



17 December 2009

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A message from Peter Clarke, Chief Executive of Man

Dear Investor

I believe that 2009 will be seen as one of the defining years for modern investment management. After the liquidity and performance difficulties of 2008, the crisis of confidence and government interventions which were the dominant themes of early 2009 have changed markets and changed investor requirements. Much of this will be permanent. At Man we have responded by changing both the way we invest and the way we deliver performance to our investors. In this letter I outline what this means and why it matters.

First though, performance. After the tumult of the first quarter of 2009, a degree of normalisation returned to most markets and volatility gradually subsided. At Man, we maintained a conservative overall investment positioning, seeking to protect investors from the many downside risks which persisted through 2009. Our multi-manager portfolios have enjoyed solid performance over the year, while remaining focused on the portfolio benefits of diversification and low correlation with equities. Herbert Item, Chief Investment Officer of Man's multi-manager business, provides more detail of our investment positioning in his attached letter. Our managed futures portfolios at AHL, in common with the wider trend-following community, have seen negative returns for 2009 as markets rallied and reversed, many of them repeatedly and within a narrow range. In consequence, AHL has given back around half of the 33% gain investors enjoyed in 2008. The ability of AHL to generate positive, diversifying and liquid returns, despite the direction of markets, remains a source of significant investor attraction given the continued uncertainty of macro-economic conditions.

As a personal reflection on 2009, I vividly recall the challenges faced by all investors and asset managers as the turbulence of 2008 developed into a real sense of market crisis in the first quarter of 2009. Throughout this difficult period we monitored investment exposure and risk levels carefully, having already taken decisive action in the last quarter of 2008 to de-risk portfolios and protect investor capital. We worked very hard to preserve liquidity terms for our investors, successfully achieving a position which, in aggregate, very few peers were able to match. Counterparty confidence was a scarce commodity for most of 2009. With a capital surplus in excess of USD 1.5 billion at all times, and substantial levels of cash and funding available throughout the year, Man's financial strength was not in doubt. We carry this position of strength forward into 2010.

We heard from you that liquid, transparent and clear investment structures, greater clarity in the way assets are controlled and invested and demonstrable governance at all levels are key. We responded by consolidating our broad multi-manager capabilities into a single business. We enshrined risk management at the same organizational level as investment management. We revalidated our investment process. We preserved the strength, depth and global reach of our research and portfolio management teams. Announcing these changes in March, we had implemented by June, and in October the Fitch rating agency conferred on us the M2+ rating, the highest they have given any multi-manager business.

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We also saw considerable investor focus on the benefits of managed accounts. Man has over a decade of experience as an independent provider of managed accounts; offering enhanced control of assets, position level transparency and independent valuation and custody, and providing liquidity driven by the market rather than the manager. We continue to deepen the range and scope of our managed account offering, always from the stand point of enhancing investment and risk management, and premised on our confidence in the underlying manager. Our multi-manager investment business has over USD 6 billion in managed account format, making Man one of the largest providers in the world.

Managed accounts form part of a much broader picture of our ever closer engagement with investors and their advisers, serving to understand their wider portfolio needs and to provide superior investment solutions. This is not unique to 2009, but I do sense a change in investor expectations, not just in terms of the investment firms you choose to align with, but crucially with the new, more developed forms in which investment exposure and returns are delivered. One important example is a real investor momentum for onshore, regulated solutions. Another is the continued push by the most sophisticated institutional investors for customised portfolios. Man has long provided portfolios to meet exacting local regulatory standards and investor requirements without compromising on the underlying investment proposition. Not everyone can do this; it is one of our core skills.

The significant international debate around regulatory policy will produce further change in parts of the investment industry. Man has for a long time been both transparent and regulated, and we have the expertise, relationships and infrastructure to adapt and operate successfully in virtually any likely policy outcome.

Macro economic uncertainty is likely to continue into 2010 and beyond; the prospect of inflation, the timing of interest rate rises and the reduction and ultimate reversal of government stimulus programmes. In contrast, investors are keen to deploy capital, but nervous of maintaining existing portfolios, and looking for better returns or reduced portfolio risk. This is an environment where flexible and dynamic investment strategies are not only preferable but probably essential.

In conclusion, the outlook for hedge fund returns in 2010 and beyond is encouraging, but participation will require careful thought, flexible positioning and diligent choice of investment manager. Our investors are rightly focused on quality – in performance, in infrastructure, in risk management and in business management. There are those who have developed their business to meet these exacting requirements and there are those who have not. I believe that Man is part of a very select group of investment managers who have secured the confidence of investors, counterparties, regulators and others over many years. That confidence is the bedrock of our business and the reason for our continued success.

Finally and most importantly, I would like to thank you, our investors, for your continuing trust and support and to wish you a relaxing holiday season and a prosperous New Year.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Clarke', written over a horizontal line.

Peter Clarke

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