Press Release

28 February 2020

Solid progress: Strong performance fees; improving flow momentum; margin compression

RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Key points

- Funds under Management (FUM)[1] of $117.7 billion (31 December 2018: $108.5 billion)
  - Positive investment movement of $10.1 billion (2018: negative $7.7 billion)
  - Net outflows of $1.3 billion (2018: net inflows $10.8 billion)
  - FX translation and other movements of positive $0.4 billion (2018: negative $3.7 billion)
- Adjusted profit before tax (PBT)[1] increased by 54% to $386 million (2018: $251 million)
  - Adjusted management fee PBT[1] decreased by 21% to $172 million (2018: $217 million)
  - Adjusted performance fee PBT[1] increased by 529% to $214 million (2018: $34 million)
- Statutory PBT increased by 10% to $307 million (2018: $278 million)
- Asset weighted performance versus peers[1] across our strategies of -1.1% (2018: 1.0%)
- Group run rate net management fee margin[1] of 65 basis points at 31 December 2019
- Recommended final dividend of 5.1 cents per share bringing the total dividend for the year to 9.8 cents per share (2018: 11.8 cents) – in-line with our dividend policy
- Completed the $100 million share repurchase announced in October 2018, and in October 2019 announced our intention to repurchase a further $100 million of shares ($29 million of shares had been repurchased at 31 December 2019)
- Strong and liquid balance sheet – net financial assets[1] of $674 million (2018: $644 million)

Luke Ellis, Chief Executive Officer of Man, said:

“2019 was a year of solid growth and continued strategic progress at Man Group. We delivered strong absolute investment performance, making $10.1billion in investment gains for our clients, and closed the period with record funds under management. We also increased our adjusted profit before tax[1] by 54%.

“Over the course of the year, we saw continued inflows into our alternative strategies, although overall we recorded a small outflow as our clients reduced their equity allocations. In the fourth quarter, we returned to net inflows and that momentum has continued into this year.

“We continue to enhance the aspects of our business that differentiate us by investing in talent and innovative new technologies, enriching our culture, diversifying our investment capabilities, and developing deep client relationships. In doing so, we remain well positioned to help our clients meet their investment goals and thus deliver sustainable value for our shareholders.”

1 For definitions and explanations of our alternative performance measures, please refer to pages 51-55.

Summary Financials

	Page ref.	**Year ended 31 Dec 2019**	**Year ended 31 Dec 2018**
		$	$
Funds under management (end of period) [1]	5-7	**117.7bn**	**108.5bn**
Net management fee revenue[2]	16,30	753m	791m
Performance fees[3]	16,30	345m	122m
Sub-lease rental income	17,29	14m	-
Net revenues		**1,112m**	**913m**
Compensation	18,31	(477m)	(436m)
Other costs (including asset servicing)	18,32	(233m)	(221m)
Net finance expense	18,32	(16m)	(5m)
Adjusted profit before tax[1]	18,52	**386m**	**251m**
Adjusting items[4]	19,52	(79m)	27m
Statutory profit before tax	14,23	**307m**	**278m**
		¢	¢
Statutory diluted EPS[5]	34,54	18.4	17.0
Adjusted EPS[1,5]	54	21.1	13.5
Adjusted management fee EPS[1,5]	54	9.8	11.8
Dividend per share[6]	22,35	9.8	11.8

1 For definitions and explanations of our alternative performance measures, please refer to page 51-55.
2 Includes gross management and other fees, distribution costs, and, in 2018 only, share of post-tax profit of associates.
3 Includes income or gains on investments and other instruments and third party share of gains/losses relating to interests in consolidated funds.
4 The adjusting items in the year are shown on page 52 and relate to certain non-recurring items or those resulting from acquisition or disposal related activities.
5 The reconciliation of statutory diluted EPS to the adjusted EPS measures is included in the alternative performance measures (page 54).
6 Our dividend policy and availability of dividend resources is discussed further on page 22.

Dividend and share repurchase

The Board confirms that it will recommend a final dividend of 5.1 cents per share for the financial year to 31 December 2019, giving a total dividend of 9.8 cents per share for the year.

Man Group's dividend policy is to pay out at least 100% of adjusted management fee earnings per share[1] (EPS) in each financial year by way of ordinary dividend. In addition, Man expects to generate significant capital over time, primarily from net performance fee earnings. Man's policy is to distribute available capital to shareholders over time, by way of higher dividend payments and/or share repurchases, while maintaining a prudent balance sheet, after taking into account required capital (including liabilities for future earn-out payments) and potential strategic opportunities. 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.

From the 2019 final dividend onwards, the Group will fix the dividend currency conversion rate on 1 May 2020. The achieved sterling rate will be announced at this time, in advance of the payment date. This is a change from the previous practice of converting and announcing this on the dividend announcement date.

Dates for the 2019 final dividend

Ex-dividend date	2 April 2020
Record date	3 April 2020
Sterling conversion date	1 May 2020
Payment date	15 May 2020

Results presentation, audio webcast and dial in details

There will be a presentation by the management team at 10.30am (UK time) on 28 February 2020 at Riverbank House, 2 Swan Lane, London, EC4R 3AD. A copy of the presentation will be made available on the Group's website at www.man.com. There will also be a live audio webcast available on https://webcast.merchantcantoscdn.com/webcaster/dyn/4000/7464/7468/119092/Lobby/default.htm which will also be available on demand from later in the day. The dial-in and replay telephone numbers are as follows:

Live Conference Call Dial in Numbers:

International:	+44 (0) 203 003 2666
UK Toll-Free Number:	0808 109 0700
US Toll-Free Number:	+ 1 866 966 5335

30 Day Replay Dial in Numbers:

International:	+44 (0) 20 8196 1998
UK Toll Free Number:	0800 633 8453
US Toll Free Number:	+1 866 583 1039
Access Code:	1536408#

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About Man Group

Man Group is a global active investment management firm, which runs $117.7 billion[1] of client capital in liquid and private markets, managed by investment specialists based around the world. Headquartered in London, the firm has 16 international offices and operates across multiple jurisdictions. Our business has five specialist investment engines, which represent the range of our capabilities: Man AHL, Man Numeric, Man GLG, Man FRM and Man GPM.

These engines house numerous investment teams, working collaboratively within the framework of Man Group, with a high degree of investment autonomy. Each team benefits from the strength and resources of the firm's single operating platform, enabling their primary focus to be seeking to generate alpha for clients. The teams invest across a diverse range of strategies and asset classes with highly specialised approaches, with long-only and alternative strategies run on a discretionary and quantitative basis in single and multi-manager formats. Our clients are at the heart of everything we do and we engage in close dialogue with our investors as strategic partners, to understand their particular needs and constraints. Man Group's investment teams are empowered and supported by our institutional infrastructure and technology, which aims to facilitate the efficient exposure to markets and effective collaboration across the organisation.

Through the Man Charitable Trust and the Man US Charitable Foundation, Man Group is committed to promoting literacy and numeracy on a global scale, and to supporting charitable causes more broadly.

Man Group plc is listed on the London Stock Exchange under the ticker EMG.LN and is a constituent of the FTSE 250 Index. Further information can be found at www.man.com

For more information about Man Group's commitment to diversity and inclusion, please visit www.man.com/diversity

Forward looking statements and other important information

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

The content of the websites referred to in this announcement is not incorporated into and does not form part of this announcement. Nothing in this announcement should be construed as or is intended to be a solicitation for or an offer to provide investment advisory services or to invest in any investment products mentioned herein.

1 As at 31 December 2019. All investment management and advisory services are offered through the investment engines of Man AHL, Man Numeric, Man GLG, Man FRM and Man Global Private Markets (GPM).

FUNDS UNDER MANAGEMENT ANALYSIS

FUM movements for the three months to 31 December 2019

$bn	FUM at 30 September 2019	Net inflows/ (outflows)	Investment movement	FX & other	FUM at 31 December 2019
Alternative	**70.1**	**1.4**	**(0.6)**	**0.6**	**71.5**
Absolute return	**30.3**	0.1	(0.2)	0.3	**30.5**
Total return	**25.9**	1.2	(0.3)	0.2	**27.0**
Multi-manager solutions	**13.9**	0.1	(0.1)	0.1	**14.0**
Long only	**42.6**	**(0.5)**	**3.2**	**0.9**	**46.2**
Systematic	**25.6**	(0.3)	2.1	0.1	**27.5**
Discretionary	**17.0**	(0.2)	1.1	0.8	**18.7**
Guaranteed	**-**	-	-	-	**-**
Total	**112.7**	**0.9**	**2.6**	**1.5**	**117.7**

FUM movements for the year to 31 December 2019

$bn	FUM at 31 December 2018	Net inflows/ (outflows)	Investment movement	FX & other	FUM at 31 December 2019
Alternative	**64.9**	**3.6**	**2.7**	**0.3**	**71.5**
Absolute return	**28.9**	(0.6)	1.8	0.4	**30.5**
Total return	**22.5**	4.6	0.4	(0.5)	**27.0**
Multi-manager solutions	**13.5**	(0.4)	0.5	0.4	**14.0**
Long only	**43.5**	**(4.8)**	**7.4**	**0.1**	**46.2**
Systematic	**24.7**	(1.8)	4.8	(0.2)	**27.5**
Discretionary	**18.8**	(3.0)	2.6	0.3	**18.7**
Guaranteed	**0.1**	(0.1)	-	-	**-**
Total	**108.5**	**(1.3)**	**10.1**	**0.4**	**117.7**

FUM by product category

$bn	31-Dec-18	31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19
Absolute return	**28.9**	**28.7**	**29.9**	**30.3**	**30.5**
AHL Dimension	5.7	5.9	6.1	6.3	6.3
AHL Alpha	4.9	5.0	5.5	6.0	6.0
GLG Equity absolute return	5.9	5.4	5.6	5.2	5.2
Man Institutional Solutions[1]	3.4	3.5	3.9	4.2	4.4
AHL Evolution	3.4	3.6	3.8	3.8	4.1
AHL other	1.8	1.8	1.8	1.7	1.7
AHL Diversified	1.7	1.6	1.6	1.7	1.5
Numeric absolute return	1.3	1.2	1.0	0.9	0.8
GLG Credit absolute return	0.8	0.7	0.6	0.5	0.5
Total return	**22.5**	**25.0**	**25.5**	**25.9**	**27.0**
Diversified risk premia	11.7	13.6	14.2	15.5	17.4
CLOs and other GLG total return	3.9	4.4	4.5	4.3	4.3
EM total return	4.4	4.6	4.3	3.7	2.8
GPM	2.5	2.4	2.5	2.4	2.5
Multi-manager solutions	**13.5**	**13.4**	**13.5**	**13.9**	**14.0**
Infrastructure & direct access	5.2	5.8	6.4	6.7	6.9
Segregated	6.6	6.2	5.8	6.0	5.9
Diversified and thematic FoHF	1.7	1.4	1.3	1.2	1.2
Systematic long only	**24.7**	**26.8**	**27.0**	**25.6**	**27.5**
Global	7.7	8.5	8.7	9.5	9.2
International	6.8	7.7	8.0	7.7	9.1
Emerging markets	6.7	7.1	6.9	6.1	6.8
US	3.5	3.5	3.4	2.3	2.4
Discretionary long only	**18.8**	**18.3**	**18.4**	**17.0**	**18.7**
Japan equity	7.6	7.5	7.0	6.3	6.6
Europe equity	4.3	5.0	5.7	5.6	6.6
Credit & convertibles	2.2	2.2	2.4	2.3	2.6
EM Fixed income	1.9	2.1	2.2	2.1	2.0
Other equity	2.0	0.7	0.9	0.5	0.6
Multi Asset	0.8	0.8	0.2	0.2	0.3
Guaranteed	**0.1**	**0.1**	**0.1**	**0.0**	**0.0**
Total	**108.5**	**112.3**	**114.4**	**112.7**	**117.7**

1 Man Institutional Solutions includes AHL Institutional Solutions, GLG and Numeric Strategies

FUM by investment engine

$bn	31-Dec-18	31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19
AHL	**26.2**	**28.0**	**29.9**	**31.6**	**33.7**
Diversified risk premia	5.6	6.8	7.2	8.0	9.8
Dimension	5.7	5.9	6.1	6.3	6.3
Alpha	4.9	5.0	5.5	6.0	6.0
Institutional Solutions[1]	3.0	3.2	3.8	4.1	4.3
Evolution	3.4	3.6	3.8	3.8	4.1
Other	1.8	1.8	1.8	1.7	1.7
Diversified (inc. Guaranteed)	1.8	1.7	1.7	1.7	1.5
Numeric	**32.1**	**34.8**	**35.0**	**34.0**	**35.9**
Alternatives	**7.4**	**8.0**	**8.0**	**8.4**	**8.4**
Diversified risk premia	6.1	6.8	7.0	7.5	7.6
Numeric absolute return	1.3	1.2	1.0	0.9	0.8
Long only	**24.7**	**26.8**	**27.0**	**25.6**	**27.5**
Global	7.7	8.5	8.7	9.5	9.2
International	6.8	7.7	8.0	7.7	9.1
Emerging markets	6.7	7.1	6.9	6.1	6.8
US	3.5	3.5	3.4	2.3	2.4
GLG	**34.2**	**33.7**	**33.5**	**30.8**	**31.6**
Alternatives	**15.4**	**15.4**	**15.1**	**13.8**	**12.9**
Equity absolute return[2]	6.2	5.7	5.7	5.3	5.3
CLOs and other GLG total return	3.9	4.4	4.5	4.3	4.3
EM total return	4.4	4.6	4.3	3.7	2.8
Credit absolute return[2]	0.9	0.7	0.6	0.5	0.5
Long only	**18.8**	**18.3**	**18.4**	**17.0**	**18.7**
Japan equity	7.6	7.5	7.0	6.3	6.6
Europe equity	4.3	5.0	5.7	5.6	6.6
Credit & convertibles	2.2	2.2	2.4	2.3	2.6
EM Fixed income	1.9	2.1	2.2	2.1	2.0
Other equity	2.0	0.7	0.9	0.5	0.6
Multi Asset	0.8	0.8	0.2	0.2	0.3
FRM	**13.5**	**13.4**	**13.5**	**13.9**	**14.0**
Infrastructure & direct access	5.2	5.8	6.4	6.7	6.9
Segregated	6.6	6.2	5.8	6.0	5.9
Diversified and thematic FoHF	1.7	1.4	1.3	1.2	1.2
GPM	**2.5**	**2.4**	**2.5**	**2.4**	**2.5**
Total	**108.5**	**112.3**	**114.4**	**112.7**	**117.7**

1 Institutional Solutions invests into a range of AHL strategies including AHL Dimension, AHL Alpha and AHL Evolution
2 GLG Equity absolute return and GLG Credit absolute return include allocations from Multi-strategy included in Man Institutional solutions in the FUM by product category table

Investment Performance

		Total Return (net of fees)		Annualised Return (net of fees)		
		3 months to 31 Dec 2019	12 months to 31 Dec 2019	3 years to 31 Dec 2019	5 years to 31 Dec 2019	Since Inception to 31 Dec 2019
Absolute return						
AHL Dimension	[1]	-0.8%	7.2%	4.7%	3.8%	5.3%
AHL Alpha	[2]	-1.7%	7.9%	4.6%	2.4%	10.8%
AHL Evolution	[3]	6.1%	15.6%	10.4%	8.1%	13.2%
AHL Diversified	[4]	-4.1%	10.0%	3.7%	0.0%	11.0%
Man Numeric Market Neutral Alternative	[5]	-0.2%	-3.4%	-5.5%	0.0%	2.6%
GLG European Long Short Fund	[6]	2.1%	-1.5%	-0.1%	1.1%	6.4%
Man GLG Global Credit Multi Strategy	[7]	2.7%	5.9%	7.0%	6.9%	12.0%
Total return						
Man Alternative Risk Premia SP	[8]	-3.5%	3.8%	3.3%	n/a	4.5%
Man GLG Global EM Debt Total Return	[9]	-0.9%	-2.8%	0.1%	n/a	1.6%
Man AHL TargetRisk	[19]	1.2%	28.4%	14.2%	10.5%	10.9%
Multi-manager solutions						
FRM Diversified II	[10]	1.9%	4.0%	2.2%	0.7%	3.9%
Systematic long only						
Numeric Global Core	[11]	8.0%	22.2%	9.5%	7.8%	10.4%
Relative Return		*-0.6%*	*-5.5%*	*-3.1%*	*-0.9%*	*0.6%*
Numeric Europe Core (EUR)	[12]	4.0%	22.6%	7.1%	8.0%	9.0%
Relative Return		*-1.7%*	*-3.4%*	*-0.4%*	*1.4%*	*2.4%*
Numeric Emerging Markets Core	[13]	13.6%	16.6%	11.2%	7.4%	5.9%
Relative Return		*1.7%*	*-1.9%*	*-0.3%*	*1.7%*	*1.9%*
Discretionary long only						
Man GLG Japan Core Alpha Equity Fund	[14]	8.3%	9.2%	1.9%	4.8%	3.7%
Relative Return		*-0.3%*	*-8.9%*	*-4.7%*	*-1.6%*	*1.7%*
Man GLG Continental European Growth Fund	[15]	9.3%	30.7%	11.3%	16.2%	9.5%
Relative Return		*8.4%*	*10.3%*	*2.7%*	*6.1%*	*3.8%*
Man GLG Undervalued Assets Fund	[16]	9.2%	19.3%	11.2%	9.8%	9.4%
Relative Return		*5.0%*	*0.2%*	*4.4%*	*2.2%*	*2.8%*
Indices						
HFRX Global Hedge Fund Index	[17]	2.6%	8.6%	2.4%	1.2%	
HFRI Fund of Funds Conservative Index	[17]	1.7%	6.3%	3.2%	2.3%	
Barclay BTOP 50 Index	[18]	-2.3%	6.7%	0.3%	-0.9%	
HFRI Equity Hedge (Total) Index	[17]	5.6%	13.7%	6.1%	4.5%	
HFRX EH: Equity Market Neutral Index	[17]	-0.6%	-1.9%	-1.1%	-0.7%	

Investment performance (Cont'd)

1. 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.
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 Evolution Limited adjusted for the fee structure (2% p.a. management fee and 20% performance fee) from September 2005 to 31 October 2006; and 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 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.
5. Numeric alternative market neutral composite
6. Represented by GLG European Long Short Fund - Class D Restricted – EUR until 29 June 2007. From 1 July 2007 to 31 July 2018 the performance of GLG European Long Short Fund - Class D Unrestricted is displayed. After this date, the performance of Class GLG European Long Short Fund - Class I Unrestricted is displayed.
7. Represented by GLG Market Neutral Fund - Class Z Restricted – USD until 31 August 2007. From the 1 September 2007 Man GLG Global Credit Multi Strategy CL IL XX USD unrestricted.
8. Represented by Man Alternative Risk Premia SP - Class A USD.
9. Represented by Man GLG Global Emerging Markets Debt Total Return Class I USD.
10. Represented by FRM Diversified II Fund SPC - Class A USD ('the fund') until April 2018 then Class A JPY hedged to USD thereafter. However, prior to Jan 2004, FRM has created the FRM Diversified II pro forma using the following methodology: i) for the period Jan 1998 to Dec 2003, by using the returns of Absolute Alpha Fund PCC Limited – Diversified Series Share Cell ('AA Diversified - USD') adjusted for fees and/or currency, where applicable. For the period Jan 2004 to Feb 2004, the returns of the fund's master portfolio have been used, adjusted for fees and/or currency, where applicable. Post Feb 2004, the fund's actual performance has been used, which may differ from the calculated performance of the track record. There have been occasions where the 12-months' performance to date of FRM Diversified II has differed materially from that of AA Diversified. Strategy and holdings data relates to the composition of the master portfolio.
11. Performance relative to the MSCI World. This reference index 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.
12. Performance relative to the MSCI Europe (EUR). This reference index 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.
13. Performance relative to MSCI Emerging Markets. This reference index 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.
14. Represented by Man GLG Japan CoreAlpha Fund - Class C converted to JPY until 28 January 2010. From 1 February 2010 Man GLG Japan CoreAlpha Equity Fund - Class I JPY is displayed. Relative return shown vs TOPIX (JPY, GDTR).
15. Represented by Man GLG Continental European Growth Fund Class C Accumulation Shares. Relative return shown vs FTSE World Europe Ex UK (GBP, GDTR).
16. Represented by Man GLG Undervalued Assets Fund - C Accumulation Shares. Relative return shown vs FTSE All Share (GBP, NDTR).
17. HFRI and HFRX index performance over the past 4 months is subject to change.
18. The historic Barclay BTOP 50 Index data is subject to change.
19. Represented by Man AHL TargetRisk class I USD

Past or projected performance is no indication of future results. Financial indices are used for illustrative purposes only and are provided for the purpose of making a comparison to general market data as a point of reference and should not be construed as a true comparison to the strategy.

The information herein is being provided solely in connection with this press release and is not intended to be, nor should it be construed or used as, investment, tax or legal advice, any recommendation or opinion regarding the appropriateness or suitability of any investment or strategy, or an offer to sell, or a solicitation of an offer to buy, an interest in any security, including an interest in any fund or pool described herein.

CHIEF EXECUTIVE OFFICER'S REVIEW

After the equity market sell-off at the end of 2018, 2019 was characterised by a more supportive market backdrop for most asset classes.

This led to positive performance across our long-only strategies as well as strong absolute performance from our quant alternative strategies. However, it was a more challenging period for alpha generation, particularly for our strategies with a valuation focus, which led to asset weighted underperformance versus peers of 1.1% for the year[1] (2018: 1.0% outperformance). Across the industry we have seen clients reducing their active equity allocations and increasing their allocations to bonds. This is an area where we have historically been under-represented, which contributed to net outflows in the year. Going forward, we would hope to grow our fixed income and credit capabilities. Nevertheless, we continued to see ongoing engagement with clients on new mandates and in particular strong demand for our alternative risk premia strategies. Funds under management increased by 8% to $117.7 billion in the year, as strong absolute investment performance more than offset net outflows.

In 2019 we progressed with the evolution of our business away from legacy guaranteed products to an institutional client base. For absolute return strategies FUM from guaranteed products is now negligible. This is noteworthy as the shift in the product mix has been a contributory factor in the declining net management fee margin. For multi-manager solutions the shift away from traditional funds of fund manager products to an institutional solutions provider is expected to have a better growth profile, though at a lower net management fee margin.

Adjusted profit before tax[2] increased by 54% to $386 million compared to 2018 reflecting higher performance fees and seed investment gains in the year, partially offset by a decline in net management fees which was largely driven by margin compression due to the change in mix during the year.

Core profit before tax[2], one of our financial KPIs, reached a ten year high in 2019, increasing by 62% to $384 million compared to 2018.

Statutory profit before tax increased by 10% to $307 million compared to the previous year.

Performance[1]

2019 was characterised by a rebound in equity markets and most other asset classes as central banks grew more accommodative. It was a strong period for momentum and growth strategies but a more difficult period for valuation-focused strategies.

Against this backdrop, absolute performance across our product categories was positive, which resulted in us delivering $10.1 billion of investment performance for clients. Our absolute return strategies were up 7%, driven by strong performance from our major quant alternative strategies. Within total return strategies, the AHL TargetRisk strategy delivered very strong performance, up 28.4%, while the emerging market debt total return strategy was down 2.8%. Systematic long-only strategies were up on average 19.1%, having benefited from the rebound in equity markets. Returns in the discretionary long-only strategies benefited from the performance of the Japan CoreAlpha strategy which was up 9.2%. In addition, the UK and European-focused discretionary strategies delivered strong returns with the continental European strategy up 30.7% and the undervalued assets strategy up 19.3% in the year.

Relative performance across the firm was more mixed, with asset weighted underperformance versus peers[1] across our strategies of 1.1% in the year. Relative outperformance in the absolute return category was driven by our quant alternative strategies up 2.3% versus peers. Across our total return strategies, our Alternative Risk Premia strategy continued its strong relative performance since launch and our TargetRisk strategy significantly outperformed peers. However, this was offset by underperformance by the emerging market debt strategy due to its bearish positioning. Relative performance of the systematic long-only strategies was weaker with underperformance of 2.2% in the year due to their valuation bias. The Japan CoreAlpha strategy underperformed by 8.9% due to its value bias while the European-focused long-only strategies performed well on a relative basis.

1 Past performance is not indicative of future results. Returns may increase or decrease as a result of currency fluctuations. Performance figures are shown net of representative management and performance fees.
2 For definitions and explanations of our alternative performance measures, please refer to pages 51-55.

Progress against strategic priorities

Strong client relationships

Following excellent flows in 2017 and 2018, the short-term underperformance of some of our strategies, coupled with clients de-risking more generally, impacted our flows in 2019. Despite this, we continued to widen and deepen the long-term relationships with clients and add new relationships with strategically important asset allocators and distributors. As a result of this focus, we continue to see the trend of clients investing in more strategies across the firm, with 72% of FUM at 31 December 2019 relating to clients invested in two or more products, and 45% relating to clients invested in four or more products. Our 50 largest clients are invested in approximately three of our strategies on average. This illustrates the strength and breadth of our offering, and the value of providing clients with a single point of contact who understands them and their unique requirements.

More recently, clients have been reducing their active equity exposure and have been increasing their allocations to bonds. This is an area where historically we have been under-represented but over the last year we have continued to build out our credit offering and have added a number of teams covering strategic bond strategies, high yield opportunities and European real estate debt. Whilst this is a near-term cost, we expect it to add over time to FUM and profits as well as diversify our product range still further.

Innovative investment strategies

Developing innovative investment strategies across our business and enhancing our existing offering for clients is core to the Group's strategy.

We continue to make progress in innovating and building a more diversified business. An example of this is our TargetRisk strategy, which applies Man AHL's expertise in systematic alternative investment to a long–only approach. The strategy currently manages $2.7 billion and has significantly outperformed its peers. Within our discretionary business, we are embedding quantitative techniques to enrich the fundamental process of the portfolio managers.

Following the centralisation of much of our trading and execution function last year, we continue to focus on building our own firm-wide centre of execution excellence in trading, trading technology and trading research. Efficient execution is key to the success of our business and to the delivery of performance for clients. It enables them to capture more of the alpha that our portfolio managers are generating. It also enables continued innovation, for example, the expanded use of machine learning, which is helping us to trade more efficiently on behalf of our clients and to capture more of the alpha that our portfolio managers are seeking.

Leveraging our firm's technology and data science expertise, we have continued to build out our responsible investment capabilities. We introduced Man Group ESG Analytics, our proprietary tool allowing investment teams to assess ESG risk across both traditional and alternative investment strategies, and which integrates an ESG data scoring system developed in-house by Man Numeric. Moreover, the Responsible Investment team has been expanding and enhancing Man Group's stewardship and corporate action efforts, developing processes that allow for engagement in a way that is practical, achievable and relevant to the firm's diverse investment strategies.

Efficient and effective operations

Our central infrastructure is the foundation on which the firm operates. This includes our proprietary central operational platform, which enables us to evolve and adapt as markets and our clients' needs do, as well as our infrastructure teams more broadly, which include enterprise and trading technology, compliance, legal, human resources, finance and operations functions.

As well as its ongoing benefits, our infrastructure positions us to integrate acquisitions or new teams rapidly, with the potential for significant operational cost synergies while preserving the investment process. We continue to review a large number of acquisition opportunities to expand our product and geographic reach. In May 2019 we successfully completed the corporate reorganisation announced in October 2018. Our structure is now consistent with other global asset managers, providing us with more flexibility in financing the business. In line with other global asset managers, we view our net financial assets[1] as the best summary of our balance sheet position. The reorganisation has enabled us to look at more efficient ways of financing the seeding book and provided us with greater capital flexibility going forward.

1 For definitions and explanations of our alternative performance measures, please refer to pages 51-55.

People and culture

We are fundamentally a people business. To best serve our clients and shareholders, attracting and retaining the best people and creating an environment in which they can achieve their potential remain top priorities for us. We place great importance on being an employer of choice and a good place to work for all employees.

We are a true meritocracy where we succeed through talent, commitment, diligence and teamwork. We are committed to supporting our employees so that everyone at Man Group has the opportunity to be the best they can be. Over the past 18 months, we have developed a dedicated talent function separate to HR which focuses on helping our people achieve their potential, individually and as teams.

We also believe that by celebrating diversity and building an inclusive working environment, we can attract the best talent to our business and encourage original and collaborative thinking with multiple and differing perspectives which position us to deliver results for our clients. We are committed to increasing diversity in all forms, at all levels, because we think it makes Man Group a better, stronger firm. We operate Drive, an employee-led diversity and inclusion network, which seeks to inform, support and inspire our people.

Through reporting annually on our commitment to diversity and inclusion, we assess and monitor the progress of our strategy in this area over time. We introduced Paving the Way, our campaign for enhancing diversity at the firm and across the industry more broadly. When it comes to achieving real change in diversity in the industry, there is no doubt that a less diverse pool of potential candidates is an inhibitor. We believe that we can, and must, take steps to address this 'pipeline' issue proactively. We have introduced a number of initiatives to support this in recent years, and our Paving the Way campaign seeks to build our efforts in this area.

Regarding gender diversity specifically, in 2018, Man Group became a signatory to the Women in Finance Charter, a pledge for gender balance across financial services. As part of this, we introduced a target of at least 25% female representation in senior management roles by December 2020. We are pleased to report a positive trajectory, having seen the proportion of women in senior management roles increase from 16% in 2016 to 20% at the end of 2019. We previously set a target of at least 25% by the end of 2020 and we expect to increase this target by at least 1% per year in the years ahead.

We are also pleased with the number of employees who have taken enhanced parental leave in 2019. We updated our policies in 2018 so that all new parents at the firm globally are entitled to 18 weeks' full pay. This is not dependent on location or gender, and applies to both biological and non-biological new parents. We believe that these initiatives will allow our people to take leave at one of the most significant times in their lives, underscoring our commitment to enabling our employees to have a true work-life balance.

I believe that we do our best work for our clients when we support our employees, and value their different perspectives and experience. I would like to thank everyone at Man Group for their contribution to the progress we made during 2019.

Outlook

Over the course of the year, we saw continued inflows into our alternative strategies, although overall we recorded a small outflow as our clients reduced their equity allocations. In the fourth quarter, we returned to net inflows and that momentum has continued into this year.

We continue to enhance the aspects of our business that differentiate us by investing in talent and innovative new technologies, enriching our culture, diversifying our capabilities, and developing deep client relationships. In doing so, we remain well positioned to help our clients meet their investment goals and thus deliver sustainable value for our shareholders.

Key performance indicators

Measuring our success

Our financial KPIs illustrate and measure the relationship between the investment experience of our clients, our financial performance and the creation of shareholder value over time.

Investment performance

What we measure

The asset weighted performance[1] of Man Group's strategies compared to peers gives an indication of the competitiveness of our investment performance against similar alternative investment styles offered by other investment managers.

How we performed

We had asset weighted underperformance of 1.1% in 2019, despite strong absolute performance, and therefore we did not achieve this KPI target. Further investment performance information is provided on pages 8 and 10.

Net flows

What we measure

Net flows[1] are the measure of our ability to attract and retain investor capital. FUM drives our financial performance in terms of our ability to earn management fees.

How we performed

Net outflows of 1.2% in 2019 are below the target range, and indicative of the challenging 2019 fund raising environment for active long-only equity strategies. Net flows of 9.9% and 15.8% in 2018 and 2017 respectively were particularly strong. Further flows information is provided on page 15.

Change to net flows KPI

The net flows KPI will change to relative net inflows for the 2020 financial year, in order to reflect benchmark performance against industry peers. This KPI will therefore better represent performance that management can control.

Core profit before tax

What we measure

Core profit before tax[1] is a measure of overall profitability and cash generation. This measure excludes legacy income streams in relation to guaranteed products and profits from Nephila, so better represents the core business of Man Group today. As this incorporates both management and performance fee profits, it reflects that performance fees, although volatile in nature, are a key earnings stream for Man Group and a significant component of value creation for shareholders over time.

How we performed

Core profit before tax of $384 million for 2019 was at the upper end of the target range, reflecting our strong performance fee generation. For further information see page 18.

Adjusted management fee EPS growth

What we measure

Adjusted management fee EPS[1] growth in the year measures the overall effectiveness of our business model, and drives both our dividend policy and the value generation for shareholders from our more stable earnings stream.

How we performed

The adjusted management fee EPS decline of 16.9%, from 11.8 cents to 9.8 cents, did not meet the target range for 2019. The decline in adjusted management fee EPS is largely driven by the lower net management fee revenues due to a decline in net management fee margins and certain non-operating headwinds, partially offset by the impact of share repurchases which reduce the number of shares. For further information on EPS, see page 35.

1 For definitions and explanations of our alternative performance measures, please refer to pages 51-55.

CHIEF FINANCIAL OFFICER'S REVIEW

Our funds under management grew by $9.2 billion to $117.7 billion in 2019, largely due to positive absolute performance for our clients of $10.1 billion, partially offset by net outflows of $1.3 billion driven by our long-only strategies off the back of weaker relative performance in the short term. Performance fee generation was strong with $325 million earned in the year compared to $127 million in 2018. Our relative performance was around 1.1% below our peers, with absolute return outperforming but our long-only strategies underperforming given their valuation focus and the more challenging environment for such strategies.

Net management fee revenue[1] was $753 million for the year, a decrease of 5% from prior year despite average FUM remaining flat. This was largely driven by margin compression due to the change in mix during the year. Performance fee revenues of $325 million were largely generated by Man AHL's Dimension, Alpha and Evolution strategies. We made a gain of $20 million on our seed book, compared to a loss of $5 million in 2018.

Total costs were $710 million, up from $657 million in 2018, largely as a result of higher performance fee related variable compensation and higher fixed compensation due to increases in headcount, as well as non-operating impacts from foreign exchange headwinds on fixed costs (due to a less favourable US dollar to sterling hedged rate in 2019) and the higher accounting charges as a result of the adoption of the new IFRS 16 leases accounting standard from 2019 (see page 17 for further details).

We are pleased to report the successful completion of a number of specific initiatives during 2019. In addition to the Group reorganisation which took effect in May 2019, we successfully implemented a new cloud-based finance and HR system. We are proud to have delivered these projects, which adjust our structure to align with the global nature of our business today, and ensure we are using technology to improve how we operate all facets of the firm. We also refinanced the Group's revolving credit facility in December 2019, which now incorporates specific ESG targets.

	Year ended 31 December 2019	Year ended 31 December 2018
Statutory profit before tax	**$307m**	$278m
Statutory earnings per share	**18.4¢**	17.0¢
Adjusted profit before tax[1]	**$386m**	$251m
Core profit before tax[1]	**$384m**	$237m
Adjusted earnings per share[1]	**21.1¢**	13.5¢
Adjusted management fee profit before tax[1]	**$172m**	$217m
Adjusted performance fee profit before tax[1]	**$214m**	$34m

Statutory profit before tax increased by $29 million from 2018 driven by the higher performance fee profits in 2019. Please note 2018 included a non-recurring gain of $113 million on the sale of our stake in Nephila. The increase in adjusted profit before tax[1] and adjusted earnings per share[1] was driven by our performance fees. Core profit before tax[1], which excludes legacy business profits, reached a ten year peak in 2019 (see page 18)

Our balance sheet remains strong and liquid, with net tangible assets of $739 million or 48 cents per share at 31 December 2019, and net financial assets[1] of $674 million (see page 22 for further detail). We have a net cash (cash less borrowings) position of $220 million (2018: $194 million) and continue to be strongly cash generative, with operating cash flows of $483 million (2018: $319 million). We have reduced certain liabilities in 2019 following the repayment of our Tier 2 notes of $150 million, as well as the final Man Numeric earn-out payment of $154 million which completes this successful 2014 acquisition. We have returned over $1.5 billion to shareholders via dividends and share repurchases over the past five years and continue to focus on ensuring the business generates strong cash flows which we can in turn reinvest or return to shareholders.

1 For definitions and explanations of our alternative performance measures, please refer to pages 51-55.

Funds under management (FUM)

$bn		FUM at 31 December 2018	Net inflows/ (outflows)	Investment movements	Foreign currency and other movements	**FUM at 31 December 2019**
Alternative	Absolute return	28.9	(0.6)	1.8	0.4	**30.5**
	Total return	22.5	4.6	0.4	(0.5)	**27.0**
	Multi-manager solutions	13.5	(0.4)	0.5	0.4	**14.0**
Long-only	**Total**	64.9	3.6	2.7	0.3	**71.5**
	Systematic	24.7	(1.8)	4.8	(0.2)	**27.5**
	Discretionary	18.8	(3.0)	2.6	0.3	**18.7**
	Total	43.5	(4.8)	7.4	0.1	**46.2**
Total excluding Guaranteed		108.4	(1.2)	10.1	0.4	**117.7**
Guaranteed		0.1	(0.1)	–	–	**–**
Total		108.5	(1.3)	10.1	0.4	**117.7**

Absolute return
Absolute return FUM increased by 6% largely as a result of positive investment performance, driven by AHL's momentum strategies, Evolution, Dimension and Alpha. Outflows from Man GLG's alternative strategies were partially offset by inflows into Man AHL Institutional Solutions. Other movements primarily relate to leverage changes.

Total return
Total return FUM increased by 20% due to net inflows of $4.6 billion. Net inflows included $2.8 billion into alternative risk premia strategies and $1.5 billion into Man AHL's TargetRisk strategy, with these strategies also generating the positive absolute performance in the year. Our global private markets FUM remained broadly flat. Other movements relate to collateralised loan obligations (CLO) and global private markets maturities during the year.

Multi-manager solutions
Multi-manager solutions FUM increased by $0.5 billion, with positive investment performance from infrastructure mandates and other movements, partially offset by net outflows. Net outflows are largely due to a $1.3 billion redemption from a segregated mandate being partially offset by inflows of $1.0 billion into infrastructure mandates.

Systematic long-only
Systematic long-only FUM increased by 11% to $27.5 billion, driven by positive absolute investment movements across all strategies. Net outflows of $1.8 billion were from institutional clients across a range of strategies, off the back of weaker relative short-term performance.

Discretionary long-only
Discretionary long-only FUM ended the year broadly flat. Net outflows of $3.0 billion were mainly due to redemptions from Man GLG's Japan CoreAlpha and US equity strategies and single investor mandates. Equity market moves were the main driver for positive absolute performance of $2.6 billion.

Guaranteed products
Guaranteed product FUM reduced from $100 million to $39 million during the year as a result of maturities.

Revenue

Net management fee margins and revenue

The Group's total net management fee margin[1] decreased by three basis points during the year to 67 basis points, with the reduction continuing to be driven by mix effects.

Within their categories, net management fee margins stayed broadly in line with the prior year, with the exception of absolute return and multi-manager solutions which continued their gradual decline over recent years. The absolute return net management fee margin decreased by seven basis points to 120 basis points as a result of the continued mix shift towards institutional assets which are at a lower margin. The multi-manager solutions net management fee margin decreased to 31 basis points in 2019, from 36 basis points in 2018, as a result of Man FRM's continued shift towards a solutions provider from traditional fund of funds manager. We expect this to decline further as the shift towards lower margin services continues. The systematic run rate net management fee margin has declined, following a period of stability, as clients adjusted their allocations in the latter part of the year.

The Group's run rate net management fee margin[1] at 31 December 2019 was 65 basis points, and the run rate net management fee revenue[1] (which applies internal analysis of run rate margins to 31 December 2019 FUM) was $771 million (31 December 2018: $751 million). This has increased from 2018 as a result of higher closing FUM, partially offset by a decrease in run rate net management fee margin.

Core net management fee revenue[1] decreased by 3% to $751 million in 2019, driven by the decline in our average margin. We sold our remaining stake in Nephila in late 2018, generating a gain of sale of $113 million, and therefore no longer receive a share of associate profits.

$m	**Year ended 31 December 2019**	Year ended 31 December 2018
Absolute return	**354**	370
Total return	**139**	111
Multi-manager solutions	**43**	54
Systematic long-only	**93**	97
Discretionary long-only	**122**	145
Core net management fee revenue[1]	**751**	777
Guaranteed	**2**	7
Share of post-tax profit of associates	**–**	7
Net management fee revenue[1]	**753**	791

Performance fees and investment gains and losses

Performance fees for the year were $325 million compared to $127 million in 2018, which included $291 million from Man AHL (2018: $92 million), $34 million from Man GLG (2018: $31 million), with no performance fees from each of Man Numeric (2018: $2 million), Man FRM (2018: $2 million) and Man GPM (2018: nil).

Investment gains of $20 million (2018: losses of $5 million) primarily relate to gains on seed investments. The seeding book was $514 million at year end, down from $662 million in 2018, partially as a result of the use of total return swaps which, although reducing our investment, mean we retain the risk exposure (see page 21). We had $62 million of exposure via total return swap (TRS) at year end.

1 For definitions and explanations of our alternative performance measures, please refer to pages 51-55.

Summary income statement

$m	Year ended 31 December 2019	Year ended 31 December 2018
Gross management and other fees[1]	**791**	835
Share of post-tax profit of associates	**–**	7
Distribution costs	**(38)**	(51)
Net management fee revenue	**753**	791
Performance fees[1]	**325**	127
Gains/(losses) on investments[1]	**20**	(5)
Sub-lease rental income[2]	**14**	–
Net revenue	**1,112**	913
Asset servicing	**(55)**	(51)
Fixed compensation[3]	**(193)**	(179)
Variable compensation	**(284)**	(257)
Other costs – cash costs[1,2]	**(131)**	(146)
Other costs – depreciation and amortisation[2]	**(47)**	(24)
Total costs	**(710)**	(657)
Net finance expense[2,3]	**(16)**	(5)
Adjusted profit before tax[3]	**386**	251
Adjusting items[3] (see page 19)	**(79)**	27
Statutory profit before tax	**307**	278
Adjusted management fee profit before tax[3]	**172**	217
Adjusted performance fee profit before tax[3]	**214**	34
Core profit before tax[3]	**384**	237
Statutory diluted EPS	**18.4¢**	17.0¢
Adjusted management fee EPS[3]	**9.8¢**	11.8¢
Adjusted EPS[3]	**21.1¢**	13.5¢

1 Management and other fees, performance fees and other costs exclude amounts for line-by-line consolidated fund entities (see note 13.2 on page 41), with these reclassified to gains/(losses) on investments together with the third-party share. Refer to pages 51-55 for details of the Group's alternative performance measures.
2 The 2018 comparatives have not been restated as a result of the adoption of the new leases accounting standard (IFRS 16) in 2019. See further detail below.
3 The Group's alternative performance measures are outlined on pages 51-55.

Lease accounting change – impact on other costs, depreciation and net finance expense

The IFRS 16 change in accounting for leases has brought our office lease commitments onto the Group's balance sheet in 2019 and changed the classification and recognition profile of associated net costs. Net rental charges for leased premises of around $15 million in 2018, which were previously included net within other costs, are from 2019 recognised through depreciation ($20 million), interest expense ($14 million) and sub-lease rental income ($14 million). Although this accounting change does not impact the Group's cash flows, the new framework has increased the Group's net lease related costs by $5 million in 2019.

In addition, the balance sheet recognition of the lease liability may give rise to accounting foreign exchange exposure in US dollars (the Group's reporting currency), largely driven by our Riverbank House premises which is payable in sterling and expires in 2035. Given this is an unrealised, non-cash impact, any unrealised foreign exchange movements arising from the revaluation of these lease liabilities, and the associated deferred tax, are classified as adjusting items (see page 19). Additional detail on the new leases accounting standard is provided in Note 1 on page 29.

We anticipate our main sub-tenant in our London office may move to new premises in 2020. This would require some project expenditure and increase our sub-let exposure, which we expect would primarily impact in 2021.

Costs

Asset servicing
Asset servicing costs vary depending on transaction volumes, the number of funds, and fund NAVs. Asset servicing costs were $55 million (2018: $51 million), which equates to around 7 basis points of average FUM, excluding systematic long-only and Man GPM strategies.

Compensation costs
Total compensation costs, excluding adjusting items[1], were $477 million for the year, up by 9% compared to $436 million in 2018. Overall compensation costs increased as a result of higher performance fee revenues, partially offset by lower management fee revenues. Fixed compensation increased by 8% as a result of the less favourable hedged US dollar to sterling rate in 2019 (1.36 compared to 1.29 in 2018) and higher average headcount, incorporating the full year impact of investment in the business during 2018. The overall compensation ratio[1] decreased to 43% in 2019 from 48% in 2018, which reflects the significant increase in performance fee revenue generated in 2019. The Group's compensation ratio is generally between 40% and 50% of net revenues, depending on the mix and level of revenue. We expect to be at the higher end of the range in years when absolute performance fees are low and the proportion from Man Numeric and Man GLG is higher, and conversely we expect to be at the lower end of the range when absolute performance fees are high and the proportion from Man AHL is higher.

Other costs
Other costs, excluding adjusting items as outlined on page 19, were $178 million for the year (2018: $170 million). Within these, other cash costs decreased largely as a result of IFRS 16 which drove reclassification of around $15 million of net lease costs. Depreciation and amortisation increased by $23 million in 2019, driven by $20 million of lease related depreciation as well as continued capital investment across our operating platforms in recent years.

We also incurred a further $7 million of other costs in relation to completion of the Group's corporate reorganisation in May 2019, in addition to the $3 million recognised in 2018, which are included as adjusting items on page 19.

As previously communicated, we are no longer hedging our fixed costs to US dollars from 2020 onwards, and therefore our US dollar cost base will be impacted by currency moves during the year from now on. For the year to 31 December 2019, we had sterling denominated net management fee revenues of around $114 million and costs of $190 million.

Net finance expense
Net finance expense, excluding the unwind of discount on contingent consideration which is classified as an adjusting item[1] increased to $16 million from $5 million in 2018 due to an additional $14 million of unwind of discount recognised on the Group's lease liabilities (see next page), partially offset by a decrease due to a partial year of interest on the Tier 2 notes which were repaid in September 2019. We expect the Tier 2 repayment together with the Group's use of TRSs from 2019 (see page 21) to generate around $5 million of annual net interest savings.

Adjusted profit before tax and core profit before tax
Adjusted profit before tax[1] was $386 million compared to $251 million in 2018. The majority of this relates to core profit before tax[1] of $384 million, which excludes legacy business profits from guaranteed products and associate income from adjusted profit before tax in order to better represent our core business, which increased by $147 million from $237 million in 2018. In 2019 our core profitability reached a ten year peak, driven by our strong performance fee generation.

Adjusting items[1] pre-tax in the year totalled a net expense of $79 million (2018: net gain of $27 million), as summarised on next page. The directors consider that the Group's profit is most meaningful when considered on a basis which reflects the revenues and costs that drive the Group's cash flows and inform the base on which the Group's variable compensation is assessed, and therefore excludes acquisition and disposal related items (including non-cash items such as amortisation of purchased intangible assets and deferred tax movements relating to the recognition of tax assets in the US), impairment of assets, costs relating to substantial restructuring plans, and certain significant event driven gains or losses.

1 For definitions and explanations of our alternative performance measures, please refer to pages 51-55.

Adjusting items[1]

$m	Year ended 31 December 2019
Revaluation of contingent consideration creditors	**37**
Unwind of contingent consideration discount	**(18)**
Unrealised foreign exchange movements on lease liabilities	**(10)**
Compensation restructuring costs	**1**
Other restructuring costs	**(7)**
Gain on sale of Nephila	**1**
Amortisation and impairment of acquired intangible assets	**(83)**
Total adjusting items (excluding tax)	**(79)**
Recognition of US deferred tax asset (see below)	**27**

Tax

The majority of Man Group's profits are earned in the UK, with significant profits also arising in the US, where our tax rate is effectively nil as a result of available tax assets, and in Switzerland, which has a lower rate than the UK.

The underlying rate on adjusted profit of 15% (2018: 14%) represents the statutory tax rates in each jurisdiction in which we operate, including nil for the US, applied to our geographical mix of profits. The adjusted tax rate[1] was 15% (2018: 14%).

Tax on statutory profit for the year was $22 million (2018: $5 million), which equates to a statutory effective tax rate of 7% (2018: 2%). The increase in the tax rate is largely due to the gain on the sale of Nephila in 2018 not being subject to tax under UK tax legislation, partially offset by higher US deferred tax asset recognition in 2019.

In the US, we have accumulated federal tax losses as well as tax deductible goodwill and intangibles of $89 million (2018: $108 million), which can be offset against future US profits and will therefore reduce taxable profits. The Group has recognised all $89 million of these US deferred tax assets on the balance sheet at 31 December 2019 (2018: $62 million recognised), which has resulted in a $27 million credit to the tax expense in the year (2018: $20 million). We expect the Group may begin to pay federal cash taxes on profits earned in the US in the next three to four years, with the adjusted tax rate[1] remaining at nil until cash taxes are payable, as movements in the deferred tax asset are classified as an adjusting item[1]. As a result of the earlier recognition of these US deferred tax assets the 2020 statutory effective tax rate on US profits is expected to be materially in line with the prevailing US federal tax rate.

The principal factors that we expect to influence our future underlying tax rate are the mix of profits by tax jurisdiction, changes to applicable statutory tax rates, including in the UK, and the consumption of US tax assets. As a result of the recognition of the US deferred tax assets in full, should the earnings profile of the Group in the US increase significantly in the future, the adjusted tax rate for the Group would then be affected by the prevailing corporation tax rate in the US and the proportion of the Group's profits generated in the US. The underlying tax rate in 2020 is currently expected to remain consistent with 2019, dependent on the factors outlined above.

1 For definitions and explanations of our alternative performance measures, please refer to pages 51-55.

Cash earnings

Given the strong cash conversion of our business, we believe our adjusted profit after tax is a good measure of our underlying cash flow generation, although the timing of cash conversion is impacted by the seasonal movements in our working capital position through the year and the size of our seeding book over time. Operating cash flows, excluding working capital movements, were $465 million during the year and cash balances at year end were $220 million[1].

$m	**Year ended 31 December 2019**	Year ended 31 December 2018
Opening cash[1]	**344**	356
Operating cash flows before working capital movements, excluding contingent consideration	**465**	311
Working capital movements (excluding seeding)	**(127)**	201
Working capital movements – seeding[1]	**145**	(193)
Payment of dividends	**(152)**	(189)
Share repurchase (including costs)	**(92)**	(211)
Repayment of Tier 2 notes	**(150)**	–
Payment of acquisition related contingent consideration	**(169)**	(25)
Proceeds from sale of investments in Nephila	**1**	140
Other movements	**(45)**	(46)
Cash at year end[1]	**220**	344

1 Excludes cash relating to consolidated fund entities (Note 13.2 to the Group financial statements).

Working capital movements in 2019 principally relate to the year-on-year increase in performance fee receivables and a reduction in the Group's seeding portfolio (which includes the impact of the Group's use of total return swaps). We had two significant one-off cash outlays in the year as a result of repayment of the Tier 2 notes and our final deferred consideration payment in relation to the Group's 2014 acquisition of Numeric.

As at 31 December 2019, the Group's cash, less those balances ring-fenced for regulatory purposes, amounted to $186 million and the undrawn committed revolving credit facility, which was refinanced in December 2019 and now matures in 2024, was $500 million. The management of liquidity is explained in Note 12 to the Group financial statements.

Balance sheet

The Group has a strong and liquid balance sheet. Fees and other receivables have increased as a result of the higher level of performance fees earned in December compared to the prior year. Payables have decreased due to the final Numeric earn-out payment, partially offset by an increase in compensation accruals. The decrease in investments in funds is outlined below. As outlined on page 17, the adoption of IFRS 16 has led to a gross up of the Group's balance sheet with a right-of-use lease asset and associated lease liability being recognised for the first time in 2019 (resulting in a net liability position of $98 million at 31 December 2019).

$m	**31 December 2019**	31 December 2018
Cash and cash equivalents[1]	**220**	344
Fee and other receivables[1]	**424**	286
Payables[1]	**(570)**	(733)
Net investments in fund products and other investments[2]	**615**	752
Pension asset	**16**	24
Right-of-use lease asset	**209**	–
Leasehold improvements and equipment	**40**	46
Total tangible assets	**954**	719
Borrowings	**–**	(150)
Lease liability	**(307)**	–
Net deferred tax asset	**92**	60
Net tangible assets[2]	**739**	629
Goodwill and other intangibles	**885**	964
Shareholders' equity	**1,624**	1,593

1 Cash and cash equivalents, fees and other receivables and payables balances exclude amounts relating to line-by-line consolidated fund entities. These are presented net within net investments in fund products and other investments, together with third-party interest in consolidated funds and non-current assets and liabilities held-for-sale (see note 13.2 on page 41).

2 Equates to net tangible assets per share of 48 cents (2018: 39 cents).

Seeding investments

Man Group uses capital to invest in new products to assist in the growth of the business. At 31 December 2019, the Group's seeding investments were $514 million (refer to Note 13 to the Group financial statements), which have decreased from $662 million at 31 December 2018 as a result of the use of total return swaps to finance certain seed investments (total exposure of $62 million at 31 December 2019) and other net decreases as a result of funds being marketed to clients.

Capital management

Capital management, including dividends and share repurchases

We successfully reorganised the Group's structure in May 2019, with Man Group's worldwide group consequently no longer subject to UK consolidated supervision, consistent with other global asset managers. This has provided us with more flexibility in financing the business, and led to the calling of our $150 million Tier 2 notes in September 2019 as we no longer require qualifying capital instruments to finance the business. In addition, we have started to use total return swaps in financing some of our seed book, which has the effect of releasing liquidity while maintaining the risk exposure and commercial benefit of our seeding programme.

During the year we completed the $100 million share repurchase announced in October 2018, and in October 2019 announced our intention to repurchase a further $100 million of shares ($29 million of shares had been repurchased at 31 December 2019).

We continue to generate strong cash flows. Adjusted management fee EPS[1] is considered the most appropriate basis on which to routinely pay ordinary dividends as this represents the most stable earnings base and underlying cash generation of the business, and as such the Group's dividend policy is to pay out at least 100% of adjusted management fee EPS in each financial year by way of ordinary dividend. In addition, the Group expects to generate further significant capital over time, primarily from net performance fee earnings. We actively manage Man Group's capital to seek to maximise value to shareholders and support the Group's strategy by either investing that capital to improve shareholder returns in the future, or returning it to shareholders through higher dividends or share buybacks, after taking into account required capital (including liabilities for future earn-out payments) and potential strategic opportunities to ensure we maintain a prudent balance sheet. Over the past five years we have returned $825 million through dividends and announced $675 million of share buybacks for shareholders.

We have a capital and liquidity framework which allows us to invest in the growth of our business. We utilise capital to support the operation of the investment management process and the launch of new fund products. We monitor our capital requirements through continuous review of our regulatory and economic capital, including monthly reporting to the Risk and Finance Committee and the Board.

We have maintained prudent capital and available liquidity throughout the year. The Group's $500 million revolving credit facility provides additional liquidity (see Note 12 on page 39). We view our net financial assets[1] as the best summary of our balance sheet position (comprising cash and seed investments, excluding repos, less borrowings and contingent consideration). At 31 December 2019, net financial assets were $674 million, up from $644 million in 2018.

The Board is proposing a final dividend for 2019 of 5.1 cents per share, in line with our dividend policy, which together with the interim dividend of 4.7 cents per share equates to a total dividend for 2019 of 9.8 cents per share, a 17% decrease from 2018. The proposed final dividend equates to around $76 million, which is more than covered by the Group's available liquidity and capital resources. Key dates relating to the proposed final dividend are provided on page 2.

1 For definitions and explanations of our alternative performance measures, please refer to pages 51-55.

GROUP INCOME STATEMENT

$m	Note	**Year ended 31 December 2019**	Year ended 31 December 2018
Revenue:			
Gross management and other fees	2	**788**	834
Performance fees	2	**325**	126
		1,113	960
Income or gains/(losses) on investments and other financial instruments	13.1	**35**	(10)
Third-party share of (gains)/losses relating to interests in consolidated funds	13.2	**(18)**	7
Revaluation of contingent consideration	22	**37**	31
Gain on sale of investment in Nephila	17	**1**	113
Distribution costs	3	**(38)**	(51)
Asset servicing costs	3	**(55)**	(51)
Amortisation of acquired intangible assets	10	**(78)**	(83)
Impairment of acquired intangible assets	10	**(5)**	–
Compensation	4	**(476)**	(437)
Other costs	5	**(189)**	(175)
Sub-lease rental income	19	**14**	–
Share of post-tax profit of associates	17	**–**	7
Finance expense	6	**(42)**	(40)
Finance income	6	**8**	7
Profit before tax		**307**	278
Tax expense	7	**(22)**	(5)
Statutory profit attributable to owners of the Parent Company		**285**	273
Earnings per share:	8		
Basic (cents)		**18.9**	17.3
Diluted (cents)		**18.4**	17.0

GROUP STATEMENT OF COMPREHENSIVE INCOME

$m	**Year ended 31 December 2019**	Year ended 31 December 2018
Statutory profit attributable to owners of the Parent Company	**285**	273
Other comprehensive income/(expense):		
Remeasurements of post-employment benefit obligations	**(10)**	15
Current tax credited on pension scheme	**3**	4
Deferred tax debited on pension scheme	**(2)**	(6)
Items that will not be reclassified to profit or loss	**(9)**	13
Cash flow hedges:		
Valuation losses taken to equity	**–**	(16)
Transfer to Group income statement	**12**	(5)
Deferred tax (debited)/credited on cash flow hedge movements	**(2)**	4
Net investment hedge	**–**	4
Foreign currency translation	**1**	(11)
Items that may be reclassified to profit or loss	**11**	(24)
Other comprehensive income/(expense) (net of tax)	**2**	(11)
Total comprehensive income attributable to owners of the Parent Company	**287**	262

GROUP BALANCE SHEET

$m	Note	At 31 December 2019	At 31 December 2018[1]
Assets			
Cash and cash equivalents	12	**281**	370
Fee and other receivables	14	**426**	307
Investments in fund products and other investments	13	**776**	770
Pension asset		**16**	24
Right-of-use lease assets	19	**209**	–
Leasehold improvements and equipment	18	**40**	46
Goodwill and acquired intangibles	10	**854**	938
Other intangibles	11	**31**	26
Deferred tax assets	7	**120**	93
		2,753	2,574
Non-current assets held for sale	13	**-**	39
Total assets		**2,753**	2,613
Liabilities			
Trade and other payables	15	**559**	701
Provisions	16	**8**	26
Current tax liabilities	7	**14**	10
Third-party interest in consolidated funds	13	**213**	100
Lease liability	19	**307**	–
Borrowings	12	**–**	150
Deferred tax liabilities	7	**28**	33
Total liabilities		**1,129**	1,020
Net assets		**1,624**	1,593
Equity			
Capital and reserves attributable to owners of the Parent Company		**1,624**	1,593

Note:

1 The Group has applied IFRS 16 for the first time from 1 January 2019, using the cumulative catch-up approach (see further details in Note 1). Comparative information is not restated and the effect of transition is recognised in retained earnings at that date.

GROUP CASH FLOW STATEMENT

$m	Note	**Year ended 31 December 2019**	Year ended 31 December 2018
Cash flows from operating activities			
Statutory profit		**285**	273
Adjustments for non-cash items:			
Income tax expense	7	**22**	5
Net finance expense	6	**34**	33
Share of post-tax profit of associates	17	**–**	(7)
Gain on sale of investment in Nephila	17	**(1)**	(113)
Revaluation of contingent consideration	22	**(37)**	(31)
Depreciation of leasehold improvements and equipment	18	**15**	14
Depreciation of right-of-use lease assets	19	**20**	–
Amortisation of acquired intangible assets	10	**78**	83
Impairment of acquired intangible assets	10	**5**	–
Amortisation of other intangibles	11	**12**	10
Share-based payment charge	4	**28**	25
Fund product based payment charge	4	**50**	41
Unrealised foreign exchange movements on lease liabilities and associated deferred tax		**10**	–
Other non-cash movements		**12**	5
Return of Reservoir Trust pension plan assets on wind-up	22	**–**	19
		533	357
Changes in working capital:			
(Increase)/decrease in receivables		**(122)**	354
Decrease/(increase) in other financial assets[1]		**170**	(203)
Increase/(decrease) in payables		**5**	(140)
Cash generated from operations		**586**	368
Interest paid		**(11)**	(11)
Unwind of lease liability discount[2]		**(14)**	–
Unwind of discount in relation to acquisitions[3]		**(80)**	–
Income tax paid		**(43)**	(35)
Cash flows from operating activities		**438**	322
Cash flows from investing activities			
Purchase of leasehold improvements and equipment		**(9)**	(16)
Purchase of other intangible assets		**(14)**	(15)
Payment of contingent consideration in relation to acquisitions[3]		**(78)**	(22)
Acquisition of business and other acquired intangibles		**–**	(3)
Interest received		**8**	5
Proceeds from sale of Nephila		**1**	140
Dividends received from Nephila	17	**–**	8
Cash flows from investing activities		**(92)**	97
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**–**	6
Proceeds from sale of Treasury and Employee Trust shares in respect of Sharesave		**2**	–
Purchase of own shares by the Employee Trust and Partnerships		**(11)**	(32)
Repayments of principal lease liability[2]		**(20)**	–
Payment of contingent consideration in excess of projected fair value recognised at acquisition[3]		**(11)**	–
Share repurchase programme (including costs)		**(92)**	(211)
Repayment of Tier 2 notes	12	**(150)**	–
Payment of capitalised upfront costs on revolving credit facility		**(1)**	–
Dividends paid to Company shareholders	9	**(152)**	(189)
Cash flows from financing activities		**(435)**	(426)
Net decrease in cash		**(89)**	(7)
Cash at the beginning of the year		**370**	379
Effect of foreign exchange movements		**–**	(2)
Cash at year end[4]	12	**281**	370

Notes:
1 Includes $35 million of restricted net cash inflows (2018: $3 million) relating to consolidated fund entities (Note 13.2).
2 As required by IFRS 16 from 1 January 2019 (Note 1 and Note 19).
3 Relates to the final Numeric contingent consideration payment in September 2019 (Note 22) as required by IAS 7, whereby the total consideration paid is greater than the projected fair value of contingent consideration recognised on acquisition, the unwind of discount over the life of the earn-out should be recognised within operating activities and any residual payment in excess of this recognised within financing activities.
4 Includes $61 million (2018: $26 million) of restricted cash relating to consolidated fund entities (Note 13.2).

GROUP STATEMENT OF CHANGES IN EQUITY

$m	Year ended 31 December 2019	Year ended 31 December 2018
Share capital and capital reserves	**(1,635)**	1,226
Revaluation reserves and retained earnings	**3,259**	367
Capital and reserves attributable to owners of the Parent Company	**1,624**	1,593

Share capital and capital reserves

$m	Share capital	Share premium account	Capital redemption reserve	Merger reserve	Reorganisation reserve	Total
At 1 January 2019	**55**	**32**	**8**	**499**	**632**	**1,226**
Purchase and cancellation of own shares	**(2)**	**–**	**2**	**–**	**–**	**–**
Scheme of arrangement (Note 1):						
– Cancellation of shares in former holding company	**(53)**	**(32)**	**(10)**	**(499)**	**(632)**	**(1,226)**
– Issue of shares in new holding company	**53**	**2,861**	**–**	**–**	**(1,688)**	**1,226**
Capital reduction (Note 1)	**–**	**(2,861)**	**–**	**–**	**–**	**(2,861)**
At 31 December 2019	**53**	**–**	**–**	**–**	**(1,688)**	**(1,635)**

Revaluation reserves and retained earnings

$m	Profit and loss account	Own shares held by Employee Trust	Treasury shares	Cumulative translation adjustment	Cash flow hedge reserve[1]	Total
At 1 January 2019	**499**	**(62)**	**(114)**	**54**	**(10)**	**367**
Adjustment for adoption of IFRS 16 (Note 1)	**(24)**	**–**	**–**	**–**	**–**	**(24)**
At 1 January 2019	**475**	**(62)**	**(114)**	**54**	**(10)**	**343**
Statutory profit	**285**	**–**	**–**	**–**	**–**	**285**
Other comprehensive income/(expense):						
Revaluation of defined benefit pension scheme	**(10)**	**–**	**–**	**–**	**–**	**(10)**
Current tax credited on pension scheme	**3**	**–**	**–**	**–**	**–**	**3**
Deferred tax debited on pension scheme	**(2)**	**–**	**–**	**–**	**–**	**(2)**
Transfer cash flow hedge to Group income statement[1]	**–**	**–**	**–**	**–**	**12**	**12**
Deferred tax debited on cash flow hedge movements	**–**	**–**	**–**	**–**	**(2)**	**(2)**
Currency translation difference	**–**	**–**	**–**	**1**	**–**	**1**
Share-based payment charge	**28**	**–**	**–**	**–**	**–**	**28**
Scheme of arrangement – capital reduction (Note 1)	**2,861**	**–**	**–**	**–**	**–**	**2,861**
Deferred tax credited on share-based payments	**1**	**–**	**–**	**–**	**–**	**1**
Purchase of own shares by the Employee Trust	**–**	**(11)**	**–**	**–**	**–**	**(11)**
Disposal of own shares by the Employee Trust	**(15)**	**15**	**–**	**–**	**–**	**–**
Share repurchases	**(100)**	**–**	**–**	**–**	**–**	**(100)**
Transfer to Treasury shares	**92**	**–**	**(92)**	**–**	**–**	**–**
Transfer from Treasury shares	**(4)**	**(8)**	**12**	**–**	**–**	**–**
Cancellation of Treasury shares	**(140)**	**–**	**140**	**–**	**–**	**–**
Disposal of Treasury shares in respect of Sharesave	**–**	**–**	**2**	**–**	**–**	**2**
Dividends	**(152)**	**–**	**–**	**–**	**–**	**(152)**
At 31 December 2019	**3,322**	**(66)**	**(52)**	**55**	**–**	**3,259**

Note:
1 Details of the Group's hedging arrangements are provided in Note 12.

The proposed final dividend would reduce shareholders' equity by $76 million (2018: $83 million) subsequent to the balance sheet date (Note 9). Further details of the Group's share capital and reserves are included in Note 21.

Share capital and capital reserves

$m	Share capital	Share premium account	Capital redemption reserve	Merger reserve	Reorganisation reserve	Total
At 1 January 2018	56	26	7	499	632	1,220
Purchase and cancellation of own shares	(1)	–	1	–	–	–
Issue of ordinary shares: Partnership Plans and Sharesave	–	6	–	–	–	6
At 31 December 2018	55	32	8	499	632	1,226

Revaluation reserves and retained earnings

$m	Profit and loss account	Own shares held by Employee Trust	Treasury shares	Cumulative translation adjustment	Cash flow hedge reserve	Available-for-sale reserve	Total
At 1 January 2018	478	(50)	–	61	7	–	496
Statutory profit	273	–		–	–	–	273
Other comprehensive expense:							
Revaluation of defined benefit pension scheme	15	–	–	–	–	–	15
Current tax credited on pension scheme	4	–	–	–	–	–	4
Deferred tax debited on pension scheme	(6)	–	–	–	–	–	(6)
Fair value losses on cash flow hedges[1]	–	–	–	–	(16)	–	(16)
Transfer cash flow hedge to Group income statement	–	–	–	–	(5)	–	(5)
Deferred tax credited on cash flow hedge movements	–	–	–	–	4	–	4
Currency translation difference	–	–	–	(7)	–	–	(7)
Share-based payments charge	19	–	–	–	–	–	19
Deferred tax debited on share-based payments	(1)	–	–	–	–	–	(1)
Purchase of own shares by the Employee Trust	–	(26)	–	–	–	–	(26)
Disposal of own shares by the Employee Trust	(14)	14	–	–	–	–	–
Share repurchases	(201)	–	–	–	–	–	(201)
Transfer to Treasury shares	121	–	(121)	–	–	–	–
Settlement of Aalto year one contingent consideration[2]	–	–	7	–	–	–	7
Dividends	(189)	–	–	–	–	–	(189)
At 31 December 2018	499	(62)	(114)	54	(10)	–	367

Notes:
1 Details of the Group's hedging arrangements are provided in Note 12.
2 A portion of the Aalto year one contingent consideration payment was settled in Treasury Shares (Note 22).

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. Basis of preparation

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs) as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRSs. Details of the Group's accounting policies can be found in the Group's Annual Report for the year ended 31 December 2018. The financial information included in this statement does not constitute statutory accounts within the meaning of Article 105 of Companies (Jersey) Law 1991. Statutory accounts for the year ended 31 December 2019, upon which the auditors have issued an unqualified report, will shortly be delivered to the Jersey Registrar of Companies. The Annual Report and the Notice of the Company's 2019 Annual General Meeting (AGM) will be posted to shareholders and will be available to download from the Company's website on 11 March 2020. The Annual General Meeting will be held on Friday 1 May 2020 at 10am at Riverbank House, 2 Swan Lane, London EC4R 3AD.

Man's relationship with independent fund entities

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 by the Group and therefore consolidated into the Group's results. Having considered all significant aspects of Man's relationships with fund entities, the directors are of the opinion that, although Man manages the assets of certain fund entities, where Man does not hold an investment in the fund entity, or receive the returns on the fund entity via a total return swap or sale and repurchase arrangement, the characteristics of control are not met. For most fund entities: the existence of independent boards of directors at the fund entities; rights which allow for the removal of the investment manager/advisor; the influence of investors; limited exposure to variable returns; and the arm's length nature of Man's contracts with the fund entities, indicate that Man does not control the fund entities and their associated assets, liabilities and results should not be consolidated into the Group financial statements. Assessment of the control characteristics for all relationships with fund entities led to the consolidation of 15 funds for the year ended 31 December 2019 (2018: 13), as detailed in Note 13. An understanding of the aggregate funds under management (FUM) and the fees earned from fund entities is relevant to an understanding of Man's results and earnings sustainability, and this information is provided in the Chief Financial Officer's review on pages 14 to 22.

Judgemental areas and accounting estimates

The most significant area of judgement is whether the Group controls certain funds through its exposure to fund products via either direct investments, total return swaps or sale and repurchase arrangements, and is required to consolidate them (Note 13.2). Our key judgements on this are outlined above within 'Man's relationship with independent fund entities'.

Furthermore, the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, include the determination of fair values for contingent consideration in relation to the Aalto acquisition (Note 22) and the valuation of goodwill and acquired intangibles for CGUs with lower levels of headroom (Note 10). The key assumptions and range of possible outcomes are discussed in the relevant notes.

These judgements and estimates have been an area of focus for the Group Board, and in particular the Audit and Risk Committee, during the year.

Corporate reorganisation

In May 2019 the Group adjusted its corporate structure. Man Group plc was incorporated in Jersey on 26 October 2018 and became the new listed holding company of the Group on 28 May 2019 via a court-approved scheme of arrangement under Part 26 of the UK Companies Act 2006, with the former holding company being renamed Man Group Limited. Under the scheme of arrangement, shares in the former holding company of the Group were cancelled and the same number of new ordinary shares were issued to the new holding company in consideration for the allotment to shareholders of one ordinary share of $3\ ^{3/7}$ US cents in the new holding company for each ordinary share of $3\ ^{3/7}$ US cents they held in the former holding company. On 28 May 2019, Man Group plc effected a reduction of its share capital by cancelling its share premium and recognising an equivalent increase in the profit and loss account in reserves.

Impact of new accounting standards

A number of new or amendments to existing accounting standards and interpretations have been issued by the International Accounting Standards Board (IASB).

The following accounting standards relevant to the Group's operations were effective for the first time in the year to 31 December 2019:

- IFRS 16 Leases

IFRS 16 is effective for annual periods beginning on or after 1 January 2019 and replaces IAS 17 Leases and related interpretations. This introduces a comprehensive model for the identification of lease arrangements and accounting treatment for both lessors and lessees, which distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer and removes the distinction between operating and finance leases for lessees. There is substantially no change to the accounting requirements for lessors.

Man's lease arrangements relate to business premises property leases. For arrangements where Man is the lessee, a right-of-use (ROU) lease asset and a related lease liability are recognised on the Group balance sheet at the date from which Man has the right to use the asset, usually the lease commencement date, except for short-term leases and low value assets. The lease liability is measured at the present value of future lease payments, discounted using the Group's incremental borrowing rate. The ROU lease asset is initially measured at cost, which is equivalent to the lease liability. Lease incentives such as rent-free periods are recognised as part of the measurement of ROU lease assets and lease liabilities. The ROU lease asset is assessed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable and depreciated on a straight-line basis over the shorter of the lease term or the useful life of the asset, adjusted for any remeasurements of the lease liability. The lease liability is subsequently adjusted for lease payments and the interest unwind, as well as the impact of any subsequent lease modifications.

Man has taken advantage of the IFRS 16 exemption for low value lease assets and leases with a lease term of one year or less, recognising the lease payments on a straight-line basis over the lease term within other costs in the Group income statement.

Where Man is acting as a lessor, the Group has determined that these arrangements are classified as operating leases in accordance with IFRS 16. Sub-lease rental income is recognised on a straight line basis over the life of the lease in the Group income statement.

Transition considerations

IFRS 16 has been adopted using the cumulative catch-up approach as set out in IFRS 16.C8(b)(i) where the cumulative effect of initial application is recognised in retained earnings at 1 January 2019, without restatement of the prior year comparatives. When applying the cumulative catch-up approach, the Group has measured the ROU lease assets as if it had applied IFRS 16 since the lease commencement date using its incremental borrowing rate at transition date. The Group has applied the practical expedients under IFRS 16 to: (1) reclassify onerous lease balances of $19 million at 31 December 2018 against the ROU lease assets as an alternative to performing an impairment review at transition date; (2) apply a single discount rate to leases with reasonably similar characteristics; and (3) use hindsight in determining lease terms.

The impact on transition is summarised below:

$m	As presented at 31 December 2018	Adjustment for adoption of IFRS 16	1 January 2019
Deferred rent and lease incentives[1]	(40)	40	–
Onerous lease provisions (Note 16)	(19)	19	–
Right-of-use lease assets	–	247	247
Right-of-use lease assets – impairment (practical expedient)	–	(19)	(19)
Deferred tax asset (Note 7)	–	5	5
Lease liability	–	(316)	(316)
Retained earnings	(499)	24	(475)

Note:

1 Included within trade and other payables at 31 December 2018. In addition, $17 million of deferred rent receivable balances, which were previously included net within trade and other payables, have been reclassified at 1 January 2019 to fee and other receivables.

As a result of applying IFRS 16, the Group holds an ROU lease asset of $209 million and lease liability of $307 million on the Group balance sheet as at 31 December 2019, of which $166 million and $257 million respectively relate to our Riverbank House premises in London.

Depreciation of ROU lease assets of $20 million (Note 5) and interest costs of $14 million (Note 6), as well as sub-lease rental income of $14 million, have been recognised in the Group income statement for the year to 31 December 2019. If the leases had continued to be recognised under IAS 17, we would have recognised occupancy costs of around $15 million for the year ended 31 December 2019. The higher comparable net expense of $5 million for the year ending 31 December 2019 is a result of the front-loading of the charge in the earlier years of the lease in accordance with the IFRS 16 recognition profile. The reduction in reserves at 1 January 2019 will be offset in future years by a lower Group income statement charge over the remaining life of the leases, as the total charge over the life of each lease is the same as under the previous IAS 17 requirements.

The lease liability recognised at 1 January 2019 can be reconciled to the operating lease commitments as disclosed at 31 December 2018 as follows:

$m	
Operating lease commitments at 31 December 2018 (excluding sub-lease arrangements) (Note 19)	442
Exclude service charges, short-term and low value leases not in scope for IFRS 16	(2)
Exclude payments made in advance	(6)
Adjust for extension options reasonably certain to be exercised	4
Add the effect of discounting at the Group's incremental borrowing rate	(122)
Lease liability at 1 January 2019	316

In addition to IFRS 16, the following standards relevant to the Group's operations also became effective in the year to 31 December 2019:

- IFRIC 23 Uncertainty over Income Tax Treatments and the amendments to IAS 19 Employee Benefits: these do not have a significant impact on the Group's reported results.
- Amendments included in the Annual Improvements to IFRS Standards 2015-2017 Cycle including amendments to IFRS 3 Business Combinations, IAS 12 Income Taxes and IAS 23 Borrowing Costs: these amendments do not have a significant impact on the Group's reported results.

The following standards are relevant to the Group's operations and have been issued by the IASB but are not yet mandatory and have not been early adopted:

- Amendments to IFRS 3 Business Combinations (applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual period beginning on or after 1 January 2020).
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (applied prospectively for annual periods beginning on or after 1 January 2020).
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020).

No other standards or interpretations issued and not yet effective are expected to have an impact on the Group's financial statements.

2. Revenue

Fee income is Man's primary source of revenue, which is derived from the investment management agreements that are in place with the fund entities.

Management fees net of rebates, which include all non-performance related fees, are recognised in the year in which contractual investment management services are provided and do not include any other performance obligations. Fees are generally based on an agreed percentage of net asset value (NAV) or FUM and are typically charged in arrears and receivable within one month.

Performance fees net of rebates relate to the performance of the funds managed during the year and are recognised when the performance obligation has been met, whereby the fee has crystallised and can be reliably estimated. This is generally at the end of the performance period or upon early redemption by a fund investor. Until the performance period ends, market movements could significantly move the NAV of the fund products. For AHL, GLG, FRM and GPM strategies, Man will typically only earn performance fees on any positive investment returns in excess of the high water mark, meaning we will not be able to earn performance fees with respect to positive investment performance in any year following negative performance until that loss is recouped, at which point a fund investor's investment surpasses the high water mark. Numeric performance fees are earned only when performance is in excess of a predetermined strategy benchmark (positive alpha), with performance fees being generated for each strategy either based on achieving positive alpha (which resets at a predetermined interval, i.e.

every one to three years) or, in the case of alternatives strategies, exceeding high water mark. Once crystallised, performance fees typically cannot be clawed back. There are no other performance obligations or services provided which suggest these have been earned either before or after crystallisation date.

Rebates relate to repayments of management and performance fees charged, typically to institutional investors, and are presented net within gross management and other fees and performance fees in the Group income statement.

Analysis of FUM, margins and performance is provided in the Chief Financial Officer's review on pages 15 to 16.

3. Distribution costs and asset servicing

Distribution costs are paid to external intermediaries for marketing and investor servicing, largely in relation to retail investors. Distribution costs are variable with FUM and the associated management fee revenue. Distribution costs are expensed over the period in which the service is provided. Distribution costs have decreased from $51 million in 2018 to $38 million in 2019, despite broadly stable average FUM, largely as a result of the continued mix shift towards institutional assets.

Asset servicing includes custodial, valuation, fund accounting, registrar, research and administration functions performed by third parties under contract to Man, on behalf of the funds, and is recognised in the period in which the service is provided. The costs of these services vary based on transaction volumes, the number of funds, and fund NAVs.

4. Compensation

$m	**Year ended 31 December 2019**	Year ended 31 December 2018
Salaries	**163**	153
Variable cash compensation	**187**	175
Share-based payment charge	**28**	25
Fund product based payment charge	**50**	41
Social security costs	**36**	32
Pension costs	**13**	10
Restructuring costs (adjusting item per page 52)	**(1)**	1
Total compensation costs	**476**	437

Compensation is the Group's largest cost and an important component of Man's ability to retain and attract talent. In the short term, the variable component of compensation adjusts with revenues and profitability.

Total compensation costs, excluding restructuring, have increased by 9% compared to 2018, largely due to the increase in performance fee revenues year on year, as reflected in increased variable cash compensation. The compensation ratio, as outlined on page 53, has decreased to 43% from 48% in 2018 as a result of the higher level of performance fee revenue.

Salaries have increased from the prior year largely as a result of the 3% increase in average headcount, reflecting the full year impact of investment in people within the business during 2018, together with a less favourable hedged pound sterling (GBP) to USD rate in 2019 (1.36) compared to the hedged rate in 2018 (1.29), which had a $6 million impact compared to the prior year.

Salaries, variable cash compensation and social security costs are charged to the Group income statement in the period in which the service is provided, and include partner drawings. The accounting for share-based and fund product based compensation arrangements is detailed in Note 20.

Pension costs relate to Man's defined contribution and defined benefit plans. A credit of $2 million arising due to a change in the conversion factors of the Swiss defined benefit pension plan has been classified as an adjusting item within restructuring costs.

Average headcount

The table below provides average headcount by function, including directors, employees, partners and contractors:

	Year ended 31 December 2019[1]	Year ended 31 December 2018
Investment management	**375**	490
Sales and marketing	**195**	186
Support functions	**843**	700
Average headcount	**1,413**	1,376

Note:

1 Technology staff supporting the investment management side of the Group's business have been included within support functions in the year ended 31 December 2019. Previously these staff were included within the investment management headcount. All staff performing technology-based roles are now included within support functions.

5. Other costs

$m	Year ended 31 December 2019	Year ended 31 December 2018
Occupancy	**13**	27
Technology and communications	**26**	26
Temporary staff, recruitment, consultancy and managed services	**21**	24
Audit, tax, legal and other professional fees	**26**	21
Benefits	**15**	14
Travel and entertainment	**13**	13
Insurance	**3**	4
Marketing and sponsorship	**5**	6
Other cash costs, including irrecoverable VAT	**13**	11
Restructuring (adjusting item per page 52)	**7**	5
Total other costs before depreciation and amortisation	**142**	151
Depreciation of leasehold property and equipment, and amortisation of other intangibles	**27**	24
Depreciation of ROU lease assets[1] (Note 19)	**20**	–
Total other costs	**189**	175

Note:
1 As IFRS 16 was adopted on 1 January 2019 and not applied retrospectively, there is no comparative for 2018 (see Note 1 for further details).

Other costs, before depreciation and amortisation, have decreased from $151 million to $142 million in 2019, largely due to the adoption of IFRS 16 in 2019 (Note 1), whereby the net lease costs of around $15 million previously recognised within occupancy costs are reflected in depreciation (of the ROU lease assets), finance expense (unwind of the discounted lease liability) and sub-lease rental income in the Group income statement from 1 January 2019 (see Note 1 for further details). This decrease is partially offset by a $4 million impact from the less favourable hedged GBP to USD rate in 2019.

Other restructuring costs of $7 million in 2019 relate to professional fees incurred in relation to the Group's corporate reorganisation (2018: $3 million). In 2018 we also included a reassessment of our onerous property lease provision of $2 million (prior to the 2019 adoption of IFRS 16 as outlined in Note 1).

Depreciation and amortisation has increased by $23 million in 2019 compared to 2018, driven by $20 million due to the adoption of IFRS 16 (Note 1) as well as increased investment in software development projects across our operating platforms in recent years.

6. Finance expense and finance income

$m	Year ended 31 December 2019	Year ended 31 December 2018
Finance expense:		
Interest payable on borrowings (Note 12)	**(6)**	(9)
Revolving credit facility costs and other (Note 12)	**(4)**	(3)
Unwind of lease liability discount[1] (Note 1)	**(14)**	–
Unwind of contingent consideration discount (adjusting item per page 52)	**(18)**	(28)
Total finance expense	**(42)**	(40)
Finance income:		
Interest on cash deposits	**8**	7
Total finance income	**8**	7

Note:
1 As IFRS 16 was adopted on 1 January 2019 and not applied retrospectively, there is no comparative for 2018 (see Note 1 for further details).

The unwind of lease liability discount relates to leases accounted for under IFRS 16. Interest payable on borrowings has decreased by $3 million in 2019 due to the repayment of the Group's Tier 2 notes in September 2019 (see Note 12 for further details).

7. Tax

$m	**Year ended 31 December 2019**	Year ended 31 December 2018
Analysis of tax expense:		
Current tax:		
UK corporation tax on profits	**46**	29
Foreign tax	**4**	5
Adjustments to tax charge in respect of previous years	**2**	1
Total current tax	**52**	35
Deferred tax:		
Origination and reversal of temporary differences	**(3)**	(10)
Recognition of US deferred tax assets (adjusting item per page 52)	**(27)**	(20)
Total deferred tax	**(30)**	(30)
Total tax expense	**22**	5

Man is a global business and therefore operates across many different tax jurisdictions. Income and expenses are allocated to these different jurisdictions based on transfer pricing methodologies set in accordance with the laws of the jurisdictions in which Man operates and international guidelines as laid out by the Organisation for Economic Co-operation and Development (OECD). The effective tax rate results from the combination of taxes paid on earnings attributable to the tax jurisdictions in which they arise. The majority of the Group's profits in the period were earned in the UK, Switzerland and the US. The Group's US federal tax rate is effectively nil as a result of accumulated US deferred tax assets, as detailed on page 34.

The current effective tax rate of 7% (2018: 2%) differs from the applicable underlying statutory tax rates principally as a result of the incremental recognition of the US deferred tax assets of $27 million (2018: $20 million). The effective tax rate is otherwise consistent with this earnings profile. As the US deferred tax assets are recognised in full at 31 December 2019, the Group's future statutory tax rate is expected to be more aligned with the rate applicable to the mix of profits by jurisdiction.

Accounting for tax involves a level of estimation uncertainty given the application of tax law requires a degree of judgement, which tax authorities may dispute. Tax liabilities are recognised based on the best estimates of probable outcomes, with regard to external advice where appropriate. The principal factors which may influence our future tax rate are changes in tax regulation in the territories in which the Group operates, the mix of income and expenses earned and incurred by jurisdiction and the timing of the recognition of available deferred tax assets.

The current tax liabilities of $14 million (2018: $10 million) on the Group balance sheet, comprise gross current tax liabilities of $16 million (2018: $15 million) net of current tax assets of $2 million (2018: $5 million).

Man's tax expense is lower than the amount that would arise using the theoretical tax rate applicable to the profits of the Group as follows:

$m	**Year ended 31 December 2019**	Year ended 31 December 2018
Profit before tax	**307**	278
Theoretical tax expense at UK rate: 19% (2018: 19%)	**58**	53
Effect of:		
Overseas tax rates compared to UK	**(10)**	(8)
Adjustments to tax charge in respect of previous periods	**2**	1
Disposal of investment in Nephila (Note 17)	**-**	(22)
Recognition of US deferred tax asset	**(27)**	(20)
Other	**(1)**	1
Tax expense	**22**	5

The effect of overseas tax rates compared to the UK includes the impact of the 0% effective federal tax rate of our US business.

Movements in deferred tax are as follows:

$m	**Year ended 31 December 2019**	Year ended 31 December 2018
Deferred tax liability		
At 1 January	**(33)**	(48)
Credit to the Group income statement	**5**	15
Deferred tax liability at 31 December	**(28)**	(33)
Deferred tax asset		
At 1 January	**93**	81
Adjustment for adoption of IFRS 16 (Note 1)	**5**	-
Credit to the Group income statement	**25**	15
Charge to other comprehensive income and equity	**(3)**	(3)
Deferred tax asset at 31 December	**120**	93

The deferred tax liability of $28 million (2018: $33 million) largely relates to deferred tax arising on acquired intangible assets.

The deferred tax asset income statement credit of $25 million (2018: $15 million) predominantly relates to the recognition of US deferred tax assets of $27 million (2018: $20 million). The charge to other comprehensive income and equity of $3 million (2018: $3 million) relates to movements in relation to pensions, unrealised cash flow hedge balances and employee share scheme balances.

The gross amount of UK non-trading losses for which a deferred tax asset has not been recognised is $45m (2018: $45m). These losses are not subject to an expiration period.

The deferred tax asset comprises:

$m	**31 December 2019**	31 December 2018
US tax assets	**89**	62
Defined benefit pension schemes	**4**	6
Employee share schemes	**15**	11
Tax allowances over depreciation	**7**	8
Other	**5**	6
Deferred tax asset	**120**	93

The Group has accumulated deferred tax assets in the US of $89 million (2018: $108 million). These deferred tax assets comprise accumulated operating losses from existing operations of $48 million (2018: $53 million), future amortisation of goodwill and intangible assets generated from acquisitions of $31 million (2018: $45 million of which $9 million was recognised) and other timing differences of $10 million (2018: $10 million, none of which was recognised) that will be available to offset future taxable profits in the US. From the maximum available deferred tax assets of $108 million at 31 December 2018, a deferred tax asset of $62 million was recognised on the Group balance sheet, representing amounts which could be offset against probable future taxable profits. Given the recent history of US taxable profits and forecast future profitability, we consider it appropriate to recognise all of the available US deferred tax assets ($89 million) on the Group balance sheet at 31 December 2019. As we expect to fully utilise these deferred tax assets over the foreseeable future, no impairment is indicated. Should forecast US profits decrease by 10%, the expected utilisation period of the US deferred tax assets would increase by less than one year.

Man does not currently expect to pay federal tax on any profits it may earn in the US until 2023. Accordingly, any movements in the deferred tax asset in the year are classified as an adjusting item (see page 53). The gross amount of US non-trading losses for which a deferred tax asset has not been recognised is nil (2018: nil). For US tax purposes, the losses will expire over a period of 12 to 17 years.

8. Earnings per ordinary share (EPS)

The calculation of basic EPS is based on post-tax profit of $285 million (2018: $273 million), and ordinary shares of 1,509,534,942 (2018: 1,578,826,775), being the weighted average number of ordinary shares in issue during the period after excluding the shares owned by the Man Employee Trust and Treasury shares. 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 1,543,490,112 (2018: 1,602,842,248).

The details of movements in the number of shares used in the basic and dilutive EPS calculation are provided below.

	Year ended 31 December 2019		Year ended 31 December 2018	
	Total number (million)	**Weighted average (million)**	Total number (million)	Weighted average (million)
Number of shares at beginning of year	**1,610.1**	**1,610.1**	1,643.6	1,643.6
Issues of shares	**–**	**–**	2.4	1.9
Repurchase of own shares	**(68.3)**	**(41.9)**	(35.9)	(28.6)
Number of shares at period end	**1,541.8**	**1,568.2**	1,610.1	1,616.9
Shares held in Treasury reserve	**(25.7)**	**(31.0)**	(54.2)	(14.3)
Shares owned by Employee Trust	**(28.6)**	**(27.7)**	(25.2)	(23.8)
Basic number of shares	**1,487.5**	**1,509.5**	1,530.7	1,578.8
Share awards under incentive schemes		**33.2**		22.5
Employee share options		**0.8**		1.5
Diluted number of shares		**1,543.5**		1,602.8

The basic and diluted earnings per share figures are provided below.

	Year ended 31 December 2019	Year ended 31 December 2018
Basic and diluted post-tax earnings ($m)	**285**	273
Basic earnings per share (cents)	**18.9**	17.3
Diluted earnings per share (cents)	**18.4**	17.0

9. Dividends

$m	**Year ended 31 December 2019**	Year ended 31 December 2018
Ordinary shares		
Final dividend paid for the year to 31 December 2018 – 5.1 cents (2017: 5.8 cents)	**80**	90
Interim dividend paid for the six months to 30 June 2019 – 4.7 cents (2018: 6.4 cents)	**72**	99
Dividends paid	**152**	189
Proposed final dividend for the year to 31 December 2019 – 5.1 cents (2018: 5.4 cents)	**76**	83

Dividend distribution to the Company's shareholders is recognised directly in equity in Man's financial statements in the period in which the dividend is paid or, if required, approved by the Company's shareholders. Details of the Group's dividend policy are included in the Chief Financial Officer's review on page 22.

10. Goodwill and acquired intangibles

	Year ended 31 December 2019					Year ended 31 December 2018				
$m	**Goodwill**	**Investment management agreements**	**Distribution channels**	**Brand names**	**Total**	Goodwill	Investment management agreements	Distribution channels	Brand names	Total
Net book value at beginning of the year	**642**	**268**	**19**	**9**	**938**	648	340	24	12	1,024
Purchases/acquisitions[1]	**–**	**–**	**–**	**–**	**–**	–	3	–	–	3
Amortisation	**–**	**(70)**	**(4)**	**(4)**	**(78)**	–	(75)	(5)	(3)	(83)
Impairment	**–**	**(5)**	**–**	**–**	**(5)**	–	–	–	–	–
Currency translation	**(1)**	**–**	**–**	**–**	**(1)**	(6)	–	–	–	(6)
Net book value at year end	**641**	**193**	**15**	**5**	**854**	642	268	19	9	938
Allocated to cash-generating units as follows:										
AHL	**452**	**1**	**–**	**–**	**453**	453	1	–	–	454
GLG	**–**	**94**	**6**	**3**	**103**	–	141	9	6	156
FRM	**–**	**6**	**–**	**–**	**6**	–	14	–	–	14
Numeric	**134**	**86**	**–**	**2**	**222**	134	104	–	3	241
GPM	**55**	**6**	**9**	**–**	**70**	55	8	10	–	73

Note:
1 Purchases/acquisitions in 2018 relate to the purchase of investment management agreements in relation to strategic bond strategies.

Goodwill
Goodwill represents the excess of consideration transferred over the fair value of identifiable net assets of the acquired business at the date of acquisition. Goodwill is carried on the Group balance sheet at cost less accumulated impairment, has an indefinite useful life, is not subject to amortisation and is tested for impairment annually, or whenever events or circumstances indicate that the carrying amount may not be recoverable.

Investment management agreements (IMAs), distribution channels and brand names
IMAs, distribution channels and brand names are recognised at the present value of the expected future cash flows and are amortised on a straight-line basis over their expected useful lives, which are between three and 13 years (IMAs and brands), and eight and 12 years (distribution channels).

Amortisation of acquired intangible assets of $78 million (2018: $83 million) primarily relates to the investment management agreements recognised on the acquisitions of GLG and Numeric.

Allocation of goodwill to cash-generating units
For impairment review purposes, the Group has identified five cash-generating units (CGUs): AHL, GLG, FRM, Numeric and GPM.

Calculation of recoverable amounts for cash-generating units
An impairment expense is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). The recoverable amounts of the Group's CGUs are assessed each year using a value in use calculation. The value in use calculation gives a higher valuation compared to the fair value less cost to sell approach, as this would exclude some of the revenue synergies available to Man through its ability to distribute products using its well established distribution channels, which may not be fully available to other market participants.

The value in use calculations at 31 December 2019 use cash flow projections based on the Board approved financial plan for the year to 31 December 2020 and a further two years of projections (2021 and 2022), plus a terminal value. The valuation analysis is based on best practice guidance whereby a terminal value is calculated at the end of a short discrete budget period and assumes, after this three-year budget period, no growth in asset flows above the long-term growth rate. In order to determine the value in use of each CGU, it is necessary to notionally allocate the majority of the Group's cost base relating to operations, product structuring, distribution and support functions, which are managed on a centralised basis. Lease payments are treated as cash outflows in line with the former IAS 17 classification. Whilst this represents a mismatch between the valuation model and the lease costs recognised in the Group income statement under IFRS 16, the calculation of the value in use is not significantly different under the two approaches.

The value in use calculations for AHL, GLG, FRM, Numeric and GPM are presented on a post-tax basis, consistent with the prior year, given most comparable market data is available on a post-tax basis. These are not significantly different to their pre-tax equivalent.

The assumptions applied in the value in use calculation are derived from past experience and assessment of current market inputs. A bifurcated discount rate has been applied to the modelled cash flows to reflect the different risk profile of management fee profits and performance fee profits. The discount rates are based on the Group's weighted average cost of capital using a risk free interest rate, together with an equity market risk premium and an appropriate market beta derived from consideration of Man's beta, similar alternative asset managers, and the asset management sector as a whole. The terminal value is calculated based on the projected closing FUM at 31 December 2022 and applying the mid-point of a range of historical multiples to the forecast cash flows associated with management and performance fee profits.

The Group has considered the impact of the exit of the United Kingdom from the European Union on 31 January 2020, including a range of reasonably possible Brexit scenarios, and currently does not expect this to have a material impact on the value in use calculations of the Group at 31 December 2019.

The recoverable amount of each CGU (the value in use) has been assessed at 31 December 2019. The key assumptions applied to the value in use calculations for each of the CGUs are provided below.

Key assumptions:	AHL	GLG	FRM	Numeric	GPM
Compound average annualised growth in FUM (over three years)	11%	1%	7%	3%	28%
Discount rate					
– Management fees[1]	11%	11%	11%	11%	15%
– Performance fees[2]	17%	17%	17%	17%	21%
Terminal value (mid-point of range of historical multiples)[3]					
– Management fees	13.0x	13.0x	5.3x	13.0x	16.8x
– Performance fees	5.5x	5.5x	3.5x	5.5x	5.5x

Notes:

1 The pre-tax equivalent of the net management fees discount rate is 13%, 13%, 14%, 14% and 17% for each of the AHL, GLG, FRM, Numeric and GPM CGUs, respectively.

2 The pre-tax equivalent of the net performance fees discount rate is 21%, 20%, 21%, 22% and 24% for each of the AHL, GLG, FRM, Numeric and GPM CGUs, respectively.

3 The implied terminal growth rates are 1%, 3%, -10%, 3% and 9% for each of the AHL, GLG, FRM, Numeric and GPM CGUs, respectively. The terminal value is added to cash flow projections based on the Board approved financial plan for the year to 31 December 2020 and a further two years of projections (2021 and 2022), and discounted.

The results of the valuations are further explained in the following sections, including sensitivity tables which show scenarios whereby the key assumptions are changed to stressed assumptions, indicating the modelled headroom or impairment that would result. We have considered reasonably foreseeable changes in the compound average annualised growth in FUM forecast assumption for each CGU, stressing this by 2% and also to the point at which impairment would arise, except as stated otherwise. In particular, for the GPM CGU, which has a low level of headroom, we have stressed this by 10% to indicate a more extreme downside scenario. Each assumption, or set of assumptions, is stressed in isolation. The results of these sensitivities make no allowance for actions that management would take if such market conditions persisted.

AHL cash-generating unit

The AHL value in use calculation at 31 December 2019 indicates a value of $3.1 billion, with around $2.6 billion of headroom over the carrying value of the AHL business. Therefore, no impairment charge is deemed necessary at 31 December 2019 (2018: nil). The valuation at 31 December 2019 is around $0.4 billion higher than the value in use calculation at 31 December 2018, primarily due to higher than forecast performance in 2019.

				Discount rates (post-tax)		Multiples (post-tax)	
Sensitivity analysis:	Compound average annualised growth in FUM			Management fee/ performance fee		Management fee/ performance fee	
Key assumption stressed to:	11%	9%	1%[1]	10%/16%	12%/18%	14.0x/6.5x	12.0x/4.5x
Modelled headroom/(impairment) ($m)	2,566	2,210	1,009	2,636[2]	2,496[2]	2,906[3]	2,226[3]

Notes:

1 Stressed by 10%, as opposed to the point of impairment, given an impairment scenario is not reasonably foreseeable.

2 An increase/decrease in the value in use calculation of $70 million.

3 An increase/decrease in the value in use calculation of $340 million.

GLG cash-generating unit

The GLG value in use calculation at 31 December 2019 indicates a value of $190 million, with around $60 million of headroom over the carrying value of the GLG business. Therefore, no impairment charge is deemed necessary at 31 December 2019 (2018: nil). The valuation at 31 December 2019 is around $130 million lower than the value in use calculation at 31 December 2018 largely due to lower than forecast net flows and performance in 2019. Amortisation of acquired intangibles reduced the carrying value by $53 million during the year.

				Discount rates (post-tax)		Multiples (post-tax)	
Sensitivity analysis:	Compound average annualised growth in FUM			Management fee/ performance fee		Management fee/ performance fee	
Key assumption stressed to:	1%	(1%)	(2%)[1]	10%/16%	12%/18%	14.0x/6.5x	12.0x/4.5x
Modelled headroom/(impairment) ($m)	63	22	–	67[2]	59[2]	79[3]	47[3]

Notes:

1 Stressed in a downside scenario to determine the point at which headroom would be reduced to nil, after which impairment would arise.

2 An increase/decrease in the value in use calculation of $4 million.

3 An increase/decrease in the value in use calculation of $16 million.

FRM cash-generating unit

The FRM value in use calculation at 31 December 2019 indicates a value of $41 million, with $31 million of headroom over the carrying value of the FRM business. Therefore, no impairment charge is deemed necessary at 31 December 2019 (2018: nil). The valuation at 31 December 2019 is around $8 million higher than the value in use calculation at 31 December 2018 due to higher than previously forecast net management fee margins and amortisation of acquired intangibles of $3 million, which lowers the carrying value, partly offset by lower than forecast flows during the year.

Sensitivity analysis:	Compound average annualised growth in FUM			Discount rates (post-tax) Management fee/ performance fee		Multiples (post-tax) Management fee/ performance fee	
Key assumption stressed to:	7%	5%	(10%)[1]	10%/16%	12%/18%	6.3x/4.5x	4.3x/2.5x
Modelled headroom/(impairment) ($m)	31	26	–	32[2]	30[2]	37[3]	25[3]

Notes:
1 Stressed to determine the point at which headroom would be reduced to nil, after which impairment would arise.
2 An increase/decrease in the value in use calculation of $1 million.
3 An increase/decrease in the value in use calculation of $6 million.

Numeric cash-generating unit

The Numeric value in use calculation at 31 December 2019 indicates a value of around $670 million, with around $440 million of headroom over the carrying value of the Numeric business. Therefore, no impairment charge is deemed necessary at 31 December 2019 (2018: nil). The valuation at 31 December 2019 is around $30 million lower than the value in use calculation at 31 December 2018, primarily as a result of outflows during the year and lower net management fee margins. Amortisation of acquired intangibles reduced the carrying value by $19 million during the year.

Sensitivity analysis:	Compound average annualised growth in FUM			Discount rates (post-tax) Management fee/ performance fee		Multiples (post-tax) Management fee/ performance fee	
Key assumption stressed to:	3%	1%	(31%)[1]	10%/16%	12%/18%	14.0x/6.5x	12.0x/4.5x
Modelled headroom/(impairment) ($m)	442	363	–	458[2]	426[2]	488[3]	396[3]

Notes:
1 Stressed to determine the point at which headroom would be reduced to nil, after which impairment would arise.
2 An increase/decrease in the value in use calculation of $16 million.
3 An increase/decrease in the value in use calculation of $46 million.

GPM cash-generating unit

The GPM value in use calculation at 31 December 2019 indicates a value of around $73 million, with around $3 million of headroom over the carrying value of the GPM business. We have updated our terminal growth rate, which is applied after three years of forecast cash flows, to 9% (2018: 7%) to reflect higher than steady-state growth that we expect to realise in the medium term (until December 2025), with a terminal growth rate assumption of 7% thereafter. A higher growth rate in the medium term better reflects the operating leverage we expect to realise from increased investment in the business in 2019 and the industry outlook for private markets more generally. The results of our valuation indicate that no impairment charge is deemed necessary at 31 December 2019 (2018: nil), however, as below if future results differ to the forecast it is reasonably foreseeable that impairment could arise.

The valuation at 31 December 2019 is around $17 million lower than the value in use calculation at 31 December 2018, primarily as a result of slower than forecast growth and increased investment expenditure in the business, partially offset by $3 million of amortisation of acquired intangibles during the year.

Sensitivity analysis:	Compound average annualised growth in FUM			Discount rates (post-tax) Management fee/ performance fee		Multiples (post-tax) Management fee/ performance fee	
Key assumption stressed to:	28%	26%	18%[1]	14%/20%	16%/22%	17.8x/6.5x	15.8x/4.5x
Modelled headroom/(impairment) ($m)	3	(8)	(44)	5[2]	1[2]	7[3]	(1)[3]

Notes:
1 Stressed by 10% to indicate a possible downside scenario.
2 An increase/decrease in the value in use calculation of $2 million.
3 An increase/decrease in the value in use calculation of $4 million.

11. Other intangibles

$m	Year ended 31 December 2019	Year ended 31 December 2018
Net book value at beginning of the year	**26**	23
Additions	**17**	16
Disposals	**–**	(3)
Amortisation	**(12)**	(10)
Net book value at year end	**31**	26

Other intangibles relate to capitalised computer software. Capitalised computer software includes costs that are directly associated with the procurement or development of identifiable and unique software products, which will generate economic benefits exceeding costs beyond one year and are subject to regular impairment reviews. Capitalised computer software is amortised on a straight-line basis over its estimated useful life (three years), with amortisation expense included within other costs in the Group income statement. Additions relate to the continued investment in Man's operating platforms.

12. Cash, liquidity and borrowings

	31 December 2019			31 December 2018		
$m	Total	Less than 1 year	Greater than 1 year	Total	Less than 1 year	Greater than 1 year
Cash and cash equivalents[1]	**220**	**220**	**–**	344	344	–
Undrawn committed revolving credit facility	**500**	**–**	**500**	500	–	500
Total liquidity	**720**	**220**	**500**	844	344	500
Borrowings: 2024 fixed rate reset callable guaranteed subordinated notes	**–**	**–**	**–**	150	–	150

Note:
1 Excludes $61 million (2018: $26 million) of restricted cash held by consolidated fund entities (Note 13.2).

Liquidity resources support ongoing operations and potential liquidity requirements under stressed scenarios. The amount of potential liquidity requirements is modelled based on scenarios that assume stressed market and economic conditions. The funding requirements for Man relating to the investment management process are discretionary. The liquidity profile of Man is monitored on a daily basis and the stressed scenarios are updated regularly. The Board reviews Man's funding resources at each Board meeting and on an annual basis as part of the strategic planning process. Man's available liquidity is considered sufficient to cover current requirements and potential requirements under stressed scenarios.

In September 2014, Man issued $150 million ten-year fixed rate reset callable guaranteed subordinated notes (Tier 2 notes) with a fixed coupon of 5.875% until 15 September 2019. Man elected to exercise the option to redeem the notes on 16 September 2019 given the increased financing flexibility resulting from the Group's corporate reorganisation in May 2019.

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts and at 31 December 2019 includes cash at bank of $186 million (2018: $175 million) and short-term deposits of $34 million (2018: $169 million). The carrying amount of these assets is approximately equal to their fair value. Cash ring-fenced for regulated entities totalled $34 million at year end (2018: $36 million). Cash is invested in accordance with strict limits consistent with the Board's risk appetite, which consider both the security and availability of liquidity. Accordingly, cash is held in on-demand and short-term bank deposits, and at times invested in short-term US Treasury bills. At 31 December 2019, the $220 million cash balance (excluding cash held by consolidated fund entities per Note 13.2) is held with 19 banks (2018: $344 million with 19 banks). The single largest counterparty bank exposure of $106 million is held with an A+ rated bank (2018: $91 million with an A+ rated bank). At 31 December 2019, balances with banks in the AA ratings band aggregate to $27 million (2018: $85 million) and balances with banks in the A ratings band aggregate to $192 million (2018: $259 million).

As a result of the Group's corporate reorganisation in May 2019, the committed revolving credit facility was renegotiated and the facility reduced in size from $500 million to $478 million. This was then refinanced in December 2019 and replaced with a new committed revolving credit facility of $500 million, which was undrawn at 31 December 2019 (undrawn at 31 December 2018). The facility was put in place as a five-year facility and includes the option for Man to request the banks to extend the maturity date by one year on each of the first and second anniversaries. The participant banks have the option to accept or decline Man's request. The facility is currently scheduled to mature in December 2024 and incorporates an ESG target-linked interest rate component. To maintain maximum flexibility, the facility does not include financial covenants.

Intra-day and overnight credit facilities
Man guarantees the obligations under a $100 million intra-day (2018: $100 million) and $25 million overnight credit facilities (2018: $25 million), used to settle the majority of the Group's banking arrangements. As at 31 December 2019, the exposure under the intra-day facility is nil (2018: nil) and the overnight facility exposure is nil (2018: nil). The fair value of these commitments has been determined to be nil (2018: nil).

Foreign exchange and interest rate risk
Man is subject to risk from changes in interest rates and foreign exchange rates on monetary assets and liabilities.

In respect of Man's monetary assets and liabilities which earn/incur interest indexed to floating rates, as at 31 December 2019 a 50 basis points increase/decrease in these rates, with all other variables held constant, would have resulted in a $1 million increase/decrease (2018: $1 million increase/decrease) in net interest income.

A 10% strengthening/weakening of the USD against all other currencies, with all other variables held constant, would have resulted in a foreign exchange loss/gain of $26 million (2018: $1 million loss/gain), with a corresponding impact on equity. This exposure is based on USD balances held by non-USD functional currency entities and non-USD balances held by USD functional currency entities within the Group. The increase in the year is primarily due to the unhedged GBP lease liability arising on the application of IFRS 16, as detailed in Note 19.

In certain circumstances, the Group uses derivative financial instruments, specifically forward foreign exchange contracts, to hedge its risk associated with foreign exchange movements. Where fixed foreign currency denominated costs are hedged, the associated derivatives may be designated as cash flow hedges. Up to 31 December 2019, the Group's risk management objective was to determine a foreign exchange rate at which future foreign currency costs are ultimately realised one year in advance, thereby providing increased certainty around the future USD costs recognised in the Group income statement. Effective unrealised gains or losses on these instruments were recognised within the cash flow hedge reserve in equity and, when realised, these were reclassified to the Group income statement in the same line as the hedged item, within compensation and other costs (as outlined in Note 4 and Note 5). From 1 January 2020, Man changed its policy such that fixed foreign currency denominated costs are no longer hedged.

Foreign currency derivative assets and liabilities are included within derivative financial instruments in fee and other receivables (Note 14) and trade and other payables (Note 15) respectively. Fair value gains and losses on cash flow hedges, and gains and losses realised on maturing cash flow hedges which have been reclassified from the cash flow hedge reserve into profit or loss, are separately shown in the Group statement of comprehensive income.

13. Investments in fund products and other investments

	31 December 2019				
$m	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Investments in fund products and other investments**	**Net non-current assets held for sale**	**Total investments**
Loans to fund products	**–**	**4**	**4**	**–**	**4**
Investments in fund products	**349**	**–**	**349**	**–**	**349**
Other investments	**3**	**–**	**3**	**–**	**3**
Investments in line-by-line consolidated funds	**420**	**–**	**420**	**–**	**420**
	772	**4**	**776**	**–**	**776**

	31 December 2018				
$m	Financial assets at fair value through profit or loss	Loans and receivables	Investments in fund products and other investments	Net non-current assets held for sale	Total investments
Loans to fund products	–	9	9	–	9
Investments in fund products	401	–	401	39	440
Other investments	3	–	3	–	3
Investments in line-by-line consolidated funds	357	–	357	–	357
	761	9	770	39	809

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

$m	Note	**31 December 2019**	31 December 2018
Investments in fund products	13.1	**349**	401
Less fund investments for deferred compensation arrangements	13.1	**(98)**	(87)
Consolidated net investments in funds – held for sale	13.2	**–**	39
Consolidated net investments in funds – consolidated line-by-line	13.2	**259**	300
Loans to funds	13.3	**4**	9
Seeding investments portfolio		**514**	662

13.1 Investments in fund products

Man uses capital to invest in our fund products as part of our ongoing business, to build our product breadth and to trial investment research developments before we market the products broadly to investors. Seed capital is invested via direct holdings in fund products or sale and repurchase (repo) arrangements (which allow us to finance seed investments without consuming high levels of cash). Alternatively Man may obtain exposure to seed investments via total return swap (TRS) arrangements. Exposures to fund products via TRS and repo arrangements were $62 million and $36 million respectively at 31 December 2019 (2018: nil and nil). Under a repo arrangement, Man is committed to repurchase the underlying seed investments at maturity and pays an interest charge over the period, with the obligation to repurchase the assets on maturity recorded as a liability within trade and other payables (Note 15). Under a TRS arrangement, Man is under no form of repayment obligation and has no ownership interest (or voting rights) in the underlying investment. In exchange for the returns on the underlying seed investments, Man pays the banks a floating rate of interest.

Regardless of whether Man is exposed to a fund product's returns by way of a direct investment, repo or TRS, the control considerations are the same. Where Man is deemed not to control the fund, the fund is classified within investments in fund products. Investments in fund products are classified at fair value through profit or loss, with net gains due to movements in fair value of $33 million for the year ended 31 December 2019 (2018: $11 million loss) recognised through income or gains/(losses) on investments and other financial instruments. Purchases and sales of investments are recognised on trade date.

The fair values of investments in fund products are derived from the reported NAVs of each of the fund products, which in turn are based upon the value of the underlying assets held within each of the fund products and the anticipated redemption horizon of the fund product. The valuation of the underlying assets within each fund product is determined by external valuation service providers based on an agreed valuation policy and methodology. Whilst these valuations are performed independently of Man, Man has established oversight procedures and due diligence processes to ensure that the NAVs reported by the external valuation service providers are reliable and appropriate. Man makes adjustments to these NAVs if the anticipated redemption horizon, events or circumstances indicate that the NAVs are not reflective of fair value. The fair value hierarchy of financial assets is disclosed in Note 22.

Investments in fund products expose Man to market risk and therefore this process is subject to limits consistent with the Board's risk appetite. The largest single investment in fund products is $66 million (2018: $105 million). The market risk from seeding investments, including those financed via repo and TRS arrangements, is modelled using a value at risk methodology using a 95% confidence interval and one-year time horizon. The value at risk is estimated to be $22 million at 31 December 2019 (2018: $25 million).

Fund investments for deferred compensation arrangements

At 31 December 2019, investments in fund products included $98 million (2018: $87 million) of fund products related to deferred compensation arrangements (as detailed in Note 20). The associated fund product investments are held to offset any change in deferred compensation over the vesting period, and at vesting the value of the fund investment is delivered to the employee. The fund product investments are recorded at fair value with any gains or losses during the vesting period recognised as income or gains/(losses) on investments and other financial instruments in the Group income statement.

13.2 Consolidation of investments in funds

Seed capital invested into funds may be deemed to be controlled by the Group (Note 1). The control considerations under IFRS 10 also apply to the fund products underlying the Group's TRS and repo instruments and therefore the Group may similarly be required to consolidate them. The fund is consolidated into the Group's results from the date control commences until it ceases. In 2019, 15 (2018: 13) investments in funds have met the control criteria and have therefore been consolidated, either consolidated on a line-by-line basis or classified as held for sale as detailed below.

Line-by-line consolidation

The investments relating to the 15 (2018: ten) funds which are consolidated on a line-by-line basis are included within the Group balance sheet and income statement as follows:

$m	**31 December 2019**	31 December 2018
Balance sheet		
Cash and cash equivalents	**61**	26
Transferable securities[1]	**420**	357
Fees and other receivables	**2**	21
Trade and other payables	**(11)**	(4)
Net assets of line-by-line consolidated fund entities	**472**	400
Third-party interest in consolidated funds	**(213)**	(100)
Net investment held by Man	**259**	300
Income statement		
Net gains/(losses) on investments[2]	**63**	(18)
Management fee expenses[3]	**(3)**	(2)
Performance fee expenses[3]	**–**	(1)
Other costs	**(3)**	(2)
Net gains/(losses) of line-by-line consolidated fund entities	**57**	(23)
Third-party share of (gains)/losses relating to interests in consolidated funds	**(18)**	7
Gains/(losses) attributable to net investment held by Man	**39**	(16)

Notes:
1 Included within investments in fund products and other investments.
2 Included within income or gains/(losses) on investments and other financial instruments.
3 Relate to management and performance fees paid by the funds to Man during the year, which are eliminated within gross management and other fees and performance fees, respectively, in the Group income statement.

Held for sale

Where the Group acquires the controlling stake and actively markets the products to third-party investors, allowing the Group to redeem their share, and it is considered highly probable that it will relinquish control within one year from the date of initial investment, the investment in the controlled fund is classified as held for sale. The seeded fund is recognised on 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. Amounts recognised are measured at the lower of the carrying amount and fair value less costs to sell.

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

$m	**31 December 2019**	31 December 2018
Non-current assets held for sale	**–**	39
Non-current liabilities held for sale	**–**	–
Investments in fund products held for sale	**–**	39

At 31 December 2019, no consolidated fund investments met the held for sale criteria. Two investments in funds which were classified as held for sale at 31 December 2018 have been consolidated on a line-by-line basis at 31 December 2019 (2018: three held for sale funds at 31 December 2017).

13.3 Loans to fund products

Loans to fund products are short-term advances primarily to Man guaranteed products, which are made to assist with the financing of the leverage associated with these products. The loans are repayable on demand and are carried at amortised cost using the effective interest rate method.

13.4 Structured entities

Man has evaluated all exposures and concluded that where Man holds an investment, fee receivable, accrued income, loan guarantee or commitment with an investment fund or a collateralised loan obligation, this represents an interest in a structured entity as defined by IFRS 12 ‘Disclosure of Interests in Other Entities’.

As with structured entities, investment funds are designed so that their activities are not governed by way of voting rights and contractual arrangements are the dominant factor in affecting an investor’s returns. The activities of these entities are governed by investment management agreements or, in the case of collateralised loan obligations, the indentures.

The key considerations in assessing whether the Group controls a structured entity, and therefore should be consolidated into the Group’s financial statements, are outlined in Note 1. Consolidated structured entities are detailed in Note 13.2.

Man’s maximum exposure to loss from unconsolidated structured entities is the sum total of any investment held, fee receivables, accrued income, and loans to the fund entities, and is $639 million for the year ended 31

December 2019 (2018: $574 million). Man's interest in and exposure to unconsolidated structured entities is as follows:

31 December 2019	Total FUM ($bn)	Less infrastructure mandates and consolidated fund entities[1] ($bn)	Total FUM unconsolidated structured entities ($bn)	Number of funds	Net management fee margin[2] (%)	Fair value of investment held ($m)	Fee receivables and accrued income ($m)	Loans to funds ($m)	Maximum exposure to loss ($m)
Alternative									
Absolute return	**30.5**	**–**	**30.5**	**107**	**1.20**	**91**	**205**	**–**	**296**
Total return	**27.0**	**–**	**27.0**	**60**	**0.56**	**190**	**28**	**–**	**218**
Multi-manager solutions	**14.0**	**6.9**	**7.1**	**73**	**0.31**	**2**	**6**	**–**	**8**
Long only									
Systematic	**27.5**	**0.2**	**27.3**	**107**	**0.35**	**5**	**33**	**–**	**38**
Discretionary	**18.7**	**0.2**	**18.5**	**45**	**0.67**	**56**	**19**	**–**	**75**
Guaranteed	**–**	**–**	**–**	**4**	**5.96**	**–**	**–**	**4**	**4**
Total	**117.7**	**7.3**	**110.4**	**396**		**344**	**291**	**4**	**639**

31 December 2018	Total FUM ($bn)	Less infrastructure mandates and consolidated fund entities[1] ($bn)	Total FUM unconsolidated structured entities ($bn)	Number of funds	Net management fee margin[2] (%)	Fair value of investment held ($m)	Fee receivables and accrued income ($m)	Loans to funds ($m)	Maximum exposure to loss ($m)
Alternative									
Absolute return	28.9	0.1	28.8	135	1.27	153	87	–	240
Total return	22.5	–	22.5	58	0.57	156	24	–	180
Multi-manager solutions	13.5	5.2	8.3	87	0.36	2	12	–	14
Long only									
Systematic	24.7	0.2	24.5	116	0.36	1	31	–	32
Discretionary	18.8	0.1	18.7	50	0.69	77	21	–	98
Guaranteed	0.1	–	0.1	7	5.52	–	1	9	10
Total	108.5	5.6	102.9	453		389	176	9	574

Notes:
1 For infrastructure mandates where we do not act as investment manager or advisor, Man's role in directing investment activities is diminished and therefore these are not considered structured entities.
2 Net management fee margins are the categorical weighted average (see page 29). Performance fees can only be earned after a high water mark is achieved. For performance fee eligible funds, performance fees are within the range of 10% to 20%.

On occasion Man agrees to purchase illiquid investments from the funds at market rates in order to facilitate investor withdrawals. Man has not provided any other non-contractual support to unconsolidated structured entities.

14. Fee and other receivables

$m	**31 December 2019**	31 December 2018
Fee receivables	**27**	36
Accrued income	**266**	144
Prepayments	**15**	13
Derivative financial instruments	**4**	16
Other receivables	**114**	98
	426	307

Fee and other receivables are initially recorded at fair value and subsequently measured at amortised cost using the effective interest rate method. Fee receivables and accrued income represent management and performance fees from fund products and are received in cash when the funds' net asset values are determined. The majority of fees are deducted from the NAV of the respective funds by the independent administrators and therefore the credit risk of fee receivables is minimal. No balances are overdue, and under the expected loss model of IFRS 9, there is no impairment at 31 December 2019 (2018: nil). The increase in accrued income in 2019 relates to the increase in performance fee income, which crystallised at 31 December 2019. Performance fees receivable at year end are $169 million (2018: $43 million).

Details of derivatives used to hedge cash flow foreign exchange risk are included in Note 12. Other derivative financial instruments, which consist primarily of market risk hedges on some of our seeding positions and foreign exchange contracts, are measured at fair value through profit or loss. All derivatives are held with external banks with ratings of A (2018: BBB+) or higher and mature within one year. During the year, there were $10 million net realised and unrealised gains arising from foreign exchange hedges (2018: $3 million gains), and the notional value of foreign exchange derivative financial assets held at 31 December 2019 is $61 million (2018: $84 million). The notional value of market risk derivative financial assets held at 31 December 2019 is $65 million (2018: $220 million).

Other receivables principally include balances relating to the Open Ended Investment Collective (OEIC) funds business of $29 million (2018: $37 million), collateral posted with derivative counterparties of $24 million (2018: $1 million) and sub-lease rental income receivable of $15 million (presented net of operating lease rentals payable within trade and other payables in 2018 in accordance with IAS 17 as detailed in Note 1). For the OEIC funds businesses, Man acts as the intermediary for the collection of subscriptions due from customers and payable to the funds, and for redemptions receivable from funds and payable to customers. The unsettled fund payable is recorded in trade and other payables (Note 15). The amount of collateral posted with derivative counterparties is a function of the unrealised gains or losses on the open derivatives at any point in time. At 31 December 2019, nil (2018: $7 million) of other receivables are expected to be settled after 12 months.

15. Trade and other payables

$m	**31 December 2019**	31 December 2018
Accruals	**338**	302
Trade payables	**4**	2
Contingent consideration	**24**	212
Derivative financial instruments	**13**	15
Payables under repo arrangements	**36**	–
Other payables	**144**	170
	559	701

Accruals primarily relate to compensation accruals. Contingent consideration relates to the amounts payable in respect of acquisitions (Note 22).

Details of derivatives used to hedge cash flow foreign exchange risk are included in Note 12. The notional value of other foreign exchange derivative financial liabilities at 31 December 2019 is $335 million (2018: $508 million). During the year, there were $47 million net realised and unrealised losses arising from our market risk hedges (2018: $22 million gains), and the notional value of market risk derivative financial liabilities is $245 million (2018: $82 million). All derivative contracts mature within one year.

Payables under repo arrangements relate to obligations to repurchase fund products as detailed in Note 13.1.

Other payables include the remaining $71 million liability relating to the share repurchase announced in October 2019 (2018: $63 million relating to the share repurchase announced in 2018), as detailed in Note 21, and payables relating to the OEIC funds business of $28 million (2018: $35 million).

Trade and other payables are initially recorded at fair value and subsequently measured at amortised cost, except for contingent consideration payables, which are measured at fair value (Note 22). Included in trade and other payables at 31 December 2019 are balances of $23 million (2018: $40 million) which are expected to be settled after more than 12 months, which largely relate to contingent consideration. Man's policy is to meet its contractual commitments and pay suppliers according to agreed terms.

16. Provisions

$m	**Onerous property lease contracts and dilapidations**	**Other**	**Total**
At 1 January 2019	**22**	**4**	**26**
Adjustment for adoption of IFRS 16 (Note 1)	**(19)**	**–**	**(19)**
At 1 January 2019	**3**	**4**	**7**
Charged to the income statement	**–**	**1**	**1**
At 31 December 2019	**3**	**5**	**8**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. All provisions are current given the Group does not have the unconditional right to defer settlement. Provisions for restructuring are recognised when the obligation arises, following communication of the formal plan.

Onerous property lease provisions are no longer separately recognised under IFRS 16. See Note 1 for further details.

17. Investments in associates

Associates are entities in which Man holds an interest and over which it has significant influence but not control, and are accounted for using the equity method. In November 2018, the Group sold its investment in Nephila, recognising a gain on sale of $113 million, with an additional gain of $1 million in 2019 on finalisation of the closing position.

	Year ended 31 December 2018
$m	Nephila Holdings Ltd
At beginning of the year	29
Share of post-tax profit	7
Dividends received	(8)
Sale of investment in associate	(28)
At year end	**–**

18. Leasehold improvements and equipment

	Year ended 31 December 2019			Year ended 31 December 2018		
$m	**Leasehold improvements**	**Equipment**	**Total**	Leasehold improvements	Equipment	Total
Net book value at beginning of the year	**29**	**17**	**46**	28	16	44
Additions	**–**	**9**	**9**	8	9	17
Disposals	**–**	**–**	**–**	–	(1)	(1)
Depreciation expense	**(6)**	**(9)**	**(15)**	(7)	(7)	(14)
Net book value at year end	**23**	**17**	**40**	29	17	46

All leasehold improvements and equipment are recorded at cost less depreciation and impairment. Cost includes the original purchase price of the asset and costs directly attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated using the straight-line method over the asset's estimated useful life, which for leasehold improvements is over the shorter of the life of the lease and the improvement (up to 24 years) and for equipment is between three and ten years.

19. Leases

19.1 The Group as lessee

Man's lease arrangements relate to business premises property leases.

Man assesses whether a contract is or contains a lease at the inception of the contract. ROU lease assets are recorded at cost less depreciation and impairment. Cost includes the amount of the initial measurement of the associated lease liability, lease payments made at or before the lease commencement date, lease incentives received, and estimated costs to be incurred in restoring the property to the condition required under the terms of the lease. Depreciation is calculated on a straight-line basis over the lease term and included within other costs (Note 5).

In accordance with IFRS 16, cash payments of $34 million in relation to leases, which are recognised on the Group's balance sheet, are presented as unwind of lease liability discount of $14 million (within operating activities) and repayments of principal lease liability of $20 million (within financing activities) in the Group cash flow statement. Payments in relation to short-term leases and leases of low-value assets are included within operating activities. The remainder of the movement in the lease liability relates to non-cash movements.

The lease term is determined as the non-cancellable period of a lease, together with periods covered by an option to extend the lease if the Group considers that exercise of the option is reasonably certain. All lease liabilities are discounted using the interest rate implicit in the lease. If this rate cannot be determined, the Group's incremental cost of borrowing on the lease commencement or modification date is used to discount the lease liability. For those leases which existed prior to the IFRS 16 transition date on 1 January 2019, a discount rate of 5% was used in calculating the lease liability on transition. The unwind of lease liability discount is included within finance expense (Note 6).

Right-of-use lease assets

$m	Year ended 31 December 2019 Total
Net book value on transition at 1 January 2019 (Note 1)	**228**
Additions	**1**
Depreciation expense (Note 5)	**(20)**
Net book value at year end	**209**

Lease liability

The maturity of the Group's lease liability of $307 million at 31 December 2019, according to the termination date of the lease, is as follows:

	31 December 2019			
$m	Within 1 year	1-5 years	After 5 years	Total
Lease liability	**1**	**16**	**290**	**307**

Included within liabilities associated with leases terminating after more than five years is $257 million relating to our Riverbank House premises in London. The revaluation of our GBP lease liabilities into US dollars (the Group's functional and presentation currency) may result in large unrealised gains or losses in the Group income statement, and therefore these non-cash movements have been classified as an adjusting item (see page 52).

The Group's operating lease commitments at 31 December 2018, including non-cancellable sub-lease arrangements, in accordance with IAS 17, were as follows:

	31 December 2018			
$m	Within 1 year	1–5 years	After 5 years	Total
Operating lease commitments under IAS 17	18	64	275	357
Offsetting non-cancellable sublease arrangements (included net above)	17	57	11	85

The prior year operating lease commitments under IAS 17 primarily include the agreements for lease contracts for our Riverbank House premises in London (expiring in 2035) and our New York office (expiring in 2022), which aggregated to $304 million.

19.2 The Group as lessor

Man also acts as lessor in respect of certain sub-leased business premises arrangements, which are classified as operating leases under IFRS 16. Sub-lease rental income was $14 million in 2019. As a result of the adoption of IFRS 16 in 2019 (as outlined in Note 1), comparatives for 2018 whereby this was included net within other costs have not been restated. Rental income from operating leases is recognised on a straight-line basis over the lease term.

At 31 December 2019, the undiscounted operating lease payments receivable on an annual basis are as follows:

	31 December 2019						
$m	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
Operating lease payments receivable	**16**	**16**	**14**	**14**	**16**	**117**	**193**

20. Deferred compensation arrangements

Man operates equity-settled share-based payment schemes as well as fund product based compensation arrangements.

For compensation plans whereby deferred compensation is invested in fund products managed by Man, the fair value of the employee services received in exchange for the fund units is recognised as an expense over the vesting period, with a corresponding liability. The total amount to be expensed is determined by reference to the fair value of the awards, which is remeasured at each reporting date, and equates to the fair value of the underlying fund products at settlement date.

During the year, $78 million (2018: $66 million) relating to share-based payments and deferred fund product plans is included within compensation costs (Note 4), consisting of share-based payments of $28 million (2018: $25 million) and deferred fund product plans of $50 million (2018: $41 million). The unamortised deferred compensation at year end is $50 million (2018: $64 million) and has a weighted average remaining vesting period of 1.6 years (2018: 2.0 years).

21. Capital management

Details of the Group's capital management and dividend policy are provided within the Chief Financial Officer's Review on page 22.

Share capital and capital reserves

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Own shares held through the Employee Trust and Treasury shares are recorded at cost, including any directly attributable incremental costs (net of tax), and are deducted from equity attributable to the Company's equity holders until the shares are transferred to employees or sold. Where such shares are subsequently sold, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Company's equity holders.

As set out in Note 1, the Group adjusted its corporate structure in May 2019. The scheme of arrangement had no impact on the Group's aggregate share capital and capital reserves, with a new reorganisation reserve created following the reversal of the existing share premium account, capital redemption reserve, merger reserve and reorganisation reserve balances. The share premium arising on the issue of shares by Man Group plc was subsequently cancelled by way of a capital reduction, with an equivalent increase recognised in the profit and loss account in reserves.

Ordinary shares

Ordinary shares have a par value of 3 $^{3/7}$ US cents per share (2018: 3 $^{3/7}$ US cents per share) and represent 100% of issued share capital. All issued shares are fully paid. The shares have attached to them full voting, dividend and capital distribution (including on wind up) rights. They do not confer any rights of redemption. Ordinary shareholders have the right to receive notice of, attend, vote and speak at general meetings. A holder of ordinary shares is entitled to one vote per ordinary share held when a vote is taken on a poll and one vote only when a vote is taken on a show of hands.

As part of the corporate reorganisation in May 2019 (as further detailed in Note 1), ordinary shares in the Group's former holding company were cancelled and the same number of new ordinary shares were issued to the new holding company in consideration for the allotment to shareholders of one ordinary share of 3 $^{3/7}$ US cents in the new holding company for each ordinary share of 3 $^{3/7}$ US cents they held in the former holding company.

During the year ended 31 December 2019, $92 million (2018: $211 million) of shares were repurchased at an average price of 149.1 pence (2018: 169.5 pence), buying back 48.0 million shares (2018: 93.5 million shares), which had an accretive impact on EPS (Note 8) of 1.6% (2018: 2.8%). This relates to the completion of the remaining $63 million of the share repurchase announced in October 2018, and the partial completion of $29 million of the anticipated $100 million share repurchase announced in October 2019. As at 27 February 2020, Man Group had an unexpired authority to repurchase up to 121,658,078 of its ordinary shares. A special resolution will be proposed at the forthcoming Annual General Meeting (AGM), pursuant to which the Company will seek authority to repurchase up to 151,244,149 of its ordinary shares, representing 10% of the issued share capital at 27 February 2020.

Deferred sterling shares

50,000 unlisted deferred sterling shares with a par value of £1 per share (representing 0.1% of the former Group holding company's issued share capital prior to the corporate reorganisation in May 2019) were necessary for the former holding company to continue to comply with Section 763 of the UK Companies Act 2006. Following the corporate reorganisation, which created a new Jersey parent holding company, the deferred shares were cancelled.

Issued and fully paid share capital

	Year ended 31 December 2019			Year ended 31 December 2018		
	Ordinary shares Number	Unlisted deferred sterling shares Number	Nominal value $m	Ordinary shares Number	Unlisted deferred sterling shares Number	Nominal value $m
At 1 January	**1,610,142,313**	**50,000**	**55**	1,643,593,289	50,000	56
Purchase and cancellation of own shares	**(68,347,543)**	**–**	**(2)**	(35,892,738)	–	(1)
Scheme of arrangement (Note 1):						
– Cancellation of shares in former holding company	**(1,541,794,770)**	**(50,000)**	**(53)**	–	–	–
– Issue of shares in new holding company	**1,541,794,770**	**–**	**53**	–	–	–
Issue of ordinary shares: Partnership Plans and Sharesave	**–**	**–**	**–**	2,441,762	–	–
At 31 December	**1,541,794,770**	**–**	**53**	1,610,142,313	50,000	55

22. Fair value of financial assets/liabilities

Man discloses the fair value measurement of financial assets and liabilities using three levels, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	31 December 2019				31 December 2018			
$m	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets held at fair value:								
Investments in fund products and other investments (Note 13)	**3**	**180**	**169**	**352**	3	246	155	404
Investments in line-by-line consolidated funds (Note 13)	**–**	**385**	**35**	**420**	–	316	41	357
Derivative financial instruments (Note 14)	**–**	**4**	**–**	**4**	–	16	–	16
	3	**569**	**204**	**776**	3	578	196	777
Financial liabilities held at fair value:								
Derivative financial instruments (Note 15)	**–**	**13**	**–**	**13**	–	15	–	15
Contingent consideration (Note 15)	**–**	**–**	**24**	**24**	–	–	212	212
	–	**13**	**24**	**37**	–	15	212	227

During the year, 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, which have daily or weekly 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, would result in a Level 3 classification. The material holdings within this category are priced on a recurring basis based on information supplied by third parties, with a liquidity premium adjustment applied based on the expected timeframe for exit. 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 Level 3 investments is outlined in Note 13.1. The movements in Level 3 financial assets and financial liabilities measured at fair value are as follows:

	Year ended 31 December 2019		Year ended 31 December 2018	
$m	**Financial assets at fair value through profit or loss**	**Financial liabilities at fair value through profit or loss**	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
Level 3 financial assets/(liabilities) held at fair value				
At beginning of the year	**196**	**(212)**	112	(243)
Transferred into level 3	**–**	**–**	22	–
Purchases	**27**	**–**	88	(1)
(Charged)/credited to the income statement	**(6)**	**19**	(9)	3
Sales or settlements	**(7)**	**169**	(17)	29
Change in line-by-line consolidated funds held	**(6)**	**–**	–	–
At year end	**204**	**(24)**	196	(212)
Total (losses)/gains for the year included in the Group statement of comprehensive income for assets/(liabilities) held at year end	**(6)**	**19**	(9)	3

The financial liabilities in Level 3 relate to the contingent consideration payable.

	Year ended 31 December 2019				Year ended 31 December 2018			
$m	**Numeric**	**Aalto**	**Other**	**Total**	Numeric	Aalto	Other	Total
Contingent consideration payable								
At beginning of the year	**172**	**37**	**3**	**212**	175	60	8	243
Purchases	**–**	**–**	**–**	**–**	–	–	1	1
Revaluation of contingent consideration	**(22)**	**(20)**	**5**	**(37)**	(17)	(10)	(4)	(31)
Unwind of contingent consideration discount (Note 6)	**13**	**5**	**–**	**18**	20	8	–	28
Sales or settlements	**(161)**	**–**	**(8)**	**(169)**	(6)	(21)	(2)	(29)
At year end	**2**	**22**	**–**	**24**	172	37	3	212

The revaluation of contingent consideration in the Group income statement is an adjustment to the fair value of expected acquisition earn-out payments.

The $22 million decrease (2018: $17 million) in the fair value of the Numeric contingent consideration is largely as a result of lower than expected Numeric performance during 2019 and refinements to forecasts. In September 2019, Man exercised the call option to purchase the 18.3% equity interest held by Numeric management in the Numeric business at five years post-closing. The amount paid under the call option totalled $154 million, with other amounts paid in the year relating to annual dividends. The year-end creditor of $2 million relates to the remainder of the annual dividends payable in early 2020.

The Aalto contingent consideration is dependent on levels of run rate management fees measured following four, six and eight years from completion on 1 January 2017. The maximum aggregate amount payable by Man is capped at $207 million. The $20 million decrease (2018: $10 million) in the fair value of the Aalto contingent creditor is due to slower than forecast growth.

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, net management fee margins, performance, operating margins and the growth in FUM, as applicable. The post-tax discount rate applied for Aalto management fees is 15%.

The most significant inputs into the valuations at 31 December 2019 are as follows:

	Aalto
Weighted average net management fee margin (over the remaining earn-out period)	**0.6%**
Compound growth in average FUM (over the remaining earn-out period)	**20%**

Changes in inputs would result in the following increase/(decrease) in the fair value of the contingent consideration creditor at 31 December 2019, with a corresponding (expense)/gain in the Group income statement:

	Aalto
Weighted average net management fee margin (over the remaining earn-out period)	
0.1% increase	**21**
0.1% decrease	**(22)**
Compound growth in average FUM (over the remaining earn-out period)	
5% increase	**15**
5% decrease	**(13)**

23. Other matters

In July 2019, the Public Institution for social security in Kuwait (PIFSS) served a claim against a number of parties, including certain Man Group companies, a former employee of Man Group and a former third party intermediary. The subject matter of these allegations dates back over a period of 20 years. PIFSS is seeking compensation of $156 million (plus compound interest) and certain other remedies which are unquantified in the claim. Man Group disputes the allegations and considers there is no merit to the claim (in respect of liability and quantum). We will therefore vigorously and robustly defend the proceedings.

Man Group is subject to various other 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 Group.

ALTERNATIVE PERFORMANCE MEASURES

We assess the performance of the Group using a variety of alternative performance measures (APMs). We discuss the Group's results on an 'adjusted' basis as well as a statutory basis. The rationale for using adjusted measures is explained below.

We also explain financial performance using measures that are not defined under IFRS and are therefore termed 'non-GAAP' measures. These non-GAAP measures are also explained below. The alternative performance measures we use may not be directly comparable with similarly titled measures by other companies.

Funds under management (FUM)

FUM is the assets that the Group manages for investors in fund entities. FUM is a key indicator of our performance as an investment manager and our ability to remain competitive and build a sustainable business. FUM is measured based on management fee earning capacity. Average FUM multiplied by our net management fee margin (see below) equates to our management fee earning capacity. FUM is shown by product groupings that have similar characteristics (as shown on page 15). Management focus on the movements in FUM split between the following categories:

Net inflows/outflows

Net inflows/outflows are a measure of our ability to attract and retain investor capital. Net flows are calculated as sales less redemptions. Further details are included on page 15.

Investment movement

Investment movement is a measure of the performance of the funds we manage for our investors. It is calculated as the fund performance of each strategy multiplied by the FUM in that strategy. Further details are included on page 15.

FX and other movements

Some of the Group's FUM is denominated in currencies other than USD. FX movements represent the impact of translating non-USD denominated FUM into USD. Other movements principally relate to maturities and leverage movements.

Asset weighted performance versus benchmark

The asset weighted performance relative to peers for the period stated is calculated using the daily asset weighted average performance relative to peers for all strategies where we have identified and can access an appropriate peer composite. The performance of our strategies is measured net of management fees charged and, as applicable, performance fees charged. As at 31 December 2019, it covers 89% of the FUM of the Group and excludes infrastructure mandates, Global Private Markets and collateralised loan obligations. Asset weighted performance versus benchmark is a KPI (page 13).

Net management fee revenue and margins

Margins are an indication of the revenue margins negotiated with our institutional and retail investors net of any distribution costs paid to intermediaries and are a primary indicator of future revenues. Net management fee revenue is defined as gross management fee revenue and share of post-tax profits of associates less distribution costs, excluding any amounts related to consolidated fund entities (Note 13.2). This represents a change in definition of the measure as described below. Net management fee margin is calculated as net management fee revenue, excluding share of post-tax profits of associates divided by FUM. Net management fee revenue and margins are shown on page 15.

Core net management fee revenue and core profit before tax

Core net management fee revenue excludes net management fee revenue relating to guaranteed products and share of post-tax profits of associates. These items have been excluded in order to better present the management fees of the core business given the roll-off of the legacy guaranteed product FUM and share of post-tax profits of associates which is generated externally and for which our remaining equity interest was sold during 2018 (Note 17). The detailed calculation of core net management fee revenue is shown on page 16. Core profit before tax is defined as core management fee profit before tax plus adjusted performance fee profit before tax.

Run rate net management fee revenue and margins

In addition to the net management fee revenue and margins for the year, as detailed above, we also use run rate net management fee revenue and run rate margins as at the end of the year. These measures give the most up to date indication of our revenue streams at the period end date. The run rate net management fee margin is calculated as net management fee revenue for the last quarter divided by the average FUM for the last quarter on a fund by fund basis. Run rate net management fee revenue is calculated as the run rate net management fee margin applied to the closing FUM as at the period end.

Adjusted profit before tax and adjusted earnings per share

Adjusted profit before tax is a measure of the Group's underlying profitability. The directors consider that in order to assess underlying operating performance, the Group's profit period on period is most meaningful when considered on a basis which excludes acquisition and disposal related items (including non-cash items such as amortisation of acquired intangible assets), impairment of assets, costs relating to substantial restructuring plans, unrealised foreign exchange movements on lease liabilities and associated deferred tax and certain significant event driven gains or losses, which therefore reflects the revenues and costs that drive the Group's cash flows and inform the base on which the Group's variable compensation is assessed. Movements in deferred tax relating to the recognition of tax assets in the US are similarly excluded from adjusted profit after tax in order to best reflect cash taxes paid. 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.

Changes to APMs in 2019

We have amended the definition of net management fee revenue in 2019 to also exclude the third-party share of management fees relating to consolidated fund entities in order to better reflect the associated income and expenses of these funds together with other seeding-related activity which is recognised within performance fee profits. This would have a 2018 comparative impact of increasing management fee profits by $3 million and decreasing performance fee profits by the same amount. There is no impact on adjusted profit or statutory profit before tax.

Adjusted earnings per share (EPS) is calculated as adjusted profit after tax divided by the weighted average diluted number of shares.

The reconciliation of statutory profit before tax to adjusted profit before tax, and the reconciliation of statutory diluted EPS to the adjusted EPS measures are shown below.

$m	Note to the Group financial statements	**Year ended 31 December 2019**	Year ended 1 December 2018
Statutory profit before tax		**307**	278
Adjusting items:			
Acquisition and disposal related			
Impairment of acquired intangible assets	10	**5**	–
Amortisation of acquired intangible assets	10	**78**	83
Revaluation of contingent consideration	22	**(37)**	(31)
Unwind of contingent consideration discount	6	**18**	28
Gain on sale of investment in Nephila	17	**(1)**	(113)
Unrealised foreign exchange movements on lease liabilities and associated deferred tax		**10**	–
Compensation – restructuring	4	**(1)**	1
Other costs – restructuring	5	**7**	5
Adjusted profit before tax		**386**	251
Tax on adjusted profit		**(59)**	(35)
Adjusted profit after tax		**327**	216

Further details on adjusting items are included within the related notes to the Group financial statements.

Adjusted management fee and performance fee profit before tax

Adjusted profit before tax is split between adjusted management fee profit before tax and adjusted performance fee profit before tax to separate out the variable performance fee related earnings of the business from the underlying management fee earnings of the business. See above for details of changes to this APM in 2019.

$m	Year ended 31 December 2019	Year ended 31 December 2018
Gross management and other fees[1,2]	**791**	835
Sub-lease rental income	**14**	–
Share of post-tax profit of associates	**–**	7
Less:		
Distribution costs	**(38)**	(51)
Asset servicing	**(55)**	(51)
Compensation (management fee)	**(352)**	(357)
Other costs[2]	**(178)**	(170)
Net finance expense	**(10)**	4
Adjusted management fee profit before tax	**172**	217
Exclude: Net management fees from guaranteed products and share of post-tax profits of associates	**(2)**	(14)
Core management fee profit before tax	**170**	203
Performance fees[1,2]	**325**	127
Gains/(losses) on investments and other financial instruments[1]	**20**	(5)
Less:		
Compensation (performance fee)	**(125)**	(79)
Finance expense	**(6)**	(9)
Adjusted performance fee profit before tax	**214**	34
Core profit before tax	**384**	237

Notes:

1 In 2018, gross management and other fees included $1 million of management fee revenue and performance fees included $1 million of performance fee revenue for the third-party share relating to line-by-line consolidated fund entities (per Group financial statements Note 13.2 on page 128), reclassified to gains/(losses) on investments.

2 In 2019, gross management and other fees, performance fees and other costs exclude amounts for line-by-line consolidated fund entities, with these reclassified to gains/(losses) on investments together with the third-party share.

Core profit before tax and core management fee profit before tax

Core management fee profit before tax is adjusted management fee profit before tax, excluding net management fees relating to guaranteed products and share of post-tax profits of associates, which relate to our legacy business. Core profit before tax is core management fee profit before tax plus adjusted performance fee profit before tax, equivalent to adjusted profit before tax excluding net management fees relating to guaranteed products and share of post-tax profits of associates. Core profit before tax is a KPI (page 13).

The impact of adjusting items on the Group's tax expense is outlined below:

$m	Note to the Group financial statements	Year ended 31 December 2019	Year ended 31 December 2018
Statutory tax expense		**22**	5
Less tax credit on adjusting items:			
Amortisation of acquired intangible assets		**8**	10
Unrealised foreign exchange movements on lease liabilities and associated deferred tax		**2**	–
Tax adjusting item	7	**27**	20
Tax expense on adjusted profit before tax		**59**	35
Made up of:			
Tax expense on adjusted management fee profit before tax		**21**	28
Tax expense on adjusted performance fee profit before tax		**38**	7

Adjusted tax rate

The adjusted tax rate is the effective tax rate on adjusted profit before tax and is equal to the tax on adjusted profit divided by adjusted profit before tax. As outlined above adjusted profit before tax is a measure of the Group's underlying profitability. The tax expense on adjusted profit before tax is calculated by excluding the tax benefit/expense related to adjusting items from the statutory tax expense, except for any tax relief recognised as a result of available US tax assets (Note 7). Therefore, the tax on adjusted profit best reflects the cash taxes payable by the Group. The adjusted tax rate is 15% for 2019 (2018: 14%), which has increased due to a higher weighting of profits in the UK where the applicable statutory tax rate is 19%.

Certain adjusting items are included within the notes to the Group financial statements, which can be reconciled to their adjusted equivalents as outlined below:

$m	Note to the Group financial statements	**Year ended 31 December 2019**	Year ended 31 December 2018
Total compensation costs	4	**476**	437
Adjusting items (as above)		**1**	(1)
Total compensation costs excluding adjusting items		**477**	436
Made up of:			
Fixed compensation (includes salaries and associated social security costs, and pension costs)		**193**	179
Variable compensation (includes variable cash compensation, share-based payment charge, fund product payment charge and associated social security costs)		**284**	257

$m			
Total other costs	5	**189**	175
Adjusting items (as above)		**(7)**	(5)
Total other costs excluding adjusting items		**182**	170

$m			
Total finance expense	6	**42**	40
Total finance income	6	**(8)**	(7)
Net finance expense, including adjusting items		**34**	33
Adjusting items (as above)		**(18)**	(28)
Net finance expense excluding adjusting items		**16**	5

Adjusted management fee EPS

Man's dividend policy is disclosed on page 21. Dividends paid to shareholders (based on adjusted management fee EPS) are determined based on the adjusted management fee profit before tax. Adjusted management fee EPS is calculated using post-tax profits excluding performance fee profits and adjusting items, divided by the weighted average diluted number of shares.

The reconciliation from EPS (Note 8) to adjusted EPS is provided below:

	Year ended 31 December 2019			Year ended 31 December 2018		
	Basic and diluted post-tax earnings $m	**Basic earnings per share cents**	**Diluted earnings per share cents**	Basic and diluted post- tax earnings $m	Basic earnings per share cents	Diluted earnings per share cents
Statutory profit after tax	**285**	**18.9**	**18.4**	273	17.3	17.0
Adjusting items	**79**	**5.2**	**5.1**	(27)	(1.7)	(1.7)
Tax adjusting items	**(37)**	**(2.5)**	**(2.4)**	(30)	(1.9)	(1.8)
Adjusted profit after tax	**327**	**21.6**	**21.1**	216	13.7	13.5
Less adjusted performance fee profit	**(176)**	**(11.6)**	**(11.3)**	(27)	(1.7)	(1.7)
Adjusted management fee profit after tax	**151**	**10.0**	**9.8**	189	12.0	11.8

Compensation ratio

The compensation ratio measures our compensation costs relative to our revenue. The Group's compensation ratio is generally between 40% and 50% of net revenue, depending on the mix and level of revenue. It is calculated as total compensation divided by net revenue. Details of the current year compensation ratio are included on page 18.

Net financial assets/liabilities

The Group is no longer subject to consolidated supervision by the UK's Financial Conduct Authority following the corporate reorganisation in May 2019 (Note 1), and therefore pro forma surplus capital is no longer included as an APM. Net financial assets/liabilities is considered a proxy for Group capital, and is equal to the Group's cash and seed book less borrowings, contingent consideration payable and payables under repo arrangements, made up as follows:

$m	Note to the Group financial statements	**31 December 2019**	31 December 2018
Seeding investment portfolio	13	**514**	662
Cash and cash equivalents[1]	12	**220**	344
Borrowings	12	**–**	(150)
Contingent consideration payable	22	**(24)**	(212)
Payables under repo arrangements	15	**(36)**	–
Net financial assets		**674**	644

Note:
1 Cash and cash equivalents excludes $61 million (2018: $26 million) of cash relating to line-by-line consolidated fund entities (Note 13.2).