Man GLG UK Absolute Value Fund

MONTHLY SUMMARY REPORT: 28 JUNE 2019 **REPORTING CLASS:** Man GLG UK Absolute Value Fund Professional Acc CX

FUND AIM

Man GLG UK Absolute Value Fund has a long-short equity approach that aims to deliver absolute returns in any market conditions on a rolling 3 year basis. The Fund will employ a repeatable process designed to identify undervalued and overvalued companies in lesser researched parts of the UK midcap market by investing predominantly in equities and derivative instruments relating to equities of listed UK companies.
The value of your investment and the income from it may rise as well as fall and you may not get back the amount originally invested.

A complete description of fund aims is set out in the fund's prospectus.

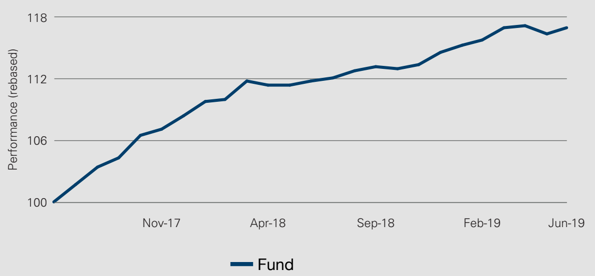
FUND RISKS

The value of your investment and the income from it may rise as well as fall and you may not get back the amount originally invested. Prior to investing in the Fund investors should carefully consider the risks associated with investing, whether the Fund suits their investment requirements and whether they have sufficient resources to bear any losses which may result from an investment in the Fund. Investors should only invest if they understand the terms on which the Fund is offered. Investors should consider the following risks and where appropriate seek professional advice before investing: **Market Risk, Counterparty Risk, Currency Risk, Liquidity Risk, Concentration Risk, Financial Derivatives Instruments, Leverage Risk, Total Return, Single Region/Country**. More details can be found in the risk glossary.
Prior to making investments investors should read and consider the fund's offering documents.

DISCRETE PERFORMANCE

	30 Jun 14 - 30 Jun 15	30 Jun 15 - 30 Jun 16	30 Jun 16 - 30 Jun 17	30 Jun 17 - 30 Jun 18	30 Jun 18 - 28 Jun 19
Reporting Class	N/A	N/A	N/A	11.76%	4.73%

PERFORMANCE CHART (SINCE INCEPTION)



Source: Man Group plc (28 June 2019)

PERFORMANCE RETURNS

	Reporting Shareclass
1 Month	0.60%
3 Months	0.00%
6 Months	2.18%
YTD	2.18%
1 Year	4.73%
3 Years	N/A
5 Years	N/A
Since Inception	17.40%

SYNTHETIC RISK & REWARD INDICATOR (SRRI)

Lower Risk — Higher Risk

Typically Lower Rewards — Typically Higher Rewards

1	2	3	4	**5**	6	7

See Glossary for an explanation of the SRRI Calculation

FUND DETAILS

Inception Date[1]	30 June 2017
Fund Size	GBP 393,012,640
Portfolio Manager(s)	Jack Barrat
Structure	UCITS
Domicile	United Kingdom
Valuation Frequency	Daily
Dealing Frequency	Daily
Subscriptions	Before 12:00 (London) on dealing date
Redemptions	Before 12:00 (London) on dealing date
Investment Type	Accumulating
Distribution Yield	0.00%
Ongoing Charge Figure (OCF)[1]	0.90%
Performance Fee[1]	20.00%

[1] Refers to the reporting share class only. Other classes may differ.

PERFORMANCE STATISTICS (SINCE INCEPTION)

	Reporting Shareclass
Annualised Return	8.36%
Annualised Volatility	2.40%
Sharpe Ratio[2]	3.21

[2] Sharpe ratio is an absolute measure of risk-adjusted return, negative Sharpe ratios are not shown as they can be misleading.

Past Performance is not indicative of future performance. Returns may increase or decrease as a result of currency fluctuations. Performance data is shown net of the reporting class Ongoing Charge Figure (or TER), performance fees and transaction costs and gross of taxes with gross dividend income reinvested, and does not take into account sales and redemption charges where such costs are applicable. Other share classes may charge different fees.

COMMENTARY

The Fund rose 0.6% in June, year to date the Fund has risen 2.2%, since launch the Fund has risen 17.4%.

A material warning at the construction company Costain saw the shares fall -44% and cost the Fund almost 70bps as it was one of our conviction midcap positions. We believed that its strong balance sheet (strong year end net cash, strong average net cash, strong positive net assets and balanced working capital) and almost unique position on growth parts of UK infrastructure spend (Road, Rail, Water) put it in a strong position to benefit from capacity coming out the sector given the high profile failures at Carillion/ Interserve and the existential problems at Kier. Combine this with a starting valuation of sub 8x PE and an EVA of 0.5 (we saw 100% upside in the shares) and a margin improvement program that would see them move up the value chain with their customers and you can see the building blocks for our conviction. We were wrong. The delay of some contracts and the cancellation of one key one was enough for management to review their pipeline and downgrade expectations by around 30% for this year, with a similar magnitude cut in the dividend (which we strongly support) and for future years as the entire project pipeline shifts right. Management actually upgraded medium term margin guidance at their capital markets day two days after their warning but the market has unsurprisingly taken a dim view of that being achieved. We are trying not to be naïve here, there are certainly a number of red flags. Warnings do not often come in isolation, the net cash pile has shrunk for the last three sets of results, there has been management change and some high profile projects need to begin in the next year for their current guidance. Not least because a 30% full year downgrade was following an inline set of first half numbers, the implied second half profit number is for a very material fall indeed. If we were to reassure ourselves we would say that this is delay not cancellation of projects, it is not a balance sheet issue (as it has been with peers), the order book is still at highs (at record margin) and this is not a contract issue (which has potential to run and run). Furthermore if we believe in the existence of the business at all in the coming years the derating into this fall, after the shares had already fallen 30% before the warning, leaves them on 6.5x the new reset PE with almost 30% of its new market capitalisation in net cash. We are in on-going discussions with management here to try and understand in more detail the moving parts around order book momentum turning into sales momentum from here.

One of our larger shorts, an industrial conglomerate that creates control and measurement solutions, rose 16% in the month and cost the Fund -35bps. This was potentially on the back of a capital markets day in the middle of the month and a four month trading update in May which reaffirmed guidance and reported 3% like for like growth. Despite being consistently thwarted by complexity of group structure and lack of disclosure the work we have done lead us to believe this is an Overvalued Asset. Over 40 deals by the previous management in the last decade (who along with the vast majority of the divisional management have left over the last 18 months) have left a conglomerate structure with increased profit volatility, end of year weighting to earnings, poor cash conversion, an almost unexplainable cost creep across the business (see another short below on this theme) and a goodwill heavy balance sheet. Whilst new management has come in and changed accounting policies to deliver adjusted 'earnings' upgrades in analysts models we are a little more sceptical. Following Net Debt expectations is often instructive here, despite these supposed upgrades to 'earnings' analysts estimates of end 2019 net debt have risen from a cash pile of over £100m in early 2018 to almost a quarter of a billion pounds of debt today. Our estimate of a company's profitability is always rooted in underlying cash earnings rather than management's adjusted figures. We remain short the shares as an Overvalued Asset and see over 30% downside in the shares.

Our shorts in two car retailers contributed 36bps and 23bps respectively as the shares fell -40% and -30% in the month. We have written in detail in our longer documents around the very high operational and financial leverage inherent in these business models. As well as the boost we believe they have enjoyed from an increase in finance availability driving growth in per unit selling price firstly in new cars and then in used. A tailwind that was coming to an end. There is now evidence of this and – as the growth in the UK car park has slowed – the fragility of these business models has come to the fore. Both companies have issued profit warnings, one has announced an FCA investigation and the other has had a total management departure (including two CEOs) and was loss making in the most recent reported period. Our historical work leads us to believe that negative operational momentum in highly geared businesses such as these is hard to stop and given the size of the liability stack against the now-depressed equity. We retain our conviction in the short case here despite the fall in the shares.

A short in a construction consultancy company contributed over 50bps to performance as it fell -40% in the month on the back of a material profit warning. It was this same stock we talked about in our February factsheet that spiked materially when it hit a, previously downgraded, set of numbers. We stayed short believing '*a profit reset is more likely than not… but we are cognisant we need to watch for any improvement in cashflows'*. This profit warning, its second since new management took the helm, was significant in our eyes for two reasons. Firstly the downgrades came in almost every part of the business and consequently sales are now falling across the group as a whole. The United Kingdom was weaker, the United States was weaker, Norway was weaker and the Energy business has not recovered as expected. That sales are now falling is problematic as the business is low margin (9% operating margin) and currently has a cost inflation issue as a loosely federated set of historical acquisitions from a prior management roll-up struggle to keep personnel. That Australia is weak is particularly surprising given new management has been accumulating goodwill by buying businesses there as recently as February. The second reason we believe it is significant is that the balance sheet is now, in our view, starting to look precarious. Debt expectations have risen from below 1x EBITDA when we are first worried about the company's profitability to over 2x now as debt has risen (poor cashflow) and profits have fallen. There are few tangible assets in this business to hold against the debt, one more profit reset and we believe the balance sheet could come into serious question. A profit problem could be about to become a share count problem. We remain short the shares with as much conviction as we have had.

We initiated a new short position in the month in a Robotic Process Automation company. We have been following the company closely for over two years during a period of tremendous growth for both the company and wider industry. While the market opportunity for the relatively new technology remains promising, we have long questioned the barriers to entry, current pricing structure and IP ownership and hence how much value accrues to the eventual winners in this rapidly changing market. We now believe competition has stepped up materially – we are unconvinced of the complexity of the IP in the product and a lack of continued investment versus peers has allowed many smaller competitors to emerge at substantially lower price points. Simultaneously, the two global market leaders from the US have raised substantial sums in recent private funding rounds with the aim of continuing to take market share. This has led to a deterioration in return on marketing spend and increase in capital intensity for the company as EBITDA losses continue to increase. We believe recent a recent acquisition, buying one of its distributors, possibly for defensive reasons raises serious red flags. As does significant management and founder share sales. Timing shorts in highly valued, high growth companies can be difficult and it has been important for us to wait for revenue growth to disappoint – a moment we think we have now reached – as a recent acquisition masked material underlying downgrades. The business remains significantly loss making, cash consumptive and trades on 11x sales. It has been an Overvalued Asset on our work since its IPO, only now is it disappointing enough for us to have a position.

We thank investors for their support.

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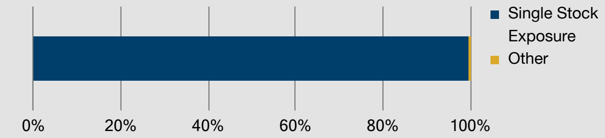
HEADLINE EQUITY EXPOSURE

	End of Month Exposure	No of positions
Gross	122.97%	107
Net	-8.54%	107
Long Positions	57.22%	45
Short Positions	65.76%	62

GROSS EQUITY EXPOSURE BY SECURITY TYPE



TOP 10 EQUITY EXPOSURE BY COUNTRY

	Long Positions	Short Positions
United Kingdom	44.00%	62.36%
Ireland	7.50%	0.00%
United States	2.39%	0.00%
Netherlands	1.61%	0.00%
Singapore	0.50%	0.00%
Virgin Islands (British)	0.49%	0.00%
Canada	0.40%	0.00%
United Arab Emirates	0.30%	1.59%
Germany	0.00%	0.95%
Isle of Man	0.00%	0.86%

EQUITY EXPOSURE BY SECTOR

	Long Positions	Short Positions
Communication Services	0.53%	5.54%
Consumer Discretionary	12.69%	10.72%
Consumer Staples	1.16%	5.57%
Energy	5.20%	1.44%
Financials	6.41%	12.18%
Health Care	0.00%	2.27%
Industrials	14.35%	12.34%
Information Technology	4.12%	7.12%
Materials	7.67%	3.41%
Real Estate	5.09%	2.82%
Utilities	0.00%	2.35%

TOP 10 LONG POSITIONS^

	Exposure
ST. MODWEN PROPERTIES PLC	3.32%
QINETIQ PLC	3.20%
RYANAIR HOLDINGS PLC	2.59%
HUNTING PLC	2.52%
WETHERSPOON (J.D.) PLC	2.49%
BREEDON GROUP PLC	2.16%
REDROW GROUP PLC	2.16%
CLOSE BROTHERS GROUP PLC	2.10%
COMPUTACENTER PLC	2.07%
SYNTHOMER PLC	2.05%

TOP 10 SHORT POSITIONS^

	Exposure
Financials	3.13%
Financials	2.85%
Information Technology	2.56%
Utilities	2.35%
Industrials	2.12%
Communication Services	2.08%
Consumer Discretionary	1.82%
Consumer Discretionary	1.65%
Consumer Staples	1.63%
Information Technology	1.63%

EQUITY EXPOSURE BY MARKET CAP

	Long Positions	Short Positions
Mega	2.59%	2.29%
Large	1.63%	17.42%
Mid	12.52%	10.50%
Small	35.77%	29.53%
Micro	4.70%	6.01%

POSITION CONCENTRATION

Top 10	27.18%
Top 20	46.97%
Top 30	62.71%

HISTORICAL PERFORMANCE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	-	-	-	-	-	0.30%	1.69%	1.67%	0.87%	2.10%	0.56%	1.21%	8.70%
2018	1.29%	0.18%	1.63%	-0.36%	0.00%	0.36%	0.27%	0.62%	0.35%	-0.18%	0.35%	1.06%	5.70%
2019	0.61%	0.43%	1.12%	0.17%	-0.77%	0.60%	-	-	-	-	-	-	2.18%

NAV TABLE

Class	NAV	2016	2017	2018	ISIN	Minimum Initial	Minimum Additional	Entry Charge‡	Redemption Fee (Up to)	OCF	Performance Fee
CX GBP	117.40	-	-	5.70%	GB00BF1X8084	500,000	1,000	N/A	N/A	0.90%	20.00%

^The organisations and/or financial instruments mentioned are for reference purposes only. The content of this material should not be construed as a recommendation for their purchase or sale.

GLOSSARY

Annualised Return	An annualised total return is an average amount of money earned by an investment each year over a given time period. It is calculated to show what an investor would earn over a period of time if the annual return was compounded.
Annualised Volatility	Volatility is the rate and extent at which the price of a portfolio, security or index, moves up and down. If the price swings up and down with large movements, it has high volatility. If the price moves more slowly and to a lesser extent, it has lower volatility. It is used as a measure of the riskiness of an investment. Annualised volatility is an average annual amount of volatility over a given time period.
Entry Charge	The entry charge shown is a maximum figure and in some cases you might pay less. Please refer to your financial advisor or the distributor for the actual charges.
Equity Exposure (Net and Gross)	The amount of a portfolio's exposure to equities. Net equity exposure is calculated by subtracting the amount of the portfolio with short exposure from the amount of the portfolio that is long. For example, if a portfolio is 100% long and 20% short, its net equity exposure is 80%. Gross equity exposure is calculated by combining the absolute value of both long and short positions. For example, if a portfolio is 100% long and 20% short, its gross equity exposure is 120%.
Exposure	This refers to the part of a portfolio that is subject to the price movements of a specific security, sector, market or economic variable. It is typically expressed as a percentage of the total portfolio, e.g. the portfolio has 10% exposure to the mining sector.
Gross Exposure by Security Type	Gross equity exposure by security type is calculated as a percentage of the total gross exposure and is split by futures & ETF's, options and single stock exposure.
Long Position	A security that is bought in expectation that it will rise in value.
Market Cap	The market value of a company's outstanding shares. The micro dollar market capitalisation is from 0 to $500m, the small dollar market capitalisation is from $500m to $2.5bn, the mid dollar market capitalisation is from $2.5bn to $5bn, the large dollar market capitalisation is from $5bn to $12.5bn and the mega dollar market capitalisation is $12.5bn and above.
NAV	The Net Asset Value (NAV) represents the value per share. It is calculated by dividing the total net asset value of the fund (the value of the fund's assets less its liabilities) by the number of shares outstanding.
Ongoing Charge Figure (OCF)	The OCF is based on expenses and may vary from year to year. It includes management fees but excludes performance fees (where applicable) and portfolio transaction costs, except in the case of an entry/exit charge paid by the Fund when buying or selling units in another sub-fund. The charges you pay are used to pay the costs of running the Fund, including the costs of marketing and distributing it. These charges reduce the potential growth of your investment.
Performance Fee	The payment made to an Investment Manager if certain performance levels are achieved (often over and above any levels set out in the investment objective) within a set time period. Please refer to the fund's prospectus for a complete description.
Position Concentration	The proportion of a portfolio's net asset value represented by the largest (e.g. 5/10/20) positions.
Redemption Fee	This is the maximum amount by which your investment may be reduced prior to the proceeds being paid out.
Sharpe Ratio	The Sharpe Ratio is a measure for calculating risk-adjusted return, and has become the industry standard for such calculations. The Sharpe Ratio is the average return earned in excess of the risk-free rate per unit of volatility or total risk. The higher the ratio the better, with a number greater than 1 usually considered good, a number greater than 2 considered very good and a ratio of 3 or higher considered excellent. As it is an absolute measure of risk-adjusted return, negative Sharpe Ratios can be misleading and are therefore shown as N/A.
Short Position	Fund managers use this technique to borrow a security and then sell it with the intention of buying it back for less when the price falls. The position profits if the security falls in value. Within UCITS funds, derivatives – such as contracts for difference (CFDs) – can be used to simulate a short position.
Synthetic Risk & Reward Indicator (SRRI)	Featured on the Key Investor Information Document (KIID), the SRRI is a measure of the overall risk and reward profile of a fund. Funds are categorised on a scale from 1 to 7 where 1 is the lowest risk and 7 is the highest. Typically, the SRRI is derived from the volatility of past returns over a 5-year period. Investors should be aware the indicator is based on historical data and may not be a reliable indication of the future risk profile of the Fund. The lowest category does not mean risk free.
YTD	Year-to-date.

RISK GLOSSARY

Market Risk - The Fund is subject to normal market fluctuations and the risks associated with investing in international securities markets. Therefore, the value of your investment and the income from it may rise as well as fall and you may not get back the amount originally invested.
Counterparty Risk - The Fund will be exposed to credit risk on counterparties with which it trades in relation to on-exchange traded instruments such as futures and options and where applicable, 'over-the-counter' ("OTC","non-exchange") transactions. OTC instruments may also be less liquid and are not afforded the same protections that may apply to participants trading instruments on an organised exchange.
Currency Risk - The value of investments designated in another currency may rise and fall due to exchange rate fluctuations. Adverse movements in currency exchange rates may result in a decrease in return and a loss of capital. It may not be possible or practicable to successfully hedge against the currency risk exposure in all circumstances.
Liquidity Risk -The Fund may make investments or hold trading positions in markets that are volatile and which may become illiquid. Timely and cost efficient sale of trading positions can be impaired by decreased trading volume and/or increased price volatility.
Concentration Risk - The Fund may invest in a limited number of investments which can increase the volatility of performance.
Financial Derivatives Instruments - The Fund will invest financial derivative instruments ("FDI") (instruments whose prices are dependent on one or more underlying asset) to achieve its investment objective. The use of FDI involves additional risks such as high sensitivity to price movements of the asset on which it is based. The extensive use of FDI may significantly multiply the gains or losses.
Leverage Risk -The Fund's use of FDI may result in increased leverage which may lead to significant losses.
Total Return - whilst the Fund aims to provide capital growth over the period defined in the prospectus, a positive return is not guaranteed over any time period and capital is in fact at risk.
Single Region/Country - The Fund is a specialist country-specific or geographic regional fund, the investment carries greater risk than a more internationally diversified portfolio.
A complete description of risks is set out in the Fund's prospectus.

Important information
The Fund is a sub-fund of Man UK ICVC, domiciled in the United Kingdom and registered with the Financial Conduct Authority. Full details of the Fund objectives, investment policy and risks are located in the Prospectus which is available with the Key Investor Information Document in English and in an official language of the jurisdictions in which the Fund is registered for public sale, together with the Report and Accounts of the UCITS. The Fund's documentation are available free of charge from the local information/paying agent, from authorised distributors and from www.man.com.
In order to fulfil the fund's objectives the Prospectus allows the manager the ability to invest principally in units of other collective investment schemes, bank deposits, derivatives contracts designed with the aim of gaining short term exposure to an underlying stock or index at a lower cost than owning the asset, or assets aiming to replicate a stock or debt securities index.
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SHAREHOLDER SERVICES

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Investment Manager	GLG Partners LP
Custodian	-
Administrator	Man Fund Management UK Limited
Management Company	Authorised Corporate Director