Man Group plc

Interim report for the six months ended
30 June 2019

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

Key points

- Funds under management (FUM)[1] up 5% to $114.4 billion (31 December 2018: $108.5 billion)
    - Positive investment movement of $6.8 billion (H1 2018: negative $1.7 billion)
    - Net outflows of $1.1 billion (H1 2018: net inflows $8.3 billion)
    - Positive FX translation and other movements of $0.2 billion (H1 2018: negative $2.0 billion)
- Adjusted profit before tax (PBT)[1] up 3% to $157 million (H1 2018: $153 million)
    - Adjusted management fee PBT[1] of $83 million (H1 2018: $120 million) incorporating non-operating impacts of $21 million from the FX hedge and the adoption of IFRS 16, as well as no associate income following the sale of our stake in Nephila in 2018
    - Adjusted performance fee PBT[1] of $74 million (H1 2018: $33 million)
- Adjusted earnings per share (EPS)[1] up 6% to 8.6 cents (H1 2018: 8.1 cents) reflecting:
    - Higher performance fees and seed investment gains
    - Positive impact of a lower share count following share buybacks
    - Decline in the net management fee margin from 71 to 68 basis points reflecting strong growth in lower margin strategies
- Statutory PBT of $110 million (H1 2018: $90 million); Statutory EPS of 5.8 cents (H1 2018: 4.6 cents) with the increase reflecting the adjusted EPS growth drivers above and lower adjusting items
- Asset weighted underperformance versus peers[1] of 1.1% for the six months to 30 June 2019 (outperformance of 1.0% for the year ended 31 December 2018)
- Interim dividend of 4.7 cents per share (H1 2018: 6.4 cents per share)
- Corporate reorganisation successfully completed in May providing more flexibility in financing the business; $150 million Tier 2 notes will be redeemed in full on 16 September 2019

Luke Ellis, Chief Executive Officer of Man Group, said:

"Absolute performance was strong in the first half of 2019, particularly in our quant alternative strategies, which drove a $5.9 billion increase in FUM and growth in profits. Relative performance and flows were more mixed with outperformance and inflows into our quant alternative strategies and underperformance and outflows from our valuation biased strategies, with clients continuing to reduce their equity exposure coming into the third quarter.

We enter the second half of 2019 with good performance fee earning potential with 90% of Man AHL strategies at high water mark and the diversified nature of our business means that we remain well positioned to navigate the current economic environment. We continue to focus on delivering superior risk adjusted performance for our clients and, in doing so, creating long-term value for our shareholders."

1 For definitions and explanations of our alternative performance measures, please refer to pages 34-39

Summary financials

	Page ref.	**Six months ended 30 June 2019 $m**	Year ended 31 December 2018 $m	Six months ended 30 June 2018 $m
Net management fee revenue[1,2]	35	382	791	401
Performance fees[3]	38	142	122	85
Net revenues		**524**	**913**	**486**
Compensation[4]	25	(243)	(436)	(227)
Other costs[4]	25	(115)	(221)	(104)
Net finance expense[4]	26	(9)	(5)	(2)
Adjusted profit before tax[1]	36	**157**	**251**	**153**
Adjusting items[5]	36	(47)	27	(63)
Statutory profit before tax	**17**	**110**	**278**	**90**
Statutory diluted earnings per share (EPS)	26	5.8c	17.0c	4.6c
Adjusted EPS[1,6]	37	8.6c	13.5c	8.1c
Adjusted management fee EPS[1,6]	37	4.7c	11.8c	6.4c
Dividend per share		3.87p	8.94p	4.88p

1 For definitions and explanations of our alternative performance measures, please refer to pages 34-39
2 Includes gross management and other fees, distribution costs, sub-lease rental income (six months ended 30 June 2019) and share of post-tax profit from associates (year ended 31 December 2018 and six months ended 30 June 2018)
3 Includes income or gains/(losses) on investments and other financial instruments and third-party share of losses relating to interests in consolidated funds
4 Excludes adjusting items. Other costs include asset servicing costs
5 Adjusting items primarily relate to amortisation of acquired intangible assets and movements in contingent consideration. Refer to the alternative performance measures section (page 36) for further detail
6 The reconciliation of diluted statutory EPS to adjusted EPS is included in the alternative performance measures (page 37)

Key Performance Indicators[7, 8]

	Six months ended 30 June 2019	Year ended 31 December 2018	Six months ended 30 June 2018
Asset weighted (underperformance)/outperformance versus	**(1.1)%**	1.0%	0.3%
Net (outflows)/inflows[9]	**(2.0)%**	9.9%	15.2%
Adjusted core profit before tax	**$155m**	$237m	$145m
Adjusted management fee EPS growth	**-27%**	9.3%	28.5%

7 For definitions and explanations of our alternative performance measures, please refer to pages 34-39
8 For definitions and explanations of key performance indicators refer to the 2018 annual report
9 Six month figures are annualised

About Man Group

Man Group is a global active investment management firm, which runs $114.4 billion[1] of client capital in liquid and private markets, managed by investment specialists based around the world. Headquartered in London, the firm has 15 international offices and operates across 25 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 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 responsible investment, please visit www.man.com/responsible-investment.

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

1 As at 30 June 2019. All investment management and advisory services are offered through the investment "engines" of Man AHL, Man Numeric, Man GLG, Man FRM and Man GPM.

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 report is not incorporated into and does not form part of this report. 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. Past performance is not indicative of future results.

CHIEF EXECUTIVE OFFICER'S REVIEW

After the equity market sell-off at the end of 2018, the first half of 2019 was characterised by a more supportive 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[1] of 1.1% for the period (1.0% outperformance for the year ended 31 December 2018). Across the industry we have seen clients reducing their equity exposure and increasing their allocations to bonds, an area where we have historically been under-represented, which has contributed to net outflows in the half. We nevertheless 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 5% to $114.4 billion in the half, as strong absolute investment performance more than offset net outflows.

Adjusted profit before tax[1] increased by 3% to $157 million compared to H1 2018 with higher performance fee profits partially offset by lower management fee profits. As we previously highlighted, we entered 2019 with lower run rate management fees compared to twelve months earlier driven by the equity market sell-off at the end of 2018. In addition we faced a number of non-operating headwinds compared to the prior year including:

- No associate income following the sale of our stake in Nephila at the end of 2018
- The impact on costs of a higher FX hedge rate compared to H1 2018
- The adoption of IFRS 16

These led to adjusted management fee profit before tax[1] being down 31% versus H1 2018. However the strong absolute performance from our quant alternative strategies drove a 51% increase in performance fees and this, combined with higher seed book investment gains, led to a 124% increase in performance fee profits. Statutory profit before tax increased by 22% to $110 million compared to the six months ended 30 June 2018. This was due to the adjusted profit drivers explained above, as well as the contingent consideration creditor being revalued downwards driven by refinements to the forecast as we approach the final Numeric earn-out and due to the growth of Aalto not being as rapid as previously forecast.

Investment performance[2]

The first six months of 2019 were 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 $6.8 billion of investment performance for clients. Returns in the absolute return category were driven by strong performance from our major quant alternative strategies which were up between 5.2% and 11.2%. In the total return category alternative risk premia was up 4.1%, while emerging market debt total return was down 1.8%. Systematic long only strategies were up on average 11.9% driven by the rebound in equity markets with returns ranging from 8.6% to 15.9%. Returns in the discretionary long only category were driven by the performance of Japan CoreAlpha which was up 1.3%. In addition the UK and European focused discretionary strategies delivered strong returns with the continental European strategy up 23.9% and the undervalued assets strategy up 10.2% in the period.

Relative performance across the firm was more mixed, with asset weighted underperformance versus peers[1] across our strategies of 1.1% in the first half. Outperformance in the absolute return category was driven by our quant alternative strategies (outperforming the Barclay BTOP Index on average by 1.5%). Across our total return strategies alternative risk premia continued its strong relative performance since launch and TargetRisk significantly outperformed peers by 7.6% in the period. However this was offset by underperformance of 7.7% from the emerging market debt strategy due to its bearish positioning. Relative performance of the systematic long only strategies was weaker with underperformance of 1.9% in the half due to their valuation bias. Japan CoreAlpha underperformed by 4.7% due to its value bias while the European focused long only strategies performed well on a relative basis.

1 For definitions and explanations of our alternative performance measures, please refer to pages 34-39

2 Past performance is not an indication of future performance. All returns shown are net of fees.

Business development

Despite the quieter sales environment following a record period in 2018, 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 71% of FUM at 30 June 2019 relating to clients invested in two or more products, and 45% relating to clients invested in four or more products. 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 diversify our product range still further.

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 $2.5 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, and has also enabled continued innovation. A good example of this has been in 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 through the first half of 2019. 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.

Financial review

Adjusted profit before tax[1] was $157 million compared to $153 million for the six months ended 30 June 2018 and adjusted earnings per share were 8.6 cents compared to 8.1 cents for the comparative period.

Net revenues of $524 million comprised $382 million of net management fees (including sub-lease rental income) and $142 million of performance fees and gains on seed investments. Net management fees were 5% lower than H1 2018 primarily due to a decline in the net management fee margin from 71 basis points for the half year ended 30 June 2018 to 68 basis points for the six months ended 30 June 2019. This reduction is due to the continued mix shift as lower margin strategies have tended to grow at a faster rate. Performance fees were 51% higher than the six months ended 30 June 2018 and included $116 million of performance fees from Man AHL and $9 million from Man GLG. Gains on seed investments were $17 million compared to $2 million in the first half of 2018.

Compensation costs were $243 million (H1 2018: $227 million) which comprised $99 million of fixed compensation costs (H1 2018: $86 million) and $144 million of variable compensation costs (H1 2018: $141m). The increase in fixed compensation was due to a less favourable FX hedge rate (1.40 for H1 2019 versus 1.26 for H1 2018) and the full year impact of investment in the business in 2018. Variable compensation costs increased due to compensation attributed to higher performance fee revenues partially offset by lower management fee revenues. Our compensation ratio was 46% (H1 2018: 47%), slightly lower than H1 2018 due to higher performance fees.

Other costs, including asset servicing and depreciation, were $115 million compared to $104 million for the six months to 30 June 2018. $5 million of the increase was due to a less favourable FX hedge rate, $3 million was due to the adoption of IFRS 16 (the new leases accounting standard which front-loads recognition of lease associated costs) and the remainder of the increase was due to higher depreciation,

1 For definitions and explanations of our alternative performance measures, please refer to pages 34-39

reflecting previous capital investment. Full year guidance for fixed costs (fixed compensation and other cash costs) remains at $330 million as some costs are second half weighted. We no longer hedge our fixed costs so this would currently be a benefit in 2020.

Net finance expense was $9 million (H1 2018: $2 million) which included $7 million related to the adoption of IFRS 16.

The Group had operating cash net inflows of $5 million for H1 2019 (compared to net inflows of $203 million for H1 2018) primarily as a result of working capital movements relating to performance fees. The Group had operating cash net inflows (before working capital, interest and tax) of $234 million for the period (H1 2018: $186 million). At 30 June 2019, the Group had total net cash of $57 million excluding the cash balances related to consolidated funds (30 June 2018: $159 million, 31 December 2018: $194 million).

Capital Management

In May 2019 we successfully completed the corporate reorganisation announced in October 2018. The 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 as the best summary of our balance sheet position (comprising cash and seed investments less borrowings and contingent consideration). At 30 June 2019 the Group's net financial assets[1] were $474 million compared to $644 million at 31 December 2018 due to the payment of the final dividend and 2018 bonuses.

The reorganisation has enabled us to look at more efficient ways of financing the seeding book. Earlier this month we notified the holders of our $150 million Tier 2 notes that we are redeeming the notes as we no longer require qualifying capital instruments to finance the business. In addition, in June we sold some of our seeding positions and initiated total return swap positions whereby we receive the returns on those seeding positions in exchange for the payment of a floating rate of interest. This has the effect of releasing liquidity from the seeding book, while maintaining the risk exposure and commercial benefit of our seeding programme. This generated cash of $20 million in June, and we anticipate continuing this process as we approach the upcoming Man Numeric earn-out payment, currently estimated to be $170 million. We expect these changes to generate approximately $4.5 million of annual net interest savings on a like for like basis from September 2019.

The change does not alter the overall risk profile from our seeding programme which continues to be sized in accordance with a Value at Risk (VaR) limit of $75 million with the VaR estimated to be $24 million at 30 June 2019 (31 December 2018: $25 million). In aggregate, the seed book stood at $625 million at 30 June 2019 ($662 million at 31 December 2018, see page 29 for further detail). The seed book consists of fund and other investments that will be redeemed as practicable, typically within 12 months, as funds are marketed to clients. In addition, we held $20 million of total return swap exposure at 30 June 2019. The asset weighted performance of the seeding book (excluding illiquid assets) for the six months to 30 June 2019 was 1.6% (0.1% for six months to 30 June 2018).

Dividend and share repurchase

Our dividend policy remains unchanged. Adjusted management fee EPS 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 Man Group's dividend policy is to pay at least 100% of adjusted management fee EPS in each financial year by way of ordinary dividend. In addition, Man Group expects to generate significant capital over time, primarily from net performance fee earnings. Further capital will be distributed to shareholders over time by way of higher dividend payments and/or share repurchases, while maintaining a prudent balance sheet and taking into account required capital (including liabilities for future earn-out payments) and potential strategic opportunities. Over the past five years we have returned $851 million through dividends and announced $690 million of share buybacks for shareholders.

In line with our dividend policy the Board has declared an interim dividend of 4.7 cents per share, being an amount equal to the adjusted management fee EPS for the six months to 30 June 2019 (refer to the Alternative Performance Measures section (page 37)). The interim dividend will be paid at the rate of 3.87 pence per share on 4 September 2019 to all shareholders on the register on 9 August 2019. In October 2018, the Board announced a share repurchase programme for up to $100 million to return capital to shareholders and at 28 June 2019 $81 million worth of shares have been repurchased.

1 For definitions and explanations of our alternative performance measures, please refer to pages 34-39

FUNDS UNDER MANAGEMENT (FUM), FLOWS AND NET MANAGEMENT FEE MARGINS[1]

FUM movements for the six months to 30 June 2019

$bn	FUM at 31 December 2018	Net inflows/ (outflows)	Investment movement	FX & other	FUM at 30 June 2019
Alternative	**64.9**	**1.5**	**2.2**	**0.3**	**68.9**
Absolute return	**28.9**	(0.6)	1.4	0.2	**29.9**
Total return	**22.5**	2.8	0.4	(0.2)	**25.5**
Multi-manager solutions	**13.5**	(0.7)	0.4	0.3	**13.5**
Long only	**43.5**	**(2.6)**	**4.6**	**(0.1)**	**45.4**
Systematic	**24.7**	(0.7)	3.1	(0.1)	**27.0**
Discretionary	**18.8**	(1.9)	1.5	-	**18.4**
Guaranteed	**0.1**	-	-	-	**0.1**
Total	**108.5**	**(1.1)**	**6.8**	**0.2**	**114.4**

FUM movements for the three months to 30 June 2019

$bn	FUM at 31 March 2019	Net inflows/ (outflows)	Investment movement	FX & other	FUM at 30 June 2019
Alternative	**67.1**	**0.1**	**1.3**	**0.4**	**68.9**
Absolute return	**28.7**	0.1	0.9	0.2	**29.9**
Total return	**25.0**	0.6	0.2	(0.3)	**25.5**
Multi-manager solutions	**13.4**	(0.6)	0.2	0.5	**13.5**
Long only	**45.1**	**(0.5)**	**1.0**	**(0.2)**	**45.4**
Systematic	**26.8**	(0.4)	0.7	(0.1)	**27.0**
Discretionary	**18.3**	(0.1)	0.3	(0.1)	**18.4**
Guaranteed	**0.1**	-	-	-	**0.1**
Total	**112.3**	**(0.4)**	**2.3**	**0.2**	**114.4**

FUM movements for the three months to 31 March 2019

$bn	FUM at 31 December 2018	Net inflows/ (outflows)	Investment movement	FX & other	FUM at 31 March 2019
Alternative	**64.9**	**1.4**	**0.9**	**(0.1)**	**67.1**
Absolute return	**28.9**	(0.7)	0.5	-	**28.7**
Total return	**22.5**	2.2	0.2	0.1	**25.0**
Multi-manager solutions	**13.5**	(0.1)	0.2	(0.2)	**13.4**
Long only	**43.5**	**(2.1)**	**3.6**	**0.1**	**45.1**
Systematic	**24.7**	(0.3)	2.4	-	**26.8**
Discretionary	**18.8**	(1.8)	1.2	0.1	**18.3**
Guaranteed	**0.1**	**-**	-	-	**0.1**
Total	**108.5**	**(0.7)**	**4.5**	**-**	**112.3**

1 For definitions and explanations of our alternative performance measures, please refer to page 34.

Net management fee margins and run rate net management fee revenues[1]

	Margin for the Half year ended 30 June 2018 (bps)	*Run rate margin at 31 December 2018 (bps)*	Margin for the Six months ended 30 June 2019 (bps)	*Run rate margin at 30 June 2019 (bps)*	*Run rate net management fees at 30 June 2019[1] $m*
Absolute return	130	*123*	121	*120*	*359*
Total return	57	*57*	56	*56*	*144*
Multi-manager solutions	37	*35*	35	*31*	*42*
Systematic	37	*37*	37	*36*	*97*
Discretionary	69	*68*	67	*68*	*125*
Core	**71**	***69***	**68**	***67***	***767***
Guaranteed	537	*524*	600	*547*	***3***
Total	**71**	***69***	**68**	***67***	***770***

1. Run rate revenue applies internal analysis of run rate margin to 30 June 2019 FUM. It is for illustrative purposes and not a forecast.

FUM AND MARGINS COMMENTARY

In the six months to 30 June 2019, FUM increased 5% to $114.4 billion driven by positive absolute investment movement of $6.8 billion partially offset by net outflows of $1.1 billion comprising sales of $13.5 billion and redemptions of $14.6 billion. The total net management fee margin decreased by 3 basis points compared to the half year ended 30 June 2018.

ALTERNATIVES

Absolute return

Absolute return FUM increased by 3% to $29.9 billion in the six months to 30 June 2019. Net outflows of $0.6 billion were largely driven by redemptions from Man GLG's long short strategies as well as Man AHL's Diversified strategy. These were partially offset by net inflows into Man institutional solutions and pure momentum.

Positive investment movement of $1.4 billion was primarily driven by positive performance at Man AHL (Alpha +5.5%, Evolution +11.2%, Dimension +5.2% and Diversified +8.2%).

Man AHL earned $116 million of gross performance fees in the period (compared to $57 million in H1 2018). The majority of the AHL Evolution strategy's performance fees crystallise annually in June and the performance over the previous twelve months was 13.3% which resulted in $86 million of performance fees. An additional $8 million was earned from weekly funds and $20 million was earned from institutional solutions. As at 30 June 2019, 89% of Man AHL performance fee eligible FUM, or $18.5 billion, was at high watermark and 2.0%, or $0.3 billion, was within 5% of high watermark.

Man GLG recorded $9 million of gross performance fees in the first half (compared to $24 million in H1 2018) with the majority of the fees being earned from the Alpha Select strategy. As at 30 June 2019, 33% of Man GLG performance fee eligible FUM, or $2.9 billion, was at high watermark and 35%, or $3.1 billion, was within 5% of high watermark.

The absolute return run rate margin decreased by 3 basis points compared to the year ended 31 December 2018, as a result of the continued mix shift towards institutional assets, which are at a lower margin. As we have previously indicated we expect the absolute return margin to continue to gradually decline as this shift continues.

Total return

Total return FUM increased by 13% in the six months to 30 June 2019 to $25.5 billion, driven by net inflows of $2.8 billion and positive investment movement of $0.4 billion. Net inflows included $1.4 billion into risk premia strategies, $0.7 billion into a Man GLG bespoke mandate for a large institutional client, and $0.4 billion into the TargetRisk strategy.

There was positive investment performance during the period of $0.4 billion, with alternative risk premia up 4.1% and the TargetRisk strategy up 20.0%. This was partially offset by negative investment performance in emerging market debt total return of 1.8% due to bearish positioning within this strategy.

Other movements of negative $0.2 billion mainly related to maturities within global private markets. There was no material FX impact over the period.

The total return net management fee margin was in line with the 31 December 2018.

Multi-manager solutions

Multi-manager solutions FUM remained flat at $13.5 billion during the six month period. Net outflows of $0.7 billion comprised $1.4 billion of redemptions from segregated portfolios. This was partially offset by $0.8 billion of subscriptions into lower margin infrastructure mandates. There was positive performance of $0.4 billion during the period.

Man FRM's strategies earned no performance fees in the period compared to $1 million in H1 2018.

The net margin in the multi-manager solutions category declined compared to the half year ended 30 June 2018 due to the continued mix shift towards lower margin managed account mandates and the decline in higher margin legacy fund of fund assets. The redemption rate in our legacy fund of fund assets picked up during the second quarter and as a result the run rate margin has decreased to 31 basis points. As we have previously indicated we expect the multi-manager solutions margin to continue to decline as this mix shift continues.

LONG ONLY

Systematic

Systematic long only FUM increased by 9% to $27.0 billion in the six month period, driven largely by positive investment movement of $3.1 billion. Net outflows of $0.7 billion comprise $0.7 billion out of Global Core and $0.5 billion out of Emerging Markets Core. These outflows were partially offset by $0.9 billion of inflows into Man Numeric's global low volatility strategy.

Man Numeric earned no performance fees in the period compared to $1 million in H1 2018.

The net margin in this category was in line with the year ended 31 December 2018.

Discretionary

Discretionary long only FUM decreased by $0.4 billion to $18.4 billion in the period. This was driven by net outflows of $1.9 billion which were partially offset by positive investment movement of $1.5 billion. The net outflows were predominantly from Man GLG's Japanese and US equity strategies. These were partially offset by inflows into the UK undervalued asset strategy.

The net management fee margin in this category has decreased slightly compared to the margin for the half year ended 30 June 2018 due to the mix effect of the lower FUM in Japan CoreAlpha in the first half.

FUM by product category

$bn	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19
Absolute return	**29.7**	**29.9**	**28.9**	**28.7**	**29.9**
AHL Dimension	5.3	5.5	5.7	5.9	6.1
GLG Equity absolute return	6.2	6.3	5.9	5.4	5.6
AHL Alpha	4.9	4.8	4.9	5.0	5.5
Man Institutional Solutions[1]	3.1	3.4	3.4	3.5	3.9
AHL Evolution	3.4	3.5	3.4	3.6	3.8
AHL other	1.8	1.8	1.8	1.8	1.8
AHL Diversified	1.8	1.7	1.7	1.6	1.6
Numeric absolute return	1.9	1.8	1.3	1.2	1.0
GLG Credit absolute return	1.3	1.1	0.8	0.7	0.6
Total return	**20.1**	**20.7**	**22.5**	**25.0**	**25.5**
Diversified risk premia	9.0	9.7	11.7	13.6	14.2
CLOs and other GLG total return	4.4	4.1	3.9	4.4	4.5
EM total return	4.4	4.6	4.4	4.6	4.3
GPM	2.3	2.3	2.5	2.4	2.5
Multi-manager solutions	**15.9**	**14.0**	**13.5**	**13.4**	**13.5**
Infrastructure & direct access	7.2	4.8	5.2	5.8	6.4
Segregated	6.6	7.3	6.6	6.2	5.8
Diversified and thematic FoHF	2.1	1.9	1.7	1.4	1.3
Systematic long only	**26.3**	**27.9**	**24.7**	**26.8**	**27.0**
Global	8.4	9.0	7.7	8.5	8.7
International	6.9	7.6	6.8	7.7	8.0
Emerging markets	7.0	7.0	6.7	7.1	6.9
US	4.0	4.3	3.5	3.5	3.4
Discretionary long only	**21.6**	**21.5**	**18.8**	**18.3**	**18.4**
Japan equity	9.0	9.1	7.6	7.5	7.0
Europe equity	4.8	4.9	4.3	5.0	5.7
Credit & convertibles	2.3	2.1	2.2	2.2	2.4
EM Fixed income	1.8	1.9	1.9	2.1	2.2
Multi Asset	1.1	0.9	0.8	0.8	0.2
Other equity	2.6	2.6	2.0	0.7	0.9
Guaranteed	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
Total	**113.7**	**114.1**	**108.5**	**112.3**	**114.4**

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

FUM by investment engine

$bn	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19
AHL	**24.5**	**25.1**	**26.2**	**28.0**	**29.9**
Diversified risk premia	4.6	4.7	5.6	6.8	7.2
Dimension	5.3	5.5	5.7	5.9	6.1
Alpha	4.9	4.8	4.9	5.0	5.5
Evolution	3.4	3.5	3.4	3.6	3.8
Institutional Solutions[1]	2.6	3.0	3.0	3.2	3.8
Other	1.8	1.8	1.8	1.8	1.8
Diversified (inc. Guaranteed)	1.9	1.8	1.8	1.7	1.7
Numeric	**32.6**	**34.7**	**32.1**	**34.8**	**35.0**
Alternatives	**6.3**	**6.8**	**7.4**	**8.0**	**8.0**
Diversified risk premia	4.4	5.0	6.1	6.8	7.0
Numeric absolute return	1.9	1.8	1.3	1.2	1.0
Long only	**26.3**	**27.9**	**24.7**	**26.8**	**27.0**
Global	8.4	9.0	7.7	8.5	8.7
International	6.9	7.6	6.8	7.7	8.0
Emerging markets	7.0	7.0	6.7	7.1	6.9
US	4.0	4.3	3.5	3.5	3.4
GLG	**38.4**	**38.0**	**34.2**	**33.7**	**33.5**
Alternatives	**16.8**	**16.5**	**15.4**	**15.4**	**15.1**
Equity absolute return[2]	6.5	6.6	6.2	5.7	5.7
CLOs and other GLG total return	4.4	4.1	3.9	4.4	4.5
EM total return	4.4	4.6	4.4	4.6	4.3
Credit absolute return[2]	1.5	1.2	0.9	0.7	0.6
Long only	**21.6**	**21.5**	**18.8**	**18.3**	**18.4**
Japan equity	9.0	9.1	7.6	7.5	7.0
Europe equity	4.8	4.9	4.3	5.0	5.7
Credit & convertibles	2.3	2.1	2.2	2.2	2.4
EM Fixed income	1.8	1.9	1.9	2.1	2.2
Multi Asset	1.1	0.9	0.8	0.8	0.2
Other equity	2.6	2.6	2.0	0.7	0.9
FRM	**15.9**	**14.0**	**13.5**	**13.4**	**13.5**
Infrastructure & direct access	7.2	4.8	5.2	5.8	6.4
Segregated	6.6	7.3	6.6	6.2	5.8
Diversified and thematic FoHF	2.1	1.9	1.7	1.4	1.3
GPM	**2.3**	**2.3**	**2.5**	**2.4**	**2.5**
Total	**113.7**	**114.1**	**108.5**	**112.3**	**114.4**

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		Annualised Return		
		Last 3 months	Last 6 months	3 years	5 years	Since Inception
Absolute return						
AHL Dimension	1	2.9%	5.2%	3.4%	5.3%	5.4%
AHL Alpha	2	4.3%	5.5%	2.5%	5.0%	10.9%
AHL Evolution	3	5.0%	11.2%	9.2%	8.5%	13.4%
AHL Diversified	4	7.0%	8.2%	0.8%	3.9%	11.1%
Numeric Alternative Market Neutral	5	-2.7%	-4.5%	-3.5%	-1.8%	2.7%
GLG European Long Short	6	-0.1%	-1.9%	1.0%	1.0%	6.6%
Man GLG Global Credit Multi Strategy	7	0.8%	2.5%	10.3%	3.7%	12.1%
Total return						
Man Alternative Risk Premia SP	8	2.1%	4.1%	4.8%	n/a	5.2%
Man GLG Global EM Debt Total Return	9	-0.1%	-1.8%	1.9%	n/a	2.2%
Multi-manager solutions						
FRM Diversified II	10	1.2%	2.6%	2.0%	0.7%	3.9%
Systematic long only						
Numeric Global Core	11	3.2%	13.9%	10.5%	6.1%	10.0%
Relative Return		*-0.8%*	*-3.1%*	*-1.3%*	*-0.5%*	*1.0%*
Numeric Europe Core (EUR)	12	2.6%	15.9%	9.8%	7.0%	8.9%
Relative Return		*-0.5%*	*-0.3%*	*1.5%*	*1.9%*	*2.6%*
Numeric Emerging Markets Core	13	0.9%	8.6%	12.2%	4.1%	5.2%
Relative Return		*0.3%*	*-2.0%*	*1.5%*	*1.6%*	*2.0%*
Discretionary long only						
Man GLG Japan Core Alpha Equity	14	-4.3%	1.3%	12.2%	5.1%	3.3%
Relative Return		*-2.0%*	-3.9%	*2.3%*	*-1.4%*	*2.0%*
Man GLG Continental European Growth	15	12.4%	23.9%	13.4%	16.2%	9.5%
Relative Return		*3.6%*	6.5%	*0.8%*	*7.3%*	*3.7%*
Man GLG Undervalued Assets	16	-0.9%	10.2%	13.7%	8.1%	8.7%
Relative Return		*-4.1%*	-2.8%	*4.7%*	*1.8%*	*2.6%*
Indices						
HFRX Global Hedge Fund Index	17	1.6%	4.2%	2.1%	-0.1%	
HFRI Fund of Funds Conservative Index	17	1.7%	5.0%	3.9%	2.2%	
Barclay BTOP 50 Index	18	3.5%	5.3%	-1.8%	1.1%	
HFRI Equity Hedge (Total) Index	17	1.8%	9.5%	6.8%	3.5%	
HFRX EH: Equity Market Neutral Index	17	-0.5%	-1.1%	-0.9%	0.0%	

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 the performance of GLG European Long Short Fund - Class D 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 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 there after. 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.

RISK MANAGEMENT

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

The principal risks faced by Man Group are set out on pages 31 to 33 of our 2018 Annual Report. These remain our principal risks for the second half of the financial year being: investment underperformance risk; key person risk; credit/counterparty risk; liquidity risk; investment book risk; pension risk; risk of internal process failure; risk of external process failure; information security and cybercrime security risk; information technology risk; legal and regulatory risk; Brexit risk; reputational risk and emerging risk. Our risk framework operated as expected in the six months to 30 June 2019, with systems and controls functioning as designed. As described in our 2018 Annual Report Man Group has planned for plausible Brexit scenarios that may impact its business or its clients, including a "no-deal" Brexit. As of the beginning of 2019, Man Group has received regulatory approval to upgrade the regulatory permissions of its Irish entity (Man Asset Management (Ireland) Limited) and has opened a physical office in Dublin. Sitting alongside Man Group's existing regulated entity in Liechtenstein, this enhancement to Man Group's European footprint has been further developed in 2019, with EU branches of Man Group's Irish entity established in Italy and the Netherlands. This ensures that Man Group will remain able to service its existing European clients and to access new business in the EU. Man Group has undertaken a detailed analysis of market infrastructure factors and will continue to closely monitor investment and regulatory limits and liquidity as we progress towards, and throughout Brexit. Man Group will continue to monitor the political and regulatory developments closely in 2019, and will take all necessary steps to ensure that the impact of Brexit on its business, clients and employees is minimised, whatever its form.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that, to the best of their knowledge, this condensed set of financial statements in respect of Man Group plc for the six month period ended 30 June 2019 has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union, and that this interim report includes a fair review of the information required by the Financial Conduct Authority's Disclosure Guidance and Transparency Rules 4.2.7 and 4.2.8, namely:

- an indication of important events that have occurred during the six months ended 30 June 2019 and their impact on the condensed interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year ending 31 December 2019; and

- material related party transactions in the six months ended 30 June 2019 and any material changes in the related party transactions described in the last annual report.

The Directors of Man Group plc are as listed in the Annual Report for the year ended 31 December 2018.

By order of the board

Luke Ellis
Chief Executive Officer
31 July 2019

Mark Jones
Chief Financial Officer
31 July 2019

INDEPENDENT REVIEW REPORT TO MAN GROUP PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises the group income statement, group statement of comprehensive income, the group balance sheet, the group statement of changes in equity, the group cash flow statement and related Notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors’ responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, UK
31 July 2019

INTERIM FINANCIAL STATEMENTS

Group income statement

$m	Note	**Six months to 30 June 2019**	Six months to 30 June 2018
Revenue:			
Gross management and other fees	2	**402**	423
Performance fees	2	**125**	83
		527	506
Income or gains on investments and other financial instruments		**30**	4
Third-party share of gains relating to interests in consolidated funds	11	**(12)**	(1)
Revaluation of contingent consideration	13	**11**	(5)
Gain on sale of investment in Nephila[1]		**1**	-
Distribution costs	3	**(20)**	(27)
Asset servicing	3	**(27)**	(25)
Amortisation of acquired intangible assets	9	**(40)**	(42)
Compensation	4	**(244)**	(229)
Other costs	5	**(95)**	(79)
Share of post-tax profit of associates		**-**	4
Finance expense	6	**(25)**	(20)
Finance income	6	**4**	4
Profit before tax		**110**	90
Tax expense	7	**(20)**	(16)
Statutory profit for the period attributable to owners of the Parent Company		**90**	74
Earnings per share:	8		
Basic (cents)		**5.9**	4.6
Diluted (cents)		**5.8**	4.6

Group statement of comprehensive income

$m	**Six months to 30 June 2019**	Six months to 30 June 2018
Statutory profit for the period attributable to owners of the Parent Company	**90**	74
Other comprehensive (expense)/income:		
Remeasurements of post-employment benefit obligations	**(12)**	26
Current tax credited on pension scheme	**2**	2
Deferred tax debited on pension scheme	**-**	(6)
Items that will not be reclassified to profit or loss	**(10)**	22
Cash flow hedges:		
Valuation losses taken to equity	**1**	(6)
Transfer to Group income statement	**8**	(9)
Deferred tax (debited)/credited on cash flow hedge movements	**(2)**	3
Net investment hedge	**-**	3
Foreign currency translation	**-**	(7)
Items that may be subsequently reclassified to profit or loss	**7**	(16)
Other comprehensive income for the period (net of tax)	**(3)**	6
Total comprehensive income for the period attributable to owners of the Parent Company	**87**	80

Note:

1 The Group's investment in Nephila was sold in late 2018. The gain on sale of $1 million in H1 2019 relates to finalisation of the closing position (an adjusting item per page 36).

Group balance sheet

$m	Note	**At 30 June 2019**	At 31 December 2018[1]
Assets			
Cash and cash equivalents	10	**218**	370
Fee and other receivables		**449**	307
Investments in fund products and other investments	11	**776**	770
Pension asset		**11**	24
Right-of-use lease asset	1	**218**	–
Leasehold improvements and equipment		**43**	46
Goodwill and acquired intangibles	9	**897**	938
Other intangibles		**29**	26
Deferred tax assets		**97**	93
		2,738	2,574
Non-current assets held for sale	11	**82**	39
Total assets		**2,820**	2,613
Liabilities			
Trade and other payables		**585**	701
Provisions	12	**7**	26
Current tax liabilities		**23**	10
Third-party interest in consolidated funds	11	**140**	100
Lease liability	1	**305**	–
Borrowings	10	**150**	150
Deferred tax liabilities		**28**	33
		1,238	1,020
Non-current liabilities held for sale	11	**4**	–
Total liabilities		**1,242**	1,020
Net assets		**1,578**	1,593
Equity			
Capital and reserves attributable to owners of the Parent Company		**1,578**	1,593

Note:
1 The Group has applied IFRS 16 for the first time from 1 January 2019, using the modified retrospective approach. Comparative information is not restated and the effect of transition is recognised in retained earnings at that date (Note 1).

Group cash flow statement

$m	Note	**Six months to 30 June 2019**	Six months to 30 June 2018
Cash flows from operating activities			
Statutory profit		**90**	74
Adjustments for non-cash items:			
Income tax expense		**20**	16
Net finance expense		**21**	16
Share of post-tax profit of associates		**-**	(4)
Revaluation of contingent consideration		**(11)**	5
Gain on disposal of investment in Nephila		**(1)**	–
Depreciation of leasehold improvements, equipment and ROU asset		**17**	7
Amortisation of acquired intangible assets		**40**	42
Amortisation of other intangibles		**6**	4
Share-based payment charge		**13**	13
Fund product based payment charge		**27**	19
Defined benefit pension plans		**-**	2
Other non-cash movements		**12**	(8)
		234	186
Changes in working capital:			
(Increase)/decrease in receivables		**(144)**	292
Decrease/(increase) in other financial assets[1]		**12**	(100)
Decrease in payables		**(75)**	(148)
Cash generated from operations		**27**	230
Interest paid[2]		**(12)**	(5)
Income tax paid		**(10)**	(22)
Cash flows from operating activities		**5**	203
Cash flows from investing activities			
Purchase of leasehold improvements and equipment		**(4)**	(5)
Purchase of other intangible assets		**(7)**	(7)
Payment of contingent consideration in relation to acquisitions		**(5)**	(4)
Interest received		**3**	2
Proceeds from sale of associate		**1**	–
Dividends received from associate		**-**	3
Cash flows from investing activities		**(12)**	(11)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**-**	6
Purchase of own shares by the Employee Trust and Partnerships		**(11)**	(29)
Share repurchase programme (including costs)		**(43)**	(100)
Dividends paid to Company shareholders		**(80)**	(90)
Repayments of principal lease liability[3]		**(10)**	–
Cash flows from financing activities		**(144)**	(213)
Net decrease in cash		**(151)**	(21)
Cash at beginning of the period		**370**	379
Effect of foreign exchange movements		**(1)**	–
Cash at period end[4]	10	**218**	358

Notes:
1 Includes $15 million of restricted net cash outflows (H1 2018: $26 million) relating to consolidated fund entities (Note 11).
2 Includes unwind of lease liability discount of $7 million, as required by IFRS 16 from 1 January 2019 (Note 1).
3 Principal repayments on the Group's lease liabilities, as required by IFRS 16 from 1 January 2019 (Note 1).
4 Includes $11 million (H1 2018: $49 million) of restricted cash relating to consolidated fund entities (Note 11).

Group statement of changes in equity

$m	**30 June 2019**	31 December 2018
Share capital and capital reserves	**(1,635)**	1,226
Revaluation reserves and retained earnings	**3,213**	367
Capital and reserves attributable to owners of the Parent Company	**1,578**	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	**–**	**(2,861)**	**–**	**–**	**–**	**(2,861)**
At 30 June 2019	**53**	**–**	**–**	**–**	**(1,688)**	**(1,635)**
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	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	**90**	**–**	**–**	**–**	**–**	**90**
Other comprehensive income/(expense)	**(10)**	**–**	**–**	**–**	**7**	**(3)**
Share-based payments charge	**13**	**–**	**–**	**–**	**–**	**13**
Scheme of arrangement – capital reduction	**2,861**	**–**	**–**	**–**	**–**	**2,861**
Purchase of own shares by the Employee Trust	**–**	**(11)**	**–**	**–**	**–**	**(11)**
Disposal of own shares by the Employee Trust	**(14)**	**14**	**–**	**–**	**–**	**–**
Cancellation of Treasury shares	**(140)**	**–**	**140**	**–**	**–**	**–**
Transfer from Treasury shares	**(5)**	**(6)**	**11**	**–**	**–**	**–**
Transfer to Treasury shares	**43**	**–**	**(43)**	**–**	**–**	**–**
Dividends	**(80)**	**–**	**–**	**–**	**–**	**(80)**
At 30 June 2019	**3,233**	**(65)**	**(6)**	**54**	**(3)**	**3,213**
At 1 January 2018	478	(50)	–	61	7	496
Statutory profit	273	–	–	–	–	273
Other comprehensive income/(expense)	13	–	–	(7)	(17)	(11)
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	–	–	7	–	–	7
Dividends	(189)	–	–	–	–	(189)
At 31 December 2018	499	(62)	(114)	54	(10)	367

1. Basis of preparation

The interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

The income statement and cash flow statement presentation in these interim financial statements shows the six months ended 30 June 2019 (H1 2019) together with the six months ended 30 June 2018 (H1 2018). The balance sheet is presented as at 30 June 2019 together with comparatives as at 31 December 2018.

The Directors have concluded that the Group has sufficient resources to continue in operation for the foreseeable future. Accordingly, the interim financial statements have been prepared on a going concern basis.

The financial information contained herein is unaudited and does not constitute accounts as based on the Companies (Jersey) Law 1991. Statutory accounts for the year ended 31 December 2018, which were prepared in accordance with International Financial Reporting Standards (IFRS) and relevant IFRIC interpretations issued by the International Accounting Standards Board (IASB) and IFRIC Committee respectively and adopted by the European Union (EU) and upon which the auditor has given an unqualified and unmodified report and which contained no statement under Section 498 of the UK Companies Act 2006, have been delivered to the Registrar of Companies (England and Wales) and were posted to shareholders on 11 March 2019. Refer below for details of the corporate reorganisation under which the Group's parent company was replaced by way of a scheme of arrangement and became a company registered in Jersey from 28 May 2019.

The accounting policies applied in these interim financial statements are consistent with those applied in Man's Annual Report for the year ended 31 December 2018 (the '2018 Annual Report'), other than as outlined below for IFRS 16 Leases.

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. Assessment of the control characteristics for all relationships with fund entities led to the consolidation of 16 fund entities at 30 June 2019 (31 December 2018: 13), which are classified as either held for sale or consolidated on a line-by-line basis. The interests of third-parties in these funds are classified as liabilities.

The most significant area of judgement relates to whether the Group controls certain funds through its investments in fund products and the fund products underlying its total return swap arrangements, and is therefore required to consolidate them (Note 11).

Furthermore, the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period end 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 Numeric and Aalto acquisitions (Note 13), the estimated amount of accrued discretionary variable compensation, the valuation of goodwill and acquired intangibles for cash generating units (CGUs) with lower levels of headroom (Note 9) and recognition of deferred tax assets in relation to US tax assets (Note 7). The valuations for contingent consideration have been updated as at 30 June 2019 as detailed in Note 13. The determination of the discretionary variable compensation accrual is an annual process undertaken at the calendar year-end, therefore the accrual at 30 June 2019 is an estimated amount based on the financial performance and absolute levels of performance fees of the Group in the year to date. The goodwill assessments and deferred tax estimates are primarily based on discounted future cash flow models as at 31 December 2018, and are disclosed within the 2018 Annual Report along with details of the key assumptions and range of possible outcomes (Note 10 and Note 7 in the 2018 Annual Report, respectively). The directors are confident that the assumptions in the Board's three year financial plan, approved in February 2019, remain appropriate over the forecast period.

Corporate reorganisation

In May 2019 the Group adjusted its corporate structure (see page 7), as outlined in the prospectus published on 15 April 2019. 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 creating distributable reserves in order to ensure the Group retains the flexibility to pay dividends in the future.

Impact of new accounting standards and interpretations

There have been no new or revised standards or interpretations which have become effective or been early adopted in the six months to 30 June 2019, other than as outlined below. No standards or interpretations issued and not yet effective are expected to have an impact on the Group's financial statements.

IFRS 16 – Leases: IFRS 16 Leases is effective for annual periods beginning on or after 1 January 2019 and replaces IAS 17 Leases and related interpretations. This introduced 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. There is substantially no change to the accounting requirements for lessors.

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 we have the right to use the asset, usually the lease commencement date. The lease liability is measured at the present value of future lease payments, discounted using the Group's incremental borrowing rate (5%). The ROU asset is initially measured at cost which is equivalent to the lease liability. The ROU 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 will subsequently be adjusted for lease payments and the interest unwind, as well as the impact of any subsequent lease modifications. Man's lease arrangements relate to business premises property leases.

Cash payments in relation to leases recognised on the Group's balance sheet in accordance with IFRS 16 are required to be presented as interest paid (within operating activities) and repayments of principal lease liability (within financing activities) in the Group cash flow statement.

For leases of low value assets and leases with a lease term of one year or less, Man accounts for these leases as operating leases, recognising the lease payments on a straight line basis over the lease term. The lease payments are recognised within occupancy 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 income is recognised on a straight line basis over the life of the lease, included within gross management and other fees in the Group income statement.

Transition considerations

IFRS 16 has been adopted using the modified retrospective approach as set out in IFRS16.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 modified retrospective approach Man has measured the ROU asset 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 to: (1) reclassify onerous lease balances of $19 million at 31 December 2018 against the ROU asset 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
Derecognise deferred rent and lease incentives[1]	(40)	40	–
Derecognise onerous lease provisions (Note 12)	(19)	19	–
Right-of-use lease asset	–	247	247
Right-of-use lease asset – impairment (practical expedient)	–	(19)	(19)
Deferred tax asset	–	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 asset of $218 million and lease liabilities of $305 million on the Group balance sheet as at 30 June 2019, of which around $170 million and $250 million (£200 million) respectively relate to our Riverbank House premises in London. The revaluation of our Sterling lease liabilities into US dollars (the Group's functional and presentation currency) can result in large unrealised gains or losses in the Group income statement period on period, and therefore these non-cash movements have been classified as an adjusting item (see page 36).

Lease related depreciation of $10 million (Note 5) and interest expense of $7 million (Note 6), as well as sub-lease rental income of $7 million, have been recognised in the Group income statement for the six months to 30 June 2019. If the leases had continued to be recognised under IAS 17, we would have recognised occupancy costs of $7 million for the six months ended 30 June 2019. The higher comparable net expense of $3 million for the six months ending 30 June 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. In the five years following initial application of IFRS16 we expect there to be an increased Group income statement charge of up to $5 million in the first year, which will reduce each year and subsequently shift to a decrease in the comparable charge over time.

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)	442
Exclude service charges 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

2. Revenue

Revenue for the six months to 30 June 2019 was $527 million, which has increased by 4% compared to the $506 million in H1 2018.

Gross management and other fees for the period were $402 million, compared to $423 million in H1 2018, primarily driven by a reduction in management fee margins due to changes in product mix as lower margin strategies have tended to grow at a faster rate (see page 9 for further details).

Performance fee revenue was $125 million for the six months to 30 June 2019, which is $42 million higher than H1 2018 largely driven by stronger AHL performance fee generation in the period (see page 9 for further details).

3. Distribution costs and asset servicing

Distribution costs are paid to external intermediaries for marketing and investor servicing, largely in relation to retail clients, and were $20 million for the period (H1 2018: $27 million). Distribution costs have decreased 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	**Six months to 30 June 2019**	Six months to 30 June 2018
Salaries	**84**	73
Variable cash compensation	**97**	100
Share-based payment charge	**13**	13
Fund product based payment charge	**27**	19
Social security costs	**16**	17
Pension costs	**6**	5
Restructuring costs (adjusting item per page 36)	**1**	2
Total compensation costs	**244**	229

The increase in salaries was due to a less favourable Sterling to US Dollar hedged exchange rate (1.40 for H1 2019 versus 1.26 for H1 2018) as well as the full year impact of investment in the business in 2018. Variable compensation costs have remained similar as the impact of higher performance fee revenues is offset by lower management fee revenues on the variable compensation accruals. Fund product based payment charges have increased largely due an increase in deferred awards granted in 2019 compared to 2018 as well as higher mark to market movements in the period.

The unamortised deferred compensation at 30 June 2019 was $97 million (30 June 2018: $107 million), which has a weighted average remaining vesting period of 1.9 years (30 June 2018: 2.2 years).

The restructuring costs in H1 2019 relate to costs associated with the Group's corporate reorganisation which was approved by shareholders in May 2019 (Note 1). The H1 2018 costs related to a loss on settlement of our Swiss pension obligation as a result of the restructuring plan implemented in late 2016.

5. Other costs

$m	**Six months to 30 June 2019**	Six months to 30 June 2018
Occupancy	**7**	13
Technology and communications	**12**	13
Temporary staff, recruitment, consultancy and managed services	**10**	11
Legal fees and other professional fees	**7**	6
Benefits	**7**	7
Travel and entertainment	**6**	6
Audit, accountancy, actuarial and tax fees	**5**	3
Insurance	**2**	2
Marketing and sponsorship	**3**	3
Other cash costs, including irrecoverable VAT	**6**	4
Restructuring (adjusting item per page 36)	**7**	-
Total other costs before depreciation and amortisation	**72**	68
Depreciation and amortisation	**23**	11
Total other costs	**95**	79

Other costs before depreciation and amortisation were $72 million, compared to $68 million in H1 2018. The increase is largely due to $7 million of costs incurred in respect of the Group's corporate reorganisation (Note 1) as well as the impact of a less favourable Sterling to US Dollar hedged exchange rate (1.40 for

H1 2019 versus 1.26 for H1 2018). This is partially offset by the adoption of IFRS 16 (Note 1), whereby lease costs previously recognised within occupancy costs are reflected in depreciation (of the ROU asset) and finance expense (unwind of the discounted lease liability) in the Group income statement from 1 January 2019.

Depreciation and amortisation has increased by $12 million in H1 2019 compared to H1 2018, with $10 million due to the adoption of IFRS 16 (Note 1) and with the remainder of the increase as a result of higher levels of capital expenditure on software development projects across our operating platforms in recent years.

6. Finance expense and finance income

$m	**Six months to 30 June 2019**	Six months to 30 June 2018
Finance expense:		
Interest payable on borrowings (Note 10)	**(5)**	(4)
Revolving credit facility costs and other	**(1)**	(2)
Unwind of lease liability discount (Note 1)	**(7)**	-
Unwind of contingent consideration discount (adjusting item per page 36)	**(12)**	(14)
Total finance expense	**(25)**	(20)
Finance income:		
Interest on cash deposits and US treasury bills	**4**	4
Total finance income	**4**	4

The unwind of lease liability discount relates to leases accounted for under IFRS 16 (Note 1). As IFRS 16 was adopted on 1 January 2019 and not applied to previous periods there is no comparative for H1 2019. Refer to Note 1 for further details.

7. Tax

The tax expense for the period is $20 million (H1 2018: $16 million), giving a statutory effective tax rate of 18% (H1 2018: 18%). The majority of the Group's profit is earned in the UK, Switzerland and the US. The Group's US tax rate is effectively 0% as outlined in the 2018 Annual Report (page 110). The forecast full year effective tax rate is consistent with this profit mix.

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 to tax regulation in the territories in which we operate, the mix of income and expenses earned and incurred by jurisdiction, and the timing of the recognition of available deferred tax assets.

The Group has accumulated deferred tax assets in the US which principally comprise accumulated operating losses from existing operations and future amortisation of goodwill and intangible assets generated from acquisitions. Based on the Group's three year forecast US taxable profits, a deferred tax asset of $62 million is recognised on the balance sheet at 30 June 2019 (31 December 2018: $62 million). As a result of the recognised US deferred tax assets and the remaining unrecognised available US deferred tax assets, Man does not expect to pay federal tax on any taxable profits it may earn in the US for several years.

8. Earnings per share (EPS)

The calculation of basic earnings per ordinary share is based on basic post-tax profit for the period of $90 million (H1 2018: $74 million), and ordinary shares of 1,519,024,639 (H1 2018: 1,601,141,614), 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 1,540,721,116 (H1 2018: 1,621,925,168). The decrease in the weighted average number of shares is largely driven by the execution of share repurchases in both H2 2018 and H1 2019.

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

	Six months to 30 June 2019 (million)	Six months to 30 June 2018 (million)
Basic weighted average number of shares	**1,519.0**	1,601.1
Dilutive potential ordinary shares:		
Share awards under incentive schemes	**20.8**	19.0
Employee share options	**0.9**	1.8
Dilutive weighted average number of shares	**1,540.7**	1,621.9

The basic and diluted earnings per share figure are provided below. For a reconciliation of earnings per share to adjusted earnings per share, please see the Alternative Performance Measures section at the end of this report.

	Basic and diluted post-tax earnings $m	**Basic earnings per share cents**	**Diluted earnings per share cents**
Earnings per share H1 2019	**90**	**5.9**	**5.8**
Earnings per share H1 2018	74	4.6	4.6

9. Goodwill and acquired intangibles

$m	**Goodwill**	**Investment management agreements**	**Distribution channels**	**Brand names**	**Total**
Net book value at 1 January 2019	**642**	**268**	**19**	**9**	**938**
Currency translation	**(1)**	**–**	**–**	**–**	**(1)**
Amortisation	**–**	**(36)**	**(2)**	**(2)**	**(40)**
Net book value at 30 June 2019	**641**	**232**	**17**	**7**	**897**
Allocated to cash generating units as follows:					
AHL	**452**	**1**	**–**	**–**	**453**
GLG	**–**	**117**	**8**	**4**	**129**
FRM	**–**	**12**	**–**	**–**	**12**
GPM	**55**	**7**	**9**	**–**	**71**
Numeric	**134**	**95**	**–**	**3**	**232**

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

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

Under IAS 36 ‘Impairment of Assets’ goodwill and acquired intangibles must be tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and goodwill must be tested at least annually. The recoverable amounts of the Group’s CGUs are assessed each year using a value in use calculation.

We continually assess whether there are any indicators of impairment by considering each of the five CGUs. The net flows environment in the year to date has been challenging; net flows were positive for H1 2019 across AHL and GPM, and negative across GLG, FRM and Numeric as clients continued to adjust their portfolio allocations during the second quarter. There have been no significant changes in the business in the year to date, and the directors are confident that the assumptions in the Board’s three year financial plan, approved in February 2019, remain appropriate over the forecast period.

AHL cash generating unit

For the six months to 30 June 2019, AHL's FUM is slightly higher than that modelled in the value in use calculation at 31 December 2018, although management fee margins are slightly lower due to mix of FUM. As there was significant headroom as at 31 December 2018, it was deemed that there were no indicators of impairment.

GLG cash generating unit

For the six months to 30 June 2019, GLG's FUM is slightly lower than the modelled FUM in the value in use calculation at 31 December 2018 as a result of lower than forecast net flows. Management fee margins have decreased slightly over the six months due to mix of FUM. Given the level of headroom at 31 December 2018, it was deemed that there were no indicators of impairment.

FRM cash generating unit

For the six months to 30 June 2019, FRM's FUM is slightly lower than previously forecast due to lower than expected net flows in the period. Although management fee margins are slightly lower than modelled in the value in use calculation at 31 December 2018, the carrying value has decreased due to amortisation of acquired intangibles in the period and it was deemed that there were no indicators of impairment.

Numeric cash generating unit

For the six months to 30 June 2019, Numeric's FUM is slightly higher than modelled in the value in use calculation at 31 December 2018 and management fee margins are in line with that forecast. Given the level of headroom at 31 December 2018, it was deemed that there were no indicators of impairment.

GPM cash generating unit

For the six months to 30 June 2019 GPM's FUM is slightly lower than that modelled in the value in use calculation at 31 December 2018, driven by delays in forecast fund launches. As margins are largely in line with expectations, given the level of headroom at 31 December 2018 and due to the continued amortisation of acquired intangibles in the period which has lowered the carrying value, it was deemed that there were no indicators of impairment.

10. Cash, liquidity and borrowings

Total liquidity resources were $685 million at 30 June 2019 (31 December 2018: $844 million) and comprised cash and cash equivalents of $207 million (31 December 2018: $344 million), and the undrawn syndicated revolving loan facility of $478 million (31 December 2018: $500 million).

Cash and cash equivalents at period end comprises $153 million (31 December 2018: $175 million) of cash at bank on hand and $54 million (31 December 2018: $169 million) in short-term deposits. In addition, $11 million (31 December 2018: $26 million) of cash at bank on hand held on the balance sheet relates to the cash and cash equivalents held by funds which have been consolidated into the Group at 30 June 2019 (Note 11).

As a result of the corporate reorganisation on the 28 May 2019 the revolving loan facility was renegotiated and the facility has reduced in size from $500m to $478m. The maturity date of the revolving credit facility is June 2022 for $468m of the facility, with the remaining $10m maturing in June 2020.

In 2014 the Group issued $150 million ten year fixed rate reset callable guaranteed subordinated notes (Tier 2 notes). The Tier 2 notes were issued with a fixed coupon of 5.875% until 16 September 2019. The notes may be redeemed in whole at the Group's option in September 2019 at their principal amount, subject to FCA approval. On 24 July, the Group gave notice to the noteholders that these would be redeemed in full on 16 September 2019 (Note 16).

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

$m	**As at 30 June 2019**	As at 31 December 2018
Cash and cash equivalents[1]	**207**	344
Undrawn committed revolving credit facility	**478**	500
Total liquidity	**685**	844
Borrowings: 2024 fixed rate reset callable guaranteed subordinated notes	**150**	150

Note:
1 Excludes $11 million of cash held by fund entities which have been consolidated (2018: $26 million), as outlined in Note 11.

11. Investments in fund products and other investments

$m	**At 30 June 2019**	At 31 December 2018
Loans to fund products	**5**	9
Investments in fund products	**348**	401
Other investments	**3**	3
Investment in line-by-line consolidated funds	**420**	357
Investments in fund products and other investments	**776**	770
Net non-current assets held for sale	**78**	39
Total investments	**854**	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	**At 30 June 2019**	At 31 December 2018
Investments in fund products	**348**	401
Less those used to hedge deferred compensation awards	**(96)**	(87)
Consolidated net investments in funds - held for sale	**78**	39
Consolidated net investments in funds - line-by-line consolidation	**290**	300
Loans to fund products	**5**	9
Seeding investment portfolio	**625**	662

Investments in fund products, excluding those which are held against outstanding deferred compensation arrangements, relate to seeding investments which are part of our ongoing business to build our product breadth and to trial investment research developments before we market the products broadly to investors.

Consolidation of investments in funds
Seed capital invested into funds may at times be significant, and therefore the fund may be deemed to be controlled by the Group (Note 1). Man may enter into total return swap arrangements with third parties to receive the returns on fund products in exchange for the payment of a floating rate of interest. The control considerations under IFRS 10 also apply to the fund products underlying such instruments and therefore the Group may similarly be required to consolidate them.

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 in the Group balance sheet as non-current assets and liabilities held for sale, with the interests of any other parties included within non-current liabilities held for sale.

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

$m	**At 30 June 2019**	At 31 December 2018
Non-current assets held for sale	**82**	39
Non-current liabilities held for sale	**(4)**	–
Investments in fund products held for sale	**78**	39

Investments cease to be classified as held for sale when the fund is no longer controlled by the Group, at which time the investment is classified as financial assets at fair value through profit or loss. Loss of control may eventuate through sale of the investment or a dilution in the Group's holding.

If a held for sale fund remains under the control of the Group for more than one year, and it is unlikely that the Group will reduce or no longer control its investment in the short-term, it will cease to be classified as held for sale and will be consolidated on a line-by-line basis. One investment previously classified as held for sale at 31 December 2018 has been consolidated on a line by line basis in the six months to 30 June 2019 (six months to 30 June 2018: two).

Line-by-line consolidation
Seed investments which are controlled and consolidated on a line-by-line basis relate to 11 funds at 30 June 2019 (31 December 2018: ten) as follows:

$m	**At 30 June 2019**	At 31 December 2018
Balance Sheet		
Cash and cash equivalents	**11**	26
Transferrable securities[1,2]	**420**	357
Fees and other receivables	**4**	21
Trade and other payables	**(5)**	(4)
Net assets of line-by-line consolidated fund entities	**430**	400
Third-party interest in consolidated funds[2]	**(140)**	(100)
Net investment held by Man	**290**	300

$m	**Six months to 30 June 2019**	Six months to 30 June 2018
Income statement		
Gains on investments[3]	**42**	1
Management fee expenses[4]	**(1)**	(1)
Performance fee expenses[4]	**-**	(1)
Other costs	**(1)**	(1)
Net gains/(losses) of line-by-line consolidated fund entities	**40**	(2)
Third-party share of profits relating to interests in consolidated funds	**(12)**	(1)
Gains/(losses) attributable to net investment held by Man	**28**	(3)

Notes:
1 Included within Investments in fund products.
2 Includes a $20 million gross-up related to the consolidation of the underlying funds of Man's total return swap arrangements.
3 Included within Income or gains on investments and other financial instruments.
4 Relates to management and performance fees paid by the funds to Man during the period, and are eliminated within gross management and other fees and performance fees, respectively, in the Group income statement. The management fees elimination includes nil in relation to third-party share of these investments and therefore represents externally generated management fees (H1 2018: $1 million).

12. Provisions

$m	Onerous property lease contracts and dilapidations	Other	Total
As 1 January 2019	**22**	**4**	**26**
Adjustment for adoption of IFRS 16 (Note 1)	**(19)**	**–**	**(19)**
As at January 2019	**3**	**4**	**7**
Charged/(credited) to the income statement:			
Exchange differences	**–**	**–**	**–**
Used during the period/settlements	**–**	**–**	**–**
At 30 June 2019	**3**	**4**	**7**

Under IFRS 16 onerous property lease provisions are no longer separately recognised as any assessment of onerous amounts is included within the ROU impairment assessment (Note 1).

13. Fair value of financial assets/liabilities

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

	30 June 2019			
$m	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held at fair value:				
Investments in fund products and other investments	**3**	**187**	**161**	**351**
Investment in line-by-line consolidated funds	**–**	**378**	**42**	**420**
Derivative financial instruments	**–**	**1**	**–**	**1**
	3	**566**	**203**	**772**
Financial liabilities held at fair value:				
Derivative financial instruments	**–**	**11**	**–**	**11**
Contingent consideration	**–**	**–**	**208**	**208**
	–	**11**	**208**	**219**

	31 December 2018			
$m	Level 1	Level 2	Level 3	Total
Financial assets held at fair value:				
Investments in fund products and other investments	3	246	155	404
Investment in funds relating to consolidated fund entities	–	316	41	357
Derivative financial instruments	–	16	–	16
	3	578	196	777
Financial liabilities held at fair value:				
Derivative financial instruments	–	15	–	15
Contingent consideration	–	–	212	212
	–	15	212	227

Level 1, 2 and 3 financial assets and liabilities are defined in Note 25 to the financial statements in the 2018 Annual Report. During the period, there were no significant changes in the business or economic circumstances that affected the fair value of Man’s financial assets and no significant transfers of financial assets or liabilities held at fair value between categories.

The basis of measuring the fair value of investments in fund products is outlined in Note 13 in the 2018 Annual Report.

The movements in Level 3 financial assets and financial liabilities measured at fair value are as follows:

$m	Six months to 30 June 2019 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 1 January 2019	**196**	**(212)**
Purchases	**9**	**–**
Total gains/(losses) in Group statement of comprehensive income	**1**	**(1)**
Gains/(losses) included in income statement	**1**	**(1)**
Included in other comprehensive income	**–**	**–**
Other	**1**	**–**
Sales or settlements	**(4)**	**5**
At 30 June 2019	**203**	**(208)**
Total gains/(losses) for the period included in the Group statement of comprehensive income for assets/liabilities held at period end	**1**	**(1)**

The fair value of level 3 financial liabilities can be analysed as follows:

$m	Six months to 30 June 2019 Numeric	 Aalto	 Other	 Total
Contingent consideration payable				
At the beginning of the period:	**172**	**37**	**3**	**212**
Revaluation of contingent consideration	**(6)**	**(5)**	**–**	**(11)**
Unwind of contingent consideration	**9**	**3**	**–**	**12**
Sales or settlements	**(5)**	**–**	**–**	**(5)**
At 30 June 2019	**170**	**35**	**3**	**208**

The revaluation of contingent consideration of $11 million during the period is largely driven by refinements to forecasts as we approach the final Numeric earn-out date in September 2019 as well as delays in fund launches for Aalto.

The Numeric contingent consideration relates to an ongoing 18.3% equity interest in Numeric held by management in the business and profit interests of 16.5%, pursuant to a call and put option arrangement. Man elected to call the option to purchase the remaining interests held by Numeric management at five years post-closing (September 2019) in June 2019. The maximum aggregate amount payable by Man in respect of the option consideration is capped at $275 million.

The Aalto contingent consideration is dependent on levels of run rate management fees measured following one, four, six and eight years from completion. The maximum aggregate amount payable by Man in respect of the consideration is capped at $207 million.

The fair values of contingent consideration payable are based on discounted cash flow calculations, which represent the expected future profits of each business as per the earn-out arrangements. These 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 discount rates applied are 11% for management fees and 17% for performance fees for Numeric and Other, and 15% for Aalto.

The most significant inputs into the valuations at 30 June 2019 are as follows:

	Numeric	Aalto
Weighted average net management fee margin	0.4%	0.7%
Compound growth in average FUM	12%	24%

Changes in inputs would result in the following increase/(decrease) of the contingent consideration creditor at 30 June 2019:

Weighted average net management fee margin		
0.1% increase	49	12
0.1% decrease	(49)	(12)
Compound growth in average FUM		
5% increase	3	13
5% decrease	(3)	(11)

14. Related party transactions

The related party transactions during the period are consistent with the categories disclosed in the 2018 Annual Report. Related parties comprise key management personnel, associates and fund entities which Man is deemed to control. All transactions with related parties were carried out on an arm's length basis.

Management fees earned from fund entities in which Man holds a controlling interest are detailed in Note 11. Contingent consideration payable to Numeric and Aalto management is detailed in Note 13.

15. Other matters

As referenced in our prospectus dated 15 April 2019, the Public Institution for Social Security in Kuwait (PIFSS) has issued a claim against a number of parties, including certain Man Group companies, a former employee of the Man Group and a former third party intermediary. This claim has now been formally served. 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.

16. Subsequent events

On 24 July 2019 the Group gave notice to the holders of the Tier 2 notes (Note 10) that these would be redeemed in full on 16 September 2019 (see page 7).

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 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 8). 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 8.

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 8.

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 outperformance versus peers
The asset weighted outperformance relative to peers for the period stated is calculated using the 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 30 June 2019 it covers 89% of the FUM of the Group and excludes infrastructure mandates, Global Private Markets and collateralised loan obligations.

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, sub-lease rental income (Note 1), share of post-tax profits of associates less distribution costs, plus the third party share of management fees relating to consolidated fund entities (Note 11) which are therefore externally generated. Net management fee margin is calculated as net management fee revenue, excluding share of post-tax profits of associates and sub-lease rental income, divided by FUM.

$m	**Six months to 30 June 2019**		Six months to 30 June 2018	
	$m	**Net margin**	$m	Net margin
Absolute return	**171**	**1.21%**	188	1.30%
Total return	**64**	**0.56%**	51	0.57%
Multi-manager solutions	**26**	**0.35%**	29	0.37%
Systematic long only	**48**	**0.37%**	50	0.37%
Discretionary long only	**64**	**0.67%**	75	0.69%
Sub-lease rental income (Note 1)	**7**		-	
Core net management fee revenue	**380**	**0.68%**	393	0.71%
Guaranteed	**2**	**6.00%**	5	5.37%
Other expense	**-**		(1)	
Net management fee revenue before share of post-tax profit of associates	**382**	**0.68%**	397	0.71%
Share of post-tax profit of associates	**-**		4	
Net management fee revenue[1,2]	**382**		401	

Notes:
1 Net management fee revenue includes nil (H1 2018: $1 million) of management fee revenue relating to line-by-line consolidated fund entities for the third-party share.
2 The amount includes $20 million (H1 2018: $27 million) of distribution costs which have been deducted from gross management and other fees of $402 million (H1 2018: $423 million).

Core net management fee revenue
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 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.

Run rate net management fee revenue and margins
In addition to the net management fee revenue and margins for the period, as detailed above, we also use run rate net management fee revenue and run rate margins as at the end of the period. 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 and deferred tax movements relating to the recognition of tax assets in the US), 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. 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.

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	**Six months to 30 June 2019**	Six months to 30 June 2018
Statutory profit before tax		**110**	90
Adjusting items:			
Acquisition and disposal related			
Amortisation of acquired intangible assets	9	**40**	42
Revaluation of contingent consideration		**(11)**	5
Unwind of contingent consideration discount	6	**12**	14
Gain on sale of investment in Nephila		**(1)**	-
Unrealised foreign exchange movements on lease liabilities and associated deferred tax		**(1)**	-
Other costs – restructuring	5	**7**	-
Compensation – restructuring	4	**1**	2
Adjusted profit before tax		**157**	153
Tax on adjusted profit		**(25)**	(21)
Adjusted profit after tax		**132**	132

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

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

$m	**Six months to 30 June 2019**	Six months to 30 June 2018
Statutory tax expense	**20**	16
Less tax credit on adjusting items:		
Amortisation of acquired intangible assets	**5**	5
Tax expense on adjusted profit before tax	**25**	21
Made up of:		
Tax expense on adjusted management fee profit before tax	**10**	16
Tax expense on adjusted performance fee profit before tax	**15**	5

Adjusted tax rate
The adjusted tax rate is the effective tax rate on adjusted profit before tax 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 16% for H1 2019 compared to 14% in H1 2018, 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 interim financial statements, which can be reconciled to their adjusted equivalents as outlined below:

$m	Note	**Six months to 30 June 2019**	Six months to 30 June 2018
Total compensation costs	4	**244**	229
Adjusting items (as above)		**(1)**	(2)
Total compensation costs excluding adjusting items		**243**	227
Made up of:			
Fixed compensation (includes salaries and associated social security costs, and pension costs)		**99**	86
Variable compensation (includes variable cash compensation, share-based payment charge, fund product payment charge and associated social security costs)		**144**	141
Total other costs	5	**95**	79
Adjusting items (as above)		**(7)**	-
Total other costs excluding adjusting items		**88**	79
Total finance expense	6	**25**	20
Total finance income	6	**(4)**	(4)
Net finance expense, including adjusting items		**21**	16
Adjusting items (as above)		**(12)**	(14)
Net finance expense excluding adjusting items		**9**	2

Adjusted management fee EPS

Man's dividend policy is disclosed on page 7. Dividends paid to shareholders (or 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 fees and adjusting items, divided by the weighted average diluted number of shares.

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

	Six months to 30 June 2019			Six months to 30 June 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	**90**	**5.9**	**5.8**	74	4.6	4.6
Adjusting items	**47**	**3.1**	**3.1**	63	3.9	3.8
Tax adjusting items	**(5)**	**(0.3)**	**(0.3)**	(5)	(0.3)	(0.3)
Adjusted profit after tax	**132**	**8.7**	**8.6**	132	8.2	8.1
Less adjusted performance fee profit	**(59)**	**(3.9)**	**(3.9)**	(28)	(1.7)	(1.7)
Adjusted management fee profit after tax	**73**	**4.8**	**4.7**	104	6.5	6.4

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, as follows:

$m	**Six months to 30 June 2019**	Six months to 30 June 2018
Gross management and other fees[1]	**402**	424
Share of post-tax profit of associates	**-**	4
Less:		
Distribution costs	**(20)**	(27)
Asset servicing	**(27)**	(25)
Compensation	**(180)**	(179)
Other costs	**(88)**	(79)
Net finance expense	**(4)**	2
Adjusted management fee profit before tax	**83**	120
Exclude: Net management fees from guaranteed products, share of post-tax profits of associates and other expense	**(2)**	(8)
Core management fee profit before tax	**81**	112
Performance fees	**125**	83
Gains on investments and other financial instruments[2]	**17**	2
Less:		
Compensation	**(63)**	(48)
Finance expense	**(5)**	(4)
Adjusted performance fee profit before tax	**74**	33
Adjusted core profit before tax	**155**	145

Notes:
1 Gross management and other fees also includes nil (H1 2018: $1 million) of management fee revenue relating to line-by-line consolidated fund entities for the third-party share (per Note 11) and $7 million of sub-lease rental income (H1 2018: nil).
2 Gains on investments includes income or gains on investments and other financial instruments of $30 million (H1 2018: $4 million), less $12 million (H1 2018: $1 million) third-party share of gains relating to line-by-line consolidated fund entities, less the reclassification of management fee revenue of nil (H1 2018: $1 million), less gain on translation of lease liability and associated deferred tax of $1 million (H1 2018: nil).

Adjusted 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. Adjusted 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.

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.

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 proforma 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 and contingent consideration payable, made up as follows:

$m	Note	**At 30 June 2019**	At 31 December 2018
Seeding investment portfolio	11	**625**	662
Cash and cash equivalents[1]	10	**207**	344
Borrowings	10	**(150)**	(150)
Contingent consideration payable	13	**(208)**	(212)
Net financial assets		**474**	644

Notes:

1 Cash and cash equivalents excludes $11 million (H1 2018: $26 million) of cash relating to line-by-line consolidated fund entities (Note 11).