

# Why has it taken another crisis to recognise the benefits of managed futures?



Tim Wong, CEO of AHL  
August 2009

A member of the Man Group

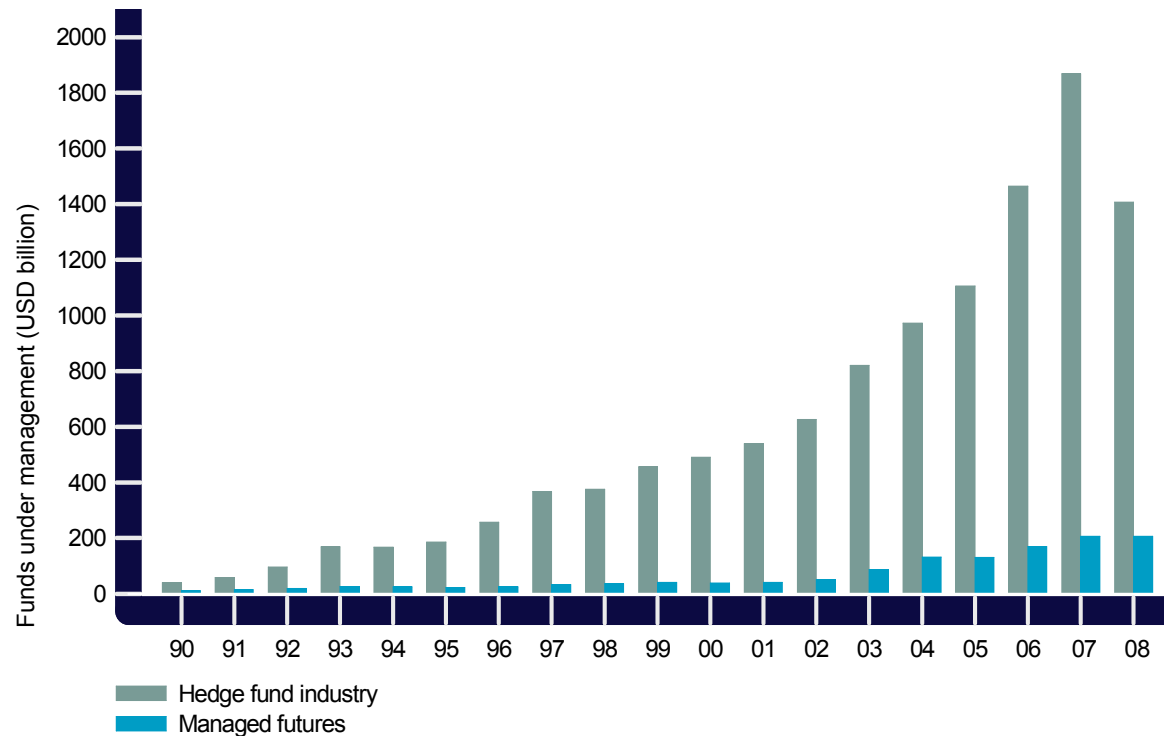
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- Inability to profit in falling markets
- Limited universe: constrained by benchmark and instrument type
- Subject to human emotions
- Key man risk

- An established strategy: long track record of strong absolute returns
- Reproducible alpha
- Trading on margin allows efficient use of capital
- Access to a wide range of sectors
- Powerful diversification benefits

# Managed futures – growth of the sector

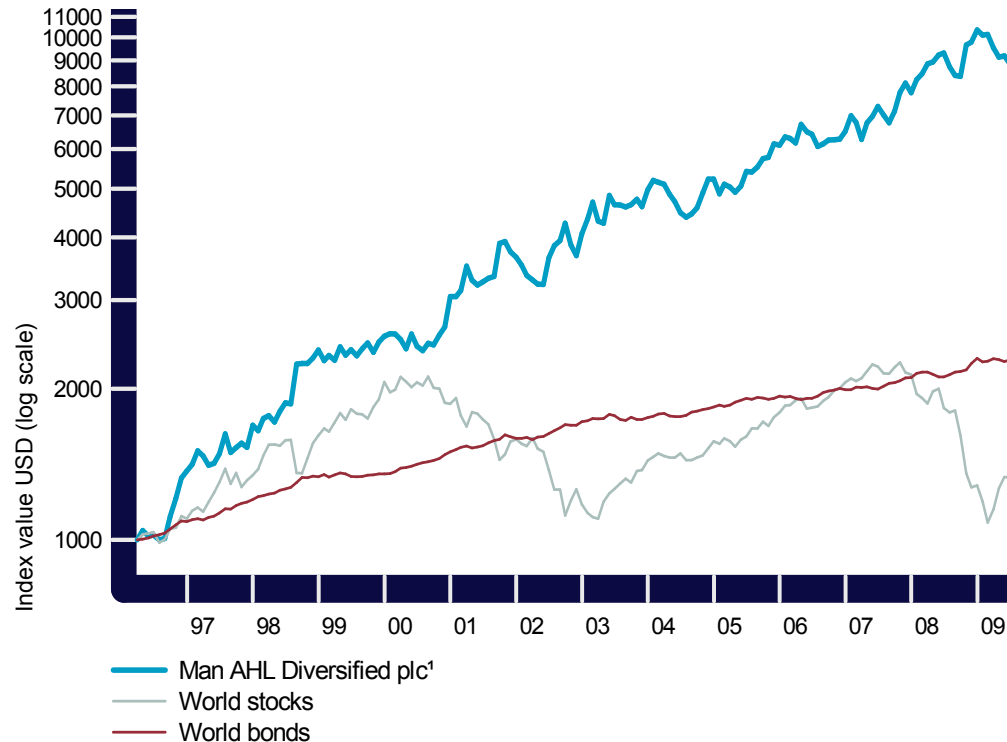
## An established strategy



- Assets under management have grown from around USD 5 billion at the end of the 1980s to USD 206 billion as at 31 December 2008
- Managed futures represent around 15% of the hedge fund industry's total funds under management

# Long track record of strong absolute returns

## 26 March 1996 to 31 July 2009



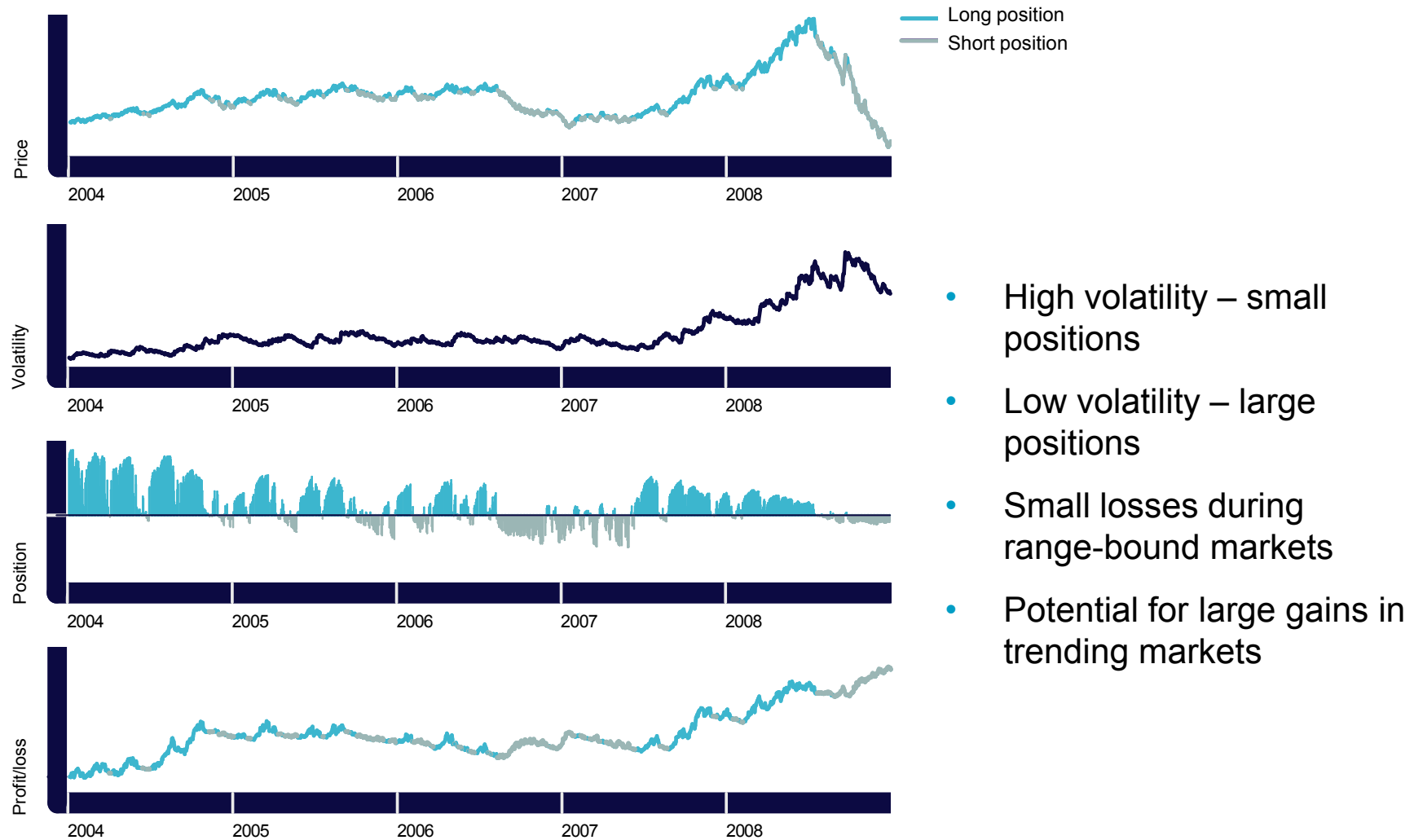
	Man AHL Diversified plc <sup>1</sup>	World stocks	World bonds
Total return	794.9 %	43.0 %	129.7 %
Annualised return	17.9 %	2.7 %	6.4 %
Annualised volatility	18.0 %	15.5 %	3.0 %
Worst drawdown	-17.9 %	-51.9 %	-2.7 %
Sharpe ratio <sup>2</sup>	0.79	n/a	0.79
Date of worst drawdown	Oct 01 to May 02	Oct 07 to date	May 03 to Aug 03
Months to recovery	3	n/a	6
Correlation to Man AHL Diversified plc <sup>1</sup>	1.00	-0.21	0.32

**Financial advisor use only.**

**Source** Man Investments and Bloomberg. World stocks: MSCI World (Total Return) Index hedged to USD (price return). World bonds: Citigroup World Government Bond Index hedged to USD (total return). There is no guarantee of trading performance and past or projected performance is not a reliable indicator of future performance. Returns may increase or decrease as a result of currency fluctuations. <sup>1</sup>Man AHL Diversified plc is valued weekly; however, for comparative purposes, statistics have been calculated using the last weekly valuation for each month. <sup>2</sup>Sharpe ratio is calculated using the risk-free rate in the appropriate currency over the period analysed. Where an investment has underperformed the risk-free rate, the Sharpe ratio will be negative. Because the Sharpe ratio is an absolute measure of risk-adjusted return, negative Sharpe ratios are shown as n/a, as they can be misleading.

# How does it work?

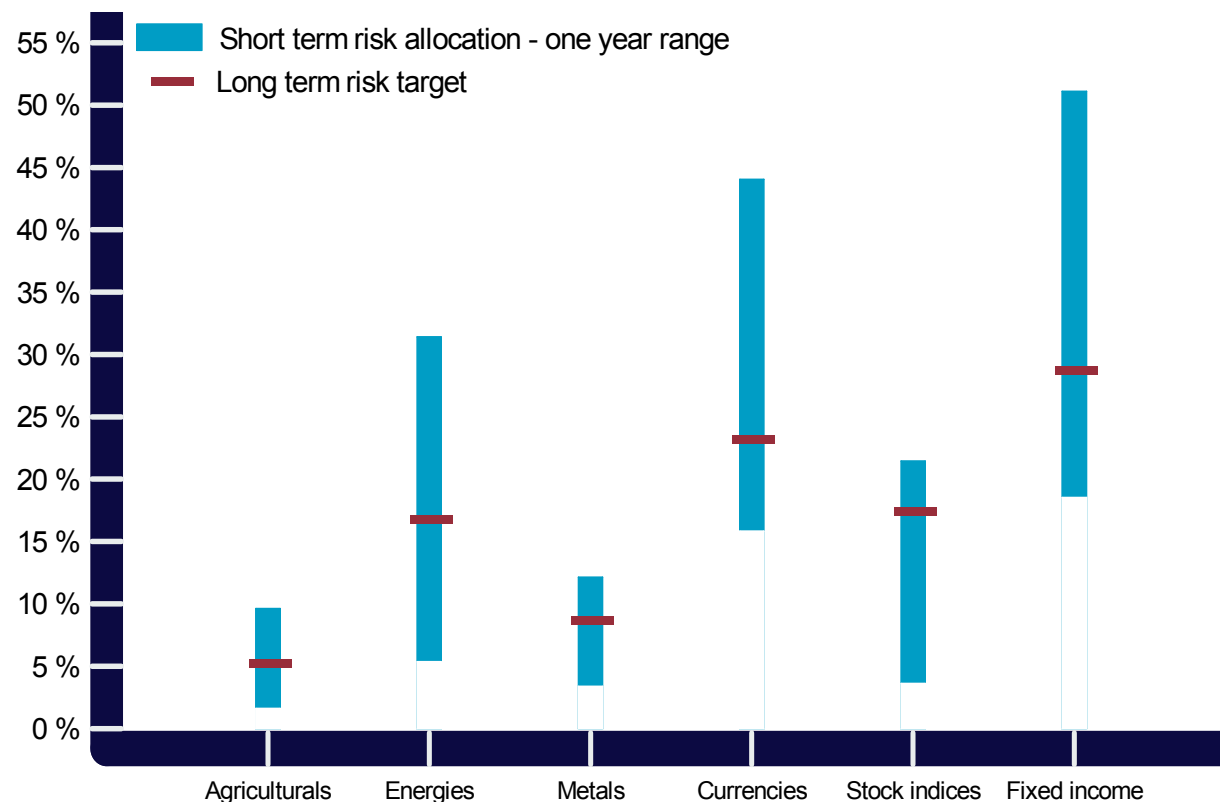
## An illustration - WTI Crude Oil future<sup>1</sup>



**Financial advisor use only.**

Source Man Investments. <sup>1</sup>The illustration is based on simulated rather than actual positions and returns. It does not represent the actual performance achieved in this market. Date range: 1 January 2004 to 31 December 2008.

## 2008 Sector allocations<sup>1</sup>



- Stable long term risk targets portfolio optimisation
- Short term risk allocation varies dynamically to reflect market opportunities

**Financial advisor use only.**

**Source** Man Investments. <sup>1</sup>The long term risk target is designed to reflect the expected long term risk exposure to each sector relative to the other sectors in the portfolio. The figures are based on estimates of the risk of each sector for the current portfolio. The portfolio structure and constituents are regularly reviewed by the investment management team and sector allocations will change accordingly. The short term risk allocation is represented as sector contribution in % of total VaR. The VaR calculation is based on the actual trading of Man AHL Diversified plc. VaR is quoted as the expected daily return standard deviation, expressed as a percentage of net asset value. The calculation is based on current positions held and the recently observed volatilities of, and correlations between, the returns of the instruments traded by the product.



- Diversified across over 200 instruments
- Instruments are highly liquid, transparently priced and mainly exchange traded
- Opportunity set continues to evolve
- New markets include credit derivatives, power futures and freight indices

# Diversification to both traditional and alternative asset classes



## Correlation of monthly returns: 26 March 1996 to 30 June 2009

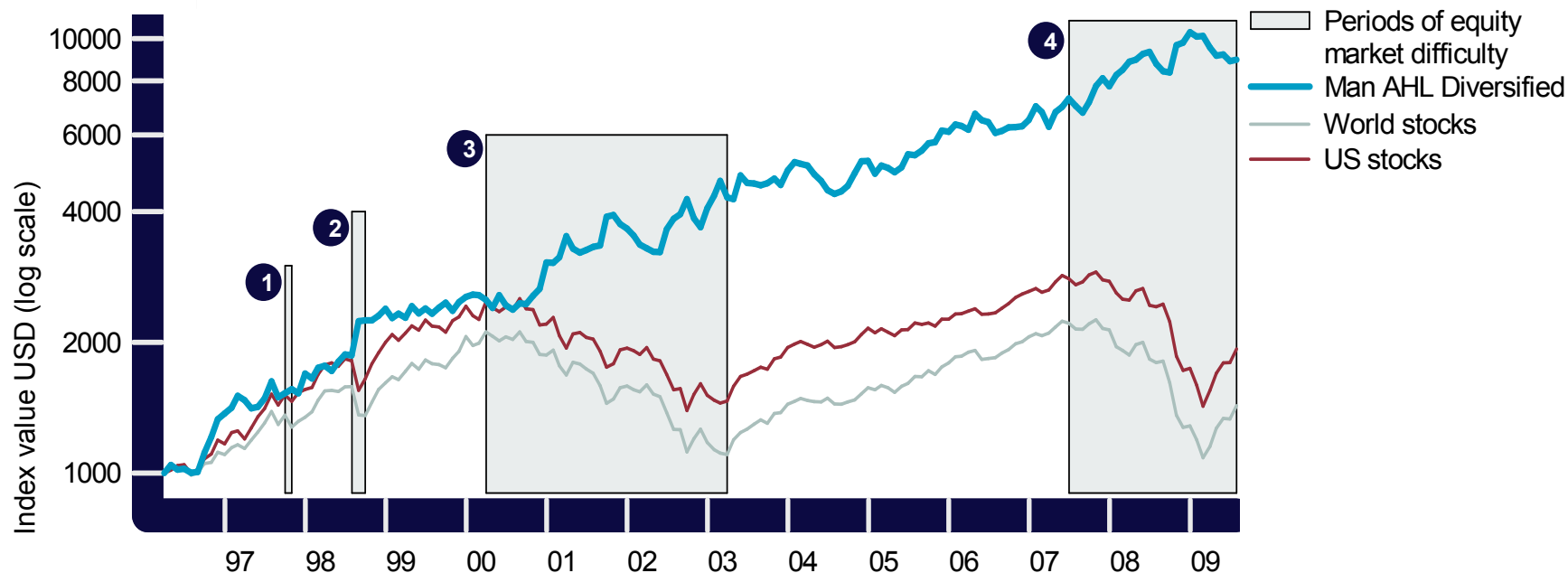
	Managed futures	Relative value	Global macro	Event driven	Equity hedge	Fund of funds	World bonds	World stocks	Man AHL Diversified plc <sup>1</sup>
Man AHL Diversified plc <sup>1</sup>	0.76	-0.20	0.45	-0.15	-0.09	0.01	0.32	-0.21	1.00
World stocks	-0.10	0.60	0.35	0.76	0.78	0.66	-0.21	1.00	
World bonds	0.27	-0.18	0.10	-0.24	-0.18	-0.18	1.00		
Fund of funds	0.16	0.76	0.72	0.86	0.88	1.00			
Equity hedge	0.04	0.71	0.60	0.87	1.00				
Event driven	-0.01	0.80	0.52	1.00					
Global macro	0.61	0.32	1.00						
Relative value	-0.10	1.00							
Managed futures	1.00								

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Source Man Investments and Bloomberg. World stocks: MSCI World (Total Return) Index hedged to USD (price return). World bonds: Citigroup World Government Bond Index hedged to USD (total return). Fund of funds: HFRI Fund of Funds Composite Index. Equity hedge: HFRI Equity Hedge (Total) Index. Event driven: HFRI Event Driven (Total) Index. Global macro: HFRI Macro (Total) Index. Relative value: HFRI Relative Value (Total) Index. Managed futures: CISDM CTA Asset Weighted Index. There is no guarantee of trading performance and past or projected performance is not a reliable indicator of future performance. Returns may increase or decrease as a result of currency fluctuations. Please note that the HFRI index data over the past four months may be subject to change. <sup>1</sup>Man AHL Diversified plc is valued weekly; however, for comparative purposes, statistics have been calculated using the last weekly valuation for each month.

# Performance during difficult equity market conditions

## 26 March 1996 to 31 July 2009



	Total return over the period	Man AHL Diversified plc <sup>1</sup>	World stocks	US stocks	
1	Asian crisis	1 Oct 1997 to 31 Oct 1997	2.1 %	-6.2 %	-3.3 %
2	Russian crisis and LTCM difficulty 1998	1 Aug 1998 to 30 Sep	20.3 %	-14.2 %	-9.0 %
3	Equity bear market 2003	1 Apr 2000 to 31 Mar	72.1 %	-47.8 %	-40.9 %
4	Credit crisis	1 Jul 2007 to 31 Jul 2009	22.9 %	-35.4 %	-31.0 %

The periods selected are exceptional and these results do not reflect typical performance. As a consequence, they give no indication of likely performance.

Financial advisor use only.

Source Man Investments and Bloomberg. World stocks: MSCI World (Total Return) Index hedged to USD (price return). US stocks: S&P 500 Total Return Index (dividends reinvested).

Note The chart is expressed in log scale to uniformly illustrate percentage changes each month. It shows an index of the performance of the AHL Diversified Program and are the actual trading results for Man AHL Diversified plc, Man Investments' longest running AHL Diversified Program from March 1996 to 31 July 2009. It is not designed to predict the future performance of the AHL Diversified Program.

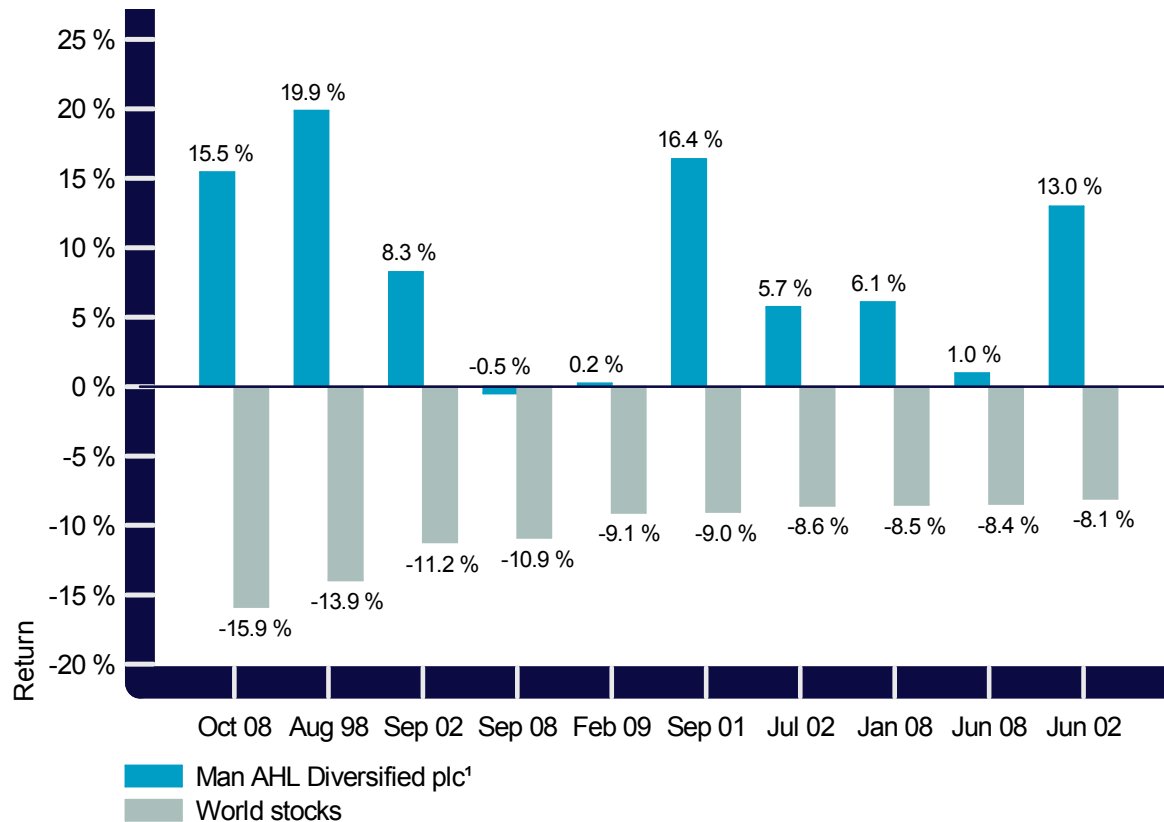
Performance figures are calculated net of all fees as at 31 July 2009. **Past performance is not a reliable indicator of future performance.**

<sup>1</sup>Man AHL Diversified plc is valued weekly; however, for comparative purposes, statistics have been calculated using the last weekly valuation for each month.

# Performance during difficult equity market conditions



## Ten worst monthly drawdowns for world stocks



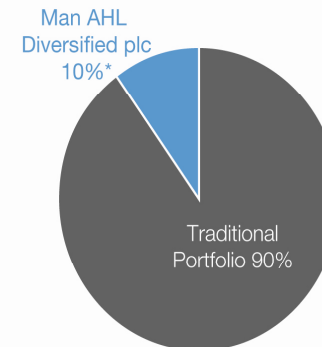
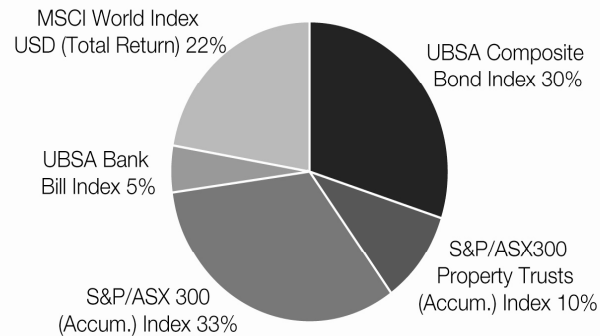
<b>Aug 98</b>	Russian crisis/LTCM
<b>Sep 01</b>	9/11 attacks
<b>Jun 02</b>	Dotcom bubble bursts
<b>Jul 02</b>	Dotcom bubble bursts
<b>Sep 02</b>	Stock market crash
<b>Jan 08</b>	Subprime crisis
<b>Jun 08</b>	Financial crisis
<b>Sep 08</b>	Bank bail out
<b>Oct 08</b>	Financial crisis
<b>Feb 09</b>	Continued financial crisis

**Financial advisor use only.**

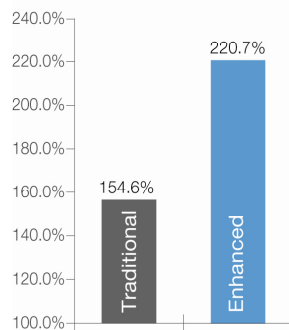
**Source** Man Investments and Bloomberg. World stocks: MSCI World (Total Return) Index hedged to USD (price return). There is no guarantee of trading performance and past or projected performance is not a reliable indicator of future performance. Returns may increase or decrease as a result of currency fluctuations. Date range: 26 March 1996 to 31 July 2009. <sup>1</sup>Man AHL Diversified plc is valued weekly; however, for comparative purposes, statistics have been calculated using the last weekly valuation for each month.

# Traditional portfolio vs enhanced portfolio

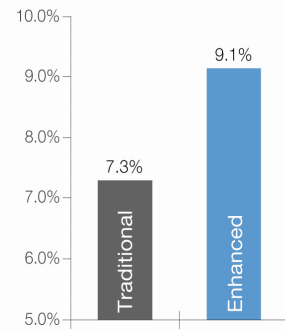
## March 1996 to July 2009



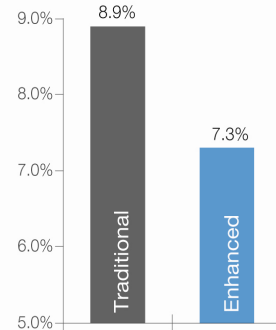
**Total return**  
66.2% improvement



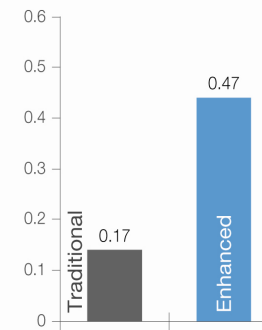
**Compound annual return**  
1.9% improvement



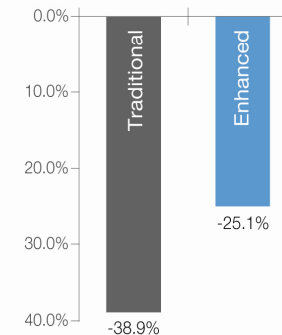
**Annualised volatility~**  
1.6% lower



**Sharpe ratio^**  
0.3 improvement



**Worst drawdown#**  
13.8% improvement



**Financial advisor use only.**

Source Man Investments Australia.

**Note** The chart is provided as an illustration only of two hypothetical portfolios and is not designed to predict the future performance of Man AHL Diversified plc. Performance figures for the indices are calculated exclusive of all fees and, for Man AHL Diversified plc, are calculated net of all fees. Performance figures are calculated as at 31 July 2009. **Past performance is not a reliable indicator of future performance.**

\* Based on the past performance of Man AHL Diversified plc, Man Investments' longest running weekly dealing AHL fund using the AHL Diversified Program, since its inception in March 1996.

~ Volatility measures the degree of fluctuation around the average performance of the AHL Diversified Program and the indices comprising the traditional portfolio shown above from March 1996 to 31 July 2009. The higher the volatility, the higher the degree of fluctuation in returns.

^ Sharpe ratio is calculated using the risk-free rate in the appropriate currency over the period analysed. Where an investment has underperformed the risk-free rate, the Sharpe ratio will be negative.

# Drawdown is measured by the largest percentage drop in price from any month end peak to the lowest price reached at the end of any subsequent month.

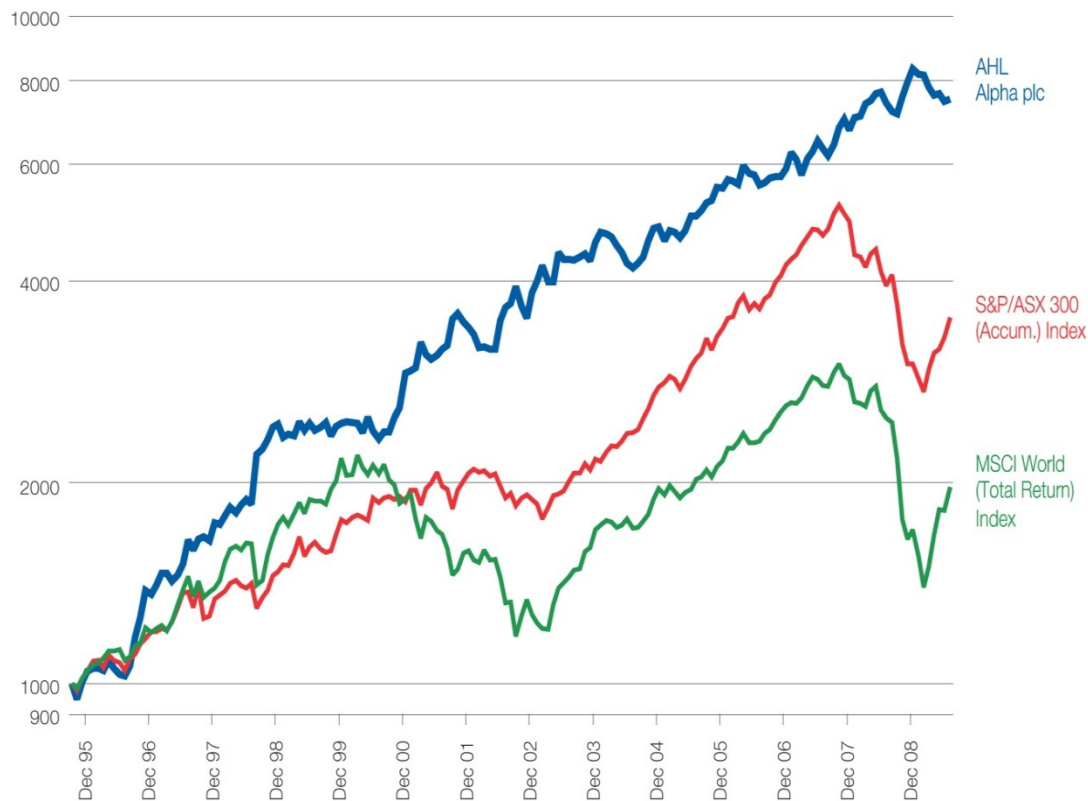
- Managed futures offer high liquidity and transparency
- Can participate in virtually all sectors of the world economy
- Improve the risk/return characteristics of traditional portfolios

Man AHL Alpha  
(AUD)

The background of the slide is a dark blue gradient. On the left side, there is an abstract graphic consisting of several glowing, curved lines in shades of light blue and white, resembling a stylized 'S' or a series of orbits. A bright starburst or lens flare effect is centered at the top of these lines, radiating light across the scene.

**AHL – a world leader  
in managed futures  
accessing over 170  
international  
markets**

# AHL Alpha plc vs global Australian and global stock market indices



	AHL Alpha plc	S&P/ASX 300 (Accum.) Index	MSCI World (Total Return) Index
Total return	650.5%	253.0%	97.1%
Annualised return	15.7%	9.5%	5.0%
Annualised volatility~	13.9%	13.0%	16.0%
Worst drawdown#	-11.5%	-47.6%	-53.7%
Date of worst drawdown	Feb 04 to July 04	Nov 07 to date	Nov 07 to date
Months to recovery	4	Current	Current
Correlation to AHL Alpha plc <sup>1</sup>	1.00	-0.14	-0.13

**Financial advisor use only.**

Source Man Investments Australia.

**Note** The chart is expressed in log scale to uniformly illustrate percentage changes each month. It shows an index of the performance of the AHL Alpha Program and are the actual trading results for AHL Alpha plc, Man Investments' longest running AHL Alpha Program from October 1995 to 31 July 2009. The fees and other costs payable by investors in AHL Alpha plc are different to the fees and other costs payable by investors in Man AHL Alpha (AUD) (see Section 5 of the PDS for more information). It is not designed to predict the future performance of the AHL Alpha Program or Man AHL Alpha (AUD). Performance figures are calculated net of all fees as at 31 July 2009. **Past performance is not a reliable indicator of future performance.**

~ Volatility measures the degree of fluctuation around the average performance of AHL Alpha plc since inception and the Australian and global stock market indices over the same period. The higher the volatility, the higher the degree of fluctuation in returns.

# Drawdown is measured by the largest percentage drop in price from any month end peak to the lowest price reached at the end of any subsequent month.



# Key facts



## Fund

Australian registered managed investment scheme (open-ended)

## Valuation frequency

Weekly

## Issue and withdrawal frequency

Weekly

## Minimum initial investment

\$25,000

## Distributions

Annually as at 30 June (if a distribution is declared)\*

## Research rating

Highly recommended#

Lonsec Research



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Source Man Investments Australia.

\* Distributions, when payable, will be automatically reinvested unless Unitholders elect to have them paid in cash.

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The aim to generate consistent medium to long-term returns is based on the past performance of AHL Alpha plc, Man Investments' longest running fund using the AHL Alpha Program since October 1995. Past performance is not a reliable indicator of future performance.

Offers of Units will be made in the PDS. Investors wishing to acquire Units will need to complete the Application Form attached to the PDS. Please also refer to the Identification Requirements document. The minimum investment is A\$25,000.

Man AHL Alpha (AUD) has been structured as a medium term investment. To judge performance over a short period of time can be misleading as returns may decline as well as appreciate. Investors should carefully read the PDS and seek independent advice before making an investment decision.

The Units offered by the PDS should be regarded as speculative and investors should have regard to the key risks in the PDS. Investors should consider the key risks in Section 7 of the PDS.

Additional copies of the PDS may be obtained by calling Man Investments Australia Client Services on (61-2) 8259 9999, toll free Australia 1800 222 355 or toll free New Zealand 0800 878 220.