# Press Release

**02 March 2021**

## Growth in a challenging environment

### RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

### Key points

- Record high funds under management (FUM)[1] of $123.6 billion (31 December 2019: $117.7 billion)
  - Investment performance of $3.3 billion (2019: $10.1 billion)
  - Net inflows of $1.8 billion (2019: net outflows $1.3 billion)
  - FX translation and other movements of $0.8 billion (2019: $0.4 billion)
- Core earnings per share (EPS)[1] decreased by 23% to 16.2 cents (2019: 21.0 cents)
  - Core management fee EPS[1] increased by 6% to 10.3 cents (2019: 9.7 cents)
  - Performance fee EPS decreased by 48% to 5.9 cents (2019: 11.3 cents)
- Statutory earnings per share (EPS) decreased by 49% to 9.3 cents (2019: 18.4 cents) and statutory PBT decreased by 42% to $179 million (2019: $307 million)
- Asset weighted performance versus peers[1] across our strategies of -1.0% (2019: -1.1%), with alternative strategies outperforming and valuation-focused long-only strategies underperforming
- Run rate core net management fees[1] of $815 million at 31 December 2020, with net management fee margin[1] of 66 basis points
- New progressive dividend policy taking into account growth in overall earnings with a recommended final dividend of 5.7 cents per share bringing the total dividend for 2020 to 10.6 cents per share (2019: 9.8 cents), an increase of 8%
- In September 2020, announced the intention to repurchase a further $100 million of shares ($36 million of shares had been repurchased at 31 December 2020)
- Strong balance sheet and liquidity position: net financial assets[1] of $716 million (2019: $674 million)

1 For definitions and explanations of our alternative performance measures, please refer to pages 55 to 59. Due to the roll-off of profits from our legacy structured products business in 2019, our core and adjusted measures are now equivalent.

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

"Last year was an exceptionally difficult time for much of the world, with COVID-19 fundamentally changing our day-to-day lives and how businesses operated. I am proud of how the Man Group team pulled together and am delighted to deliver a strong set of financial results in a challenging environment, which demonstrate both growth and resilience. We have increased our management fee profits and our dividend to shareholders, and grown client assets to end the year at a new record high for funds under management.

"Our ability to deal calmly with the stresses of the year and to grow our business is a testament to the strength and resilience of our people and the quality of our technology platform. It is our combination of talent and technology that delivers superior returns for our clients and growth for our shareholders. Confidence in our strategy also drives our move to a new progressive dividend policy."

## Summary Financials

| | Page ref. | Year ended 31 Dec 2020 | Year ended 31 Dec 2019 |
|---|---|---|---|
| | | $ | $ |
| **Funds under management (end of period)** [1] | 5, 6 | **123.6bn** | **117.7bn** |
| Core net management fee revenue[1] | 18, 34 | 730m | 751m |
| Performance fees[2] | 18, 34 | 199m | 345m |
| Sub-lease rental and lease surrender income | 18 | 18m | 14m |
| **Core net revenues**[1] | | **947m** | **1,110m** |
| Compensation | 19, 35 | (451m) | (477m) |
| Other costs (including asset servicing) | 19, 36 | (200m) | (233m) |
| Net finance expense | 19, 36 | (12m) | (16m) |
| **Core profit before tax**[1] | 19, 56 | **284m** | **384m** |
| Adjusting items[3] | 19, 56 | (105m) | (79m) |
| Non-core net management fee revenue[1] | 18 | - | 2m |
| **Statutory profit before tax** | 16, 28 | **179m** | **307m** |
| | | ¢ | ¢ |
| Statutory EPS[1] | 38, 58 | 9.3 | 18.4 |
| Core EPS[1] | 58 | 16.2 | 21.0 |
| Core management fee EPS[1] | 58 | 10.3 | 9.7 |
| Dividend per share[4] | 39, 21 | 10.6 | 9.8 |

1 For definitions and explanations of our alternative performance measures, please refer to page 55 to 59. Due to the roll-off of profits from our legacy structured products business in 2019, our core and adjusted measures are now equivalent.
2 Includes income or gains on investments and other instruments and third-party share of gains/losses relating to interests in consolidated funds.
3 The adjusting items in the year are shown on page 56.
4 Our dividend policy and availability of dividend resources is discussed further on page 21.

## Dividend and share repurchase

The Board confirms that it will recommend a final dividend of 5.7 cents per share for the financial year to 31 December 2020, giving a total dividend of 10.6 cents per share for the year.

The Board has approved a change to Man Group's dividend policy. The ordinary dividend policy will be progressive, taking into account the growth in the firm's overall earnings. Man Group's policy is to distribute available capital to shareholders over time, by way of higher dividend payments and/or share repurchases, while maintaining a prudent balance sheet, after taking into account required capital and potential strategic opportunities. Whilst the Board continues to consider dividends as the primary method of returning capital to shareholders, it will continue to execute share repurchases when advantageous.

## Dates for the 2020 final dividend

| | |
|---|---|
| Ex-dividend date | 8 April 2021 |
| Record date | 9 April 2021 |
| Sterling conversion date | 7 May 2021 |
| Payment date | 21 May 2021 |

## Conference call and presentation for investors and analysts

A conference call with management including an opportunity to ask questions will commence at 9.30am (GMT) on 2 March 2021. A copy of the presentation and data pack will be available on the investor relations section of www.man.com from 9.25am.

The conference call can be accessed at:
https://mangroup.webex.com/mangroup/onstage/g.php?MTID=e946e1605b99cf1089a8083020576aa63
Event number: 181 926 0309
Event password: pwCwm3EKu82

For those without internet access or in case of connectivity issues please use the alternative dial-in below:
Audio conference: +44 20 3478 5289
Access code: 181 926 0309
Event password: 79296335

Please note:

- We recommend connecting to the meeting 5-10 minutes prior to the start time
- To ask a question during the Q&A session you will need to access the meeting via the link above

## Enquiries

Alex Dee
Head of Investor Relations
+44 20 7144 1370

Georgiana Brunner
Head of Communications
+44 20 7144 1000
media@man.com

Michael Turner
Finsbury
+44 20 7251 3801
mangroupUK@finsbury.com

## About Man Group

Man Group is a global, technology-empowered active investment management firm focused on delivering alpha and portfolio solutions for clients. Headquartered in London, we manage $123.6bn[1] and operate across multiple offices globally.

We invest across a diverse range of strategies and asset classes, with a mix of long-only and alternative strategies run on a discretionary and quantitative basis, across liquid and private markets. Our investment teams work within Man Group's single operating platform, enabling them to invest with a high degree of empowerment while benefiting from the collaboration, strength and resources of the entire firm. Our platform is underpinned by advanced technology, supporting our investment teams at every stage of their process, including alpha generation, portfolio management, trade execution and risk management.

Our clients and the millions of retirees and savers they represent are at the heart of everything we do. We form deep and long-lasting relationships and create tailored solutions to help meet their unique needs. We recognise that responsible investing is intrinsically linked to our fiduciary duty to our clients, and we integrate this approach broadly across the firm.

We are committed to creating a diverse and inclusive workplace where difference is celebrated and everyone has an equal opportunity to thrive, as well as giving back and contributing positively to our communities. For more information about Man Group's global charitable efforts, and our diversity and inclusion initiatives, please visit: https://www.man.com/corporate-responsibility

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

## Forward looking statements and other important information

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

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

This announcement contains inside information.

1 As at 31 December 2020. All investment management and advisory services are offered through the investment engines of Man AHL, Man Numeric, Man GLG, Man FRM and Man Global Private Markets (GPM).

# FUNDS UNDER MANAGEMENT ANALYSIS

## FUM movements for the year to 31 December 2020

| $bn | FUM at 31 December 2019 | Net inflows/ (outflows) | Investment performance | FX & other | FUM at 31 December 2020 |
|---|---|---|---|---|---|
| **Alternative** | **71.5** | **4.3** | **1.5** | **(0.1)** | **77.2** |
| Absolute return | **30.5** | 0.9 | 0.8 | 1.8 | **34.0** |
| Total return | **27.0** | 3.7 | (0.1) | (1.6) | **29.0** |
| Multi-manager solutions | **14.0** | (0.3) | 0.8 | (0.3) | **14.2** |
| **Long-only** | **46.2** | **(2.5)** | **1.8** | **0.9** | **46.4** |
| Systematic | **27.5** | (2.4) | 2.5 | 0.2 | **27.8** |
| Discretionary | **18.7** | (0.1) | (0.7) | 0.7 | **18.6** |
| **Total** | **117.7** | **1.8** | **3.3** | **0.8** | **123.6** |

## FUM movements for the three months to 31 December 2020

| $bn | FUM at 30 September 2020 | Net inflows/ (outflows) | Investment performance | FX & other | FUM at 31 December 2020 |
|---|---|---|---|---|---|
| **Alternative** | **72.4** | **1.4** | **2.2** | **1.2** | **77.2** |
| Absolute return | **30.0** | 1.0 | 1.2 | 1.8 | **34.0** |
| Total return | **29.0** | - | 0.5 | (0.5) | **29.0** |
| Multi-manager solutions | **13.4** | 0.4 | 0.5 | (0.1) | **14.2** |
| **Long-only** | **40.7** | **(0.1)** | **4.8** | **1.0** | **46.4** |
| Systematic | **25.2** | (0.7) | 3.1 | 0.2 | **27.8** |
| Discretionary | **15.5** | 0.6 | 1.7 | 0.8 | **18.6** |
| **Total** | **113.1** | **1.3** | **7.0** | **2.2** | **123.6** |

## FUM by product category

| $bn | 31-Dec-19 | 31-Mar-20 | 30-Jun-20 | 30-Sep-20 | 31-Dec-20 |
|---|---|---|---|---|---|
| **Absolute return** | **30.5** | **30.3** | **29.1** | **30.0** | **34.0** |
| AHL Alpha | 6.0 | 6.5 | 6.1 | 6.5 | 7.6 |
| Man Institutional Solutions[1] | 4.4 | 5.8 | 6.4 | 6.1 | 7.3 |
| AHL Dimension | 6.3 | 5.6 | 5.2 | 5.3 | 5.3 |
| GLG equity absolute return | 5.2 | 4.6 | 4.0 | 4.2 | 4.6 |
| AHL Evolution | 4.1 | 3.8 | 3.7 | 3.8 | 4.4 |
| AHL Diversified | 1.5 | 1.5 | 1.4 | 1.4 | 1.5 |
| Other [2] | 3.0 | 2.5 | 2.3 | 2.7 | 3.3 |
| **Total return** | **27.0** | **26.7** | **27.1** | **29.0** | **29.0** |
| AHL TargetRisk | 4.4 | 6.0 | 8.1 | 9.5 | 11.2 |
| Alternative risk premia | 13.0 | 10.5 | 10.0 | 10.4 | 8.6 |
| CLOs and other total return | 4.3 | 4.7 | 4.6 | 4.8 | 5.0 |
| Global Private Markets | 2.5 | 2.5 | 2.5 | 2.4 | 2.4 |
| EM total return | 2.8 | 3.0 | 1.9 | 1.9 | 1.8 |
| **Multi-manager solutions** | **14.0** | **13.0** | **13.2** | **13.4** | **14.2** |
| Infrastructure & direct access | 6.9 | 6.6 | 6.8 | 6.8 | 7.1 |
| Segregated | 5.9 | 5.6 | 5.9 | 6.1 | 6.5 |
| Diversified and thematic FoHF | 1.2 | 0.8 | 0.5 | 0.5 | 0.6 |
| **Systematic long-only** | **27.5** | **20.4** | **23.6** | **25.2** | **27.8** |
| Global | 9.2 | 7.2 | 8.7 | 9.3 | 10.9 |
| International | 9.1 | 6.6 | 7.1 | 7.3 | 7.4 |
| Emerging markets | 6.8 | 5.2 | 5.9 | 6.5 | 7.2 |
| US | 2.4 | 1.4 | 1.9 | 2.1 | 2.3 |
| **Discretionary long-only** | **18.7** | **13.8** | **15.3** | **15.5** | **18.6** |
| UK equity | 3.9 | 2.6 | 2.9 | 2.7 | 4.5 |
| Europe equity ex-UK | 2.7 | 2.2 | 3.2 | 3.5 | 4.0 |
| Credit and convertibles | 2.6 | 2.3 | 3.5 | 3.6 | 3.7 |
| Japan equity | 6.6 | 4.2 | 3.1 | 2.9 | 3.4 |
| EM fixed income | 2.0 | 1.7 | 1.6 | 1.6 | 1.7 |
| Other[3] | 0.9 | 0.8 | 1.0 | 1.2 | 1.3 |
| **Total** | **117.7** | **104.2** | **108.3** | **113.1** | **123.6** |

1 Man Institutional Solutions includes AHL Institutional Solutions and Multi-strategy. AHL Institutional Solutions invests into a range of AHL strategies including AHL Dimension, AHL Alpha and AHL Evolution.
2 Includes AHL other, Numeric absolute return and GLG credit absolute return strategies.
3 Includes equity and multi-asset strategies.

## INVESTMENT PERFORMANCE

| | | Total Return (net of fees) | | Annualised Return (net of fees) | | |
|---|---|---|---|---|---|---|
| | | 3 months to 31 Dec 2020 | 12 months to 31 Dec 2020 | 3 years to 31 Dec 2020 | 5 years to 31 Dec 2020 | Inception to 31 Dec 2020 |
| **Absolute return** | | | | | | |
| AHL Alpha | 1 | 5.9% | 7.9% | 5.4% | 3.6% | 10.7% |
| AHL Dimension | 2 | -1.6% | -8.5% | 0.3% | 0.7% | 4.3% |
| AHL Evolution | 3 | 5.1% | 3.9% | 5.8% | 8.2% | 12.6% |
| AHL Diversified | 4 | 10.6% | 11.0% | 5.6% | 2.7% | 11.0% |
| GLG Alpha Select Alternative | 5 | 0.2% | 5.2% | 5.9% | 6.2% | 4.2% |
| GLG European Long Short Fund | 6 | 1.0% | 5.7% | -0.4% | 0.7% | 6.4% |
| GLG Global Credit Multi Strategy | 7 | 1.4% | 8.0% | 5.3% | 8.6% | 11.8% |
| **Total return** | | | | | | |
| Alternative Risk Premia | 8 | 0.2% | -10.6% | -3.6% | 1.0% | 1.5% |
| AHL TargetRisk | 9 | 4.9% | 5.7% | 10.0% | 11.9% | 10.0% |
| GLG Global Emerging Markets Debt Total Return | 10 | -4.7% | 3.5% | 0.5% | n/a | 2.0% |
| **Multi-manager solutions** | | | | | | |
| FRM Diversified II | 11 | 6.5% | 2.6% | 1.0% | 1.0% | 3.8% |
| **Systematic long-only** | | | | | | |
| Numeric Global Core | 12 | 12.3% | 13.0% | 5.6% | 9.8% | 10.7% |
| *Relative Return* | | *-1.7%* | *-2.9%* | *-5.0%* | *-2.4%* | *0.2%* |
| Numeric Europe Core (EUR) | 13 | 9.4% | -1.5% | 2.2% | 5.2% | 8.4% |
| *Relative Return* | | *-1.4%* | *1.9%* | *-0.7%* | *0.9%* | *2.3%* |
| Numeric Emerging Markets Core | 14 | 16.9% | 20.3% | 4.9% | 14.4% | 7.8% |
| *Relative Return* | | *-2.8%* | *2.0%* | *-1.2%* | *1.6%* | *2.0%* |
| **Discretionary long-only** | | | | | | |
| GLG Continental European Growth Fund | 15 | 8.3% | 24.7% | 13.2% | 14.9% | 10.1% |
| *Relative Return* | | *-0.9%* | *16.0%* | *7.3%* | *4.2%* | *4.3%* |
| GLG Japan CoreAlpha Equity Fund | 16 | 13.7% | -15.9% | -8.6% | -1.2% | 2.3% |
| *Relative Return* | | *2.6%* | *-23.3%* | *-10.8%* | *-6.7%* | *-0.1%* |
| GLG Undervalued Assets Fund | 17 | 26.1% | -16.0% | -3.9% | 4.0% | 5.4% |
| *Relative Return* | | *13.5%* | *-6.1%* | *-3.0%* | *-1.1%* | *1.3%* |
| **Indices** | | | | | | |
| HFRX Global Hedge Fund Index | 18 | 5.1% | 6.8% | 2.7% | 3.3% | |
| HFRI Fund of Funds Conservative Index | 18 | 5.1% | 5.7% | 3.7% | 3.4% | |
| HFRI Equity Hedge (Total) Index | 18 | 14.5% | 17.4% | 7.4% | 8.2% | |
| HFRX EH: Equity Market Neutral Index | 18 | 3.1% | -3.9% | -3.0% | -2.5% | |
| Barclay BTOP 50 Index | 19 | 6.5% | 5.0% | 2.2% | 0.3% | |

1 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.

2 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.

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 GLG Alpha Select Alternative IL GBP; FUM included within GLG Equity absolute return product category.

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; FUM included within GLG Equity absolute return product category.

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; FUM included within Other under the absolute return product category.

8 Represented by Man Alternative Risk Premia Class A USD.

9 Represented by Man AHL TargetRisk class I USD.

10 Represented by Man GLG Global Emerging Markets Debt Total Return Class I USD; FUM included within EM total return product category.

11 Represented by FRM Diversified II Fund SPC - Class A USD ('the fund') until April 2018 then Class A JPY hedged to USD thereafter. However, prior to Jan 2004, FRM has created the FRM Diversified II pro forma using the following methodology: i) for the period Jan 1998 to Dec 2003, by using the returns of Absolute Alpha Fund PCC Limited – Diversified Series Share Cell ('AA Diversified - USD') adjusted for fees and/or currency, where applicable. For the period Jan 2004 to Feb 2004, the returns of the fund's master portfolio have been used, adjusted for fees and/or currency, where applicable. Post Feb 2004, the fund's actual performance has been used, which may differ from the calculated performance of the track record. There have been occasions where the 12-months' performance to date of FRM Diversified II has differed materially from that of AA Diversified. Strategy and holdings data relates to the composition of the master portfolio; FUM included within Diversified and thematic FoHF product category.

12 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.

13 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; FUM included within International product category.

14 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.

15 Represented by Man GLG Continental European Growth Fund Class C Accumulation Shares. Relative return shown vs FTSE World Europe Ex UK (GBP, GDTR); FUM included within Europe equity ex UK product category.

16 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); FUM included within Japan equity product category.

17 Represented by Man GLG Undervalued Assets Fund - C Accumulation Shares. Relative return shown vs FTSE All Share (GBP, NDTR); FUM included within UK equity product category.

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

19 The historical Barclay BTOP 50 Index data is subject to change.

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

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

## CHIEF EXECUTIVE OFFICER'S REVIEW

**Overview**[1]

Few events in the last 75 years have had as profound an impact on our society and on markets as the COVID-19 pandemic. Looking back on 2020, I am proud of how we have responded at Man Group. Despite the market volatility, the public health emergency, and more than 99% of the firm working remotely for most of the year, our team has not missed a beat, continuing to deliver for our clients throughout. Above and beyond the professionalism and commitment, I am proud of how the whole firm has come together to support and look after each other in difficult and testing times.

Throughout 2020, our foremost concerns were the health and well-being of our employees and the performance of our clients' assets. Over the past few years, we have built a business that is fundamentally resilient and run for long-term growth and success. It is during difficult times that the merit of having such a robust business model shines through. Our investment in cutting-edge technology and our people meant we were able to be proactive in dealing with both the personal and investment challenges of the year in a calm and measured fashion. This is a reflection of the resilience of our business as well as the incredibly positive, collaborative attitude and dedication of the entire Man Group workforce, to whom I am sincerely grateful. We have not furloughed any employees, reduced pay or utilised any government liquidity facilities. Our ability to handle such a material challenge as 2020 reinforces my belief that our technology edge, the incredible talent and dedication of our staff, the positive, supportive culture we have, and the strength of our client relationships mean we are well placed to deliver performance to our clients over time and therefore growth and income to our shareholders.

With that in mind, I am delighted to deliver a strong set of financial results for 2020. Volatility in the financial markets has been significant and at times challenging; in March alone, markets had one of their steepest and fastest falls on record. Crucially, we were able to respond rapidly and to demonstrate the benefits of our investment in our risk management and trading capabilities and thereby adjust our portfolio positioning rapidly to the changing circumstances, delivering for our clients in a time of crisis. Following the equity market's trough in March, the MSCI World Index rose 71% on a total return basis and ended the year on a new high driven by huge fiscal and monetary stimulus. The dramatic improvement in sentiment towards the end of the year particularly benefited our long-only strategies and our momentum strategies.

Against this backdrop, we grew our funds under management (FUM) by $5.9 billion to $123.6 billion, a new high for Man Group. This increase in FUM was driven by positive investment performance of $3.3 billion across our strategies and strengthening of the US dollar against other currencies. Relative performance across the firm was mixed, with asset weighted underperformance versus peers across our strategies of 1.0% in the year.

AHL TargetRisk, which has performed strongly in rising markets in recent years and protected capital during the sell-off, was an important contributor to our overall net inflows for the year of $1.8 billion. These inflows are also testament to the strength of our client relationships. We believe that communicating with our clients in times of crisis is more critical than ever and have focused on maintaining or indeed accelerating client engagement in order to counter the effects of the ongoing pandemic and remote working environment.

Despite these positive elements, core profit before tax[2], one of our financial KPIs, decreased by 26% to $284 million compared to 2019. This reflects a decline from a strong performance fee outcome in the previous year. Statutory profit before tax also decreased by 42% to $179 million compared to 2019.

**Performance**[1]

2020 was characterised by the arrival of the global pandemic, with repercussions that few had forecast. Financial markets responded initially with alarm and then rebounded with an uncharacteristic speed as governments and central banks rapidly introduced accommodative measures supporting liquidity, businesses and individuals. In the last quarter, positive news about the efficacy and safety of vaccines began to help the world to foresee an eventual end to the devastating effects of the pandemic.

Absolute performance across our product categories was up 3.0%. Our alternative strategies were up 2.0%, driven by strong performance from AHL Alpha (+7.9%) and AHL TargetRisk (+5.7%). Our long-only strategies were up 4.3% on average, having benefited from the rebound in equity markets in the latter part of the year. Performance in GLG Continental European Growth (+24.7%) and Numeric Global Core (+13.0%) was particularly strong, whilst performance in our value-biased strategies, namely GLG Japan CoreAlpha (-15.9%) and GLG Undervalued Assets (-16.0%), was weaker.

1 Past performance is not indicative of future results. Returns may increase or decrease as a result of currency fluctuations. Performance figures are shown net of representative management and performance fees.

2 The Group's alternative performance measures are outlined on pages 55 to 59.

Asset weighted relative outperformance of 1.4% in alternatives was driven by our total return strategies, while Alternative Risk Premia continued its relative outperformance since launch despite a difficult year for absolute performance. AHL TargetRisk was in line over the year having outperformed significantly during the sell-off and the GLG Emerging Market Debt strategy outperformed as it anticipated the sell-off. Relative performance across our long-only strategies was weaker, driven by their valuation focus. The GLG Japan CoreAlpha strategy, which has a large cap value focus, in particular underperformed for much of the year, although we saw improvements following the vaccine news.

**Progress against strategic priorities**

***Strong client relationships***

Following positive investment performance in 2019, net inflows in 2020 were $1.8 billion despite the impact of COVID-19. This is very strong relative performance compared to the industry, which saw on average an outflow of 3% across comparable strategies in 2020. We worked hard to continue to deepen our relationships with existing clients as well as add new relationships with strategically important asset allocators and distributors over the course of the year. This was particularly important in 2020 and remains so into 2021 with clients also forced to work from home and typically only interested in talking to their best and most reliable relationships. As a result of this focus, we continue to see clients investing in multiple strategies across the firm, with 71% of FUM at 31 December 2020 relating to clients invested in two or more products, and 42% relating to clients invested in four or more products.

Our 50 largest clients are invested in an average of approximately three of our strategies. 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.

***Innovative investment strategies***

Innovation is what drives the firm forward, maintains our relevance with existing clients, and attracts new clients. It strengthens our resilient business model by further diversifying our revenue streams and provides interesting development opportunities for our people. COVID-19 has altered the way we work, but the product development pipeline has been unaffected and remains attractive – despite a change for most to a home office, this didn’t dampen their creativity and we have seen countless innovative ideas arise over the past year.

AHL TargetRisk is an excellent example of that innovation bearing fruit. It was a product we developed six years ago, seeded with our own capital for a number of years and which is now seeing material client demand and is a significant contributor to the firm as a whole. Last year, AHL TargetRisk reached a new milestone, $10 billion of FUM. In response to this strong client demand, we have launched additional products within the AHL TargetRisk range, including products in collaboration with Man Numeric.

While not every new idea can be a $10 billion runaway success, we do see our pipeline of new ideas and products as being very strong. We are seeing growing demand for Responsible Investment funds in particular, with a focus on ESG factors. At Man Group we believe it is important that we implement ESG across all our investment engines. Each investment engine takes a distinct approach to responsible investment according to the specific asset classes and strategies under management. At the same time, all investment engines are able to leverage our firmwide ESG infrastructure for engagement with companies and collection and analysis of ESG data, which we see as essential to our Responsible Investment funds adding real value for clients.

Using the Global Sustainable Investment Alliance’s definitions and classification, we recently reported that $43 billion of Man Group’s funds under management integrate ESG factors into their decision-making process. We see ESG analysis as a way to improve client outcomes. As an example, Man Numeric has developed an ESG alpha model based on cutting-edge use of data and technology that is now live across most of their strategies.
We have made continued progress in the development and launch of quantitative fixed income strategies across both Man AHL and Man Numeric. We also continue to broaden our discretionary capabilities, most notably launching our GLG Asia ex-Japan Equity strategies in Q4, which are managed by an experienced team who joined Man Group earlier in 2020.

We have also broadened our alternative offering across both equity and credit during the year. Within our discretionary business, we continue to embed quantitative techniques to enrich the fundamental process of the portfolio managers.

***Efficient and effective operations***
Technology powers our efficient and effective operations at Man Group. Our single technology platform is the foundation on which the firm operates. With the knowledge, experience and talent of 500 quants and technologists across the firm, the platform facilitates alpha generation, portfolio management, trade execution, operations, compliance, risk management and financial reporting.

Our proprietary platform enables us to evolve and adapt to markets and our clients' needs. In March 2020, as market volatility and volumes surpassed the peak of the global financial crisis, the platform demonstrated its resilience and reliability. We comfortably operated at double our usual monthly volume, executing millions of trades on behalf of clients, without incident. Continuous investment in our people, data and platform technology in order to enhance our capabilities is what maintains and increases our technological lead and our competitive edge.

During the Brexit negotiations there was little clarity as to what the final outcome may look like. Our planning ensured that the impact of the transition on our employees, business and clients was minimised and we will continue to monitor developments closely throughout 2021.

**People and culture**
We are fundamentally a people business. To best serve our clients and shareholders, one of our top priorities is to attract and retain the best people, creating an environment in which they can achieve their potential. We place great importance on being an employer of choice and a place where all our employees feel that they belong.

We are a meritocracy, succeeding through talent, commitment, diligence and teamwork. We are committed to supporting our employees so that everyone at Man Group has the opportunity to be the best they can be. Our well-being programme continues to grow and has taken on a new importance as we support our colleagues around the globe faced with the challenges of living and working in a pandemic. Our programme has been enabled virtually as we continue to focus on engagement and culture in the pandemic (and hopefully post-pandemic) world.

We also believe that by celebrating diversity and building an inclusive working environment, we can attract the best talent to our business and generate the best ideas – experience has shown that homogeneous groups are typically constrained by a sense of group think, whereas diverse groups naturally approach problems differently and so come up with better, more rounded solutions. We encourage original and collaborative thinking with multiple and differing perspectives, positioning us to deliver for our clients. We are committed to increasing diversity in all forms, at all levels, because we think it makes Man Group a better, stronger firm. To facilitate this, we operate Drive, an employee-led diversity and inclusion network, which seeks to inform, support and inspire our people. I am pleased to report we have met our target of 25% female representation in senior management roles by the end of 2020 and have set a new target of 27.5% by the end of 2022 and 30% by the end of 2024. A wide variety of broader diversity and inclusion initiatives continue to take place, with one example from many being that we have become a corporate member of 'PurpleSpace', enabling us to raise the profile of our support for disabled employees both internally and externally.

Embedded in the firm's culture is the desire to give back to our communities, which can be through financial donations, sharing our expertise or time spent volunteering. A particular highlight in 2020 was our response to the UK Government's Rapid Assistance in Modelling the Pandemic initiative.

I believe that we do our best work for our clients when we support our employees, and value their different perspectives and experience. I would like to thank everyone at Man Group for their contribution to the progress we made during 2020.

**Growth**
Before turning to our outlook for the future, I also wanted to reflect a little on the growth we have achieved over the last five years. When I became CEO in 2016, we faced structural challenges, including the transition away from legacy guaranteed products. It was necessary to transform in order to grow and thrive. We believed that an intensely client-centric approach would be key to improving flows and to delivering sustainable growth. We also believed that our technology expertise had to be integral to every aspect of the business in order to build on our competitive advantage. We reorientated the business to have a focus on larger allocators of capital and ramped up North American distribution. In addition, we successfully integrated Numeric, which allowed us to develop new strategies based on capabilities across the firm.

The approach has been a success. Since the end of 2015, we have seen $26 billion of net inflows from clients and the number of clients for whom we manage more than $1 billion has grown from 12 to 22. We have increased our core management fee profitability by 82% to $180 million and have grown our core management fee EPS by 98%, while returning on average 9% of our market cap in dividends and share buybacks every year.

We have moved to a progressive dividend policy with the intention to maintain or increase our dividend each year as we grow our business.

**Outlook**

Progress towards normality in our day-to-day lives depends on progress made in vaccine development and the pace of vaccinations on both national and global levels. Our clients and our business adjusted rapidly, and we have been operating at close to normality for some time now. We saw net inflows last year and we've seen that positive engagement with clients continue into 2021. We are confident in our growth trajectory and enter the year with good momentum, with the combination of our talented team and leading technology driving our strong competitive position.

**Luke Ellis**
Chief Executive Officer

# KEY PERFORMANCE INDICATORS

***Financial KPIs***

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

**Investment performance**

*What we measure*

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

*How we performed*

We had asset weighted underperformance of 1.0% in 2020, despite strong absolute performance, and therefore we did not achieve this KPI target. Further investment performance information is provided on pages 7 to 10.

**Relative net flows**

*What we measure*

Relative net flows[1] are a measure of our ability to attract and retain investor capital in comparison to our industry peers. As set out in the 2019 Annual Report, this represents a change from the previous metric which was calculated on an absolute as opposed to a relative basis in order to better represent performance that management can control. FUM drives our financial performance in terms of our ability to earn management fees.

*How we performed*

Relative net flows of 4.6% in 2020 are within the target range, and indicate the attractiveness of our diversified offering across our client base despite a challenging year for fundraising.

**Core profit before tax**

*What we measure*

Core profit before tax[1] is a measure of overall profitability and cash generation and excludes legacy income streams, so better represents the core business of Man Group today. This includes our performance fee profits which, although volatile in nature, are a key earnings stream and a significant component of value creation for shareholders over time.

*How we performed*

Core profit before tax of $284 million for 2020 is comfortably within the target range, reflecting our management fee profitability and solid performance fee generation in the year.

*Change to KPI for 2021*

Our core profitability KPI will change to core EPS[1] for the 2021 financial year, in order to reflect the year-on-year profitability of our core business as well as management actions such as share repurchases. This KPI provides better comparability across our peers and further aligns management and shareholder incentives, and is aligned with directors' remuneration.

**Adjusted management fee EPS growth**

*What we measure*

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

*How we performed*

Adjusted management fee EPS increased by 5.1%, from 9.8 cents to 10.3 cents. The increase during a challenging year was underpinned by lower discretionary spend as a result of COVID-19 (see page19), partially offset by lower net management fee revenues which have since bounced back above closing 2019 run rate levels, driven by the increase in FUM in the latter part of the year.

Due to the roll-off of our legacy business profits during 2019, this KPI will change to core management fee EPS[1] growth from 2021 as adjusted and core growth measures will be aligned.

1 Details of the calculation of our alternative performance measures are provided on pages 55 to 59.

***Non-financial KPIs***

Our non-financial KPIs further demonstrate our commitment to our people, wider society and the environment, which reflect our core values.

**Carbon footprint**

*What we measure*

In order to monitor and decrease our carbon footprint, we measure total greenhouse gas emissions ($MTCO_2e$), including scope 2 market-based emissions[1].

*How we performed*

In 2020, total carbon emissions decreased by 66% compared to 2019. The significant drop reflects the impact of COVID-19 and reduced travel and energy use as a result of working from home. We also reduced emissions by streamlining our data centre facilities and improving the energy efficiency of our leased office premises.

**Employee engagement**

*What we measure*

Each year we conduct a staff survey to help us monitor and understand employee engagement and identify any areas for action.

*How we performed*

Our 2020 staff survey recorded an engagement score of 83 and an increase in the response rate to 85% from 83% in 2019. The welfare of our employees has been at the heart of our COVID-19 response, and the survey results suggest people have recognised and appreciated this.

**Women in senior management roles**

*What we measure*

The number of women in senior management positions, as we seek to encourage greater diversity across the investment management industry. This is defined as those who are or report directly to members of our Executive Committee.

*How we performed*

We made progress in the number of women in senior management roles during the year, however, we recognise there remains a long way to go.

1 Indirect emissions from non-renewable electricity sources.

# CHIEF FINANCIAL OFFICER'S REVIEW

**Overview**
Despite the volatility seen across global financial markets in 2020 as a result of the COVID-19 pandemic, we have managed to protect and grow our management fee profits, driven by solid performance and net inflows over the course of the year together with effective cost control. Core EPS[1] decreased from 21.0 cents in 2019 to 16.2 cents in 2020, and statutory EPS decreased from 18.4 cents to 9.3 cents, largely driven by lower performance fee generation compared to a particularly strong 2019. Our profitability and cash generation has meant we have maintained existing returns to shareholders, paying our 2019 year-end and 2020 interim dividends as planned and completing our previously announced share buyback, and also commenced additional returns with a further $100 million buyback announced in September 2020. Our diversified business model provides a strong foundation as we head into 2021.

Our funds under management increased by $5.9 billion to a new record of $123.6 billion at the end of 2020, largely due to positive absolute performance of $3.3 billion across both alternative and long-only strategies and net inflows of $1.8 billion, with inflows relative to peers of 4.6%[1]. We had small net outflows in the first half of the year, as certain clients sought cash in response to the impacts of COVID-19 during the second quarter in particular, followed by good net inflows in the second half, primarily from our alternative strategies. Performance fee generation was solid, with $179 million earned in the year, reduced from the particularly strong performance fee generation of $325 million in 2019. Our relative performance was around 1.0% below our peers, with a number of our larger long-only strategies underperforming in a challenging environment for valuation-focused strategies.

Due to the roll-off of profits from our legacy guaranteed products business in 2019, our core and adjusted measures are now equivalent. Core net management fee revenue[1] was $730 million for the year, a decrease of 3% from prior year due to lower average FUM as a result of lower FUM levels mid-year and a small decline in average net management fee margins. Run rate net management fee revenue[1] has increased to $815 million at the end of 2020, up by 6% from $771 million in 2019 as a result of the increase in closing FUM. Performance fee revenues of $179 million were largely generated by Man AHL and Man GLG. We made a gain of $20 million on our seed book, in line with 2019, reflecting effective risk management and strong performance from various strategies despite a challenging investment environment.

Total costs, excluding adjusting items, were $651 million, down from $710 million in 2019, driven both by lower performance fee related variable compensation and a decrease in fixed cash costs. Lower fixed cash costs reflected both measures to reduce costs we implemented in response to market declines in the first half of the year and some lower costs as a result of the pandemic, particularly in travel and entertainment. We also benefited from around $9 million of foreign exchange translation benefit on fixed costs due to more favourable sterling to US dollar achieved rates in 2020 compared with hedged rates in 2019, with the Group no longer hedging fixed costs from 2020. Overall reduced discretionary spend has supported our profitability in 2020, however we have also consciously supported and invested in our people over this period to ensure we are appropriately resourced through the current environment. We consider that running our operations efficiently is an important driver of profit growth for shareholders over time, and continue to focus on effective cost control.

The main sub-tenant in our primary London office paid us $26 million in the first half in order to surrender their lease early, in effect bringing forward their remaining lease payments. Following this we exercised a break clause in our other London office in order to bring all of our London staff together in one location from 2021. The lease surrender resulted in a net accounting gain of $18 million on statutory profits, due to a non-cash write-off of deferred rent of $8 million. We have recognised $11 million of this statutory gain in adjusted profits to reflect the associated foregone sub-lease rental income and costs incurred in 2020, with the remainder to be recognised through 2021 as we seek to sub-let the remaining space. Given the commercial property market uncertainty as a result of COVID-19, we have assessed our vacant sub-lease space and recorded a $25 million impairment of our right-of-use lease asset at year-end, which we will continue to monitor as the market stabilises post-pandemic. We expect to incur around $6 million of additional net costs on the remaining vacant space in 2021, and around $22 million of project capital expenditure over the next 12 months as we ready our consolidated London office for the post-COVID future working environment and prepare the remaining vacant space for sub-let.

1 The Group's alternative performance measures are outlined on pages 55 to 59.

Statutory profit before tax decreased by $128 million from 2019, driven by lower performance fee profits in 2020 as well as the $55 million impairment of GPM goodwill in the first half of the year as a result of slower growth for GPM than planned and a weaker economic outlook due to COVID-19, partially offset by a decrease in the associated contingent consideration creditor of $22 million. The decrease in core profit before tax[1] and core earnings per share[1] was driven by the lower level of performance fees compared to 2019. Core profit before tax[1], which excludes legacy business profits, reached a ten-year peak in 2019, largely driven by the strong performance fee generation in that year.

Our balance sheet remains strong and liquid and allows us to successfully navigate stressed scenarios whilst continuing to invest in the business and support our long-term growth prospects. This is evidenced by our continued return of capital to shareholders through both dividends and share repurchases throughout the course of the pandemic, whilst many other UK companies have either suspended or cut their dividend and share repurchase programmes.

We have net tangible assets of $716 million or 46 cents per share at 31 December 2020, and net financial assets[1] of $716 million (see page 59 for further detail). We have cash of $289 million (2019: $220 million) and continue to be strongly cash generative, with operating cash flows of $391 million (2019: $483 million). During the year we paid an interim dividend of 4.9 cents per share and intend to pay a final dividend of 5.7 cents per share, with the total dividend for the 2020 results year up 8% on 2019. We completed the $100 million share repurchase announced in October 2019, and in September 2020 announced our intention to repurchase a further $100 million of shares. We have returned over $1.4 billion to shareholders via dividends and share repurchases over the past five years (see page 21) and continue to focus on generating strong cash flows which we can in turn reinvest or return to shareholders via dividend and share repurchase programmes.

**Summary income statement**

| | **Year ended 31 December 2020** | Year ended 31 December 2019 |
|---|---|---|
| Core net management fee revenue[2] | **730** | 751 |
| Non-core net management fee revenue[1] | **–** | 2 |
| Performance fees[2] | **179** | 325 |
| Gains on investments[2] | **20** | 20 |
| Sub-lease rental and lease surrender income | **18** | 14 |
| Net revenue | **947** | 1,112 |
| Asset servicing | **(55)** | (55) |
| Fixed compensation[1] | **(194)** | (193) |
| Variable compensation[1] | **(257)** | (284) |
| Other costs – cash costs[2] | **(97)** | (131) |
| Other costs – depreciation and amortisation | **(48)** | (47) |
| Total costs | **(651)** | (710) |
| Net finance expense[1] | **(12)** | (16) |
| | | |
| Core profit before tax[1] | **284** | 384 |
| Core management fee profit before tax[1] | **180** | 170 |
| Performance fee profit before tax[1] | **104** | 214 |
| Adjusting items[1] (see page 19) | **(105)** | (79) |
| Statutory profit before tax | **179** | 307 |
| | | |
| Statutory EPS | **9.3¢** | 18.4¢ |
| Core EPS[1] | **16.2¢** | 21.0¢ |
| Core management fee EPS[1] | **10.3¢** | 9.7¢ |
| Adjusted management fee EPS[1] | **10.3¢** | 9.8¢ |
| Dividend per share[3] | **10.6¢** | 9.8¢ |

1 The Group's alternative performance measures are outlined on pages 55 to 59.
2 Management and other fees, performance fees and other costs exclude amounts for consolidated fund entities (per Note 13.2 to the Group financial statements), with these reclassified to gains on investments together with the third-party share. Refer to pages 55 to 59 for details of the Group's alternative performance measures.
3 Dividend per share includes the interim and final dividend relating to each financial year, including the 2020 proposed final dividend.

## Funds under management (FUM[1])

| $bn | | FUM at 31 December 2019 | Net inflows/ (outflows) | Investment performance | Foreign currency and other movements | **FUM at 31 December 2020** |
|---|---|---|---|---|---|---|
| **Alternative** | Absolute return | 30.5 | 0.9 | 0.8 | 1.8 | **34.0** |
| | Total return | 27.0 | 3.7 | (0.1) | (1.6) | **29.0** |
| | Multi-manager solutions | 14.0 | (0.3) | 0.8 | (0.3) | **14.2** |
| | **Total** | 71.5 | 4.3 | 1.5 | (0.1) | **77.2** |
| **Long-only** | Systematic | 27.5 | (2.4) | 2.5 | 0.2 | **27.8** |
| | Discretionary | 18.7 | (0.1) | (0.7) | 0.7 | **18.6** |
| | **Total** | 46.2 | (2.5) | 1.8 | 0.9 | **46.4** |
| **Total** | | 117.7 | 1.8 | 3.3 | 0.8 | **123.6** |

### Absolute return
Absolute return FUM increased by 11% as a result of positive investment performance, net inflows and foreign currency and other movements. Performance was driven by Man AHL's Alpha and Institutional Solutions strategies, with net inflows of $2.3 billion into AHL Institutional Solutions and AHL Evolution partially offset by net outflows principally from Man GLG's European Long-Short strategy. Foreign currency movements gave rise to a $0.9 billion increase in FUM during the year.

### Total return
Total return FUM increased by 7% due to net inflows of $3.7 billion. Net inflows included $5.3 billion into Man AHL's TargetRisk strategy with net outflows from Alternative Risk Premia and from Man GLG's Global Emerging Markets Debt Total Return strategy. Investment performance included gains from AHL TargetRisk offset by losses from Alternative Risk Premia. Other movements primarily relate to net leverage decreases of $2.0 billion, partially offset by an increase of $0.9 billion due to foreign currency movements.

### Multi-manager solutions
Multi-manager solutions FUM increased by $0.2 billion, with positive investment performance of $0.8 billion from our dedicated managed account platform.

### Systematic long-only
Systematic long-only FUM increased by $0.3 billion, driven by positive investment performance of $2.5 billion including $1.1 billion and $1.2 billion from Man Numeric's Emerging Markets and Global Core strategies respectively. Net outflows of $2.4 billion were across a range of strategies following weaker relative short-term performance.

### Discretionary long-only
Discretionary long-only FUM ended the year broadly flat. Foreign currency movements of $0.6 billion largely offset negative investment performance, driven by Man GLG's Japan CoreAlpha strategy, which also had net outflows of $2.1 billion. Man GLG's UK UVA strategy had $1.0 billion of net inflows during the year.

### Guaranteed products
All of our legacy guaranteed products had matured at 31 December 2020, FUM having been $39 million at the start of the year and associated profits having rolled-off in 2019.

1 The Group's alternative performance measures are outlined on pages 55 to 59.

## Revenue

### Net management fee revenue and margins

The Group's total net management fee margin[1] decreased by 2 basis points during the year to 65 basis points, with the reduction continuing to be driven by mix effects as higher margin strategies, particularly in discretionary long-only, decreased during the year. The Group's run rate net management fee margin[1] at 31 December 2020 had increased slightly to 66 basis points (2019: 65) as a result of higher closing FUM from absolute return, particularly AHL Institutional Solutions and AHL Evolution which have higher margins. The run rate net management fee revenue[1] was $815 million (31 December 2019: $771 million), largely as a result of the increase in absolute return FUM during the year.

The net management fee margins of absolute return and multi-manager solutions continued their gradual decline due to margin pressure from mix effects in recent years, with discretionary long-only margins decreasing to 62 basis points in 2020 from 67 basis points in 2019 as a result of a decrease in GLG Japan CoreAlpha FUM which attracts a higher margin. Conversely, the total return margin increased from 56 basis points to 62 basis points due to the growth of higher margin products, in particular AHL TargetRisk. The absolute return net management fee margin decreased by 2 basis points to 118 basis points as a result of the continued mix shift towards institutional assets which are at a lower margin. The multi-manager solutions net management fee margin decreased to 24 basis points in 2020 from 31 basis points in 2019, as a result of Man FRM's continued shift towards a solutions provider from traditional fund of funds manager. The systematic long-only run rate net management fee margin is broadly in line with the year-end 2019 run rate margin.

Core net management fee revenue[1] decreased by 3% to $730 million in 2020, driven by the lower average FUM and the decline in our average margin during the year, despite closing FUM being 5% higher than prior year and closing run rate net management fee margin[1] also being higher.

| $m | **Year ended 31 December 2020** | Year ended 31 December 2019 |
|---|---|---|
| Absolute return | **355** | 354 |
| Total return | **171** | 139 |
| Multi-manager solutions | **32** | 43 |
| Systematic long-only | **73** | 93 |
| Discretionary long-only | **99** | 122 |
| Core net management fee revenue[1] | **730** | 751 |
| Guaranteed | **–** | 2 |
| Net management fee revenue[1] | **730** | 753 |

### Performance fees and investment gains and losses

Performance fees for the year were $179 million (2019: $325 million), which included $124 million from Man AHL (2019: $291 million), $54 million from Man GLG (2019: $34 million), and $1 million from Man Numeric (2019: nil). We have strong performance fee optionality and diversity, with $49.0 billion of performance fee eligible FUM at year-end and a diverse range of strategies having contributed to our performance fee earnings over recent years.

Investment gains of $20 million (2019: $20 million) primarily relate to gains on seed investments. The seeding book was $485 million at year-end, down from $514 million in 2019 driven by net redemptions as a result of the successful marketing of a number of funds we seeded last year. In addition we had $50 million of exposure via total return swaps (TRSs) at year-end (2019: $62 million).

### Sub-lease rental and lease surrender income

As outlined on page 15, $11 million of the $18 million net accounting sub-lease surrender gain from our principal London sub-tenant relating to lost rental income and other associated costs in 2020 has been recognised within adjusted profits. We expect to release the remaining $7 million in 2021. Due to the impact of COVID-19 on the commercial property market, we have recognised $25 million of impairment expense on the associated right-of-use lease asset, reflecting a lower valuation of the sub-let floors at year-end compared to the IFRS 16 'Leases' accounting carrying value (an adjusting item per page 19).

1 The Group's alternative performance measures are outlined on pages 55 to 59.

## Costs

### Asset servicing

Asset servicing costs vary depending on transaction volumes, the number of funds, and fund NAVs. Asset servicing costs were $55 million (2019: $55 million), which equates to around 7 basis points of average FUM, excluding systematic long-only and Man GPM strategies.

### Compensation costs

Total compensation costs[1] were $451 million for the year, down by 5% compared to $477 million in 2019 as a result of lower management and performance fee revenues together with more favourable achieved sterling to US dollar exchange rates on fixed compensation in 2020. The Group's compensation ratio is generally between 40% and 50% of net revenues, depending on the mix and level of revenue. We expect to be at the higher end of the range in years when absolute performance fees are low and the proportion from Man Numeric and Man GLG is higher, and conversely we expect to be at the lower end of the range when absolute performance fees are high and the proportion from Man AHL is higher. The overall compensation ratio[1] therefore increased to 48% in 2020 from 43% in 2019, which reflects the decrease in performance fee revenue generated in 2020.

### Other costs

Other costs were $145 million for the year (2019: $178 million excluding adjusting items). Our recruitment and temporary staff costs decreased as a result of lower levels of hiring during the year, with global travel restrictions, working from home and a further reduction in recruitment as a result of COVID-19 providing additional cost savings. As we stopped hedging fixed costs one year in advance at the end of 2019 we were able to benefit from the more favourable sterling to US dollar exchange rates in 2020, compared to our hedged rate of 1.36 for 2019, although we approach 2021 with an FX headwind. For the year to 31 December 2020, we had sterling denominated net management fee revenues of around $113 million (2019: $114 million) and fixed costs of $177 million (2019: $190 million).

### Net finance expense

Net finance expense, excluding the unwind of discount on contingent consideration which is classified as an adjusting item[1], decreased to $12 million from $16 million in 2019. This was due to 2020 including the full-year benefit of reduced interest on the Tier 2 notes, given these were repaid in September of 2019, and the use of cheaper financing sources in the form of TRSs and repo arrangements from the latter half of 2019.

### Core and adjusted profit before tax

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

Core profit before tax[1], which is equivalent to adjusted profit before tax[1] with the exclusion of legacy business profits which rolled-off in 2019, was $284 million compared to $384 million in 2019. In 2019 our core profitability reached a ten-year peak, driven by the strong performance fee generation. Adjusting items[1] (pre-tax) in the year totalled a net expense of $105 million (2019: $79 million), as summarised below.

| $m | Year ended 31 December 2020 |
|---|---|
| Impairment of goodwill | **(55)** |
| Amortisation of acquired intangible assets | **(63)** |
| Revaluation of contingent consideration creditors | **22** |
| Unwind of contingent consideration discount | **(2)** |
| Recycling of FX revaluation on liquidation of subsidiaries | **17** |
| Unrealised foreign exchange movements on lease liabilities | **(6)** |
| Lease surrender income | **7** |
| Impairment of right-of-use lease asset – investment property | **(25)** |
| Total adjusting items (excluding tax) | **(105)** |
| Net derecognition of US deferred tax asset (see page 20) | **(8)** |

1 The Group's alternative performance measures are outlined on pages 55 to 59.

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

The underlying rate on adjusted profit of 17% (2019: 15%) represents the statutory tax rates in each jurisdiction in which we operate, including nil for the US, applied to our geographical mix of profits. The adjusted tax rate[1] was 16% (2019: 15%).

Tax on statutory profit for the year was $41 million (2019: $22 million), which equates to a statutory effective tax rate of 23% (2019: 7%). The increase in the tax rate is largely due to the impairment of the GPM goodwill, partially offset by the associated revaluation of the Aalto contingent creditor, and the derecognition of a small portion of our US deferred tax assets (detailed below).

In the US, we have accumulated tax losses as well as tax deductible goodwill and intangibles of $95 million (2019: $89 million), which can be offset against future US profits and will therefore reduce taxable profits. We have recognised $81 million of these US deferred tax assets on the balance sheet at 31 December 2020 (2019: $89 million), due to the derecognition of certain state and city tax losses which are expected to expire before consumption. The associated tax expense adjusting item of $8 million represents this derecognition, partially offset by a net increase in the year of $6 million. As movements in the deferred tax asset are classified as an adjusting item[1], the US core and adjusted tax rate[1] will remain at nil until cash taxes are payable in the US. As a result of the adjustment of the US deferred tax assets in the year, the 2020 statutory effective tax rate on US profits is higher than the prevailing US federal tax rate.

The principal factors that we expect to influence our future underlying tax rate are the mix of profits by tax jurisdiction, changes to applicable statutory tax rates, including in the UK, and the consumption of US tax assets. As a result of the recognition of the majority of the US deferred tax assets, should the earnings profile of the Group in the US increase significantly in the future, the core and adjusted tax rate for the Group would then be affected by the prevailing corporation tax rate in the US and the proportion of the Group's profits generated in the US. The underlying tax rate in 2021 is currently expected to remain consistent with 2020, dependent on the factors outlined above.

**Cash earnings**
Given the strong cash conversion of our business, we believe our core profit after tax is a good measure of our underlying cash flow generation, although the timing of cash conversion is impacted by the seasonal movements in our working capital position through the year and the size of our seed book over time. Operating cash flows, excluding working capital movements, were $341 million during the year and cash balances at year-end were $289 million[2].

| $m | **Year ended 31 December 2020** | Year ended 31 December 2019 |
|---|---|---|
| Opening cash[2] | **220** | 344 |
| Operating cash flows before working capital movements, excluding contingent consideration | **341** | 465 |
| Working capital movements (excluding seeding) | **9** | (127) |
| Working capital movements – seeding[2] | **41** | 145 |
| Payment of dividends | **(147)** | (152) |
| Share repurchase (including costs) | **(107)** | (92) |
| Repayment of Tier 2 notes | **–** | (150) |
| Payment of acquisition-related contingent consideration | **(2)** | (169) |
| Other movements | **(66)** | (44) |
| Cash at year-end[2] | **289** | 220 |

Working capital movements in 2020 principally relate to the year-on-year decrease in performance fee receivables and a reduction in the Group's seed book.

As at 31 December 2020, the Group's cash balance was $289 million and the undrawn committed revolving credit facility, which matures in 2025, was $500 million. The management of liquidity is explained in Note 12 to the Group financial statements.

1 The Group's alternative performance measures are outlined on pages 55 to 59.
2 Cash and cash equivalents, fees and other receivables and payables balances exclude amounts relating to consolidated fund entities. These are presented net within net investments in fund products and other investments, together with third-party interest in consolidated funds (see Note 13.2 to the Group financial statements).

**Balance sheet**
The Group has a strong and liquid balance sheet. Fees and other receivables have decreased as a result of the lower level of performance fees earned in December compared to the prior year. Payables have decreased due to a decrease in compensation accruals. The decrease in investments in funds is driven by seeding investments, as outlined below.

| $m | **31 December 2020** | 31 December 2019 |
|---|---|---|
| Cash and cash equivalents[2] | **289** | 220 |
| Fee and other receivables[2] | **382** | 424 |
| Payables[2] | **(568)** | (570) |
| Net investments in fund products and other investments[2] | **607** | 615 |
| Pension asset | **2** | 16 |
| Right-of-use lease assets – investment property[3] | **74** | 79 |
| Right-of-use lease assets – leasehold[3] | **78** | 141 |
| Leasehold improvements and equipment[3] | **30** | 29 |
| Total tangible assets | **894** | 954 |
| Lease liability | **(272)** | (307) |
| Net deferred tax asset | **94** | 92 |
| Net tangible assets[4] | **716** | 739 |
| Goodwill and other intangibles | **781** | 885 |
| Shareholders' equity | **1,497** | 1,624 |
| Net financial assets | **716** | 674 |

**Seeding investments**
Man Group uses capital to invest in new products to assist in the growth of the business, which will be redeemed as practicable as funds are marketed to clients. At 31 December 2020, the Group's seeding investments were $485 million (refer to Note 13 to the Group financial statements), which have decreased from $514 million at 31 December 2019 largely as a result of redemptions due to seeded funds being successfully taken up by clients. In addition, we held $50 million of total return swap exposure at 31 December 2020 (2019: $62 million).

**Capital management**

**Capital management, including dividends and share repurchases**
We have a robust balance sheet and liquidity position that allows us to weather crises whilst continuing to invest in the business and support our long-term growth prospects, maximising shareholder value. Despite the impacts of the pandemic during 2020 we continued to return capital to shareholders through completion of the $100 million share repurchase announced in October 2019, and in September 2020 announced our intention to repurchase a further $100 million of shares ($36 million of shares had been repurchased at 31 December 2020), in addition to continuing to pay our bi-annual dividends.

We continue to generate strong cash flows. We are moving to a progressive dividend policy, taking our 2020 total dividend of 10.6 cents per share as a starting point. Our core[1] business is highly cash generative and these cash flows support a growing dividend over time. We actively manage Man Group's capital to seek to maximise value to shareholders and support the Group's strategy by either investing that capital to improve shareholder returns in the future, or returning it to shareholders through higher dividends or share buybacks, after taking into account required capital (including liabilities for future earn-out payments) and potential strategic opportunities, to ensure we maintain a prudent balance sheet. Over the past five years we have returned $800 million through dividends and announced $600 million of share buybacks for shareholders.

1 The Group's alternative performance measures are outlined on pages 55 to 59.
2 Cash and cash equivalents, fees and other receivables and payables balances exclude amounts relating to consolidated fund entities. These are presented net within net investments in fund products and other investments, together with third-party interest in consolidated funds (see Note 13.2 to the Group financial statements).
3 Right-of-use lease assets for investment property relates to our operating sub-leases, and includes the portion of leasehold improvements relating to those premises. These have been reclassified in the prior period presented to separately identify these on the balance sheet as investment property, as detailed further in Note 18 to the Group financial statements.
4 Equates to net tangible assets per share of 46 cents (2019: 48 cents).

We have a capital and liquidity framework which allows us to invest in the growth of our business. We have maintained prudent capital and available liquidity throughout the year. The Group's $500 million revolving credit facility provides additional liquidity (see Note 12 to the Group financial statements). We utilise capital to support the operation of the investment management process and the launch of new fund products. We monitor our capital requirements through continuous review of our regulatory and economic capital, including monthly reporting to the Risk and Finance Committee and the Board.

The Board is proposing a final dividend for 2020 of 5.7 cents per share, which together with the interim dividend of 4.9 cents per share equates to a total dividend for 2020 of 10.6 cents per share, a 8% increase from 2019. The proposed final dividend equates to around $81 million, which is more than covered by the Group's available liquidity and capital resources. Key dates relating to the proposed final dividend are provided on page 2.

**Mark Jones**
Chief Financial Officer

# RISK MANAGEMENT – PRINCIPAL RISKS

## Business risks

| | Risk | Mitigants | Status and trend | Change |
|---|---|---|---|---|
| **1 Investment performance** | Fund underperformance on an absolute basis, relative to a benchmark or relative to peer groups, could reduce FUM and may result in lower subscriptions and higher redemptions. This risk is exacerbated at times of volatile markets. This may also result in dissatisfied clients, negative press and reputational damage.<br>Lower FUM results in lower management fees and underperformance results in lower performance fees. | Man Group's investment businesses each have clearly defined investment processes designed to target and deliver on the investment mandate of each product. We focus on hiring and retaining highly skilled professionals who are incentivised to perform within the parameters of their mandate.<br>Man Group's diversified range of products and strategies limits the risk to the business from underperformance of any particular strategy. This includes a current focus on responsible investment products incorporating ESG analytics to meet current and future investor needs. | 2020 has seen mixed performance. Many alternative strategies performed well over the year on an absolute and relative basis. However, performance has been weaker for the valuation-focused strategies such as Japan CoreAlpha and those within Man Numeric and Alternative Risk Premia.<br>FUM increased largely due to absolute performance and net inflows over the year.<br>The discussion of Man Group's performance is on page 7. | Increased |
| **2 Key person risk** | A key person to the business leaves or is unable to perform their role. In 2020 this included team resilience to individuals being incapacitated by COVID-19.<br>Retention risk may increase in years of poor performance and reduced compensation. | Business and investment processes are designed with a view to minimise the impact of losing any key individuals. Diversification of strategies reduces the overall risk to Man Group. The COVID-19 response sought to minimise resilience risks through physical separation of key persons.<br>Succession plans and deferred compensation schemes are in place to support the retention of senior investment professionals and key management. | Man Group has continued to be able to attract and retain an array of talented individuals across the firm. We have seen a decline in voluntary staff turnover as a result of COVID-19.<br>We did not see any investor concerns or material outflows as a result of announced departures in 2020. We continue to operate a succession planning process to manage this risk. | Unchanged |

## Credit risks

| | Risk | Mitigants | Status and trend | Change |
|---|---|---|---|---|
| **3 Counterparty** | A counterparty with which the funds or Man Group have financial transactions, directly or indirectly, becomes distressed or defaults.<br>Shareholders and investors in Man Group funds and products are exposed to credit risk of prime brokers, custodians, sub-custodians, clearing houses and depository banks. | Man Group and its funds diversify exposures across a number of strong financial counterparties, each of which is approved and regularly reviewed for creditworthiness by the Counterparty Monitoring Committee (CMC). The CMC also oversees contingency planning ahead of significant market or political events.<br>The risk teams monitor credit metrics on the approved counterparties daily. This includes CDS spreads and credit ratings. | Increased regulatory scrutiny, stress testing and capital requirements for investment banks and central clearing houses following the 2008 financial crisis supported the overall stability of Man Group's core counterparties going into the stressed markets of March 2020.<br>Credit spreads widened in March (some of which can be attributed to less liquid markets) and Man Group's core counterparties underwent heightened monitoring during this time until the credit indicators reverted to more normal levels. It was not necessary to take any meaningful mitigating action against any name. | Unchanged |

## Liquidity risks

| | Risk | Mitigants | Status and trend | Change |
|---|---|---|---|---|
| 4 **Corporate and fund** | Volatile markets and reduced market liquidity can place additional, often short-term, demands on the balance sheet. Man Group is exposed to having insufficient liquidity resources to meet its obligations.<br>Adverse market moves and volatility may sharply increase the demands on the liquid resources in Man Group's funds. Market stress and increased redemptions could result in the deterioration of fund liquidity and in the severest cases this could lead to the gating of funds. | A $500 million revolving credit facility (RCF) maturing in five years provides Man Group with a robust liquidity backstop. Liquidity forecasting for the Man Group and UK/EEA entities, including downside cases, facilitates planning and informs decision making.<br>The investment risk teams conduct regular liquidity tests on Man Group's funds. We endeavour to manage resources in such a way as to meet all demands for fund redemptions according to contractual terms. | The asset liquidity distribution across funds has remained broadly unchanged.<br>Markets in March 2020 saw significantly increased transaction costs and reduced liquidity in the less liquid markets. Man Group's funds generally trade in more liquid markets but nevertheless some funds took steps to reduce exposure to the less liquid assets where necessary. Liquidity largely returned to markets by mid-year, while transaction costs were elevated for longer. | Unchanged |

## Market risks

| | Risk | Mitigants | Status and trend | Change |
|---|---|---|---|---|
| 5 **Investment book** | Man Group uses capital to seed new funds to build our fund offering and expand product distribution. Man Group also holds Collateralised Loan Obligation (CLO) risk retention positions until the product maturity.<br>The firm is therefore exposed to a decline in value of the investment book. | A disciplined framework ensures that each request for seed capital is assessed on its risk and return on capital.<br>Approvals are granted by a Seed Investment Committee (SIC), which is comprised of senior management, Risk and Treasury. Investments are subject to risk limits, an exit strategy and are hedged to a benchmark where appropriate. The positions and hedges are monitored regularly by Group Risk and reviewed by the SIC. | The investment book ended 2020 with a similar size and risk profile compared to the start of 2020. Market volatility in March/April was challenging, particularly for the CLO risk retention positions. Overall the seeding book returns for 2020 were positive, with the benchmark hedges performing as expected.<br>Man Group continues to use repo and swap financing for some of the CLO and seed positions to release liquidity but retain the market risk, and was able to roll positions throughout 2020. | Unchanged |
| 6 **Pension** | Man Group underwrites the risks related to the UK defined benefit pension plan which closed to new members in 1999 and future accrual in 2011. The plan is well funded but is exposed to changes in net asset versus liability values. | The UK pension plan has a low net exposure to UK interest rates and RPI inflation. The return-seeking assets are low volatility and have a low correlation to directional equity markets. Longevity is the largest remaining risk but is uncorrelated to Man Group's other risks. | The scheme has a slight surplus on an accounting basis and has a projected small deficit on an actuarial basis, which will be reviewed in the upcoming triennial valuation as of year-end.<br>The deficit increased in March 2020 with underperformance of most of the return-seeking funds but has largely recovered to end the year with only a modest deficit increase over the year. The impact of COVID-19 on mortality assumptions has not been built into actuarial assumptions. | Increased |

## Operational risks

| | Risk | Mitigants | Status and trend | Change |
|---|---|---|---|---|
| **7** **Information technology and business continuity** | Risk of losses incurred by IT software and hardware failures resulting in system downtime, severely degraded performance or limited system functionality.<br>Business continuity risks arise from a denial of access to a key site or a data centre outage leading to business disruption. | Technology plays a fundamental role in delivering our objectives, so the IT functions work closely with each business unit to ensure work is correctly prioritised and financed. The prioritisation process considers the life cycle of both hardware and software to ensure both are adequately supported and sized. The firm's operational processes include mature risk, incident and problem management procedures to minimise the likelihood and impact of technology failures.<br>Business continuity risk has been mitigated through detailed planning and testing of remote access and contingency/ recovery operations, and ongoing risk and threat assessment. | 2020 has tested our business continuity plans and we are pleased with how we have operated. Despite this, we continue to improve our technology capability and security. New hardware and software have enhanced core technology and data centres, whilst the trading and operations platforms continue to be enriched. Considerable progress was made in the centralisation of order and execution management technology for the firm.<br>Collaboration technologies (and prior extensive business continuity planning) facilitated a seamless move to mass working from home, with enhancements in this space continuing through 2020 to provide added security, resiliency and efficiency. | Unchanged |
| **8** **Internal process failure** | Risk of losses resulting from inadequate or failed processes within Man Group. | Man Group's risk management framework and internal control systems are based on a three lines of defence model.<br>In response to the pandemic, the Risk and Finance Committee attendees identified areas of heightened risk and associated management actions. | Man Group remains focused on enhancing its systems and control processes where required and ensuring internal process failures are kept to a minimum.<br>Man Group has not observed an increase in material internal events in 2020, nor any material operational events directly attributable to COVID-19. | Unchanged |
| **9** **External process failure** | Man Group continues to outsource a number of functions as well as managing outsourcing arrangements on behalf of its funds. The risk is that the outsourced service providers do not perform as required, resulting in knock-on implications for our business and processes.<br>External service providers faced heightened risks attributable to COVID-19. | Man Group's operations team has implemented a robust methodology (including ongoing third-party due diligence and KPI monitoring) to confirm that outsourced service providers are delivering as required. | The firm has concentrated its outsourcing into a smaller number of carefully selected and proven outsource providers with which it has established working relationships allowing for greater process consolidation and rationalisation.<br>We observed a modest increase in issues faced by some of our third-party providers during 2020. However, these have not had any material loss impacts. | Increased |
| **10** **Information and cybercrime security** | The risk of loss resulting from cybercrime, malicious disruption to our networks or from the theft, misplacing, interception, corruption or deletion of information.<br>The risk and potential impact are heightened while most of the firm is working from home. | Man Group has established information security and cyber security programmes that are aligned with industry expectations and best practices. They are continuously reviewed and adjusted to keep pace with the regulatory, legislative and cyber threat landscapes. Our security mechanisms are layered in a defensive posture and include technologies powered by artificial intelligence enabling them to detect and prevent malicious activities and highly complex cyber-attacks. | The cyber landscape continued to evolve throughout 2020 with criminals seeking to exploit COVID-19 and working from home. Key threats arise from social engineering (phishing), ransomware, extortion, denial of service and cloud data storage/processing attacks. Criminals increased attacks against remote access infrastructures aiming to disrupt workforces and breach poorly configured remote access gateways and services.<br>Man Group did not experience any material cyber or data breaches in 2020, and our security operations and incident response functions remained fully operational. | Increased |

## Operational risks continued

| | Risk | Mitigants | Status and trend | Change |
|---|---|---|---|---|
| **11 Legal and regulatory** | The global nature of Man Group's business, the expansion of its investment businesses and the acquisition of new investment businesses, with corporate and fund entities located in multiple jurisdictions and a diverse investor base, makes it subject to a wide range of laws and regulations. Failure to comply with these laws and regulations may put Man Group at risk of fines, lawsuits or reputational damage.<br>Changes in laws and regulations can materially impact Man Group or the sectors or the market in which it operates. | Man Group operates a global legal and compliance framework which underpins all aspects of its business and is resourced by experienced teams. These teams are physically located in Man Group's key jurisdictions, helping them to understand the context and impact of any requirements.<br>Emphasis is placed on proactively analysing new legal and regulatory developments to assess likely impacts and mitigate risks.<br>Man Group continues to liaise directly and indirectly with competent authorities e.g. FCA, SEC, FINMA, CBI. | Man Group continues to experience new regulatory requirements. In 2020 this included embedding of SMCR and transaction reporting.<br>Man Group maintained an open dialogue with regulators throughout 2020 around the impact of COVID-19 on markets, fund performance and our resilience.<br>Work continues on a number of regulatory initiatives including IBOR transition, implementing the Investment Firms Prudential Regime (IFPR) and climate change disclosures (TCFD). | Unchanged |

## Reputational risks

| | Risk | Mitigants | Status and trend | Change |
|---|---|---|---|---|
| **12 Negative publicity** | The risk that an incident or negative publicity undermines our reputation as a leading investment manager and place to work. Reputational damage could result in significant redemptions from our funds, and could lead to issues with external financing, credit ratings and relations with core counterparties and outsourcing providers. | Our reputation is dependent on both our operational and fund performance. Our governance and control structure mitigate operational concerns, and our attention to people and investment processes are designed to comply with accepted standards of investment management practice. | Man Group continues to enjoy a good reputation and this risk is assessed as stable.<br>Work continues to build Man Group's Responsible Investment brand through fund offerings and corporate behaviour. | Unchanged |

## Climate change risks

| | Risk | Mitigants | Status and trend | Change |
|---|---|---|---|---|
| **13 Physical and transition risks** | Physical risks of business disruption, property damage or to employee well-being due to a severe weather event or longer-term shifts in climate patterns.<br>Transition risks as the world moves towards a low-carbon economy can be legal, regulatory, technological, market or reputational. | Man Group has a small number of employees and a relatively limited physical footprint. Man Group is sufficiently agile to be able to adjust to medium-term transition risks. | The firm continues to focus on providing investors with products that incorporate ESG analytics and meeting and exceeding stakeholder expectations. This is augmented by active stewardship of fund assets to influence positive change. The firm has announced its commitment to become net zero carbon by 2030.<br>The firm will continue to monitor and manage other medium/long-term risks though BAU reporting and management processes for the relevant principal risk (see numbers 1, 7, 11 and 12). | Increased |

## Emerging risks

| | Risk | Mitigants | Status and trend | Change |
|---|---|---|---|---|
| **14 External risks** | Primarily external in nature and complementary to the principal risks which are focused on current internal risk. The emerging risk categories include natural disasters, future pandemics, disruption to financial markets and business infrastructure, political risk and changes in the competitive landscape. | The Board and Group Risk monitor emerging risks, trends and changes in the likelihood of impact. This assessment informs the universe of principal risks faced by the firm. | The emerging risks were reviewed by the Board in 2020. No material changes were made to Man Group's headline principal risks, but some likelihoods and impacts were reassessed.<br>The coronavirus (COVID-19) transitioned from a generic pandemic emerging risk to a business continuity principal risk. | Unchanged |

Further information on risk management is set out on pages 30 to 37 of our 2020 Annual Report.

## DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Companies (Jersey) Law 1991 requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:
- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey, Channel Islands governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors confirm that, to the best of each person's knowledge and belief:
- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face;
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's and Group's position, performance, business model and strategy; and
- there is no relevant audit information of which the Group's auditor is unaware, and that they have taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that Man Group's auditor is aware of that information.

## GROUP INCOME STATEMENT

| $m | Note | **Year ended 31 December 2020** | Year ended 31 December 2019 |
|---|---|---|---|
| Revenue: | | | |
| Gross management and other fees | 2 | **762** | 788 |
| Performance fees | 2 | **177** | 325 |
| | | **939** | 1,113 |
| Income or gains on investments and other financial instruments | 13.1 | **40** | 35 |
| Third-party share of gains relating to interests in consolidated funds | 13.2 | **(17)** | (18) |
| Sub-lease rental and lease surrender income | 18.2 | **25** | 14 |
| Distribution costs | 3 | **(34)** | (38) |
| Asset servicing costs | 3 | **(55)** | (55) |
| Compensation | 4 | **(451)** | (476) |
| Other costs | 5 | **(150)** | (189) |
| Revaluation of contingent consideration | 21 | **22** | 37 |
| Amortisation of acquired intangible assets | 10 | **(63)** | (78) |
| Impairment of GPM goodwill | 10 | **(55)** | – |
| Impairment of right-of-use lease assets – investment property | 18 | **(25)** | – |
| Impairment of acquired intangible assets | 10 | **–** | (5) |
| Recycling of FX revaluation to the Group income statement on liquidation of subsidiaries[1] | | **17** | – |
| Gain on sale of investment in Nephila | | **–** | 1 |
| Finance expense | 6 | **(16)** | (42) |
| Finance income | 6 | **2** | 8 |
| **Profit before tax** | | **179** | 307 |
| Tax expense | 7 | **(41)** | (22) |
| **Statutory profit attributable to owners of the Parent Company** | | **138** | 285 |
| **Statutory earnings per share:** | 8 | | |
| Basic (cents) | | **9.5** | 18.9 |
| Diluted (cents) | | **9.3** | 18.4 |

## GROUP STATEMENT OF COMPREHENSIVE INCOME

| $m | **Year ended 31 December 2020** | Year ended 31 December 2019 |
|---|---|---|
| **Statutory profit attributable to owners of the Parent Company** | **138** | 285 |
| **Other comprehensive (expense)/income:** | | |
| Remeasurements of post-employment benefit obligations | **(15)** | (10) |
| Current tax credited on pension scheme | **4** | 3 |
| Deferred tax debited on pension scheme | **–** | (2) |
| **Items that will not be reclassified to profit or loss** | **(11)** | (9) |
| Cash flow hedges: | | |
| Valuation gains taken to equity | **6** | – |
| Transfer to Group income statement | **(3)** | 12 |
| Deferred tax credited/(debited) on cash flow hedge movements | **1** | (2) |
| Net investment hedge | **(4)** | – |
| Recycling of FX revaluation to the Group income statement on liquidation of subsidiaries[1] | **(17)** | – |
| Foreign currency translation | **10** | 1 |
| **Items that may be reclassified to profit or loss** | **(7)** | 11 |
| **Other comprehensive (expense)/income (net of tax)** | **(18)** | 2 |
| **Total comprehensive income attributable to owners of the Parent Company** | **120** | 287 |

Note:

1 Relates to the liquidation of non-USD functional currency subsidiaries, whereby the related movements in the cumulative translation adjustment reserve are realised upon disposal.

# GROUP BALANCE SHEET

| $m | Note | **At 31 December 2020** | At 31 December 2019[1] |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 12 | **351** | 281 |
| Fee and other receivables | 14 | **386** | 426 |
| Investments in fund products and other investments | 13 | **787** | 776 |
| Pension asset | | **2** | 16 |
| Leasehold property – right-of-use lease assets[1] | 18.1 | **74** | 79 |
| Investment property – right-of-use lease assets[1] | 18.1 | **78** | 141 |
| Leasehold improvements and equipment[1] | 17 | **30** | 29 |
| Goodwill and acquired intangibles | 10 | **742** | 854 |
| Other intangibles | 11 | **39** | 31 |
| Deferred tax assets | 7 | **119** | 120 |
| **Total assets** | | **2,608** | 2,753 |
| | | | |
| **Liabilities** | | | |
| Trade and other payables | 15 | **574** | 559 |
| Provisions | 16 | **9** | 8 |
| Current tax liabilities | 7 | **12** | 14 |
| Third-party interest in consolidated funds | 13.2 | **219** | 213 |
| Lease liability | 18.1 | **272** | 307 |
| Deferred tax liabilities | 7 | **25** | 28 |
| **Total liabilities** | | **1,111** | 1,129 |
| **Net assets** | | **1,497** | 1,624 |
| **Equity** | | | |
| Capital and reserves attributable to owners of the Parent Company | | **1,497** | 1,624 |

Note:

1 As a result of reassessing our application of IFRS 16 'Leases' with regard to the classification of the Group's right-of-use lease assets and the associated leasehold improvements, we determined that our leased business premises, which are in turn sub-let under operating leases, are classified as investment property under IAS 40 'Investment Property'. Accordingly, we have restated this retrospectively from 1 January 2019, which results in the reclassification of $130 million of right-of-use lease assets within leasehold property and $11 million of leasehold improvements to investment property at 31 December 2019. This restatement has no impact on the Group's income statement, earnings per share, net assets, or total capital and reserves attributable to owners of the Parent Company. As the Group applied IFRS 16 for the first time from 1 January 2019, the Group has not presented a restatement balance sheet at 31 December 2018 as there is no change to that previously reported. See Note 18 for further details on the Group's lease arrangements.

# GROUP CASH FLOW STATEMENT

| $m | Note | **Year ended 31 December 2020** | Year ended 31 December 2019 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Statutory profit | | **138** | 285 |
| Adjustments for non-cash items: | | | |
| Income tax expense | 7 | **41** | 22 |
| Net finance expense | 6 | **14** | 34 |
| Revaluation of contingent consideration | 21 | **(22)** | (37) |
| Depreciation of leasehold improvements and equipment[1] | 17 | **12** | 13 |
| Depreciation of right-of-use lease assets[1] | 18.1 | **22** | 22 |
| Impairment of right-of-use lease assets – investment property | 18 | **25** | – |
| Amortisation of acquired intangible assets | 10 | **63** | 78 |
| Impairment of goodwill and acquired intangible assets | 10 | **55** | 5 |
| Amortisation of other intangibles | 11 | **14** | 12 |
| Share-based payment charge | 4 | **20** | 28 |
| Fund product-based payment charge | 4 | **54** | 50 |
| Recycling of FX revaluation to the Group income statement on liquidation of subsidiaries | | **(17)** | – |
| Foreign exchange movements | | **(16)** | 13 |
| Gain on sale of investment in Nephila | | **–** | (1) |
| Other non-cash movements | | **(11)** | 9 |
| | | **392** | 533 |
| **Changes in working capital:** | | | |
| Decrease/(increase) in receivables | | **50** | (122) |
| Decrease in other financial assets[2] | | **31** | 170 |
| (Decrease)/increase in payables | | **(30)** | 5 |
| **Cash generated from operations** | | **443** | 586 |
| Interest paid | | **(2)** | (11) |
| Unwind of lease liability discount | 6, 18.1 | **(12)** | (14) |
| Unwind of discount in relation to acquisitions[3] | | **–** | (80) |
| Income tax paid | | **(37)** | (43) |
| **Cash flows from operating activities** | | **392** | 438 |
| **Cash flows from investing activities** | | | |
| Purchase of leasehold improvements and equipment | | **(12)** | (9) |
| Purchase of other intangible assets | | **(18)** | (14) |
| Payment of contingent consideration in relation to acquisitions[3] | | **(2)** | (78) |
| Interest received | | **2** | 8 |
| Proceeds from sale of investment in Nephila | | **–** | 1 |
| **Cash flows used in investing activities** | | **(30)** | (92) |
| **Cash flows from financing activities** | | | |
| Purchase of own shares by the Employee Trust and Partnerships | | **(21)** | (11) |
| Proceeds from sale of Treasury and Employee Trust shares in respect of Sharesave | | **–** | 2 |
| Repayments of principal lease liability | 18.1 | **(22)** | (20) |
| Payment of contingent consideration in excess of projected fair value recognised at acquisition[3] | | **–** | (11) |
| Share repurchase programmes (including costs) | 20 | **(107)** | (92) |
| Dividends paid to Company shareholders | 9 | **(147)** | (152) |
| Repayment of Tier 2 notes | 12 | **–** | (150) |
| Payment of capitalised upfront costs on revolving credit facility | | **–** | (1) |
| **Cash flows used in financing activities** | | **(297)** | (435) |
| **Net increase/(decrease) in cash** | | **65** | (89) |
| Cash at the beginning of the year | | **281** | 370 |
| Effect of foreign exchange movements | | **5** | – |
| **Cash at year end[4]** | 12 | **351** | 281 |

Notes:

1 As a result of reassessment of our application of IFRS 16 'Leases' together with IAS 40 'Investment Property' with regard to the classification of the Group's right-of-use lease assets from 1 January 2019, we have reclassified $2 million of depreciation of leasehold improvements and equipment as depreciation of right-of-use lease assets in 2019. See Note 17 for further details.

2 Includes $1 million of restricted net cash inflows (2019: $35 million) relating to consolidated fund entities (Note 13.2).

3 As required by IAS 7, whereby the total consideration paid is greater than the projected fair value of contingent consideration recognised on acquisition, the unwind of discount over the life of the earn-out should be recognised within operating activities and any residual payment in excess of this recognised within financing activities. This is applicable to the final Numeric contingent consideration payment in September 2019 (Note 21).

4 Includes $62 million (2019: $61 million) of restricted cash relating to consolidated fund entities (Note 13.2).

## GROUP STATEMENT OF CHANGES IN EQUITY

| $m | **Year ended 31 December 2020** | Year ended 31 December 2019 |
|---|---|---|
| Share capital and capital reserves | **(1,635)** | (1,635) |
| Revaluation reserves and retained earnings | **3,132** | 3,259 |
| **Capital and reserves attributable to owners of the Parent Company** | **1,497** | 1,624 |

### Share capital and capital reserves

| $m | Share capital | Share premium account | Capital redemption reserve | Merger reserve | Reorganisation reserve | Total |
|---|---|---|---|---|---|---|
| **At 1 January 2020** | **53** | **–** | **–** | **–** | **(1,688)** | **(1,635)** |
| **At 31 December 2020** | **53** | **–** | **–** | **–** | **(1,688)** | **(1,635)** |

### Revaluation reserves and retained earnings

| $m | Profit and loss account | Own shares held by Employee Trust | Treasury shares | Cumulative translation adjustment | Cash flow hedge reserve[1] | Total |
|---|---|---|---|---|---|---|
| **At 1 January 2020** | **3,322** | **(66)** | **(52)** | **55** | **–** | **3,259** |
| Statutory profit | **138** | **–** | **–** | **–** | **–** | **138** |
| Other comprehensive income/(expense): | | | | | | |
| Revaluation of defined benefit pension scheme | **(15)** | **–** | **–** | **–** | **–** | **(15)** |
| Current tax credited on pension scheme | **4** | **–** | **–** | **–** | **–** | **4** |
| Fair value gains on cash flow hedges[1] | **–** | **–** | **–** | **–** | **6** | **6** |
| Transfer cash flow hedge to Group income statement[1] | **–** | **–** | **–** | **–** | **(3)** | **(3)** |
| Deferred tax credited on cash flow hedge movements | **–** | **–** | **–** | **–** | **1** | **1** |
| Net foreign currency losses | **–** | **–** | **–** | **(11)** | **–** | **(11)** |
| Share-based payment charge | **20** | **–** | **–** | **–** | **–** | **20** |
| Purchase of own shares by the Employee Trust | **–** | **(21)** | **–** | **–** | **–** | **(21)** |
| Disposal of own shares by the Employee Trust | **(26)** | **27** | **–** | **–** | **–** | **1** |
| Share repurchases | **(100)** | **–** | **–** | **–** | **–** | **(100)** |
| Transfer to Treasury shares | **107** | **–** | **(107)** | **–** | **–** | **–** |
| Transfer from Treasury shares | **(11)** | **–** | **11** | **–** | **–** | **–** |
| Dividends | **(147)** | **–** | **–** | **–** | **–** | **(147)** |
| **At 31 December 2020** | **3,292** | **(60)** | **(148)** | **44** | **4** | **3,132** |

Note:
1 Details of the Group's 2020 cash flow hedging arrangements are provided in Note 19.

The proposed 2020 final dividend would reduce shareholders' equity by $81 million (2019: $76 million) subsequent to the balance sheet date (Note 9). Further details of the Group's share capital and reserves are included in Note 20.

## Share capital and capital reserves

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

## Revaluation reserves and retained earnings

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

Note:
1 Details of the Group's 2019 cash flow hedging arrangements are provided in Note 12.

# NOTES TO THE GROUP FINANCIAL STATEMENTS

## 1. Basis of preparation

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs) as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRSs. Details of the Group's accounting policies can be found in the Group's Annual Report for the year ended 31 December 2019. The financial information included in this statement does not constitute statutory accounts within the meaning of Article 105 of Companies (Jersey) Law 1991. Statutory accounts for the year ended 31 December 2020, upon which the auditors have issued an unqualified report, will shortly be delivered to the Jersey Registrar of Companies. The Annual Report and the Notice of the Company's 2020 Annual General Meeting (AGM) will be posted to shareholders and will be available to download from the Company's website on 11 March 2021. The Annual General Meeting will be held on 7 May 2021 at 10am at Riverbank House, 2 Swan Lane, London EC4R 3AD. Due to the ongoing COVID-19 pandemic, shareholders will be encouraged to join by video link. For further details please refer to the Notice of our 2021 Annual General Meeting when available.

### Man Group's relationship with independent fund entities

Man Group acts as the investment manager/advisor to fund entities. The Group assesses such relationships on an ongoing basis to determine whether each fund entity is controlled by the Group and therefore consolidated into the Group's results. Having considered all significant aspects of the Group's relationships with fund entities, the directors are of the opinion that, although Man Group manages the assets of certain fund entities, where the Group neither holds an investment in the fund entity nor receives the returns on the fund entity via a total return swap or sale and repurchase arrangement, the characteristics of control are not met. For most fund entities: the existence of independent boards of directors at the fund entities; rights which allow for the removal of the investment manager/advisor; the influence of investors; limited exposure to variable returns; and the arm's length nature of Man Group's contracts with the fund entities, indicate that the Group does not control the fund entities and their associated assets, liabilities and results should not be consolidated into the Group financial statements. Assessment of the control characteristics for all relationships with fund entities led to the consolidation of 19 funds for the year ended 31 December 2020 (2019: 15), as detailed in Note 13. An understanding of the aggregate funds under management (FUM) and the fees earned from fund entities is relevant to an understanding of Man Group's results and earnings sustainability, and this information is provided in the Chief Financial Officer's review on pages 15 to 22.

### Judgemental areas and accounting estimates

The most significant area of judgement is whether the Group controls certain funds through its exposure to fund products via either direct investments, total return swaps or sale and repurchase arrangements, and is required to consolidate them (Note 13.2). Our key judgements on this are outlined above within 'Man Group's relationship with independent fund entities'. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the valuation of goodwill and acquired intangibles for CGUs with lower levels of headroom. The key assumptions and range of possible outcomes are discussed in Note 10.

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

### Corporate reorganisation

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

### Impact of new accounting standards

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

The following accounting standards relevant to the Group's operations were effective for the first time in the year to 31 December 2020. Their adoption has not had a significant impact on these financial statements:

- Amendments to IFRS 3 'Business Combinations': definition of a business;
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': definition of material;
- Amendments to References to the Conceptual Framework in IFRS Standards; and
- Interest Rate Benchmark Reform – Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7).

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

- Amendments to IAS 1 'Presentation of Financial Statements': classification of liabilities as current or non-current;
- Amendments to IFRS 3 'Business Combinations': Reference to the Conceptual Framework;
- Amendments to IAS 16 'Property, Plant and Equipment': property, plant and equipment – proceeds before intended use;
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets': onerous contracts – cost of fulfilling a contract;
- Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16); and
- Annual Improvements to IFRS Standards 2018-2020 Cycle: amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards', IFRS 9 'Financial Instruments', IFRS 16 'Leases' and IAS 41 'Agriculture'.

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

### 2. Revenue

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

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

Performance fees net of rebates relate to the performance of the funds managed during the year and are recognised when the performance obligation has been met, whereby the fee has crystallised and can be reliably estimated. This is generally at the end of the performance period or upon early redemption by a fund investor. Until the performance period ends, market movements could significantly move the NAV of the fund products. For alternative strategies, Man Group will typically only earn performance fees on any positive investment returns in excess of the high-water mark, meaning the Group will not be able to earn performance fees with respect to positive investment performance in any year following negative performance until that loss is recouped, at which point a fund investor's investment surpasses the high-water mark. For long-only strategies, performance fees are earned only when performance is in excess of a predetermined strategy benchmark (positive alpha). Once crystallised, performance fees typically cannot be clawed back. There are no other performance obligations or services provided which suggest these have been earned either before or after the crystallisation date.

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

Analysis of FUM, margins and performance is provided in the Chief Financial Officer's review on pages 15 to 22.

## 3. Distribution costs and asset servicing

Distribution costs are paid to external intermediaries for marketing and investor servicing, largely in relation to retail investors. Distribution costs are variable with FUM and the associated management fee revenue. Distribution costs are expensed over the period in which the service is provided. Distribution costs have decreased from $38 million in 2019 to $34 million in 2020, despite broadly stable average FUM, largely as a result of the continued mix shift towards institutional assets.

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

## 4. Compensation

| $m | **Year ended 31 December 2020** | Year ended 31 December 2019 |
|---|---|---|
| Salaries | **163** | 163 |
| Variable cash compensation | **167** | 187 |
| Share-based payment charge | **20** | 28 |
| Fund product-based payment charge | **54** | 50 |
| Social security costs | **34** | 36 |
| Pension costs | **13** | 13 |
| Restructuring credit (adjusting item per page 56) | **–** | (1) |
| Total compensation costs | **451** | 476 |

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

Total compensation costs have decreased by 5% compared to 2019 due to the lower levels of management and performance fee revenues year on year, which decrease associated variable cash compensation. The compensation ratio, as outlined on page 59, has increased from 43% in 2019 to 48% as a result of the lower level of performance fee revenues.

Salaries and pension costs remained flat due to the increase in average headcount of 3%, driven by lower levels of attrition during the pandemic, being offset by the more favourable sterling (GBP) to USD achieved exchange rates. As the Group no longer hedged fixed costs from 1 January 2020, this is represented by the average exchange rate of 1.29 for 2020 versus a hedged rate of 1.36 for 2019, which reduced 2020 comparative fixed compensation costs by around $6 million.

Salaries, variable cash compensation and social security costs are charged to the Group income statement in the period in which the service is provided and include partner drawings. The accounting for share-based and fund product-based compensation arrangements is detailed in Note 19.

Pension costs relate to Man Group's defined contribution and defined benefit plans.

### Average headcount

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

| | **Year ended 31 December 2020** | Year ended 31 December 2019 |
|---|---|---|
| Investment management | **379** | 375 |
| Sales and marketing | **196** | 195 |
| Technology and support functions[1] | **881** | 843 |
| Average headcount | **1,456** | 1,413 |

Note:
1 Includes all staff performing technology-based roles, including those supporting the investment management side of the Group's business.

## 5. Other costs

| $m | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|---|---|
| Occupancy | **14** | 13 |
| Technology and communications | **25** | 26 |
| Temporary staff, recruitment, consultancy and managed services | **9** | 21 |
| Audit, tax, legal and other professional fees | **20** | 26 |
| Benefits | **14** | 15 |
| Travel and entertainment | **2** | 13 |
| Insurance | **5** | 3 |
| Marketing and sponsorship | **2** | 5 |
| Other cash costs, including irrecoverable VAT | **11** | 13 |
| Restructuring – corporate reorganisation (adjusting item per page 56) | **–** | 7 |
| Total other costs before depreciation and amortisation | **102** | 142 |
| Depreciation of leasehold property and equipment, and amortisation of other intangibles[1] | **26** | 25 |
| Depreciation of ROU lease assets[1] (Note 18) | **22** | 22 |
| Total other costs | **150** | 189 |

Note:

1 As a result of reassessment of our application of IFRS 16 'Leases' together with IAS 40 'Investment Property' with regard to the classification of the Group's right-of-use lease assets from 1 January 2019, we have reclassified $2 million of depreciation of leasehold improvements and equipment as depreciation of right-of-use lease assets in 2019. See Note 17 for further details.

Other costs, before depreciation and amortisation, have decreased from $142 million to $102 million in 2020. Global travel restrictions and working from home as a result of COVID-19 have provided some cost savings on travel and entertainment, whilst management action to lower the levels of hiring during the period saw a reduction in recruitment and temporary staff costs. Costs were further supported by the more favourable GBP to USD achieved exchange rates (as outlined in Note 4), which reduced 2020 comparative other costs by around $3 million.

Restructuring costs of $7 million in 2019 relate to professional fees incurred in relation to the Group's corporate reorganisation detailed in Note 1.

## 6. Finance expense and finance income

| $m | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|---|---|
| **Finance expense:** | | |
| Revolving credit facility costs and other (Note 12) | **(2)** | (4) |
| Interest payable on borrowings (Note 12) | **–** | (6) |
| Unwind of lease liability discount | **(12)** | (14) |
| Unwind of contingent consideration discount (adjusting item per page 56) | **(2)** | (18) |
| Total finance expense | **(16)** | (42) |
| **Finance income:** | | |
| Interest on cash deposits | **2** | 8 |
| Total finance income | **2** | 8 |

The Group repaid its Tier 2 notes in full in September 2019, and therefore there is no interest payable on borrowings in 2020. The $16 million decrease in unwind of contingent consideration discount is due to settlement of the final Numeric earn-out payment in September 2019 (see Note 21 for contingent consideration creditor balances). Interest on cash deposits has decreased by $6 million as a result of lower interest rates on cash deposits.

## 7. Tax

| $m | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|---|---|
| **Analysis of tax expense:** | | |
| Current tax: | | |
| UK corporation tax on profits | **39** | 46 |
| Foreign tax | **2** | 4 |
| Adjustments to tax charge in respect of previous years | **1** | 2 |
| Total current tax | **42** | 52 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | **(9)** | (3) |
| Derecognition/(recognition) of US deferred tax assets (adjusting item per page 57) | **8** | (27) |
| Total deferred tax | **(1)** | (30) |
| Total tax expense | **41** | 22 |

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

The current effective tax rate of 23% (2019: 7%) differs from the applicable underlying statutory tax rates principally as a result of: the net derecognition of $8 million of the US deferred tax assets (as set out below) and the recognition of $3 million of other non-UK deferred tax assets, as well as the $55 million impairment of GPM goodwill, partially offset by the $22 million revaluation of the Aalto contingent creditor (Notes 10 and 21) and the recycling of FX revaluation gains of $17 million on liquidation of the Group's subsidiaries, none of which are subject to tax in the relevant jurisdiction, together with the utilisation of $20 million of off balance sheet non-trading tax losses against a portion of the $26 million sub-lease surrender cash gain (Note 18). The effective tax rate is otherwise consistent with this earnings profile.

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

The current tax liabilities of $12 million (2019: $14 million) on the Group balance sheet comprise gross current tax liabilities of $14 million (2019: $16 million) net of current tax assets of $2 million (2019: $2 million).

Man Group's tax expense is higher (2019: lower) than the amount that would arise using the theoretical tax rate applicable to the profits of the Group as follows:

| $m | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|---|---|
| Profit before tax | **179** | 307 |
| Theoretical tax expense at UK rate: 19% (2019: 19%) | **34** | 58 |
| Effect of: | | |
| Overseas tax rates compared to UK | **(1)** | (10) |
| Adjustments to tax charge in respect of previous periods | **1** | 2 |
| Derecognition/(recognition) of US deferred tax asset | **8** | (27) |
| Other | **(1)** | (1) |
| Tax expense | **41** | 22 |

Movements in deferred tax are as follows:

| $m | **Year ended 31 December 2020** | Year ended 31 December 2019 |
|---|---|---|
| **Deferred tax liability** | | |
| At 1 January | **(28)** | (33) |
| Credit to the Group income statement | **3** | 5 |
| Deferred tax liability at 31 December | **(25)** | (28) |
| **Deferred tax asset** | | |
| At 1 January | **120** | 93 |
| Adjustment for adoption of IFRS 16 | **–** | 5 |
| (Charge)/credit to the Group income statement | **(2)** | 25 |
| Credit/(charge) to other comprehensive income and equity | **1** | (3) |
| Deferred tax asset at 31 December | **119** | 120 |

The deferred tax liability of $25 million (2019: $28 million) largely relates to deferred tax arising on acquired intangible assets.

The deferred tax asset income statement charge of $2 million (2019: $25 million credit) is net of an $8 million charge relating to the partial derecognition of US deferred tax assets (made up of the $14 million derecognition outlined below, partially offset by a net increase of $6 million). The credit to other comprehensive income and equity of $1 million (2019: $3 million charge) relates to movements in relation to pensions, unrealised cash flow hedge balances and employee share scheme balances.

The gross amount of UK non-trading losses for which a deferred tax asset has not been recognised is $25 million (2019: $45 million). These losses are not subject to an expiration period. The gross amount of other future deductions for which a deferred tax asset has not been recognised is $95 million (2019: nil), which expire in 2024.

The deferred tax asset comprises:

| $m | **31 December 2020** | 31 December 2019 |
|---|---|---|
| US tax assets | **81** | 89 |
| Defined benefit pension schemes | **3** | 4 |
| Employee share schemes | **14** | 15 |
| Tax allowances over depreciation | **6** | 7 |
| Other | **15** | 5 |
| Deferred tax asset | **119** | 120 |

The Group has recognised accumulated deferred tax assets in the US of $81 million (2019: $89 million). These deferred tax assets comprise accumulated operating losses from existing operations of $41 million (2019: $48 million), future amortisation of goodwill and intangible assets generated from acquisitions of $26 million (2019: $31 million) and other timing differences of $14 million (2019: $10 million), that will be available to offset future taxable profits in the US. As a result of a projected decrease in forecast future taxable profits in the US, we have not recognised $14 million of the available US deferred tax assets in relation to state and city tax losses (2019: nil) on the Group balance sheet at 31 December 2020 as we do not expect to realise sufficient future taxable profits to offset against these assets before they expire.

Man Group does not currently expect to pay federal tax on any profits it may earn in the US until 2027. Accordingly, any movements in the deferred tax asset in the year are classified as an adjusting item (see page 57).

Included within 'other' is a deferred tax asset arising on the adoption of IFRS 16 'Leases' on 1 January 2019 of $5 million (2019: $5 million) and the recognition of $3 million of other non-UK deferred tax assets.

### 8. Earnings per ordinary share (EPS)

The calculation of basic EPS is based on post-tax profit of $138 million (2019: $285 million), and ordinary shares of 1,454,292,727 (2019: 1,509,534,942), being the weighted average number of ordinary shares in issue during the period after excluding the shares owned by the 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 1,478,342,304 (2019: 1,543,490,112).

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

| | Year ended 31 December 2020 | | Year ended 31 December 2019 | |
|---|---|---|---|---|
| | **Total number (million)** | **Weighted average (million)** | Total number (million) | Weighted average (million) |
| Number of shares at beginning of year | **1,541.8** | **1,541.8** | 1,610.1 | 1,610.1 |
| Repurchase and cancellation of own shares | **–** | **–** | (68.3) | (41.9) |
| Number of shares at period end | **1,541.8** | **1,541.8** | 1,541.8 | 1,568.2 |
| Shares held in Treasury reserve | **(86.2)** | **(56.6)** | (25.7) | (31.0) |
| Shares owned by Employee Trust | **(31.5)** | **(30.9)** | (28.6) | (27.7) |
| Basic number of shares | **1,424.1** | **1,454.3** | 1,487.5 | 1,509.5 |
| Share awards under incentive schemes | | **23.8** | | 33.2 |
| Employee share options | | **0.2** | | 0.8 |
| Diluted number of shares | | **1,478.3** | | 1,543.5 |

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

| | **Year ended 31 December 2020** | Year ended 31 December 2019 |
|---|---|---|
| Basic and diluted post-tax earnings ($m) | **138** | 285 |
| Basic earnings per share (cents) | **9.5** | 18.9 |
| Diluted earnings per share (cents) | **9.3** | 18.4 |

### 9. Dividends

| $m | **Year ended 31 December 2020** | Year ended 31 December 2019 |
|---|---|---|
| **Ordinary shares** | | |
| Final dividend paid for the year to 31 December 2019: 5.1 cents (2018: 5.1 cents) | **75** | 80 |
| Interim dividend paid for the six months to 30 June 2020: 4.9 cents (2019: 4.7 cents) | **72** | 72 |
| Dividends paid | **147** | 152 |
| Proposed final dividend for the year to 31 December 2020: 5.7 cents (2019: 5.1 cents) | **81** | 76 |

Dividend distribution to the Company's shareholders is recognised directly in equity in the Group's financial statements in the period in which the dividend is paid or, if required, approved by the Company's shareholders. Details of the Group's dividend policy are included in the Chief Financial Officer's review on page 21.

### 10. Goodwill and acquired intangibles

| | Year ended 31 December 2020 | | | | | Year ended 31 December 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| $m | **Goodwill** | **Investment management agreements** | **Distribution channels** | **Brand names** | **Total** | Goodwill | Investment management agreements | Distribution channels | Brand names | Total |
| Net book value at beginning of the year | **641** | **193** | **15** | **5** | **854** | 642 | 268 | 19 | 9 | 938 |
| Amortisation | **–** | **(57)** | **(4)** | **(2)** | **(63)** | – | (70) | (4) | (4) | (78) |
| Impairment | **(55)** | **–** | **–** | **–** | **(55)** | – | (5) | – | – | (5) |
| Currency translation | **6** | **–** | **–** | **–** | **6** | (1) | – | – | – | (1) |
| **Net book value at year end** | **592** | **136** | **11** | **3** | **742** | 641 | 193 | 15 | 5 | 854 |
| Allocated to cash-generating units as follows: | | | | | | | | | | |
| AHL | **458** | **1** | **–** | **–** | **459** | 452 | 1 | – | – | 453 |
| GLG | **–** | **60** | **4** | **1** | **65** | – | 94 | 6 | 3 | 103 |
| FRM | **–** | **3** | **–** | **–** | **3** | – | 6 | – | – | 6 |
| Numeric | **134** | **67** | **–** | **2** | **203** | 134 | 86 | – | 2 | 222 |
| GPM | **–** | **5** | **7** | **–** | **12** | 55 | 6 | 9 | – | 70 |

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

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

Amortisation of acquired intangible assets of $63 million (2019: $78 million) primarily relates to the investment management agreements recognised on the acquisitions of GLG and Numeric.

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

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

The value in use calculations at 31 December 2020 use cash flow projections based on the Board-approved financial plan for the year to 31 December 2021 and a further two years of projections (2022 and 2023), plus a terminal value. The valuation analysis is based on best practice guidance whereby a terminal value is calculated at the end of a short discrete budget period and assumes, after this three-year budget period, no growth in asset flows above the long-term growth rate. In order to determine the value in use of each CGU, it is necessary to notionally allocate the majority of the Group's cost base relating to operations, product structuring, distribution and support functions, which are managed on a centralised basis. Lease payments are treated as cash outflows and, whilst this represents a mismatch between the valuation model and the lease costs recognised in the Group income statement under IFRS 16, the calculation of the value in use is not significantly different under the two approaches.

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

The assumptions applied in the value in use calculation are derived from past experience and assessment of current market inputs. A bifurcated discount rate has been applied to the modelled cash flows to reflect the different risk profile of management fee profits and performance fee profits. The discount rates are based on the Group's weighted average cost of capital using a risk-free interest rate, together with an equity market risk premium and an appropriate market beta derived from consideration of Man Group's beta, similar alternative asset managers, and the asset management sector as a whole. The terminal value is calculated based on the projected closing FUM at 31 December 2023 and applying the mid-point of a range of historical multiples to the forecast cash flows associated with management and performance fee profits.

For each CGU we have also considered the impact of COVID-19. AHL, GLG, FRM and Numeric absorbed its impact on financial markets and we do not expect material changes to the medium-term outlook. For GPM, our reassessment of the forecast growth of the business led to a full impairment of goodwill at 30 June 2020.

We have considered the impact of the exit of the United Kingdom from the European Union on 31 December 2020, including a range of Brexit scenarios, and currently do not expect this to have a material impact on the value in use calculations at 31 December 2020.

The recoverable amount of each CGU (the value in use) has been assessed at 31 December 2020. The key assumptions applied to the value in use calculations for each of the CGUs are provided below.

| Key assumptions: | AHL | GLG | FRM | Numeric | GPM |
|---|---|---|---|---|---|
| Compound average annualised growth in FUM (over three years) | 10% | 4% | (3%) | 2% | 13% |
| Discount rate | | | | | |
| – Management fees[1] | 11% | 11% | 11% | 11% | 15% |
| – Performance fees[2] | 17% | 17% | 17% | 17% | 21% |
| Terminal value (mid-point of range of historical multiples)[3] | | | | | |
| – Management fees | 13.0x | 13.0x | 5.9x | 13.0x | 16.8x |
| – Performance fees | 5.5x | 5.5x | 3.9x | 5.5x | 5.5x |

Notes:

1 The pre-tax equivalent of the net management fees discount rate is 14%, 13%, 14%, 14% and 18% for each of the AHL, GLG, FRM, Numeric and GPM CGUs, respectively.

2 The pre-tax equivalent of the net performance fees discount rate is 21%, 21%, 22%, 22% and 26% for each of the AHL, GLG, FRM, Numeric and GPM CGUs, respectively.

3 The implied terminal growth rates are 4%, 3%, -10%, 4% and 9% for each of the AHL, GLG, FRM, Numeric and GPM CGUs, respectively. The terminal value is added to cash flow projections based on the Board approved financial plan for the year to 31 December 2021 and a further two years of projections (2022 and 2023), and discounted.

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

### AHL cash-generating unit

The AHL value in use calculation at 31 December 2020 indicates a value of $2.6 billion, with around $2.1 billion of headroom over the carrying value of the AHL business. Therefore, no impairment charge is deemed necessary at 31 December 2020 (2019: nil). The valuation at 31 December 2020 is around $0.5 billion lower than the value in use calculation at 31 December 2019, largely driven by lower performance fees in the terminal value compared to the prior year.

| | | | | Discount rates (post-tax) | | Multiples (post-tax) | |
|---|---|---|---|---|---|---|---|
| Sensitivity analysis: | Compound average annualised growth in FUM | | | Management fee/ performance fee | | Management fee/ performance fee | |
| Key assumption stressed to: | 10% | 8% | 0%[1] | 10%/16% | 12%/18% | 14.0x/6.5x | 12.0x/4.5x |
| Modelled headroom/(impairment) ($m) | 2,080 | 1,840 | 890 | 2,141[2] | 2,019[2] | 2,280[3] | 1,880[3] |

Notes:

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

2 An increase/decrease in the value in use calculation of $61 million.

3 An increase/decrease in the value in use calculation of $200 million.

### GLG cash-generating unit

The GLG value in use calculation at 31 December 2020 indicates a value of $107 million, with $21 million of headroom over the carrying value of the GLG business. Therefore, no impairment charge is deemed necessary at 31 December 2020 (2019: nil). The valuation at 31 December 2020 is around $83 million lower than the value in use calculation at 31 December 2019 largely due to lower than forecast net flows and performance. Amortisation of acquired intangibles reduced the carrying value by $38 million during the year.

| | | | Discount rates (post-tax) | | Multiples (post-tax) | |
|---|---|---|---|---|---|---|
| Sensitivity analysis: | Compound average annualised growth in FUM | | Management fee/ performance fee | | Management fee/ performance fee | |
| Key assumption stressed to: | 4% | 2%[1] | 10%/16% | 12%/18% | 14.0x/6.5x | 12.0x/4.5x |
| Modelled headroom/(impairment) ($m) | 21 | – | 23[2] | 19[2] | 30[3] | 12[3] |

Notes:

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

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

3 An increase/decrease in the value in use calculation of $9 million.

### FRM cash-generating unit

The FRM value in use calculation at 31 December 2020 indicates a value of $21 million, with $14 million of headroom over the carrying value of the FRM business. Therefore, no impairment charge is deemed necessary at 31 December 2020 (2019: nil). The valuation at 31 December 2020 is around $20 million lower than the value in use calculation at 31 December 2019 due to lower than previously forecast net flows during the year, albeit these largely relate to low margin products and therefore have a lower impact on valuation than FUM. Amortisation of acquired intangibles reduced the carrying value by $3 million during the year.

| Sensitivity analysis: | Compound average annualised growth in FUM | | | Discount rates (post-tax) Management fee/ performance fee | | Multiples (post-tax) Management fee/ performance fee | |
|---|---|---|---|---|---|---|---|
| Key assumption stressed to: | (3%) | (5%) | (13%)[1] | 10%/16% | 12%/18% | 6.9x/4.9x | 4.9x/2.9x |
| Modelled headroom/(impairment) ($m) | 14 | 10 | – | 15[2] | 13[2] | 17[3] | 11[3] |

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

### Numeric cash-generating unit

The Numeric value in use calculation at 31 December 2020 indicates a value of around $540 million, with around $332 million of headroom over the carrying value of the Numeric business. Therefore, no impairment charge is deemed necessary at 31 December 2020 (2019: nil). The valuation at 31 December 2020 is around $130 million lower than the value in use calculation at 31 December 2019, primarily as a result of outflows during the year and lower net management fee margins. Amortisation of acquired intangibles reduced the carrying value by $19 million during the year.

| Sensitivity analysis: | Compound average annualised growth in FUM | | | Discount rates (post-tax) Management fee/ performance fee | | Multiples (post-tax) Management fee/ performance fee | |
|---|---|---|---|---|---|---|---|
| Key assumption stressed to: | 2% | 0% | (8%)[1] | 10%/16% | 12%/18% | 14.0x/6.5x | 12.0x/4.5x |
| Modelled headroom/(impairment) ($m) | 332 | 306 | 204 | 346[2] | 318[2] | 369[3] | 295[3] |

Notes:
1 Stressed by 10%, as opposed to the point of impairment, given an impairment scenario is not reasonably foreseeable.
2 An increase/decrease in the value in use calculation of $14 million.
3 An increase/decrease in the value in use calculation of $37 million.

### GPM cash-generating unit

The GPM value in use calculation at 31 December 2020 indicates a value of around $14 million, with $2 million of headroom over the carrying value of the GPM business. Our value in use assessment at 30 June 2020 indicated an impairment of $55 million. As a result, the carrying value of GPM goodwill was fully impaired at June 2020 (an adjusting item per page 56). The valuation at 31 December 2020 is around $59 million lower than the value in use calculation at 31 December 2019, primarily as a result of slower than forecast growth and a revised outlook for the business in the context of increased uncertainty in the near term. The decrease in headroom is partially offset by $3 million of amortisation of acquired intangibles during the year.

| Sensitivity analysis: | Compound average annualised growth in FUM | | | Discount rates (post-tax) Management fee/ performance fee | | Multiples (post-tax) Management fee/ performance fee | |
|---|---|---|---|---|---|---|---|
| Key assumption stressed to: | 13% | 11% | 3%[1] | 14%/20% | 16%/22% | 17.8x/6.5x | 15.8x/4.5x |
| Modelled headroom/(impairment) ($m) | 2 | (5) | (12) | 3[2] | 1[2] | 3[3] | 1[3] |

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

## 11. Other intangibles

| $m | **Year ended 31 December 2020** | Year ended 31 December 2019 |
|---|---|---|
| Net book value at beginning of the year | **31** | 26 |
| Additions | **22** | 17 |
| Amortisation | **(14)** | (12) |
| **Net book value at year end** | **39** | 31 |

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

## 12. Cash, liquidity and borrowings

| $m | 31 December 2020 Total | Less than 1 year | Greater than 1 year | 31 December 2019 Total | Less than 1 year | Greater than 1 year |
|---|---|---|---|---|---|---|
| Cash and cash equivalents[1] | **289** | **289** | **–** | 220 | 220 | – |
| Undrawn committed revolving credit facility | **500** | **–** | **500** | 500 | – | 500 |
| Total liquidity | **789** | **289** | **500** | 720 | 220 | 500 |

Note:
1 Excludes $62 million (2019: $61 million) of restricted cash held by consolidated fund entities (Note 13.2).

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

The Group's previously issued Tier 2 notes were repaid in full in September 2019.

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts, and at 31 December 2020 include cash at bank of $161 million (2019: $186 million) and short-term deposits of $128 million (2019: $34 million). Cash and cash equivalents are measured at amortised cost, which is approximately equal to fair value. Cash ring-fenced for regulated entities totalled $32 million at year end (2019: $34 million). Cash is invested in accordance with strict limits consistent with the Board's risk appetite, which consider both the security and availability of liquidity. Accordingly, cash is held in on-demand and short-term bank deposits, and at times invested in short-term US Treasury bills. At 31 December 2020, the $289 million cash balance (which excludes cash held by consolidated fund entities per Note 13.2) is held with 15 banks (2019: $220 million with 19 banks). The single largest counterparty bank exposure of $103 million is held with an A rated bank (2019: $106 million with an A+ rated bank). At 31 December 2020, balances with banks in the AA ratings band aggregate to $7 million (2019: $27 million) and balances with banks in the A ratings band aggregate to $282 million (2019: $192 million).

The $500 million committed revolving credit facility (RCF), which does not include financial covenants in order to maintain maximum flexibility, was undrawn at 31 December 2020 (undrawn at 31 December 2019). The RCF was put in place in December 2019 as a five-year facility with the option for Man Group to request the participant banks to extend the maturity date by one year on each of the first and second anniversaries, which they have the option to accept or decline. In 2020 the Group exercised the first extension option and as a result the RCF is now scheduled to mature in December 2025. From 2020, the RCF incorporates an ESG target-linked interest rate component, in alignment with the Group's commitment to the environment.

### Intra-day and overnight credit facilities

Man Group guarantees the obligations under $100 million intra-day (2019: $100 million) and $25 million overnight credit facilities (2019: $25 million), used to settle the majority of the Group's banking arrangements. As at 31 December 2020, the exposure under the intra-day facility is nil (2019: nil) and the overnight facility exposure is nil (2019: nil). The fair value of these commitments has been determined to be nil (2019: nil).

### Foreign exchange and interest rate risk

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

In respect of the Group's monetary assets and liabilities which earn/incur interest indexed to floating rates, as at 31 December 2020 a 50 basis points increase/decrease in these rates, with all other variables held constant, would have resulted in a $1 million increase/decrease (2019: $1 million increase/decrease) in net interest income.

A 10% strengthening/weakening of the USD against all other currencies, with all other variables held constant, would have resulted in a foreign exchange loss/gain of $23 million (2019: $26 million loss/gain), with a corresponding impact on equity. This exposure is based on USD balances held by non-USD functional currency entities and non-USD balances held by USD functional currency entities within the Group.

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

Foreign currency derivative assets and liabilities are included within derivative financial instruments in fee and other receivables (Note 14) and trade and other payables (Note 15) respectively.

### 13. Investments in fund products and other investments

| $m | **31 December 2020** Financial assets at fair value through profit or loss |
|---|---|
| Investments in fund products | **332** |
| Investments in consolidated funds | **452** |
| Other investments | **3** |
| | **787** |

| | 31 December 2019 | | |
|---|---|---|---|
| $m | Financial assets at fair value through profit or loss | Loans and receivables | Total |
| Investments in fund products | 349 | – | 349 |
| Other investments | 3 | – | 3 |
| Investments in consolidated funds | 420 | – | 420 |
| Loans to fund products | – | 4 | 4 |
| | 772 | 4 | 776 |

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

| $m | Note | **31 December 2020** | 31 December 2019 |
|---|---|---|---|
| Investments in fund products | 13.1 | **332** | 349 |
| Less fund investments for deferred compensation arrangements | 13.1 | **(119)** | (98) |
| Net investment in consolidated funds | 13.2 | **272** | 259 |
| Loans to fund products | | **–** | 4 |
| Seeding investments portfolio | | **485** | 514 |

### 13.1 Investments in fund products

Man Group uses capital to invest in fund products as part of its ongoing business, to build product breadth and to trial investment research developments before marketing the products broadly to investors. Seed capital is invested via direct holdings in fund products or sale and repurchase (repo) arrangements, which allow the Group to finance seed investments without consuming high levels of cash. Alternatively, Man Group may obtain exposure to seed investments via total return swap (TRS) arrangements. Under a repo arrangement the Group is committed to repurchase the underlying seed investments at maturity and pays an interest charge over the period, with the obligation to repurchase the assets on maturity recorded as a liability within trade and other payables (Note 15). Under a TRS arrangement the Group is under no form of repayment obligation and has no ownership interest (or voting rights) in the underlying investment. In exchange for the returns on the underlying seed investments, the Group pays a floating rate of interest. At 31 December 2020, exposure to fund products via repo arrangements (included within investments in fund products above, with an offsetting repayment obligation included within trade and other payables in Note 15) was $56 million (2019: $36 million), and additional exposure via TRS was $50 million (2019: $62 million).

Regardless of whether the Group is exposed to a fund product's returns by way of a direct investment, repo or TRS, the control considerations are the same. Where the Group is deemed not to control the fund, the fund is classified within investments in fund products. Investments in fund products are classified at fair value through profit or loss, with net gains due to movements in fair value of $47 million for the year ended 31 December 2020 (2019: $33 million) recognised through income or gains on investments and other financial instruments. Purchases and sales of investments are recognised on trade date.

The fair values of investments in fund products are derived from the reported NAVs of each of the fund products, which in turn are based upon the value of the underlying assets held within each of the fund products and the anticipated redemption horizon of the fund product. The valuation of the underlying assets within each fund product is determined by external valuation service providers based on an agreed valuation policy and methodology. Whilst these valuations are performed independently of Man Group, we have established oversight procedures and due diligence processes to ensure that the NAVs reported by the external valuation service providers are reliable and appropriate. The Group makes adjustments to these NAVs if the anticipated redemption horizon, events or circumstances indicate that the NAVs are not reflective of fair value. The fair value hierarchy of financial assets is disclosed in Note 21.

Investments in fund products expose Man Group to market risk and therefore this process is subject to limits consistent with the Board's risk appetite. The largest single investment in fund products was $48 million (2019: $66 million). The market risk from seeding investments, including those financed via repo and TRS arrangements, is modelled using a value at risk methodology using a 95% confidence interval and one-year time horizon. The value at risk is estimated to be $24 million at 31 December 2020 (2019: $22 million).

*Fund investments for deferred compensation arrangements*

At 31 December 2020, investments in fund products included $119 million (2019: $98 million) of fund products related to deferred compensation arrangements (as detailed in Note 19). The associated fund product investments are held to offset any change in deferred compensation over the vesting period, and at vesting the value of the fund investment is delivered to the employee. The fund product investments are recorded at fair value with any gains or losses during the vesting period recognised as income or gains on investments and other financial instruments in the Group income statement, or alternatively these are accounted for as cash flow hedges as detailed in Note 19.

### 13.2 Consolidation of investments in funds

Seed capital invested into funds may be deemed to be controlled by the Group (Note 1). The control considerations under IFRS 10 also apply to the fund products underlying the Group's repo and TRS instruments and therefore the Group may similarly be required to consolidate them. The fund is consolidated into the Group's results from the date control commences until it ceases. In 2020, 19 (2019: 15) investments in funds have met the control criteria and have therefore been consolidated on a line-by-line basis.

The investments relating to consolidated funds are included within the Group balance sheet and income statement as follows:

| $m | **31 December 2020** | 31 December 2019 |
|---|---|---|
| **Balance sheet** | | |
| Cash and cash equivalents | **62** | 61 |
| Transferable securities[1] | **452** | 420 |
| Fees and other receivables | **4** | 2 |
| Trade and other payables | **(27)** | (11) |
| Net assets of consolidated fund entities | **491** | 472 |
| Third-party interest in consolidated funds | **(219)** | (213) |
| Net investment held by Man Group | **272** | 259 |
| **Income statement** | | |
| Net gains on investments[2] | **53** | 63 |
| Management fee expenses[3] | **(2)** | (3) |
| Performance fee expenses[3] | **(2)** | – |
| Other costs | **(5)** | (3) |
| Net gains of consolidated fund entities | **44** | 57 |
| Third-party share of gains relating to interests in consolidated funds | **(17)** | (18) |
| Gains attributable to net investment held by Man Group | **27** | 39 |

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

### 13.3 Structured entities

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

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

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

Man Group's maximum exposure to loss from unconsolidated structured entities is the sum total of any investment held, fee receivables, accrued income, and loans to the fund entities, and is $581 million for the year ended 31 December 2020 (2019: $639 million). The Group's interest in and exposure to unconsolidated structured entities is as follows:

| 31 December 2020 | Total FUM ($bn) | Less infrastructure mandates and consolidated fund entities[1] ($bn) | Total FUM unconsolidated structured entities ($bn) | Number of funds | Net management fee margin[2] (%) | Fair value of investment held ($m) | Fee receivables and accrued income ($m) | Maximum exposure to loss ($m) |
|---|---|---|---|---|---|---|---|---|
| **Alternative** | | | | | | | | |
| Absolute return | **34.0** | **0.1** | **33.9** | **103** | **1.18** | **98** | **175** | **273** |
| Total return | **29.0** | **0.1** | **28.9** | **60** | **0.62** | **184** | **29** | **213** |
| Multi-manager solutions | **14.2** | **7.1** | **7.1** | **71** | **0.24** | **1** | **7** | **8** |
| **Long-only** | | | | | | | | |
| Systematic | **27.8** | **0.2** | **27.6** | **71** | **0.30** | **9** | **25** | **34** |
| Discretionary | **18.6** | **0.1** | **18.5** | **50** | **0.62** | **37** | **16** | **53** |
| **Total** | **123.6** | **7.6** | **116.0** | **355** | | **329** | **252** | **581** |

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

Notes:

1 For infrastructure mandates where we do not act as investment manager or advisor, Man Group's role in directing investment activities is diminished and therefore these are not considered structured entities.

2 Net management fee margins are the categorical weighted average. Performance fees can only be earned after a high-water mark is achieved. For performance fee eligible funds, performance fees are within the range of 10% to 20%.

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

## 14. Fee and other receivables

| $m | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Fee receivables | **16** | 27 |
| Accrued income | **238** | 266 |
| Prepayments | **15** | 15 |
| Derivative financial instruments | **4** | 4 |
| Other receivables | **113** | 114 |
| | **386** | 426 |

Fee and other receivables are initially recorded at fair value and subsequently measured at amortised cost using the effective interest rate method, except for derivatives which are measured at fair value through profit and loss (Note 21) and prepayments. Fee receivables and accrued income represent management and performance fees from fund products and are received in cash when the funds' net asset values are determined. The majority of fees are deducted from the NAV of the respective funds by the independent administrators and therefore the credit risk of fee receivables is minimal. No balances are overdue and, under the expected credit loss model of IFRS 9, no impairment has been recognised at 31 December 2020 (2019: nil). The decrease in accrued income in 2020 relates to the decrease in performance fee revenues year on year which crystallised at 31 December, with associated receivables at year end of $141 million compared to $169 million in 2019.

Details of derivatives used to hedge cash flow foreign exchange risk, which the Group applied up to 31 December 2019, are included in Note 12. Other derivative financial instruments consist primarily of market risk hedges on some of our seeding positions and foreign exchange contracts. As in 2019, all derivatives are held with external banks with ratings of A or higher and mature within one year. During the year, there were $23 million net realised and unrealised losses arising from foreign exchange hedges (2019: $10 million gains), and the notional value of foreign exchange derivative financial assets held at 31 December 2020 is $417 million (2019: $61 million). The notional value of market risk derivative financial assets held at 31 December 2020 is $82 million (2019: $65 million).

Other receivables principally include balances relating to the Open Ended Investment Collective (OEIC) funds business of $33 million (2019: $29 million), collateral posted with derivative counterparties of $27 million (2019: $24 million), amounts recharged to funds of $12 million (2019: $11 million) and sub-lease rental income receivable of $5 million (2019: $15 million). For the OEIC funds businesses, Man Group acts as the intermediary for the collection of subscriptions due from customers and payable to the funds, and for redemptions receivable from funds and payable to customers. The unsettled fund payable is recorded in trade and other payables (Note 15). The amount of collateral posted with derivative counterparties is a function of the unrealised gains or losses on the open derivatives at any point in time. At 31 December 2020 and 2019, no other receivables are expected to be settled after 12 months.

## 15. Trade and other payables

| $m | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Accruals | **326** | 338 |
| Trade payables | **7** | 4 |
| Contingent consideration | **2** | 24 |
| Derivative financial instruments | **18** | 13 |
| Payables under repo arrangements | **56** | 36 |
| Share repurchase liability | **64** | 71 |
| Other payables | **101** | 73 |
| | **574** | 559 |

Trade and other payables are initially recorded at fair value and subsequently measured at amortised cost, except for derivatives and contingent consideration payables which are measured at fair value (Note 21).

Accruals primarily relate to compensation accruals. Contingent consideration relates to the amounts payable in respect of acquisitions (Note 21).

Details of derivatives used to hedge cash flow foreign exchange risk are included in Note 12. The notional value of other foreign exchange derivative financial liabilities at 31 December 2020 is $400 million (2019: $335 million). During the year, there were $10 million net realised and unrealised losses arising from our market risk hedges (2019: $47 million), and the notional value of market risk derivative financial liabilities is $131 million (2019: $245 million). All derivative contracts mature within one year.

Payables under repo arrangements relate to obligations to repurchase fund products as detailed in Note 13.1. The share repurchase liability is the remaining liability relating to the share repurchase announced in September 2020 (2019: announced in October 2019), as detailed in Note 20.

Other payables include payables relating to the OEIC funds business of $33 million (2019: $28 million) and $27 million relating to consolidated funds payables (2019: $11 million) as detailed in Note 13.2.

Included in trade and other payables at 31 December 2020 are balances of $3 million (2019: $23 million) which are expected to be settled after more than 12 months, which largely relate to contingent consideration. Man Group's policy is to meet its contractual commitments and pay suppliers according to agreed terms.

## 16. Provisions

| $m | Dilapidations | Other | Total |
|---|---|---|---|
| At 1 January 2020 | **3** | **5** | **8** |
| Unused amounts reversed | **(1)** | **–** | **(1)** |
| Additional provisions | **1** | **–** | **1** |
| Charged to the income statement | **–** | **1** | **1** |
| **At 31 December 2020** | **3** | **6** | **9** |

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

## 17. Leasehold improvements and equipment

| | Year ended 31 December 2020 | | | Year ended 31 December 2019 | | |
|---|---|---|---|---|---|---|
| $m | Leasehold improvements | Equipment | Total | Leasehold improvements[1] | Equipment | Total |
| Net book value at beginning of the year | **12** | **17** | **29** | 16 | 17 | 33 |
| Additions | **4** | **8** | **12** | – | 9 | 9 |
| Disposals | **–** | **(1)** | **(1)** | – | – | – |
| Transfer from investment property to leasehold improvements | **2** | **–** | **2** | – | – | – |
| Depreciation expense | **(4)** | **(8)** | **(12)** | (4) | (9) | (13) |
| **Net book value at year end** | **14** | **16** | **30** | 12 | 17 | 29 |

Note:
1 As a result of reassessing our application of IFRS 16 'Leases' together with IAS 40 'Investment Property' with regard to the classification of the Group's right-of-use lease assets from 1 January 2019, we have reclassified $13 million of leasehold improvements associated with these right-of-use lease assets as 'investment property' at 1 January 2019 (Note 18), which resulted in a reclassification of $11 million from that previously presented at 31 December 2019.

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

## 18. Leases

### 18.1 The Group as lessee

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

The Group assesses whether a contract is or contains a lease at inception of the contract. For arrangements where the Group 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 the Group has the right to use the asset, usually the lease commencement date, except for short-term leases (defined as leases with a term of one year or less) and leases of low-value assets. For these leases the Group recognises the lease payments on a straight-line basis over the lease term within other costs in the Group income statement. The lease term is determined as the non-cancellable period of a lease, together with periods covered by an option to extend the lease if the Group considers that exercise of the extension option is reasonably certain. Lease extension options and break clauses inherent in the Group's leases do not have a significant impact on the Group's ROU lease assets and lease liabilities.

ROU lease assets relating to the portion of our leased business premises which we then sub-let under operating leases are classified as investment property, with other ROU lease assets classified as leasehold property. Transfers from investment property to leasehold property occur when the Group commences development of a previously sub-let portion of its leased business premises with a view to occupying that space. Similarly, transfers from leasehold property to investment property occur when the Group ceases to occupy a portion of the leased business premises with the intention of sub-letting that space. As a result of reassessing our application of IFRS 16 'Leases' during the year, $139 million of ROU lease assets at 1 January 2019 (31 December 2019: $130 million) have been reclassified from leasehold property to investment property in the prior period presented, together with related leasehold improvements per Note 17, which primarily relates to our main London premises lease which ends in 2035 (see Note 18.2).

All of the Group's ROU lease assets, including those classified as investment property, are measured at cost less depreciation and impairment. Cost includes the amount of the initial measurement of the associated lease liability, lease payments made at or before the lease commencement date, lease incentives received, associated leasehold improvements and estimated costs to be incurred in restoring the property to the condition required under the terms of the lease. Depreciation is calculated on a straight-line basis over the asset's estimate useful life, which for leasehold improvements classified as investment property is the shorter of the lease term and the life of the improvement and for all other assets is the lease term, and included within other costs (Note 5). The ROU lease asset is assessed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable and is also adjusted for any remeasurements of the lease liability.

All lease liabilities are measured at the present value of lease payments that are due over the lease term, discounted using the Group's incremental cost of borrowing at the lease commencement or modification date (being the rate the Group would have to pay to finance a similar asset). The lease liability is adjusted for lease payments and unwind of lease liability discount as well as the impact of any subsequent lease modifications. The unwind of lease liability discount is included within finance expense (Note 6).

In accordance with IFRS 16, cash payments of $34 million (2019: $34 million) in relation to leases, which reduce the lease liability recognised on the Group balance sheet, are presented as unwind of lease liability discount of $12 million (2019: $14 million) (within operating activities) and repayments of principal lease liability of $22 million (2019: $20 million) (within financing activities) in the Group cash flow statement. Payments in relation to short-term leases and leases of low-value assets are included within operating activities.

*Right-of-use lease assets*

| | **Year ended 31 December 2020** | | | Year ended 31 December 2019 | | |
|---|---|---|---|---|---|---|
| $m | **Leasehold property** | **Investment property** | **Total** | Leasehold property[1] | Investment property[1] | Total |
| Net book value at beginning of the year | **79** | **141** | **220** | 89 | 152 | 241 |
| Additions | **3** | **–** | **3** | 1 | – | 1 |
| Transfer from leasehold property to investment property | **(7)** | **7** | **–** | – | – | – |
| Transfer from investment property to leasehold property | **33** | **(33)** | **–** | – | – | – |
| Transfer from investment property to leasehold improvements | **–** | **(2)** | **(2)** | – | – | – |
| Early exercise of break clause[2] | **(22)** | **–** | **(22)** | – | – | – |
| Impairment | **–** | **(25)** | **(25)** | – | – | – |
| Depreciation expense (Note 5) | **(12)** | **(10)** | **(22)** | (11) | (11) | (22) |
| **Net book value at year end** | **74** | **78** | **152** | 79 | 141 | 220 |

Notes:

1 As a result of reassessing our application of IFRS 16 'Leases' together with IAS 40 'Investment Property' with regard to the classification of the Group's right-of-use lease assets from 1 January 2019, we have restated $139 million of right-of-use lease assets, in addition to $13 million of associated leasehold improvements (Note 17), from within 'leasehold property' to 'investment property' at 1 January 2019 ($130 million and $11 million respectively at 31 December 2019).

2 Due to the lease surrender and exit of our principal sub-tenant from our main London leased premises during the year, we exercised a break clause on our secondary London premises in order to bring all our London staff together in one location from 2021. This lease modification had the impact of reducing the right-of-use lease asset in line with the associated reduction in lease liability, as outlined on page 50.

Investment property with a carrying value of $78 million at 31 December 2020 (2019: $141 million) has a gross cost of $201 million (2019: $255 million) net of accumulated depreciation and impairment of $123 million (2019: $114 million).

### Lease liability

The maturity of the Group's contractual undiscounted cash flows for the lease liability is as follows:

| | **Year ended 31 December 2020** | Year ended 31 December 2019 |
|---|---|---|
| $m | **Total** | Total |
| Within one year | **32** | 35 |
| Between one and five years | **105** | 120 |
| Between five and ten years | **122** | 134 |
| Between ten and 15 years | **111** | 115 |
| After 15 years | **–** | 15 |
| | **370** | 419 |

Of the Group's total lease liability of $272 million at 31 December 2020 (2019: $307 million), $253 million (2019: $257 million) relates to our main premises in London (expiring in 2035). The revaluation of our GBP lease liabilities into US dollars (the lessee's functional and the Group's presentation currency) may result in large unrealised gains or losses in the Group income statement, and therefore these non-cash movements have been classified as an adjusting item (see page 56).

Movements in the Group's lease liability are as follows:

| $m | **Year ended 31 December 2020** | Year ended 31 December 2019 |
|---|---|---|
| At beginning of the year | **307** | 316 |
| Additions | **2** | 1 |
| Unwind of lease liability discount (Note 6) | **12** | 14 |
| Cash payments | **(34)** | (34) |
| Early exercise of break clause | **(22)** | – |
| Foreign exchange movements (see page 56) | **7** | 10 |
| **At year end** | **272** | 307 |

### 18.2 The Group as lessor

Man Group acts as lessor in respect of certain sub-leased business premises arrangements, which are classified as operating leases under IFRS 16, whereby sub-lease rental income is recognised on a straight-line basis over the lease term in the Group income statement. Sub-lease rental income for 2020 was $7 million (2019: $14 million). In addition, during 2020 the principal sub-tenant of our main London office paid us cash of $26 million in order to terminate their lease early, which was offset by an associated non-cash deferred rent write-off of $8 million and resulted in a net accounting gain on lease surrender of $18 million. The surrender gain represents payment for the sub-lease rental risk and other costs taken on by the Group as a result of this agreement, and therefore the amount relating to future periods ($7 million) has been recognised as an adjusting item (see page 56) which we expect to release in future periods in line with future associated lost rental income and other costs. Following the lease surrender, the Group exercised a break option on its other London premises in order to bring all London staff together in one location from 2021, resulting in a $22 million decrease in the lease liability and associated ROU lease asset. This also triggered the transfer of $33 million from investment property to leasehold property ROU lease assets, relating to the previously sub-let portion of the office which will be occupied by the Group.

At 31 December 2020, the contractual undiscounted operating lease payments receivable from sub-leases of the Group's investment property ROU lease assets are as follows:

| | **Year ended 31 December 2020** | Year ended 31 December 2019 |
|---|---|---|
| $m | **Total** | Total |
| Within one year | **7** | 16 |
| Between one and two years | **6** | 16 |
| Between two and three years | **6** | 14 |
| Between three and four years | **6** | 5 |
| Between four and five years | **5** | 5 |
| Between five and ten years | **–** | 5 |
| | **30** | 61 |

*Fair value of investment property and impairment*

Investment property ROU lease assets with a carrying value of $78 million at 31 December 2020 (2019: $141 million) have a fair value, which is equivalent to their value in use, of $86 million (2019: $153 million). The carrying value and fair value decreases in our ROU sub-lease assets compared to 2019 reflect a decrease in the sub-let space due to increased occupation by the Group. An impairment expense is recognised for the amount by which the asset's carrying value exceeds its recoverable amount, being its value in use. For the purposes of assessing impairment, investment property ROU lease assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs), being the individual sub-lease contract level. The value in use calculations at 31 December 2020 use cash flow projections out to the end of the relevant property's head lease, based on current sub-lease agreements and estimates for future rentals, reflecting the current commercial property market and the adverse impact of COVID-19. The assumptions applied in the value in use calculations are derived from past experience and assessment of current market inputs, with the market property yield discount rate then applied to the modelled cash flows. This assessment has resulted in impairment of our investment property ROU lease asset (which includes related leasehold improvements) for sub-tenancies in our main London office of $25 million at 31 December 2020, which was triggered by the sub-let vacancy created by the lease surrender of our principal sub-tenant during the year coinciding with the London commercial property market uncertainty due to COVID-19. Reasonably foreseeable changes in the key assumptions of this assessment would not be expected to result in a significant change to the impairment expense recognised.

## 19. Deferred compensation arrangements

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

For compensation plans whereby deferred compensation is invested in fund products managed by Man Group, the fair value of the employee services received in exchange for the fund units is recognised as an expense over the vesting period, with a corresponding liability. The Group holds these fund investments in order to offset any associated change in deferred compensation (Note 13.1), and at vesting the value of the fund investment is delivered to the employee.

Effective for awards granted from 1 January 2020, the Group has elected to hedge account for deferred fund product charges, whereby the offsetting gains or losses on these fund products are matched against the corresponding compensation charge in the Group income statement pro-rata over the vesting period. Unmatched gains or losses are recognised through other comprehensive income and held within the cash flow hedge reserve in equity until they are recycled over the vesting period into the Group income statement.

During the year, $74 million (2019: $78 million) relating to share-based payments and deferred fund product plans is included within compensation costs (Note 4), consisting of share-based payments of $20 million (2019: $28 million) and deferred fund product plans of $54 million (2019: $50 million). The unamortised deferred compensation at year end is $66 million (2019: $50 million) and has a weighted average remaining vesting period of 1.8 years (2019: 1.6 years).

## 20. Capital management

The Group's dividend policy is outlined on page 2, and details of the Group's capital management are provided within the Chief Financial Officer's review on page 21.

### Share capital and capital reserves

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

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

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

### Ordinary shares

Ordinary shares have a par value of $3\,^{3}/_{7}$ US cents per share (2019: $3\,^{3}/_{7}$ US cents per share) and represent 100% of issued share capital. All issued shares are fully paid. The shares have attached to them full voting, dividend and capital distribution (including on wind up) rights. They do not confer any rights of redemption. Ordinary shareholders have the right to receive notice of, attend, vote and speak at general meetings. A holder of ordinary shares is entitled to one vote per ordinary share held when a vote is taken on a poll and one vote only when a vote is taken on a show of hands.

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

During the year ended 31 December 2020, $107 million (2019: $92 million) of shares were repurchased at an average price of 122.8 pence (2019: 149.1 pence), buying back 69 million shares (2019: 48 million shares), which had an accretive impact on EPS (Note 8) of 2.6% (2019: 1.6%). This relates to the completion of the remaining $71 million of the share repurchase announced in October 2019, and the partial completion of $36 million of the anticipated $100 million share repurchase announced in September 2020. All repurchased shares were held in Treasury. Shares repurchased during the year represent 4.8% of issued share capital (excluding Treasury shares) as at 31 December 2020. As at 31 December 2020, 86,156,381 shares were held in Treasury. As at 1 March 2021, Man Group had an unexpired authority to repurchase up to 119,289,390 of its ordinary shares. A special resolution will be proposed at the forthcoming Annual General Meeting (AGM), pursuant to which the Company will seek authority to repurchase up to 145,399,026 of its ordinary shares, representing 10% of the issued share capital (excluding Treasury shares) at 1 March 2021.

### Deferred sterling shares

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

### Issued and fully paid share capital

| | Year ended 31 December 2020 | | Year ended 31 December 2019 | | |
|---|---|---|---|---|---|
| | **Ordinary shares Number** | **Nominal value $m** | Ordinary shares Number | Unlisted deferred sterling shares Number | Nominal value $m |
| **At 1 January** | **1,541,794,770** | **53** | 1,610,142,313 | 50,000 | 55 |
| Purchase and cancellation of own shares | **–** | **–** | (68,347,543) | – | (2) |
| Scheme of arrangement (Note 1): | | | | | |
| – Cancellation of shares in former holding company | **–** | **–** | (1,541,794,770) | (50,000) | (53) |
| – Issue of shares in new holding company | **–** | **–** | 1,541,794,770 | – | 53 |
| **At 31 December** | **1,541,794,770** | **53** | 1,541,794,770 | | 53 |

### 21. Fair value of financial assets/liabilities

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

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

The fair value of the Group's financial assets and liabilities which are held at fair value through profit and loss can be analysed as follows:

| | 31 December 2020 | | | | 31 December 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| $m | **Level 1** | **Level 2** | **Level 3** | **Total** | Level 1 | Level 2 | Level 3 | Total |
| Financial assets held at fair value: | | | | | | | | |
| Investments in fund products and other investments (Note 13) | **3** | **170** | **162** | **335** | 3 | 180 | 169 | 352 |
| Investments in consolidated funds (Note 13) | **–** | **435** | **17** | **452** | – | 385 | 35 | 420 |
| Derivative financial instruments (Note 14) | **–** | **4** | **–** | **4** | – | 4 | – | 4 |
| | **3** | **609** | **179** | **791** | 3 | 569 | 204 | 776 |
| Financial liabilities held at fair value: | | | | | | | | |
| Derivative financial instruments (Note 15) | **–** | **18** | **–** | **18** | – | 13 | – | 13 |
| Contingent consideration (Note 15) | **–** | **–** | **2** | **2** | – | – | 24 | 24 |
| | **–** | **18** | **2** | **20** | – | 13 | 24 | 37 |

The carrying value of financial assets and liabilities which are carried on the Group's balance sheet at amortised cost is approximately equal to their fair value.

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

A transfer into Level 3 would be deemed to occur where the level of prolonged activity, as evidenced by subscriptions and redemptions, is deemed insufficient to support a Level 2 classification. This, as well as other factors such as a deterioration of liquidity in the underlying investments, would result in a Level 3 classification. The material holdings within this category relate to CLO risk retention assets which are priced using a bottom-up valuation method. The Group uses third party valuations to price the securities within the underlying portfolios and then applies these valuations in proportion to the percentage of the CLO notes held by the Group. As the Group expects to hold the assets to maturity, this valuation method is approximately equal to fair value.

The basis of measuring the fair value of Level 3 investments is outlined in Note 13.1. The movements in Level 3 financial assets and financial liabilities measured at fair value are as follows:

| $m | **Year ended 31 December 2020** | | Year ended 31 December 2019 | |
|---|---|---|---|---|
| | **Financial assets at fair value through profit or loss** | **Financial liabilities at fair value through profit or loss** | Financial assets at fair value through profit or loss | Financial liabilities at fair value through profit or loss |
| **Level 3 financial assets/(liabilities) held at fair value** | | | | |
| At beginning of the year | **204** | **(24)** | 196 | (212) |
| Purchases | **–** | **–** | 27 | – |
| Credited/(charged) to the income statement | **10** | **20** | (6) | 19 |
| Sales or settlements | **(17)** | **2** | (7) | 169 |
| Change in consolidated funds held | **(18)** | **–** | (6) | – |
| **At year end** | **179** | **(2)** | 204 | (24) |
| **Total gains/(losses) for the year included in the Group statement of comprehensive income for assets/(liabilities) held at year end** | **10** | **20** | (6) | 19 |

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

| $m | **Year ended 31 December 2020** | | | Year ended 31 December 2019 | | | |
|---|---|---|---|---|---|---|---|
| | **Numeric** | **Aalto** | **Total** | Numeric | Aalto | Other | Total |
| **Contingent consideration payable** | | | | | | | |
| At beginning of the year | **2** | **22** | **24** | 172 | 37 | 3 | 212 |
| Revaluation of contingent consideration | **–** | **(22)** | **(22)** | (22) | (20) | 5 | (37) |
| Unwind of contingent consideration discount (Note 6) | **–** | **2** | **2** | 13 | 5 | – | 18 |
| Sales or settlements | **(2)** | **–** | **(2)** | (161) | – | (8) | (169) |
| **At year end** | **–** | **2** | **2** | 2 | 22 | – | 24 |

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

The Aalto contingent consideration is dependent on levels of run rate management fees measured following four, six and eight years from completion on 1 January 2017. The maximum aggregate amount payable by the Group is capped at $207 million. The $22 million decrease (2019: $20 million) in the fair value of the Aalto contingent creditor is driven by lower than expected actual and forecast growth of the GPM business, including the impact of COVID-19, as outlined in more detail in the related goodwill impairment assessment in Note 10.

## 22. Related party transactions

Related parties comprise key management personnel, associates and fund entities which Man Group 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 the Group holds a controlling interest are detailed in Note 13. Contingent consideration payable to Aalto management is outlined in Note 21. In 2019 Man Group made a charitable donation of £2,500 to Greenhouse Sports Ltd, which is considered a related party.

The Executive Committee, together with the non-executive directors, are considered to be the Group's key management, being those directors, partners and employees having authority and responsibility for planning, directing and controlling the activities at Man Group.

| Key management compensation $m | **Year ended 31 December 2020** | Year ended 31 December 2019 |
|---|---|---|
| Salaries and other short-term employee benefits[1] | **32** | 29 |
| Share-based payments | **10** | 13 |
| Fund product-based payment charge | **13** | 9 |
| Pension costs (defined contribution) | **1** | 1 |
| Total | **56** | 52 |

Note:
1 Includes salary, benefits and cash bonus.

## 23. Other matters

In July 2019, the Public Institution for Social Security in Kuwait (PIFSS) served a claim against a number of parties, including certain Man Group companies, a former employee of Man Group and a former third-party intermediary.

The subject matter of these allegations dates back over a period of 20 years. PIFSS is seeking compensation of $156 million (plus compound interest) and certain other remedies which are unquantified in the claim. Man Group disputes the allegations and considers there is no merit to the claim (in respect of liability and quantum). We will therefore vigorously and robustly defend the proceedings.

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

### 24. Subsequent events

The COVID-19 global pandemic has caused extensive disruption to businesses and economic activity. The Group continues to monitor any impacts on the business, as outlined in Note 1, and has not identified any material adjustments to balances included in these financial statements, nor any material impacts on the business, subsequent to the balance sheet date.

## 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 a 'core' and 'adjusted' basis as well as a statutory basis. The rationale for using core and adjusted measures is explained below.**

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

### Funds under management (FUM)

FUM is the assets that the Group manages for investors in fund entities. FUM is a key indicator of our performance as an investment manager and our ability to remain competitive and build a sustainable business. FUM is measured based on management fee earning capacity. Average FUM multiplied by our net management fee margin (see below) equates to our management fee earning capacity. FUM is shown by product groupings that have similar characteristics (as shown on page 17). 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 17.

**- Investment performance**

Investment performance 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 17.

**- 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.

FUM includes advisory-only assets where the firm provides a model portfolio and does not have decision making or trading authority over the assets. FUM includes dedicated managed account platform clients for which Man Group provides platform and risk management services but does not act as investment manager.

### Asset weighted performance versus benchmark

The asset weighted performance relative to peers for the period stated is calculated using the daily asset weighted average performance relative to peers for all strategies where we have identified and can access an appropriate peer composite. The performance of our strategies is measured net of management fees charged and, as applicable, performance fees charged. As at 31 December 2020, it covers 88% of the FUM of the Group and excludes infrastructure mandates, Global Private Markets and collateralised loan obligations. Asset weighted performance versus peers is a KPI (page 13).

### Net management fee revenue and margins

Margins are an indication of the revenue margins negotiated with our institutional and retail investors net of any distribution costs paid to intermediaries and are a primary indicator of future revenues. Net management fee revenue is defined as gross management fee revenue less distribution costs, excluding any amounts related to consolidated fund entities (Note 13.2). Net management fee margin is calculated as net management fee revenue divided by FUM. Net management fee revenue is shown on page 18.

### Core net management fee revenue and core net revenue

Our 'core' metrics exclude earnings relating to legacy businesses (non-core), in order to assist comparability in our earnings streams over time. Core net management fee revenue excludes net management fee revenue relating to guaranteed products in 2019, in order to better present the management fees of the core business given the roll-off of the legacy guaranteed product FUM. The detailed calculation of core net management fee revenue is shown on page 18. Core net revenue is defined as core net management fee revenue plus adjusted performance fee revenue.

### Run rate net management fee revenue and margins

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

### Core and adjusted profit before tax

Core and adjusted profit before tax are measures of the Group's underlying profitability. The directors consider that in order to assess underlying operating performance, the Group's profit period on period is most meaningful when considered on a basis which excludes acquisition and disposal related items (including non-cash items such as amortisation of acquired intangible assets), impairment of assets, costs relating to substantial restructuring plans, unrealised foreign exchange movements on lease liabilities and associated deferred tax and certain significant event-driven gains or losses, or allocates them to the appropriate time period, which therefore reflects the revenues and costs that drive the Group's cash flows and inform the base on which the Group's variable compensation is assessed. Movements in deferred tax relating to the consumption/recognition of tax assets in the US are similarly excluded from core and adjusted profit after tax in order to best reflect cash taxes paid. The directors are consistent in their approach to the classification of adjusting items period to period, maintaining an appropriate symmetry between losses and gains and the reversal of any amounts previously classified as adjusting items. Adjusted profit before tax is defined as core profit before tax plus non-core net management fee revenue, which relates to legacy guaranteed products in 2019. Due to the roll-off of profits from guaranteed products in 2019, core profit before tax and adjusted profit before tax are equivalent from 2020.

The reconciliation of statutory profit before tax to adjusted and core profit before tax is shown below.

| $m | Note to the Group financial statements | **Year ended 31 December 2020** | Year ended 31 December 2019 |
|---|---|---|---|
| Statutory profit before tax | | **179** | 307 |
| Adjusting items: | | | |
| Acquisition and disposal related | | | |
| Impairment of acquired intangible assets | 10 | **–** | 5 |
| Impairment of GPM goodwill | 10 | **55** | – |
| Amortisation of acquired intangible assets | 10 | **63** | 78 |
| Revaluation of contingent consideration | 21 | **(22)** | (37) |
| Unwind of contingent consideration discount | 6 | **2** | 18 |
| Gain on sale of investment in Nephila | | **–** | (1) |
| Recycling of FX revaluation on liquidation of subsidiaries | | **(17)** | – |
| Unrealised foreign exchange movements on lease liabilities and associated deferred tax | | **6** | 10 |
| Lease surrender income relating to future periods | 18 | **(7)** | – |
| Impairment of investment property right-of-use lease asset | 18 | **25** | – |
| Compensation – restructuring | 4 | **–** | (1) |
| Other costs – restructuring (corporate reorganisation) | 5 | **–** | 7 |
| **Adjusted profit before tax** | | **284** | 386 |
| Less non-core net management fee revenue | | **–** | (2) |
| **Core profit before tax** | | **284** | 384 |

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

### Core and 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 underlying management fee earnings of the business from the variable performance fee related earnings. Core management fee profit before tax is equivalent to adjusted management fee profit before tax excluding profits relating to our legacy businesses, which in 2019 related to net management fees from our guaranteed products business (non-core net management fee revenue, which rolled-off in 2019). Core profit before tax is equivalent to adjusted profit before tax excluding these legacy business profits and is made up of core management fee profit before tax and adjusted performance fee profit before tax. Core profit before tax is a KPI (page 13).

| $m | **Year ended 31 December 2020** | Year ended 31 December 2019 |
|---|---|---|
| Core net management fee revenue[1] | **730** | 751 |
| Sub-lease rental and lease surrender income | **18** | 14 |
| *Less:* | | |
| Asset servicing | **(55)** | (55) |
| Compensation (management fee) | **(357)** | (352) |
| Other costs[1] | **(145)** | (178) |
| Net finance expense | **(11)** | (10) |
| **Core management fee profit before tax** | **180** | 170 |
| Non-core net management fee revenue | **–** | 2 |
| **Adjusted management fee profit before tax** | **180** | 172 |
| Performance fees[1] | **179** | 325 |
| Gains on investments and other financial instruments[1] | **20** | 20 |
| *Less:* | | |
| Compensation (performance fee) | **(94)** | (125) |
| Finance expense | **(1)** | (6) |
| **Performance fee profit before tax** | **104** | 214 |
| **Core profit before tax** | **284** | 384 |
| **Adjusted profit before tax** | **284** | 386 |

Note:
1 Core net management fee revenue, performance fees and other costs exclude amounts for consolidated fund entities, with these reclassified to gains on investments together with the third-party share.

### Core and adjusted tax rate

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

| $m | Note to the Group financial statements | **Year ended 31 December 2020** | Year ended 31 December 2019 |
|---|---|---|---|
| Statutory tax expense | | **41** | 22 |
| Less tax credit on adjusting items: | | | |
| Amortisation of acquired intangible assets | | **6** | 8 |
| Impairment of right-of-use lease asset – investment property | | **4** | – |
| Unrealised foreign exchange movements on lease liabilities and associated deferred tax | | **1** | 2 |
| Tax adjusting item on US deferred tax assets | 7 | **(8)** | 27 |
| Tax expense on adjusted profit before tax | | **44** | 59 |
| Less tax expense on non-core profit before tax | | **–** | – |
| Tax expense on core profit before tax | | **44** | 59 |
| Which includes: | | | |
| Tax expense on core and adjusted management fee profit before tax | | **27** | 21 |
| Tax expense on performance fee profit before tax | | **17** | 38 |

The core tax rate is the effective tax rate on core profit before tax and is equal to the tax on core profit divided by core profit before tax. The adjusted tax rate is the effective tax rate on adjusted profit before tax and is equal to the tax on adjusted profit divided by adjusted profit before tax. As outlined above, core and adjusted profit before tax are measures 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). Tax expense on core profit before tax is equivalent to the adjusted tax expense less tax on non-core profit before tax at the prevailing management fee or performance fee effective tax rates.

Therefore, the tax on core and adjusted profit best reflects the cash taxes payable by the Group. The core and adjusted tax rate is 16% for 2020 (2019: 15%), which has increased due to a higher weighting of profits in the UK where the applicable statutory tax rate is 19%.

### Reconciliation of adjusting items

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

| $m | Note to the Group financial statements | **Year ended 31 December 2020** | Year ended 31 December 2019 |
|---|---|---|---|
| Total compensation costs | 4 | **451** | 476 |
| Adjusting items (page 56) | | **–** | 1 |
| **Total compensation costs excluding adjusting items** | | **451** | 477 |
| Made up of: | | | |
| Fixed compensation (includes salaries and associated social security costs, and pension costs) | | **194** | 193 |
| Variable compensation (includes variable cash compensation, share-based payment charge, fund product-based payment charge and associated social security costs) | | **257** | 284 |

| $m | | | |
|---|---|---|---|
| Total other costs | 5 | **150** | 189 |
| Adjusting items (page 56) | | **–** | (7) |
| **Total other costs excluding adjusting items** | | **150** | 182 |

| $m | | | |
|---|---|---|---|
| Total finance expense | 6 | **16** | 42 |
| Total finance income | 6 | **(2)** | (8) |
| Net finance expense, including adjusting items | | **14** | 34 |
| Adjusting items (page 56) | | **(2)** | (18) |
| **Net finance expense excluding adjusting items** | | **12** | 16 |

### Core and adjusted management fee EPS

Adjusted management fee EPS is calculated using post-tax profits excluding performance fee profits and adjusting items, divided by the weighted average diluted number of shares. Core management fee EPS adjusts this to also exclude non-core management fee revenue, which in 2019 related to our legacy guaranteed products business.

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

| | **Year ended 31 December 2020** | | | Year ended 31 December 2019 | | |
|---|---|---|---|---|---|---|
| | **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 | **138** | **9.5** | **9.3** | 285 | 18.9 | 18.4 |
| Adjusting items | **105** | **7.2** | **7.1** | 79 | 5.2 | 5.1 |
| Tax adjusting items | **(3)** | **(0.2)** | **(0.2)** | (37) | (2.5) | (2.4) |
| Adjusted profit after tax | **240** | **16.5** | **16.2** | 327 | 21.6 | 21.1 |
| Less non-core net management fee revenue | **–** | **–** | **–** | (2) | (0.1) | (0.1) |
| Core profit after tax | **240** | **16.5** | **16.2** | 325 | 21.5 | 21.0 |
| Less performance fee profit after tax | **(87)** | **(6.0)** | **(5.9)** | (176) | (11.6) | (11.3) |
| Core management fee profit after tax | **153** | **10.5** | **10.3** | 149 | 9.9 | 9.7 |
| Non-core net management fee revenue after tax | **–** | **–** | **–** | 2 | 0.1 | 0.1 |
| Adjusted management fee profit after tax | **153** | **10.5** | **10.3** | 151 | 10.0 | 9.8 |

### Compensation ratio

The compensation ratio measures our compensation costs relative to our revenue. The Group’s compensation ratio is generally between 40% and 50% of net revenue, depending on the mix and level of revenue. It is calculated as total compensation divided by net revenue. Details of the current year compensation ratio are included on page 19.

### Net financial assets/liabilities

Net financial assets/liabilities is considered a proxy for Group capital, and is equal to the Group's cash and seed book less borrowings, contingent consideration payable and payables under repo arrangements, made up as follows:

| $m | Note to the Group financial statements | **31 December 2020** | 31 December 2019 |
|---|---|---|---|
| Seeding investment portfolio | 13 | **485** | 514 |
| Cash and cash equivalents[1] | 12 | **289** | 220 |
| Contingent consideration payable | 25 | **(2)** | (24) |
| Payables under repo arrangements | 15 | **(56)** | (36) |
| **Net financial assets** | | **716** | 674 |

Note:
1 Cash and cash equivalents excludes $62 million (2019: $61 million) of cash relating to consolidated fund entities (Note 13.2).