to $15.3 billion. Net outflows were $3.7 billion, $3.4 billion of which was from the Japan CoreAlpha strategy (including $3.0 billion from two individual clients) as investors reviewed their asset allocations after year end and took profits and $0.4 billion from the Global Equity strategy (including $0.3 billion from one client). The main driver of the Investment movement of $2.2 billion was Japan CoreAlpha which was up 23.0% in the period. The acquisition of NewSmith added $0.9 billion to FUM. FX movements reduced FUM by $0.1 billion due to the strengthening of the US dollar against Japanese Yen and Sterling. The gross and net margin in this category remained broadly stable compared to the year ended 31 December 2014.

### Guaranteed products

Guaranteed product funds under management reduced by 15% in the six months to 30 June 2015, from $2.0 billion to $1.7 billion. Redemptions were $0.2 billion, investment movement was broadly flat in the period and FX movements reduced FUM by $0.1 billion. The net re-gear in the period was $0.1 billion with re-gears of $0.2 billion in the first quarter being slightly offset by small de-gears in the second quarter. There was a further de-gear of $0.1 billion on 1 July 2015.

The guaranteed gross and net margin increased by 3 basis points and 78 basis points respectively compared to the year ended 31 December 2014. The increase in margin at the net level was due to placement fee write offs in 2014 that totalled $7 million.

### Three months to 30 June 2015

| $bn | FUM at 31 March 2015 | Sales | Redemptions | Net inflows/ (Outflows) | Investment movement | FX | Other | Acq. | FUM at 30 June 2015 |
|---|---|---|---|---|---|---|---|---|---|
| **Alternative** | **42.4** | **3.6** | **(2.2)** | **1.4** | **(1.3)** | **0.3** | **(0.5)** | **1.4** | **43.7** |
| Quant (AHL / Numeric) | **15.2** | 1.6 | (0.5) | **1.1** | (1.4) | 0.0 | 0.0 | 0.0 | **14.9** |
| Discretionary (GLG) | **17.2** | 1.6 | (1.1) | **0.5** | 0.1 | 0.3 | (0.4) | 0.3 | **18.0** |
| Fund of funds (FRM) | **10.0** | 0.4 | (0.6) | **(0.2)** | 0.0 | 0.0 | (0.1) | 1.1 | **10.8** |
| **Long Only** | **33.7** | **2.7** | **(5.4)** | **(2.7)** | **1.0** | **0.5** | **0.0** | **0.9** | **33.4** |
| Quant (AHL / Numeric) | **17.6** | 1.2 | (1.1) | **0.1** | 0.4 | 0.0 | 0.0 | 0.0 | **18.1** |
| Discretionary (GLG) | **16.1** | 1.5 | (4.3) | **(2.8)** | 0.6 | 0.5 | 0.0 | 0.9 | **15.3** |
| **Guaranteed** | **2.0** | **0.0** | **0.0** | **0.0** | **(0.2)** | **0.0** | **(0.1)** | **0.0** | **1.7** |
| **Total** | **78.1** | **6.3** | **(7.6)** | **(1.3)** | **(0.5)** | **0.8** | **(0.6)** | **2.3** | **78.8** |

### Three months to 31 March 2015

| $bn | FUM at 31 December 2014 | Sales | Redemptions | Net inflows/ (Outflows) | Investment movement | FX | Other | Acq. | FUM at 30 March 2015 |
|---|---|---|---|---|---|---|---|---|---|
| **Alternative** | **38.2** | **2.1** | **(2.6)** | **(0.5)** | **2.0** | **(1.3)** | **0.2** | **3.8** | **42.4** |
| Quant (AHL / Numeric) | **12.9** | 1.1 | (0.4) | **0.7** | 1.3 | (0.2) | 0.5 | 0.0 | **15.2** |
| Discretionary (GLG) | **14.5** | 0.8 | (1.4) | **(0.6)** | 0.5 | (0.8) | (0.2) | 3.8 | **17.2** |
| Fund of funds (FRM) | **10.8** | 0.2 | (0.8) | **(0.6)** | 0.2 | (0.3) | (0.1) | 0.0 | **10.0** |
| **Long Only** | **32.7** | **2.1** | **(2.7)** | **(0.6)** | **2.2** | **(0.6)** | **0.0** | **0.0** | **33.7** |
| Quant (AHL / Numeric) | **16.7** | 0.8 | (0.5) | **0.3** | 0.6 | 0.0 | 0.0 | 0.0 | **17.6** |
| Discretionary (GLG) | **16.0** | 1.3 | (2.2) | **(0.9)** | 1.6 | (0.6) | 0.0 | 0.0 | **16.1** |
| **Guaranteed** | **2.0** | **0.0** | **(0.2)** | **(0.2)** | **0.1** | **(0.1)** | **0.2** | **0.0** | **2.0** |
| **Total** | **72.9** | **4.2** | **(5.5)** | **(1.3)** | **4.3** | **(2.0)** | **0.4** | **3.8** | **78.1** |

## FUM by manager

| $bn | 30 Jun 2015 | 31 Mar 15 | 31 Dec 2014 | 30 Sep 2014 | 30 Jun 2014 |
|---|---|---|---|---|---|
| **AHL** | **15.8** | **16.5** | **14.4** | **13.3** | **12.1** |
| AHL Diversified (inc. Guaranteed) | 4.3 | 5.1 | 4.7 | 4.4 | 4.3 |
| AHL Alpha | 3.0 | 3.7 | 3.1 | 2.8 | 2.1 |
| AHL Evolution | 2.9 | 3.0 | 2.8 | 2.3 | 1.7 |
| AHL Dimension | 3.6 | 2.4 | 1.8 | 1.3 | 1.3 |
| Europe and Asia Plus | 1.2 | 1.7 | 1.9 | 2.5 | 2.7 |
| Other specialist styles | 0.8 | 0.6 | 0.1 | 0.0 | 0.0 |
| **Numeric** | **18.4** | **17.8** | **16.7** | **15.1** | **n/a** |
| Global | 9.7 | 9.6 | 9.1 | 7.6 | n/a |
| Emerging markets | 2.5 | 2.4 | 1.9 | 2.1 | n/a |
| US | 4.7 | 4.3 | 4.3 | 4.1 | n/a |
| Alternatives | 1.5 | 1.5 | 1.4 | 1.3 | n/a |
| **GLG** | **33.3** | **33.3** | **30.5** | **32.2** | **34.1** |
| **Alternatives** | **18.0** | **17.2** | **14.5** | **16.4** | **18.1** |
| Europe equity | 3.4 | 3.7 | 3.8 | 5.8 | 6.4 |
| North America equity | 2.5 | 2.2 | 2.2 | 2.0 | 2.2 |
| UK equity | 0.5 | 0.3 | 0.3 | 0.3 | 0.3 |
| Other equity | 0.6 | 0.5 | 0.8 | 0.7 | 0.8 |
| Convertibles | 4.0 | 3.8 | 3.8 | 4.3 | 4.4 |
| Market Neutral | 0.7 | 0.7 | 0.9 | 1.1 | 1.2 |
| US credit (Silvermine and Ore Hill) | 4.8 | 4.5 | 0.8 | 0.8 | 0.8 |
| European CLO (Pemba) | 0.7 | 0.8 | 1.0 | 1.1 | 1.5 |
| Multi-strategy * | 0.8 | 0.7 | 0.7* | 0.0 | 0.0 |
| Macro & emerging markets | 0.0 | 0.0 | 0.2 | 0.3 | 0.5 |
| **Long only** | **15.3** | **16.1** | **16.0** | **15.8** | **16.0** |
| Japan equity | 8.7 | 10.3 | 10.2 | 10.5 | 10.6 |
| Global equity | 0.8 | 1.3 | 1.3 | 1.4 | 1.5 |
| Europe equity | 1.6 | 1.2 | 1.1 | 1.1 | 1.2 |
| UK equity | 0.6 | 0.5 | 0.6 | 0.5 | 0.5 |
| NewSmith | 0.9 | n/a | n/a | n/a | n/a |
| Fixed income | 2.7 | 2.8 | 2.8 | 2.3 | 2.2 |
| **FRM** | **11.3** | **10.5** | **11.3** | **11.7** | **11.5** |
| Infrastructure | 1.6 | 1.7 | 1.8 | 2.1 | 2.4 |
| Direct access | 0.5 | 0.6 | 0.7 | 0.7 | 0.7 |
| Segregated | 3.0 | 3.0 | 3.3 | 3.4 | 3.0 |
| Diversified FoHF | 4.6 | 3.2 | 3.5 | 3.4 | 4.2 |
| Thematic FoHF | 1.1 | 1.4 | 1.5 | 1.6 | 0.9 |
| Guaranteed | 0.5 | 0.6 | 0.5 | 0.5 | 0.3 |
| **Total** | **78.8** | **78.1** | **72.9** | **72.3** | **57.7** |

*Multi-strategy was re-classified from European equity for presentation purposes at 31 December 2014

**Investment performance**

| | Total Return | | Annualised Return | |
|---|---|---|---|---|
| | **3 months to Jun 15** | **6 months to Jun 15** | **3 years to Jun 15** | **5 years to Jun 15** |
| **AHL/MAN SYSTEMATIC STRATEGIES** | | | | |
| AHL Diversified[1] | -13.6% | -6.4% | 7.5% | 4.5% |
| AHL Alpha[2] | -8.5% | -2.8% | 6.5% | 4.6% |
| AHL Evolution[3] | -6.3% | 2.5% | 18.2% | 17.2% |
| AHL Dimension[4] | -2.2% | 0.5% | n/a | n/a |
| TailProtect[5] | -3.2% | -8.7% | -13.6% | n/a |
| Europe[6] | -3.1% | 12.0% | 16.9% | n/a |
| **GLG ALTERNATIVES** | | | | |
| **Equity** | | | | |
| **Europe** | | | | |
| GLG European Long Short Fund[7] | 0.1% | 5.2% | 2.3% | 6.2% |
| GLG European Equity Alternative UCITS Fund[8] | -0.1% | 4.7% | 2.0% | n/a |
| GLG European Alpha Alternative UCITS Fund[9] | 1.1% | 1.5% | 4.0% | 3.0% |
| **UK** | | | | |
| GLG Alpha Select Fund[10] | -0.6% | 1.6% | 7.4% | 2.7% |
| GLG Alpha Select UCITS Fund[11] | -0.6% | 1.5% | 7.0% | 2.4% |
| **Global** | | | | |
| GLG Cred-Eq Alternative Class[12] | 2.1% | 5.9% | n/a | n/a |
| GLG Value Opportunity [13] | -2.4% | 2.6% | n/a | n/a |
| **Convertibles** | | | | |
| GLG Global Convertible Fund[14] | -0.2% | 2.5% | 5.5% | 3.9% |
| GLG Global Convertible UCITS Fund[15] | 0.5% | 4.8% | 7.6% | 5.9% |
| **Market neutral** | | | | |
| GLG Market Neutral Fund[16] | 4.7%* | 3.9%* | 4.6%* | 7.7%* |
| GLG European Distressed Fund[17] | 4.6% | 0.6% | 4.5% | 6.1% |
| **Multi-strategy** | | | | |
| GLG Multi-Strategy Fund[18] | 0.1%* | 4.1%* | 3.4%* | 3.3%* |
| GLG Global Opportunity Fund[19] | -0.3%* | 1.3%* | 1.0%* | -0.4%* |
| **GLG LONG ONLY** | | | | |
| GLG Japan CoreAlpha Equity Fund[20] | 9.6% | 23.0% | 35.3% | 16.8% |
| GLG Global Equity UCITS Fund[21] | 0.1% | 5.7% | 17.4% | 12.5% |
| GLG Strategic Bond Fund[22] | -4.0% | -2.2% | 6.5% | n/a |
| GLG Undervalued Assets Fund[23] | 4.1% | 10.8% | n/a | n/a |
| GLG European Equity Fund[24] | -2.8% | 11.7% | 19.9% | 12.4% |
| GLG UK Select Fund[25] | -2.5% | 3.2% | 16.7% | 12.1% |
| GLG Continental Europe Fund[26] | 1.0% | 12.8% | 22.5% | 15.3% |

| | Total Return | | Annualised Return | |
|---|---|---|---|---|
| | **3 months to Jun 15** | **6 months to Jun 15** | **3 years to Jun 15** | **5 years to Jun 15** |
| **MAN MULTI-MANAGER** | | | | |
| FRM Diversified II[27] | -0.9% | 2.8% | 4.4% | 3.5% |
| **Indices** | | | | |
| World stocks[28] | -0.7% | 4.0% | 16.9% | 13.8% |
| World bonds[29] | -2.7% | -0.7% | 3.3% | 3.5% |
| Corporate bonds[30] | -7.3% | -4.3% | 2.8% | 6.8% |
| **Hedge fund indices** | | | | |
| HFRI Fund of Funds Composite Index[31] | 0.4% | 2.8% | 6.1% | 4.0% |
| HFRI Fund Weighted Composite Index[31] | 0.3% | 2.5% | 6.4% | 5.1% |
| HFRX Global Hedge Fund Index[31] | -0.8% | 1.3% | 3.2% | 1.5% |
| **Style indices** | | | | |
| Barclay BTOP 50 Index[32] | -7.4% | -2.9% | 2.7% | 2.2% |
| HFRI Equity Hedge (Total) Index[31] | 2.0% | 4.1% | 8.4% | 6.1% |
| HFRI EH: Equity Market Neutral Index[31] | 0.8% | 2.4% | 4.7% | 3.2% |
| HFRI Macro (Total) Index[31] | -3.5% | -0.3% | 1.8% | 1.9% |
| HFRI Relative Value (Total) Index[31] | 0.7% | 2.6% | 6.6% | 6.3% |

| | 3 months to 30 Jun 2015 | 6 months to 30 Jun 2015 | 3 years to 30 Jun 2015 | 5 years to 30 Jun 2015 |
|---|---|---|---|---|
| **U.S. Large Cap Equity** | | | | |
| Numeric Core | 0.62% | 2.97% | 21.80% | 19.94% |
| Russell 1000®# | 0.11% | 1.71% | 17.73% | 17.58% |
| Relative Return | 0.51% | 1.26% | 4.07% | 2.36% |
| Numeric All Cap Core | -0.11% | 2.72% | 20.90% | 20.29% |
| Russell 3000®# | 0.14% | 1.94% | 17.73% | 17.54% |
| Relative Return | -0.25% | 0.78% | 3.16% | 2.76% |
| Numeric Large Cap Core | 0.56% | 2.56% | 22.28% | 20.29% |
| S&P 500®# | 0.28% | 1.23% | 17.31% | 17.34% |
| Relative Return | 0.28% | 1.33% | 4.97% | 2.95% |
| Numeric Value | 1.31% | 2.76% | 21.61% | 19.50% |
| Russell 1000 Value®# | 0.11% | -0.61% | 17.34% | 16.50% |
| Relative Return | 1.20% | 3.37% | 4.27% | 3.00% |
| Numeric Amplified Core (130/30) | 1.18% | 2.89% | 25.80% | 22.38% |
| S&P 500®# | 0.28% | 1.23% | 17.31% | 17.34% |
| Relative Return | 0.90% | 1.66% | 8.49% | 5.04% |
| **U.S. Small Cap Equity** | | | | |
| Numeric Small Cap Core | -0.87% | 3.20% | 20.55% | 20.23% |
| Russell 2000®# | 0.42% | 4.75% | 17.81% | 17.08% |
| Relative Return | -1.29% | -1.55% | 2.74% | 3.14% |
| Numeric Small Cap Growth | -0.92% | 4.98% | 22.21% | 21.12% |
| Russell 2000 Growth®# | 1.98% | 8.74% | 20.11% | 19.33% |
| Relative Return | -2.90% | -3.76% | 2.10% | 1.79% |
| Numeric Small Cap Value | -1.68% | 1.25% | 19.53% | 19.14% |
| Russell 2000 Value®# | -1.20% | 0.76% | 15.50% | 14.81% |
| Relative Return | -0.48% | 0.49% | 4.03% | 4.33% |
| Numeric SMID Growth | -0.67% | 6.31% | 22.98% | 21.55% |
| Russell 2500 Growth®# | 0.61% | 8.09% | 20.35% | 19.55% |
| Relative Return | -1.28% | -1.79% | 2.63% | 2.00% |
| **Global / Non-U.S. Equity** | | | | |
| Numeric Global Core | 2.72% | 6.44% | n/a | n/a |
| MSCI World®# | 0.31% | 2.63% | n/a | n/a |
| Relative Return | 2.41% | 3.81% | n/a | n/a |
| Numeric Global Core ex US | 3.25% | 7.84% | n/a | n/a |
| MSCI World ex US®# | 0.48% | 4.34% | n/a | n/a |
| Relative Return | 2.77% | 3.50% | n/a | n/a |
| Numeric EAFE Core | 3.07% | 9.76% | n/a | n/a |
| MSCI EAFE®# | 0.62% | 5.52% | n/a | n/a |
| Relative Return | 2.45% | 4.23% | n/a | n/a |
| Numeric International Small Cap | 5.07% | 9.23% | 19.49% | n/a |
| MSCI World ex U.S. Small Cap®# | 4.16% | 8.36% | 14.55% | n/a |
| Relative Return | 0.91% | 0.87% | 4.94% | n/a |
| Numeric Europe Core (EUR) | -1.93% | 14.93% | 23.01% | 16.26% |
| MSCI Europe®# (EUR) | -3.26% | 12.75% | 17.36% | 12.13% |
| Relative Return | 1.34% | 2.18% | 5.65% | 4.14% |
| Numeric Japan Core (YEN) | 8.60% | 19.35% | 33.65% | 19.77% |
| MSCI Japan®# (YEN) | 5.19% | 15.96% | 30.66% | 16.09% |
| Relative Return | 3.41% | 3.39% | 2.99% | 3.68% |
| Numeric Asia Pacific ex Japan | 2.85% | 8.95% | n/a | n/a |
| Russell Asia Pacific ex Japan®# | -0.21% | 3.92% | n/a | n/a |
| Relative Return | 3.06% | 5.03% | n/a | n/a |
| **Emerging Markets** | | | | |
| Numeric Emerging Markets Alpha | 2.46% | 7.12% | 13.95% | 12.77% |
| MSCI Emerging Markets®# | 0.69% | 2.95% | 3.71% | 3.68% |
| Relative Return | 1.77% | 4.17% | 10.23% | 9.08% |
| Numeric Emerging Markets Core | 3.85% | 7.38% | n/a | n/a |
| MSCI Emerging Markets®# | 0.69% | 2.95% | n/a | n/a |
| Relative Return | 3.16% | 4.43% | n/a | n/a |
| | | | | |
| Numeric US Market Neutral | -0.26% | 3.45% | 2.42% | 4.93% |
| Numeric World Market Neutral | 0.62% | 0.51% | 5.83% | 4.85% |
| Numeric Alternative Market Neutral | 1.57% | 2.90% | 7.18% | 7.10% |
| Numeric Absolute Return | 0.92% | 2.48% | 5.85% | n/a |
| ML 91-Day T-Bill® | 0.01% | 0.01% | 0.06% | 0.09% |

Source: Man database, Bloomberg, MSCI and Source. There is no guarantee of trading performance and past or projected performance is not a reliable indicator of future performance. Returns may increase or decrease as a result of currency fluctuations.

1) Represented by Man AHL Diversified plc from 26 March 1996 to 29 October 2012, and by Man AHL Diversified (Guernsey) USD Shares – Class A from 30 October 2012 to date. The representative product was changed at the end of October 2012 due to legal and/or regulatory restrictions on Man AHL Diversified plc preventing the product from accessing the Programme's revised target allocations. Both funds are valued weekly; however, for comparative purposes, statistics have been calculated using the best quality price that is available at each calendar month end, using estimates where a final price is unavailable. Where a price, either estimate or final is unavailable on a calendar month end, the price on the closest date prior to the calendar month end has been used.

2) Represented by AHL Alpha plc from 17 October 1995 to 30 September 2012, and by AHL Strategies PCC Limited: Class Y AHL Alpha USD Shares from 1 October 2012 to 30 September 2013. The representative product was changed at the end of September 2012 due to the provisioning of fund liquidation costs in October 2012 for AHL Alpha plc, which resulted in tracking error compared with other Alpha Programme funds. Both funds are valued weekly; however, for comparative purposes, statistics have been calculated using the best quality price that is available at each calendar month end, using estimates where a final price is unavailable. Where a price, either estimate or final is unavailable on a calendar month end, the price on the closest date prior to the calendar month end has been used. Both of the track records have been adjusted to reflect the fee structure of AHL Alpha (Cayman) Limited - USD Shares. From 30 September 2013, the actual performance of AHL Alpha (Cayman) Limited - USD Shares is displayed.

3) Represented by AHL Strategies PCC: Class G AHL Evolution USD from 1 November 2006 to 30 November 2011; and by the performance track record of AHL Investment Strategies SPC: Class E AHL Evolution USD Notes from 1 December 2011 to 30 November 2012. From 1 December 2012, the track record of AHL (Cayman) SPC: Class A1 Evolution USD Shares has been shown. All returns shown are net of fees.

4) Represented by AHL Strategies PCC Limited: Class B AHL Dimension USD Shares from 3 July 2006 to 31 May 2014, and by AHL Dimension (Cayman) Ltd - F USD Shares Class from 1 June 2014 until 28 February 2015 when AHL Dimension (Cayman) Ltd - A USD Shares Class is used. Representative fees of 1.5% Management Fee and 20% Performance Fee have been applied.

5) Represented by TailProtect Limited Class B.

6) Represented by the official performance of Man GLG Europe Plus Source ETF net of a 0.75% p.a. management fee and no performance fee. Provided by Source.

7) Represented by GLG European Long Short Fund - Class D Unrestricted – EUR.

8) Represented by GLG European Equity Alternative IN EUR.

9) Represented by GLG European Alpha Alternative IN EUR.

10) Represented by GLG Alpha Select Fund - Class C – EUR.

11) Represented by GLG Alpha Select Alternative IN H EUR.

12) Represented by GLG Cred-Eq Alternative Class IN EUR

13) Represented by Man GLG Value Opportunity Class B USD Unrestricted

14) Represented by GLG Global Convertible Fund - Class A – USD.

15) Represented by GLG Global Convertible UCITS Fund - Class IM USD.

16) Represented by GLG Market Neutral Fund - Class Z Unrestricted – USD.

17) Represented by GLG European Distressed Fund - Class A – USD.

18) Represented by the gross return of Man GLG Multi-Strategy Fund – Class A – USD Shares until 31 December 2012. From 1 January 2013 the performance of Man GLG Multi-Strategy Fund – Class G – USD Shares is displayed.

19) Represented by GLG Global Opportunity Fund - Class Z – USD.

20) Represented by GLG Japan CoreAlpha Equity Fund - Class C to Class I JPY (28/01/2010).

21) Represented by GLG Global Equity Fund - Class I T USD to Class I USD (13/05/2011).

22) Represented by GLG Strategic Bond Fund Class A.

23) Represented by GLG Undervalued Assets Fund - C Accumulation Shares.

24) Represented by GLG European Equity Class I EUR

25) Represented by Man GLG UK Select Fund Class A

26) Represented by Man GLG Continental Europe Fund Class A

27) Represented by FRM Diverisfied II USD A

28) Represented by MSCI World Net Total Return Index hedged to USD.

29) Represented by Citigroup World Government Bond Index hedged to USD (total return).

30) Represented by Citigroup High Grade Corp Bond TR.

31) HFRI and HFRX index performance over the past 4 months is subject to change.

32) The historic Barclay BTOP 50 Index data is subject to change.

Please note that the dates in brackets represent the date of the join in the linked track records.

*Estimated.

**#**The reference index listed by Numeric is intended to best represent the strategy's universe. Investors may choose to compare returns for their accounts to different reference indices, resulting in differences in relative return information. Comparison to an index is for informational purposes only, as the holdings of an account managed by Numeric will differ from the securities which comprise the index and may have greater volatility than the holdings of an index. Please refer to the Glossary for further information about the indices.

* Returns are based on the performance of only unrestricted accounts within each strategy. Performance is net-of-fees. Returns of accounts with client restrictions may differ.

**Past or projected performance is no indication of future results. Returns may increase or decrease as a result of currency fluctuations. Please see the Net-of-Fee Return Information section of this presentation for a full listing of the fees and expenses deducted for each strategy identified.**

## RISK MANAGEMENT

It is a key objective of Man to remain a leader in risk management and governance. As such, risk management is an essential component of our approach, both to the management of investment funds on behalf of investors, and the management of Man's business on behalf of shareholders. Our reputation is fundamental to our business, and maintaining our corporate integrity is the responsibility of everyone at Man. Our approach is to identify, quantify and manage risk throughout the Group, in accordance with the Board's risk appetite. We maintain surplus capital and liquidity to give us strategic and tactical flexibility, both in terms of corporate and fund management.

The principal risks faced by Man are set out on pages 24 to 25 of our 2014 Annual Report. These remain our principal risks for the second half of the financial year being: investment underperformance risk; regulatory risk; discretionary trading risk; operational risk; seeding book risk; credit/counterparty risk; legal risk; reputational risk; and key staff retention risk.

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## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that, to the best of their knowledge, this condensed set of financial statements in respect of Man Group plc for the six month period ended 30 June 2015 has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union, and that this interim report includes a fair review of the information required by the Financial Conduct Authority's Disclosure and Transparency Rules 4.2.7 and 4.2.8, namely:

- an indication of important events that have occurred during the six months ended 30 June 2015 and their impact on the condensed interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year ending 31 December 2015; and

- material related party transactions in the six months ended 30 June 2015 and any material changes in the related party transactions described in the last annual report.

The Directors of Man Group plc are as listed in the Annual Report for the year ended 31 December 2014.

By order of the board

**Manny Roman**
Chief Executive Officer
29 July 2015

**Jonathan Sorrell**
Chief Financial Officer
29 July 2015

## INTERIM FINANCIAL STATEMENTS

### Group income statement

| $m | Note | **Six months to 30 June 2015** | Six months to 30 June 2014 |
|---|---|---|---|
| Revenue: | | | |
| Gross management and other fees | 3,4 | **425** | 399 |
| Performance fees | 3,4 | **200** | 101 |
| | | **625** | 500 |
| Income or gains on investments and other financial instruments | 5 | **9** | 6 |
| Distribution costs | 6 | **(35)** | (59) |
| Asset servicing | 7 | **(16)** | (16) |
| Amortisation of acquired intangible assets | 13 | **(45)** | (33) |
| Compensation | 8 | **(231)** | (196) |
| Other costs | 9 | **(90)** | (93) |
| Impairment of FRM goodwill | 2 | **(41)** | - |
| Share of after tax profit of associates | | **3** | 5 |
| Loss on disposal of subsidiaries and other interests | 2 | **-** | (4) |
| Finance expense | 10 | **(18)** | (6) |
| Finance income | 10 | **2** | 2 |
| **Profit before tax** | | **163** | 106 |
| Taxation expense | 11 | **(33)** | (16) |
| **Statutory profit for the period attributable to owners of the parent** | | **130** | 90 |
| | | | |
| **Earnings per share** | 12 | | |
| Basic (cents) | | **7.6** | 5.1 |
| Diluted (cents) | | **7.5** | 5.0 |
| | | | |
| **Adjusted profit before tax** | 2 | **280** | 148 |

### Group statement of comprehensive income

| $m | **Six months to 30 June 2015** | **Six months to 30 June 2014** |
|---|---|---|
| **Statutory profit for the period attributable to owners of the parent** | **130** | 90 |
| **Other comprehensive (expense)/income:** | | |
| Remeasurements of post-employment defined benefit obligations | **(4)** | (16) |
| Tax credited | **1** | 3 |
| **Items that will not be reclassified to profit or loss:** | **(3)** | (13) |
| Cash flow hedges: | | |
| Valuation gains taken to equity | **6** | 7 |
| Transfer to Group income statement | **8** | (11) |
| Net investment hedge | **6** | (13) |
| Foreign currency translation | **(9)** | 14 |
| Recycling of FX revaluation on liquidation of subsidiaries | **-** | 1 |
| **Items that may be subsequently reclassified to profit or loss:** | **11** | (2) |
| **Other comprehensive income/(loss) for the period (net of tax)** | **8** | (15) |
| **Total comprehensive income attributable to owners of the parent** | **138** | 75 |

## Group balance sheet

| $m | Note | **At 30 June 2015** | At 31 December 2014 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 14 | **668** | 738 |
| Fee and other receivables | | **332** | 396 |
| Investments in fund products and other investments | 15 | **410** | 307 |
| Pension asset | | **44** | 45 |
| Investments in associates | | **30** | 30 |
| Leasehold improvements and equipment | | **47** | 52 |
| Goodwill and acquired intangibles | 13 | **1,549** | 1,582 |
| Other intangibles | | **12** | 13 |
| Deferred tax assets* | | **44** | 47 |
| | | **3,136** | 3,210 |
| Non-current assets held for sale | 15 | **123** | 186 |
| **Total assets** | | **3,259** | 3,396 |
| | | | |
| **LIABILITIES** | | | |
| Trade and other payables | | **611** | 581 |
| Provisions | 16 | **58** | 65 |
| Current tax liabilities | | **56** | 51 |
| Borrowings | 14 | **149** | 149 |
| Deferred tax liabilities* | | **79** | 83 |
| | | **953** | 929 |
| Non-current liabilities held for sale | 15 | **36** | 33 |
| **Total liabilities** | | **989** | 962 |
| **NET ASSETS** | | **2,270** | 2,434 |
| | | | |
| **EQUITY** | | | |
| Capital and reserves attributable to owners of the parent | 17 | **2,270** | 2,434 |

*The deferred tax assets and deferred tax liabilities, which were presented on a net basis on the face of the Group balance sheet in the Annual Report for the year ended 31 December 2014, have been reclassified in the comparative to provide the gross figures (as included in Note 9 to the Group financial statements in the Annual Report for the year ended 31 December 2014).

**Group statement of changes in equity**

| Six months to 30 June 2015<br>$m | Note | **Equity attributable to owners of the parent**<br>**Share capital and capital reserves** | **Revaluation reserves and retained earnings** | **Total** |
|---|---|---|---|---|
| **At 1 January 2015** | | **1,193** | **1,241** | **2,434** |
| Profit for the period | | - | 130 | 130 |
| Other comprehensive income | | - | 8 | 8 |
| Total comprehensive income for the period | | - | 138 | 138 |
| Share-based payments | | 5 | 5 | 10 |
| Purchase of own shares by the Employee Trusts | | - | (32) | (32) |
| Share repurchase programme (including costs) | | - | (176) | (176) |
| Dividends* | | - | (104) | (104) |
| **At 30 June 2015** | 17 | **1,198** | **1,072** | **2,270** |

| Six months to 30 June 2014<br>$m | Equity attributable to owners of the parent<br>Share capital and capital reserves | Revaluation reserves and retained earnings | Total |
|---|---|---|---|
| At 1 January 2014 | 1,191 | 1,216 | 2,407 |
| Profit for the period | - | 90 | 90 |
| Other comprehensive expense | - | (15) | (15) |
| Total comprehensive income for the period | - | 75 | 75 |
| Share-based payments | 2 | 6 | 8 |
| Purchase of own shares by the Employee Trusts | - | (15) | (15) |
| Share repurchase programme (including costs) | - | (116) | (116) |
| Dividends* | - | (95) | (95) |
| At 30 June 2014 | 1,193 | 1,071 | 2,264 |

*Relates to the final dividend paid for the year ended 31 December 2014 of 6.1 cents per share (six months to 30 June 2014: final dividend paid for year ended 31 December 2013 of 5.3 cents).

## Group cash flow statement

| $m | Note | **Six months to 30 June 2015** | Six months to 30 June 2014 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the period | | **130** | 90 |
| Adjustments for: | | | |
| Income tax | | **33** | 16 |
| Net finance expense | | **16** | 4 |
| Share of after tax profit of associates | | **(3)** | (5) |
| Revaluation of contingent consideration | | **22** | |
| Loss on disposal of subsidiaries and other interests | | **-** | 4 |
| Depreciation and impairment of leasehold improvements and equipment | | **8** | 11 |
| Amortisation of other intangible fixed assets | | **47** | 38 |
| Share-based payments expense | | **8** | 8 |
| Impairment of FRM goodwill | | **41** | - |
| Defined benefit pension plans | | **(3)** | (23) |
| Other non-cash movements | | **(2)** | (5) |
| | | **297** | 138 |
| Changes in working capital: | | | |
| Decrease in receivables | | **68** | 3 |
| (Increase)/decrease in other financial assets* | | **(31)** | 51 |
| Decrease in payables | | **(70)** | (144) |
| **Cash generated from operations** | | **264** | 48 |
| Interest paid | | **(9)** | (2) |
| Income tax (paid)/received | | **(28)** | 2 |
| **Cash flows from operating activities** | | **227** | 48 |
| **Cash flows from investing activities** | | | |
| Purchase of leasehold improvements and equipment | | **(1)** | - |
| Payment of placement fees and purchase of capitalised computer software | | **(3)** | (2) |
| Acquisition of subsidiaries and other intangibles, net of cash acquired | | **(38)** | - |
| Net cash inflow from third party interests in consolidated funds | | **51** | - |
| Interest received | | **2** | 2 |
| Dividends received from associates | | **2** | 6 |
| **Cash flows from investing activities** | | **13** | 6 |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of ordinary shares | | **5** | 2 |
| Purchase of own shares by the Employee Trusts and Partnerships | | **(35)** | (17) |
| Share repurchase programme (including costs) | | **(176)** | (116) |
| Dividends paid to Company shareholders | | **(104)** | (95) |
| **Cash flows from financing activities** | | **(310)** | (226) |
| **Net decrease in cash** | | **(70)** | (172) |
| Cash at the beginning of the period | | **738** | 992 |
| **Cash at the end of the period**** | 14 | **668** | 820 |

*For the comparative period 'Purchase of investments, including those used to hedge fund product awards' and 'Net proceeds from sale of other investments, including those held for fund product awards' have been reclassified from investing activities to '(Increase)/decrease in other financial assets' within operating activities. The directors consider that this better reflects the nature of these cash flows and matches these with the related underlying transactions.

**Cash balances at 30 June 2015 include $233 million of restricted cash relating to consolidated fund entities (Note 15).

## 1. Basis of preparation

The interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34 'Interim Financial Reporting' and the Disclosure and Transparency Rules of the Financial Conduct Authority.

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the interim financial statements.

The financial information contained herein is unaudited and does not constitute statutory accounts as defined by Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2014, which were prepared in accordance with International Financial Reporting Standards (IFRS) and relevant IFRIC interpretations issued by the International Accounting Standards Board (IASB) and IFRIC Committee respectively and adopted by the European Union (EU) and upon which the auditor has given an unqualified and unmodified report and which contained no statement under Section 498 of the Companies Act 2006, have been delivered to the Registrar of Companies and were posted to shareholders on 11 March 2015.

The accounting policies applied in these interim financial statements are consistent with those set out and applied in Man's Annual Report for the year ended 31 December 2014. There has been no significant impact due to new and amended international financial reporting standards during the period.

Man acts as the investment manager/advisor to fund entities. Man assesses such relationships on an ongoing basis to determine whether each fund entity is controlled and therefore consolidated into the Group's results. Assessment of the control characteristics for all relationships with fund entities led to the consolidation of four fund entities for the six months ended 30 June 2015 (31 December 2014: five), which are either classified as held for sale or consolidated on a line by line basis. Based on their nature, the interests of third-parties in funds that are consolidated are classified as liabilities, as further detailed in Note 15.

The areas of significant judgement are: the acquisition of Silvermine Capital Management LLC (Silvermine), NewSmith and the Bank of America Merrill Lynch (BAML) fund of funds portfolio (Note 13) and the valuation of goodwill and intangibles (Note 13); whether the Group controls certain funds through its investments in fund products and is required to consolidate them (Note 15); and recognition of deferred tax assets (Note 11).

The income statement and cash flow statement presentation in these interim financial statements shows the six months ended 30 June 2015 (H1 2015) together with the six months ended 30 June 2014 (H1 2014). The balance sheet is presented as at 30 June 2015 together with comparatives as at 31 December 2014.

Following the publication of Financial Reporting Standard (FRS) 100 Application of Financial Reporting Requirements by the Financial Reporting Council, for its standalone parent entity financial statements for the year commencing 1 January 2015 Man Group plc is required to change its accounting framework, which is currently UK GAAP. The Board considers that it is in the best interests of the parent entity Man Group plc to adopt FRS 101 Reduced Disclosure Framework, which is a reduced disclosure framework applying the recognition, measurement and disclosure requirements of EU-adopted IFRS. Accordingly, the standalone parent entity financial statements of Man Group plc will be prepared under FRS 101 for the year ending 31 December 2015.

## 2. Adjusted profit before tax

Statutory profit before tax is adjusted to give a fuller understanding of the underlying profitability of the business. The directors consider that the Group's profit is most meaningful when considered on a basis which excludes restructuring costs, impairment of assets, acquisition and disposal related items (including non-cash items such as amortisation of purchased intangibles and deferred tax movements relating to the recognition of tax losses in the US) and certain non-recurring gains or losses, which therefore reflect the recurring revenues and costs that drive the Group's cash flow. The directors are consistent in their approach to the classification of adjusting items period to period, maintaining an appropriate symmetry between losses and gains and the reversal of any accruals previously classified as adjusting items.

| $m | Note | **Six months to 30 June 2015** | Six months to 30 June 2014 |
|---|---|---|---|
| Profit before tax | | **163** | 106 |
| Adjusting items: | | | |
| Acquisition and disposal related: | | | |
| Amortisation of acquired intangible assets | 13 | **45** | 33 |
| Impairment of FRM goodwill | 13 | **41** | - |
| Revaluation of contingent consideration | 5 | **22** | - |
| Unwind of contingent consideration discount | 10 | **8** | 1 |
| Other costs | 9 | **5** | 4 |
| Loss on disposal of subsidiaries and other interests | | **-** | 4 |
| Litigation, regulatory and other settlements | 9 | **(4)** | - |
| **Adjusted profit before tax** | | **280** | 148 |
| Tax on adjusted profit | | **(39)** | (22) |
| **Adjusted profit after tax** | | **241** | 126 |

The revaluation of contingent consideration of $22 million during the period primarily reflects an increase in the fair values of the expected FRM ($6 million) and Numeric ($17 million) earn-out payments, largely as a result of better than expected growth of acquired FUM compared to that forecast at 31 December 2014, partially offset by a $1 million decrease in the Pine Grove earn-out (Note 19).

Acquisition related other costs include legal and professional fees and other integration costs relating to the acquisitions of the Silvermine, NewSmith, BAML fund of funds and Numeric businesses.

The FRM goodwill has been impaired by $41 million, as detailed in Note 13. This contrasts with the increase in the FRM contingent consideration which is based on the FUM of clients acquired in July 2012, whereas the impairment largely relates to flows across FRM as a whole.

The credit of $4 million to litigation, regulatory and other settlements relates to an insurance recovery of prior year costs incurred in association with legal claims, which were included as an adjusting item in 2014.

The prior period loss on disposal of other interests relates to the Group's sale of two of its subsidiaries.

## 3. Adjusted net management and performance fee profit before tax

| $m | **Six months to 30 June 2015** | Six months to 30 June 2014 |
|---|---|---|
| Gross management and other fees | **425** | 399 |
| Share of after tax profit of associates | **3** | 5 |
| Less: | | |
| Distribution costs | **(35)** | (59) |
| Asset servicing | **(16)** | (16) |
| Compensation | **(176)** | (154) |
| Other costs | **(89)** | (89) |
| Net finance expense | **(4)** | (3) |
| **Adjusted net management fee profit before tax** | **108** | 83 |
| Performance fees | **200** | 101 |
| Income or gains on investments and other financial instruments | **31** | 6 |
| Less Compensation | **(55)** | (42) |
| Finance expense (Note 10) | **(4)** | - |
| **Adjusted net performance fee profit before tax** | **172** | 65 |
| Adjusting items (Note 2) | **(117)** | (42) |
| **Profit before tax** | **163** | 106 |

The increase in adjusted net management fee profit before tax compared to the comparative period primarily relates to an increase in gross management fees and a reduction in associated distribution costs, partially offset by an increase in compensation costs and a reduction in share of after tax profits of associates (primarily Nephila).

The increase in net performance fee profit before tax compared to H1 2014 is a result of higher AHL performance fees and income or gains on seeding investments, partially offset by an increase in performance related compensation costs and the financing costs associated with the Tier 2 note issuance in 2014 which has been used to fund the Group’s seeding investments.

## 4. Revenue

Revenue for the six months to 30 June 2015 was $625 million, which is 25% higher than the $500 million in H1 2014.

Management fee revenue for the period was $425 million, compared to $399 million in H1 2014, as a result of an increase in funds under management (FUM) largely due to acquisitions, partially offset by a reduction in total gross margins due to reduced guaranteed product FUM, the impact of acquisitions, and a mix shift towards institutional money, particularly in the alternatives quant category.

Revenue from performance fees has increased from $101 million in H1 2014 to $200 million in the six months to 30 June 2015, as a result of positive investment performance from performance fee eligible funds for AHL in Q1 2015.

## 5. Income or gains on investments and other financial instruments

Income or gains on investments and other financial instruments of $9 million primarily relate to gains on seeding investments, partially offset by an increase in the contingent consideration creditors ($22 million) which has been classified as an adjusting item (Note 2).

## 6. Distribution costs

Distribution costs were $35 million for the period (H1 2014: $59 million), comprising investor servicing fees of $33 million (H1 2014: $51 million) and product placement fees of $2 million (H1 2014: $8 million).

Servicing fees have continued to decrease as a result of the roll-off of guaranteed product FUM and a mix shift towards institutional assets.

## 7. Asset servicing

Asset servicing includes valuations, fund accounting and registrar functions performed by third parties under contract to Man, on behalf of the funds. Total asset servicing costs for the period were $16 million (H1 2014: $16 million).

## 8. Compensation

| $m | **Six months to 30 June 2015** | Six months to 30 June 2014 |
|---|---|---|
| Salaries – fixed | **78** | 67 |
| Variable cash compensation | **109** | 85 |
| Share-based payment charge | **8** | 8 |
| Fund product based payment charge | **17** | 17 |
| Social security costs | **17** | 15 |
| Pension costs | **2** | 4 |
| Total compensation costs | **231** | 196 |

Compensation costs were $231 million (H1 2014: $196 million). Fixed compensation has increased due to an increase in headcount, largely as a result of acquisitions in H2 2014 and H1 2015, and as the fixed costs Pound Sterling to US dollar hedged exchange rate in H1 2015 was less favourable than the rate secured in H1 2014. Variable compensation has increased as a result of increased performance fee related bonus accruals in the period for AHL, as well as an increase in net management fee income.

The unamortised deferred compensation at 30 June 2015 was $75 million (31 December 2014: $22 million), which has a weighted average remaining vesting period of 2.1 years (31 December 2014: 1.3 years).

Pension costs for the period include a one-off credit of $3 million relating to a change in the contribution structure of the Swiss plan.

## 9. Other costs

| $m | **Six months to 30 June 2015** | Six months to 30 June 2014 |
|---|---|---|
| Occupancy | **16** | 16 |
| Technology and communication | **16** | 16 |
| Temporary staff, recruitment, consultancy and managed services | **10** | 12 |
| Legal fees and other professional fees | **8** | 7 |
| Benefits | **8** | 6 |
| Travel and entertainment | **5** | 4 |
| Insurance | **4** | 4 |
| Audit, accountancy, actuarial and tax fees | **4** | 4 |
| Marketing and sponsorship | **3** | 3 |
| Other cash costs | **5** | 4 |
| Total other costs before depreciation, amortisation and adjusting items | **79** | 76 |
| Depreciation and amortisation | **10** | 13 |
| Other costs - before adjusting items | **89** | 89 |
| Acquisition and disposal related (Note 2) | **5** | 4 |
| Litigation, regulatory and other settlements (Note 2) | **(4)** | - |
| Total other costs | **90** | 93 |

Other costs before adjusting items were $89 million, compared to $89 million in H1 2014 and $85 million for H2 2014, which largely reflects the completion of the cost reduction programme in H2 2014, an increase in other costs due to acquisitions in H1 2015, and the impact of the less favourable fixed costs Pound Sterling to US dollar hedged exchange rate in H1 2015 compared to the rate secured in 2014.

In the H1 2014 comparative the $4 million gain on the hedging of the Group's costs has been reclassified out of Other cash costs into the respective associated cost classifications, consistent with the presentation of H1 2015 and the full year ended 31 December 2014.

## 10. Finance expense and finance income

| $m | **Six months to 30 June 2015** | Six months to 30 June 2014 |
|---|---|---|
| Finance income: | | |
| Interest on cash deposits | **2** | 2 |
| Total finance income | **2** | 2 |
| | | |
| Finance expense: | | |
| Interest payable on borrowings | **(4)** | **-** |
| Revolving credit facility costs and other | **(6)** | (5) |
| Total finance expense - before adjusting items | **(10)** | (5) |
| Unwind of contingent consideration discount (Note 2) | **(8)** | (1) |
| Total finance expense | **(18)** | (6) |

In the current period the interest payable on borrowings of $4 million relates to the fixed rate reset callable guaranteed subordinated notes issued in September 2014 (Note 14). The revolving credit facility was renegotiated in H1 2015 and accordingly the remaining $2 million of capitalised costs relating to the previous facility have been written off in the period, included within Revolving credit facility costs and other.

## 11. Taxation

The tax charge for the period is $33 million (H1 2014: $16 million). The effective tax rate on profits before adjusting items of 14% (H1 2014: 15%) reflects the estimated rate for the year ending 31 December 2015. The majority of the Group's profit is earned in the UK, Switzerland and the US. The forecast full year effective tax rate is consistent with this profit mix.

As a result of available deferred tax assets in the US, Man does not expect to pay federal tax on any taxable profits it may earn in the US for the foreseeable future. Based on the Group's three year forecast US taxable profits a deferred tax asset of $8 million has been recognised at 30 June 2015 (31 December 2014: $8 million).

## 12. Earnings per share (EPS)

The calculation of basic earnings per ordinary share is based on: a basic post-tax profit for the period of $130 million (H1 2014: post-tax profit of $90 million); and ordinary shares of 1,710,748,723 (H1 2014: 1,774,380,754), being the weighted average number of ordinary shares in issue during the period after excluding the shares owned by the Man Employee Trusts. For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, being ordinary shares of 1,728,015,531 (H1 2014: 1,795,842,162). The decrease in the weighted average number of shares relates to the execution of the share repurchase in the period.

The reconciliation of basic and diluted weighted average number of shares is provided below:

| | **Six months to 30 June 2015 (million)** | Six months to 30 June 2014 (million) |
|---|---|---|
| Basic weighted average number of shares | **1,710.7** | 1,774.4 |
| Dilutive potential ordinary shares | | |
| Share awards under incentive schemes | **12.9** | 18.5 |
| Employee share options | **4.4** | 2.9 |
| Dilutive weighted average number of shares | **1,728.0** | 1,795.8 |

The reconciliation from EPS to adjusted EPS is given below:

| | **Six months to 30 June 2015** | | |
|---|---|---|---|
| | **Basic and diluted post-tax earnings $m** | **Basic earnings per share cents** | **Diluted earnings per share cents** |
| **Earnings per share** | **130** | **7.6** | **7.5** |
| Items for which EPS has been adjusted (Note 2) | 117 | 6.9 | 6.8 |
| Tax adjusting items (Note 2) | (6) | (0.4) | (0.4) |
| **Adjusted earnings per share** | **241** | **14.1** | **13.9** |
| Adjusted net performance fee profit before tax (Note 3) | (172) | (10.1) | (10.0) |
| Tax on net performance fee profit before tax | 25 | 1.5 | 1.5 |
| **Adjusted management fee earnings per share** | **94** | **5.5** | **5.4** |

| | Six months to 30 June 2014 | | |
|---|---|---|---|
| | Basic and diluted post-tax earnings $m | Basic earnings per share cents | Diluted earnings per share cents |
| Earnings per share | 90 | 5.1 | 5.0 |
| Items for which EPS has been adjusted (Note 2) | 42 | 2.4 | 2.4 |
| Tax adjusting items (Note 2) | (6) | (0.4) | (0.3) |
| Adjusted earnings per share | 126 | 7.1 | 7.1 |
| Adjusted net performance fee profit before tax (Note 3) | (65) | (3.7) | (3.7) |
| Tax on net performance fee profit before tax | 10 | 0.6 | 0.6 |
| Adjusted management fee earnings per share | 71 | 4.0 | 4.0 |

### 13. Goodwill and acquired intangibles

| $m | **Goodwill** | **IMCs and other acquired intangibles** | **Total** |
|---|---|---|---|
| **Net book value at 1 January 2015** | **936** | **646** | **1,582** |
| Acquisition of business | 21 | 36 | 57 |
| Currency translation | (4) | - | (4) |
| Amortisation | - | (45) | (45) |
| Impairment | (41) | - | (41) |
| **Net book value at 30 June 2015** | **912** | **637** | **1,549** |
| Made up as follows: | | | |
| GLG | 222 | 427 | 649 |
| AHL | 458 | - | 458 |
| FRM | 98 | 41 | 139 |
| Numeric | 134 | 169 | 303 |

**Allocation of goodwill to cash generating units and calculation of recoverable amounts**

The Group has identified four cash generating units (CGUs) for impairment review purposes: GLG, AHL, FRM and Numeric.

Goodwill must be tested for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of the Group's CGUs are assessed each year using a value in use calculation.

An assessment of the key assumptions used in the value in use calculation for each CGU has been undertaken at 30 June 2015. Other than as detailed below for the FRM CGU, there have been no other significant changes to the key assumptions during the six months to 30 June 2015.

**GLG cash generating unit**

For the six months to 30 June 2015, GLG's FUM is higher than the modelled FUM in the value in use calculation at 31 December 2014 as a result of better than forecast performance across the product range, and higher than forecast net flows in the alternatives product range. As growth in FUM for the year to date is higher than anticipated, with margins and costs largely as expected, there were no indicators of impairment of the GLG goodwill during the six months to 30 June 2015. As a result, no impairment test of GLG's goodwill has been undertaken at 30 June 2015.

Silvermine Capital Management LLC (Silvermine) and NewSmith LLP (NewSmith) were acquired during the year, and have been incorporated into the GLG CGU. See details of these acquisitions below.

**AHL cash generating unit**

For the six months to 30 June 2015, AHL's growth in FUM is in line with that modelled in the value in use calculation at 31 December 2014, however margins are slightly lower than forecast. As costs are largely as expected and there was significant headroom as at 31 December 2014, it was deemed that there were no indicators of impairment. As a result, no impairment test of AHL's goodwill has been undertaken at 30 June 2015.

**FRM cash generating unit**

For the six months to 30 June 2015, FRM's FUM is below that modelled in the value in use calculation at 31 December 2014, which is largely as a result of lower sales and higher redemptions of fund of funds products than anticipated. In addition, there has been an increase in the cost base primarily due to the strengthening of the Pound Sterling against the US dollar. We considered that the lower FUM was a potential indicator of impairment, and therefore undertook an impairment test of FRM's goodwill at 30 June 2015. The value in use calculation at 30 June 2015 indicates an impairment of $41 million.

The FRM CGU includes the BAML fund of funds investments management contracts (IMCs) purchased during the year. See details below.

**Numeric cash generating unit**

For the six months to 30 June 2015, Numeric's FUM is higher than the modelled FUM in the value in use calculation at 31 December 2014 as a result of better than forecast performance. As growth in FUM for the year to date is higher than anticipated, with margins and costs largely as expected, there were no indicators of impairment for the Numeric goodwill during the six months to 30 June 2015. As a result, no impairment test of Numeric's goodwill has been undertaken at 30 June 2015.

**Acquisition of Silvermine**

On 20 January 2015, Man acquired the entire issued share capital of Silvermine, a Connecticut-based leveraged loan manager with $3.8 billion of funds under management at the date of acquisition across nine active collateralised loan obligation ("CLO") structures. The consideration to Silvermine owners is comprised of $26 million in cash up-front, including $3 million for acquired working capital, and two deferred amounts, payable following the first (up to $17 million) and fifth (up to $30 million) anniversaries of closing, based on run rate management fees at the time (valued at $15 million). The deferred consideration payable is equivalent to an earn-out and deemed to be a financial liability measured initially at fair value and any subsequent fair value movements recognised through the Group income statement.

Provisional values for the acquired business at the date of acquisition are set out below.

| $m | Book value | Fair value adjustments | Provisional value |
|---|---|---|---|
| Fees and other receivables | 4 | - | 4 |
| Intangible assets | - | 17 | 17 |
| Trade and other payables | (1) | - | (1) |
| Net assets acquired | 3 | 17 | 20 |
| Goodwill on acquisition | | | 21 |
| Net assets acquired including goodwill | | | 41 |
| | | | |
| Purchase consideration: | | | |
| Cash consideration | | | 26 |
| Contingent consideration | | | 15 |
| Total consideration | | | 41 |

The fair value adjustments relate to the recognition of investment management contracts of $16 million and brand of $1 million. These intangible assets are recognised at the present value of the expected future cash flows generated from the assets and are amortised on a straight-line basis over their expected lives of five and ten years respectively. Goodwill primarily represents the increased footprint in the US and a presence within the CLO market, as well as Silvermine's skilled workforce.

**Acquisition of NewSmith**

On 24 April 2015, Man acquired the investments management business of NewSmith, an equity investment manager with $1.2 billion of funds under management at the date of acquisition.

Provisional values for the acquired business at the date of acquisition are set out below.

| $m | Book value | Fair value adjustments | Provisional value |
|---|---|---|---|
| Cash and cash equivalents | 1 | - | 1 |
| Fees and other receivables | 3 | - | 3 |
| Intangible assets | - | 12 | 12 |
| Trade and other payables | (1) | - | (1) |
| Net assets acquired | 3 | 12 | 15 |
| Goodwill on acquisition | | | - |
| Net assets acquired including goodwill | | | 15 |
| | | | |
| Purchase consideration: | | | |
| Cash consideration | | | 10 |
| Contingent consideration | | | 5 |
| Total consideration | | | 15 |

The fair value adjustments relate to the recognition of investment management contracts of $12 million. These intangible assets are recognised at the present value of the expected future cash flows generated from the assets and are amortised on a straight-line basis over their expected life of four years.

**BAML fund of funds acquisition**

In April and May 2015 Man made an asset purchase for the BAML fund of fund investment management contracts valued at $7 million. These are recognised at the present value of the expected future cash flows generated from the assets and are amortised on a straight-line basis over their expected life of three years.

**14. Cash, liquidity and borrowings**

Cash and cash equivalents at period end comprises $220 million (31 December 2014: $291 million) of cash at bank on hand and $215 million (31 December 2014: $447 million) in short-term deposits. In addition, $233 million (31 December 2014: $nil) of cash at bank on hand held on the balance sheet relates to the cash and cash equivalents held by a fund which, following a significant seeding investment made by Man, has been consolidated into the Group at 30 June 2015 (Note 15).

Total liquidity resources aggregated to $1,435 million at 30 June 2015 (31 December 2014: $2,263 million) and comprised cash and cash equivalents of $435 million (31 December 2014: $738 million), and the undrawn committed revolving credit facility of $1,000 million (31 December 2014: $1,525 million).

During 2014 Man issued $150 million ten year fixed rate reset callable guaranteed subordinated notes (Tier 2 notes), with associated issuance costs of $1 million. The Tier 2 notes were issued with a fixed coupon of 5.875% until 15 September 2019. The notes may be redeemed in whole at Man's option in September 2019 at their principal amount, subject to FCA approval. If the notes are not redeemed at this time then the coupon will reset to the five year mid-swap rate plus 4.076% and the notes will be redeemed in September 2024 at their principal amount.

The net cash position, excluding cash relating to consolidated fund entities of $233 million (Note 15), at 30 June 2015 was $286 million, compared to $589 million at 31 December 2014. The movement in cash is analysed in the cash flow statement. The decrease of $303 million in Man's net cash position during the period is primarily the result of the payment of the final dividend for 2014 of $104 million, the share repurchase of $175 million, and $38 million net cash paid in relation to acquisitions (Note 13), partially offset by cash inflows from operating activities.

The following table summarises Man's available liquidity at the end of the period:

| $m | **At 30 June 2015** | At 31 December 2014 |
|---|---|---|
| **Borrowings** | | |
| 2024 fixed rate reset callable guaranteed subordinated notes | **149** | 149 |
| | | |
| Cash and cash equivalents* | **435** | 738 |
| Undrawn committed revolving credit facility | **1,000** | 1,525 |
| **Total liquidity** | **1,435** | 2,263 |

*Excludes $233 million of cash held by a fund which has been consolidated (Note 15).

## 15. Investments in fund products and other investments

| $m | **At 30 June 2015** | At 31 December 2014 |
|---|---|---|
| Investments in fund products and other investments comprise: | | |
| Loans to fund products | **112** | 94 |
| Other investments in fund products | **294** | 209 |
| Other investments | **4** | 4 |
| | **410** | 307 |

Other investments in fund products relate to our ongoing business to build our product breadth and to trial investment research developments before we market the products to investors. In addition this balance includes $77 million (31 December 2014: $68 million) of fund products which are held against outstanding deferred compensation arrangements.

Seed capital invested into funds may at times be significant, and therefore the fund may be deemed to be controlled by the Group. Where the Group acquired the controlling stake exclusively with a view to subsequent disposal through sale or dilution and it is considered highly probable that it will relinquish control within a year, the investment in the controlled fund is classified as held for sale. The seeded funds are recognised in the Group balance sheet as non-current assets and liabilities held for sale, with the interests of any other parties included within non-current liabilities held for sale.

The non-current assets and liabilities held for sale are as follows:

| $m | **At 30 June 2015** | At 31 December 2014 |
|---|---|---|
| Non-current assets held for sale | **123** | 186 |
| Non-current liabilities held for sale | **(36)** | (33) |
| Investments in fund products held for sale | **87** | 153 |

Investments held for sale cease to be classified as held for sale when the fund is no longer controlled by the Group, at which time they are classified as financial assets at fair value through profit or loss. Loss of control may eventuate through sale of the investment or a dilution in the Group's holding. If a held for sale fund remains under the control of the Group for more than one year, and it is unlikely that the Group will reduce or no longer control its investment in the short-term, it will cease to be classified as held for sale and will be consolidated on a line-by-line basis. There are no investments previously classified as held for sale which have been consolidated on a line by line basis at 30 June 2015.

Seed investments which are controlled and where it is not expected that control will be relinquished within one year relate to one fund at 30 June 2015 (H1 2014: nil), which has therefore been consolidated on a line by line basis as follows:

| $m | **At 30 June 2015** |
|---|---|
| Cash and cash equivalents | **233** |
| Third party interests in consolidated funds | **(51)** |
| Net assets | **182** |

The consolidated balance at 30 June 2015 relates only to the investors' initial cash injected into the fund, as this fund began trading on 1 July 2015. Third party interests in consolidated funds are included within Trade and other payables on the Group balance sheet.

Man's seeding investments are included in various Group balance sheet line items, as detailed above. In summary, the total seeding investments portfolio is made up as follows:

| $m | **At 30 June 2015** | At 31 December 2014 |
|---|---|---|
| Loans to funds | **112** | 94 |
| Other investments in fund products | **294** | 209 |
| Less those used to hedge deferred compensation awards | **(77)** | (68) |
| Non-current assets held for sale | **123** | 186 |
| Non-current liabilities held for sale | **(36)** | (33) |
| Included in cash and cash equivalents | **233** | - |
| Included in trade and other payables | **(51)** | - |
| Seeding investments portfolio | **598** | 388 |

**16. Provisions**

| $m | Onerous property lease contracts | Litigation | Restructuring | **Total** |
|---|---|---|---|---|
| As 1 January 2015 | 34 | 24 | 7 | **65** |
| Charged/(credited) to the income statement | - | - | - | **-** |
| Used during the period / settlements | (2) | - | (5) | **(7)** |
| **At 30 June 2015** | **32** | **24** | **2** | **58** |

**17. Share capital and reserves**

| $m | **At 30 June 2015** | At 31 December 2014 |
|---|---|---|
| Share capital | **59** | 61 |
| Share premium account | **12** | 7 |
| Merger reserve | **491** | 491 |
| Reorganisation reserve | **632** | 632 |
| Capital redemption reserve | **4** | 2 |
| Revaluation reserves and retained earnings | **1,072** | 1,241 |
| | **2,270** | 2,434 |

The capital redemption reserve represents the notional value of the shares repurchased to offset the reduction in share capital. The share repurchases, including costs, amounting to $176 million have been deducted from the retained earnings reserve in the period.

The final dividend for the year to 31 December 2014 of $104 million was approved and paid in May 2015 and was therefore deducted from the retained earnings reserve in the six months ended 30 June 2015.

## 18. Related party transactions

The related party transactions during the period are consistent with the categories disclosed in the Annual Report for the year ended 31 December 2014. Related parties comprise key management personnel and associates. All transactions with related parties were carried out on an arm's length basis.

Commission income relating to sales of Nephila Capital Ltd (an associate) products totalled $7 million for the six months ended 30 June 2015 (H1 2014: $7 million), and is included in gross management and other fees in the Group income statement.

## 19. Fair value of financial assets/liabilities

The fair value of financial assets and liabilities can be analysed as follows:

**30 June 2015**

| $m | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Financial assets held at fair value: | | | | |
| Investments in fund products and other investments (Note 15) | **4** | **221** | **73** | **298** |
| Derivative financial instruments | **-** | **7** | **-** | **7** |
| | **4** | **228** | **73** | **305** |
| Financial liabilities held at fair value: | | | | |
| Derivative financial instruments | **-** | **7** | **-** | **7** |
| Contingent consideration | **-** | **-** | **186** | **186** |
| Other payables | **-** | **7** | **186** | **193** |

31 December 2014

| $m | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets held at fair value: | | | | |
| Investments in fund products and other investments (Note 15) | 4 | 167 | 42 | 213 |
| Derivative financial instruments | - | 3 | - | 3 |
| | 4 | 170 | 42 | 216 |
| Financial liabilities held at fair value: | | | | |
| Derivative financial instruments | - | 15 | - | 15 |
| Contingent consideration | - | - | 145 | 145 |
| Other payables | - | 15 | 145 | 160 |

Level 1, 2 and 3 financial assets and liabilities are defined in Note 27 to the financial statements in the 2014 Annual Report.

During the period, there were no significant changes in the business or economic circumstances that affected the fair value of Man's financial assets and no significant transfers of financial assets or liabilities held at fair value between categories. For investments in fund products, Level 2 investments comprise holdings primarily in unlisted, open-ended, active and liquid funds, such as seeding investments, which have weekly or daily pricing derived from third party information.

A transfer into Level 3 would be deemed to occur where the level of prolonged activity, as evidenced by subscriptions and redemptions, is deemed insufficient to support a Level 2 classification. This, as well as other factors such as a deterioration of liquidity in the underlying investments or inability to redeem the investment within a reasonable time frame, would also result in a Level 3 classification. Liquidity premium adjustments of $2 million (31 December 2014: $2 million) have been applied for gated, suspended, side pocketed or otherwise illiquid Level 3 investments. Reasonable changes in the liquidity premium assumptions would not have a significant impact on the fair value.

The basis of measuring the fair value of investments in fund products is outlined in Note 15 in the Annual Report for the year ended 31 December 2014. The movements in Level 3 financial assets and financial liabilities measured at fair value are as follows:

| $m | Financial assets at fair value through profit or loss | Financial liabilities at fair value through profit or loss | Total |
|---|---|---|---|
| **Level 3 financial assets/liabilities held at fair value** | | | |
| At beginning of the period | **42** | **(145)** | **(103)** |
| **Total gains in comprehensive income** | **12** | **(31)** | **(19)** |
| Included in profit for the period | **12** | **(31)** | **(19)** |
| Included in other comprehensive income | **-** | **-** | **-** |
| Purchases | **24** | **(23)** | **1** |
| Settlements | **(5)** | **13** | **8** |
| **At period end** | **73** | **(186)** | **(113)** |
| Total gains/(losses) for the period included in the statement of comprehensive income for assets/liabilities held at period end | **12** | **(31)** | **(19)** |

The financial liabilities in Level 3 relate to the contingent consideration payable at 30 June 2015, largely relating to the former owners of Numeric ($121 million) and FRM Holdings Limited ($30 million), with the remaining $35 million relating to contingent consideration for other smaller acquisitions.

The Numeric contingent consideration comprises two earn-out style arrangements based on annual profit interests for five years and management interests linked to the valuation of the Numeric business five years after completion date. For FRM Holdings Limited the contingent consideration is based on the expected run rate management fees for the acquired FRM client FUM base up to three years after the original acquisition date of July 2012.

The fair values are based on discounted cash flow calculations, which represent the expected future profits of each business as per the earn-out arrangements. The fair values are determined using a combination of inputs, such as weighted average cost of capital, high water mark levels, net management fee margins, performance, operating margins and the growth in FUM, as applicable. The discount rates applied are 11% for management fees and 17% for performance fees.

The most significant inputs into the valuations at 30 June 2015 are as follows:

| | **Numeric** | **FRM** |
|---|---|---|
| Weighted average net management fee margin | 0.4% | 0.8% |
| Compound growth in average FUM | 11% | 6% |

**20. Other matters**

Man Group is subject to various claims, assessments, regulatory enquiries and investigations in the normal course of its business. The directors do not expect such matters to have a material adverse effect on the financial position of the Man Group.

## INDEPENDENT REVIEW REPORT TO MAN GROUP PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 which comprises the group income statement, the group statement of comprehensive income, the group balance sheet, the group statement of changes in equity, the group cash flow statement and related Notes 1 to 20. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

### Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

### Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

**Deloitte LLP**

Chartered Accountants and Statutory Auditor
London, UK

29 July 2015