RICHARD PHILLIPS: Good morning everyone. My name is Richard Phillips and I'd like to welcome you to today's Japan CoreAlpha conference call with my colleague Steve Harker. As usual, Steve will speak for around 15 minutes and then we'll thrown open the lines to questions. I shall hand straight over to Steve.

STEVE HARKER: Good morning everybody. Three months ago on the last call I gave a very upbeat commentary, reflecting what we feel to be the eye-watering relative cheapness of Value1 stocks and of Large Caps in Japan. It now looks as though there was a significant turning point on or around 21st of June, when the market turned in favour of Large Cap and Value, and that was reflected in the Q3 performance numbers which I'm reporting to you today. Just as a foretaste of what's happening in Q4; the last six trading days in the market, which is the start of October, has seen another significant move, and both Large Caps and Value stocks have been winning so far this month.

Making forecasts is always difficult, but I'd like to repeat three things. In our opinion, Value stocks are extremely cheap, and 'eye-wateringly' is not an overstatement. We believe interest rates are central to the future of the performance of Value and Growth; they're absolutely key. The third thing is that if Value stocks win, then so should CoreAlpha.

Looking at page 3 - we start with this one every time. It shows the disposition of the assets at the end of Q3. The bulk of the assets are invested in Top Cap Value and Mid Cap Value. There has been a slight shift in favour of Top Cap out of Mid Cap Value in Q3 over the last few months, and I'll talk about that in a little while.

Moving on to page 4. This is the performance of the six segments in the third quarter. Q3 was a Top Cap quarter; Q3 was a Value quarter. You can see in the middle 'Performance by size'. Top Caps were up 7.7%, Small Caps only up 2.4%, so obviously that's a good thing for us, and Value generally was better than Growth, particularly in the Mid Cap space.

Looking now to page 5. These are the running performances of Value versus Growth, starting in 1985, so 30-odd years of performance. We've highlighted yellow 2016, we've highlighted blue 2017 and we've highlighted red - so far 2018 up to 5th October, last Friday. As of last Friday the two lines were basically running together. Value and Growth indices have performed exactly the same. If you take into account the yield differential - the Russell/Nomura Large Cap Value Index3 (Large Cap Value) has a higher yield - for the first time this year Value is actually winning, which is a nice relief for us. We hope that this continues, but we obviously have no magic wand but it certainly continued again today, the first market session of this week (the market was closed yesterday).

Turning now to page 6, I won't dwell on this, but this is the performance of Large Cap Value relative to the Total Market and the performance of Large Caps against Small Caps since inception of the Strategy in 2006. I think we've been saying for some time that we felt that the surge off the bottom in 2016 was so profound and so dynamic that it probably marked a very powerful end to the Growth/Small Cap cycle. Subsequent to December 2016, Value has been under pressure again and Small Caps continued to win until quite recently, but I don't change anything. I think that in July 2016 we'll probably - and this is a forecast - we'll probably look back at that as having been the big turning point back in favour of Value - but it is a feeling and it is a forecast so just take care! These two charts are up to 5th October, and you can see there's been a sudden jerk upwards in Large Cap Value on the left relative, and there has also been a continuation of the Large Cap domination that started on 21st June. Large Caps have had a very good start to this month.

Moving on to page 7. This is the Value of Value and the relative Value of the Man GLG Japan CoreAlpha Fund (Japan CoreAlpha). On the left-hand side you can see the red line. This shows the price to book ratio of Japan CoreAlpha divided by TOPIX[4] PBR. Japan CoreAlpha is delivering a price to book ratio at a 45% discount to the market. We are still around the levels we were at in July 2016 because of our rotation into ever depressed low price to book stocks. It's my feeling (again it's a feeling) it has to mean revert at some point. On the right-hand side, the Large Cap Value PBR is at a 30% discount. So we're at a significant discount to Large Cap Value - we have a Value tilt within Value.

Turning to page 8. Another way of looking at relative cheapness is the dividend yield of TOPIX Core30[3] divided by the dividend yield of TOPIX Small[3] . As at the end of June, we were at a 45-year relative peak (we've come down a little bit) but Core30 stocks are still yielding 60% more than Small Caps, and they've never done that before, with the brief exception I think maybe, of late 1978, early 1979, and that's over a 45/46-year period.

I said earlier that I believed interest rates were key - and if you could now turn to page 9 we can look at the US interest rate situation first.

It's interesting that US short rates - two-year bonds - have been rising now for over five years. They bottomed in 2013. They've eased up gently, they went up significantly when Trump got in in 2016, and then since the middle of 2017 have gone from about 1.3% to 2.9% in a more or less straight line, so short rates are rising significantly. Fed funds were first raised in late 2015, and they've been sequentially increased over the last 18 months. So short rates have been rising and with this chart you can see the 10-year bond, which bottomed on 7th July 2016, which we believe is the Value bottom in Japan. They then surged and then gave some back, but we can see over the last year or so the 10-year and the 30-year bonds have been rising to the point where today, US yields are running at about 3.25%. This is putting an enormous pressure on other interest rates around the world, both in Europe and Japan, and I don't think we've seen the full extent of that pressure coming to bear yet.

Turning now to page 10, we can look at Japan - the same chart, blue line 10-year JGB against yellow for Value versus Growth. Value is still above the level it was at in July 2016 and it looks like this is the key driver of Value versus Growth in Japan. The yellow line is Value divided by Growth; the blue line the 10-year JGB. We can see a pickup in recent months, and interest rates at the 10-year level have reached a mighty number of 0.15%, which is the first time it's been above 0.1% since late 2015. Nothing very dramatic, but the yield gap between US interest rates and Japan interest rates and European interest rates is really wide, and the pressure it seems is all in one direction. If interest rates go up in Japan we might expect Value stocks to win.

Turning now to page 11, a brief summary of the top 10 holdings in the Man GLG Japan CoreAlpha Fund compared with where we were at the end of 2017. I said earlier that we'd been increasing our exposure to Top Cap Value. We've increased (year to date) Toyota[5] , Mitsubishi UFJ, Nippon Steel, Honda, Japan Post and Mitsubishi Estate. All of these stocks have been increased having been in the top 10 at the end of the year. Nomura has been increased; it's come into the top 10 and Mitsubishi Heavy has been increased; it's also come into the top 10. The only two stocks that we've cut this year (as a percentage of the fund) are Sumitomo Mitsui and Sumitomo Mitsui Trust. Those reflect a switching operation within the financials, within Banks. We haven't cut Banks; we've just moved more of our assets into Mitsubishi UFJ as the year has gone on.

Turnover has continued to be low. The dividend yield on the fund is about 3% against the dividend yield for the market as a whole, which is 2%.

Turning now to page 12. These are the style research analysis charts for us against Large Cap Value and TOPIX (Large Cap Value at the top, TOPIX at the bottom). You can see as always (and this has been a feature of the way I've been running money since the late 1970s probably - over 30 years) we have a pickup of price to book, i.e. low price to book, and a pickup of dividend yield - high dividend yield - and nothing has changed this quarter, and it isn't going to change next quarter. The tilts are the same; the red boxes show our tilts to Growth factors. Again consistent, we always have tilts towards anti-Growth.

And then finally if we could turn to page 13. I just thought it would be interesting to look at the unit price in sterling of the professional share class of the UK Fund (Man GLG Japan CoreAlpha Fund). We started out on 31st January 2006, and we're heading now for 13 years in January of managing money in this style. If you remember, Japan performed very well in the Lehman shock thanks to a strong yen. Since the Lehman shock, the unit price has tripled. Over the last two years since the middle of 2016, the unit price is up 50%, and over recent months and quarters, the unit price has been trending higher. I have to say that I'm very pleased with the way we've got through the difficult Value/Growth environment and Small Cap/Top Cap environment of the last few years, and going back 10 years we had to deal with Lehman as well. I think we're battle hardened, and we have, I think, nothing to be ashamed of. We're really pleased with what we've achieved, and we hope we can keep on doing it.

So with that I'll pass over to Richard for any questions.

RICHARD PHILLIPS: Thank you Steve. First one: did the apparently positive trade talks between the US and Japan in September offer a clearer short-term view?

STEVE HARKER: Japan and Europe are dealing with Mr Trump. We know full well that he's not really a politician, he's a businessman and he's negotiating hard on behalf of the American public and the American corporates. I think it's too early to make any crystal clear conclusions about what's going to come out. I think that the real question mark is what happens to machinery and autos - the manufacturing sectors - and Chemicals, where Japan is strongest. But I would imagine that the Japanese have been dealing with trade issues with the US for a long time, and they will be trying to work out how they can best deal with this situation. I would imagine that it will come to a fairly good conclusion. The US needs Japan, and obviously Japan needs the US, and I think that symbiotic relationship will continue.

RICHARD PHILLIPS: Another one here: with Abe having just been re-elected, are you expecting any new policy measures from him?

STEVE HARKER: I would doubt it. I think they have to get to a point where interest rates are at a sensible level, and that will perhaps be the undertow of what happens in Japan over the next few years. This is an imperative brought on by the fact that the world economy is booming; by the fact that US interest rates are much higher - and whether the Bank of Japan wants it or not, I suspect they're not really in control. I don't think there's any real change. I think Mr Abe would like to be there when the

Tokyo Olympics opening ceremony takes place, and the constitutional issues are still on the table, but from an economics perspective I think it's probably of no great consequence.

RICHARD PHILLIPS: Well thank you for that Steve. That's all the questions we've had today, so thank you all very much for dialling in today. As I said earlier, we'll automatically send you a replay and a transcript of this call over the next few days, but for now thank you very much.