



Record plc
Annual results
Year ended 31 March 2020
Presentation

19 June 2020

Disclaimer



IMPORTANT INFORMATION

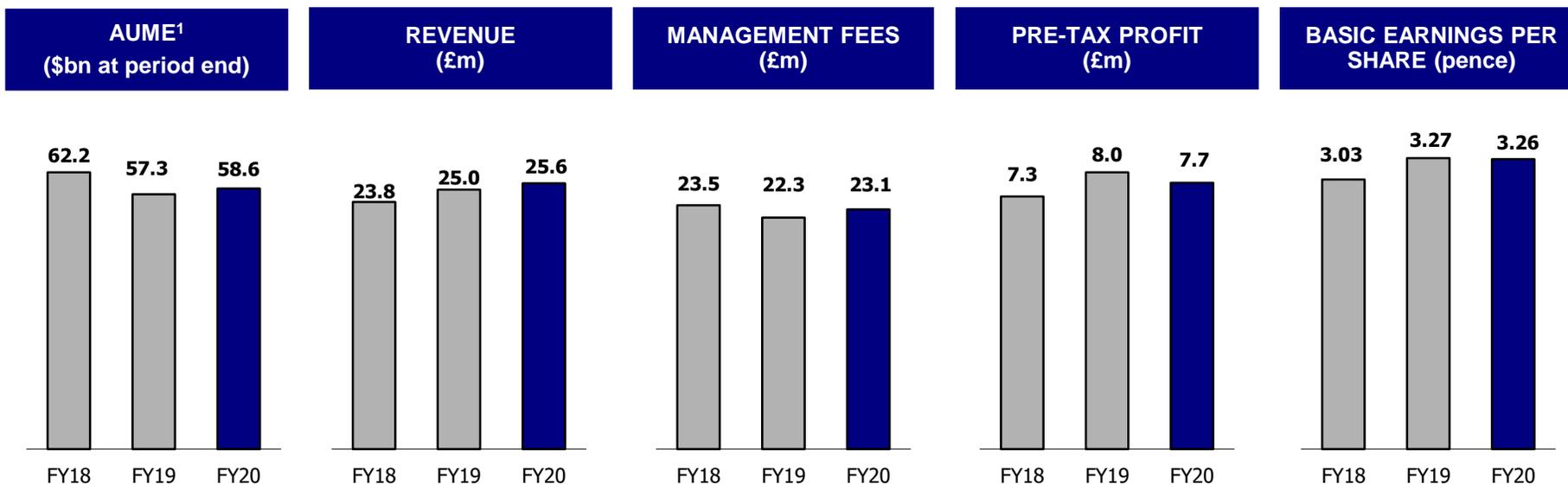
This document does not constitute an offer to sell or an invitation to buy shares in Record plc or any other invitation or inducement to engage in investment activities. Certain statements, beliefs and opinions in this document are forward-looking, which reflect the Company's current expectations and projections about future events. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements.

Forward-looking statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The value of investments, and the income from them, may go down as well as up, and is not guaranteed. Past performance cannot be relied on as a guide to future performance. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on any forward-looking statements, which speak only as of the date of this document.

Headlines



- AUME \$58.6bn (31 March 2019: \$57.3bn)
- Revenue £25.6m (up 2.4% on FY19)
- Management fees £23.1m (FY19: £22.3m)
- Performance fees £1.8m (FY19: £2.3m)
- Operating profit margin 30% (FY19: 32%)
- Pre-tax profit £7.7m (FY19: £8.0m)
- Basic EPS 3.26p per share (FY19: 3.27p per share)
- Final ordinary dividend of 1.15p per share, payable 11 August 2020
- Special dividend of 0.41p per share, payable 11 August 2020
- Shareholders' equity £28.2m at 31 March 2020



1 – The definition of AUME is provided on page 31.



Agenda

- Business Strategy
- Product Performance
- Financial performance



Growth strategy

- Growth being pursued and building on strong foundations:
 - 37 year track record - established reputation and expertise within FX market
 - Profitable and cash generative business model
 - Broad suite of products and services
 - High quality institutional clients and longevity of client relationships
 - Enhanced distribution capabilities – both internal and external
 - Further development of ESG/impact offerings in currency
 - Focus on client-led product development opportunities
 - Increase operational efficiency and capability through third party systems
 - Plan for future generational change
 - Maintain strong capital position to support investment and dividend policy
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Current environment

- Heightened opportunities to engage with clients and potential clients as a result of covid-19 impact on markets and investor sentiment
- Proven resilience and adaptability of business model through unprecedented market and social environment
- Diversification opportunities represent themselves in client type and geography
- Margin compression on passive products continues across industry
- Technological advances give opportunities to enhance client experience, and improve productivity and employee work patterns
- Re-emergence of uncertainty surrounding the impact of Brexit



Bespoke solutions for our clients

Record's Products and Services

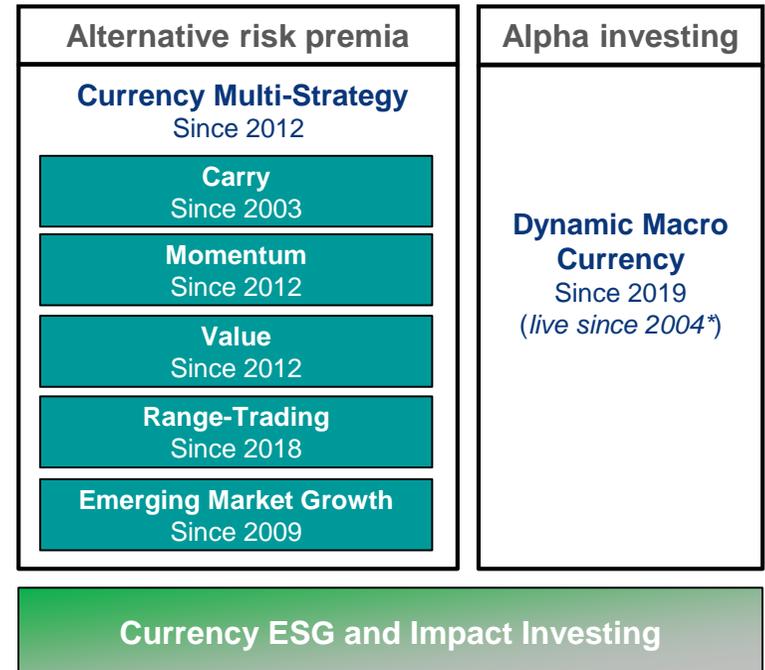
Currency Risk Management

Offering bespoke currency risk management solutions to clients



Return-Seeking Currency Strategies

Offering factor-based and absolute return strategies



*In 2019, John Floyd of Floyd Capital Management joined Record Currency Management. During this process, Mr. Floyd's Dynamic Macro Currency Strategy was incorporated into Record's suite of products.



Agenda

- Business Strategy
- Product Performance
- Financial performance



Enhanced Passive Hedging

- Reduce cost of hedging through flexibility in implementation, without varying hedge ratio
- Two key areas
 - Direct costs of maintaining hedge
 - Embedded interest rate differential
- Episodic nature of opportunities means higher level of discretionary oversight required
- Total value added relative to a fixed-tenor benchmark for an enhanced Passive Hedging programme for a representative account

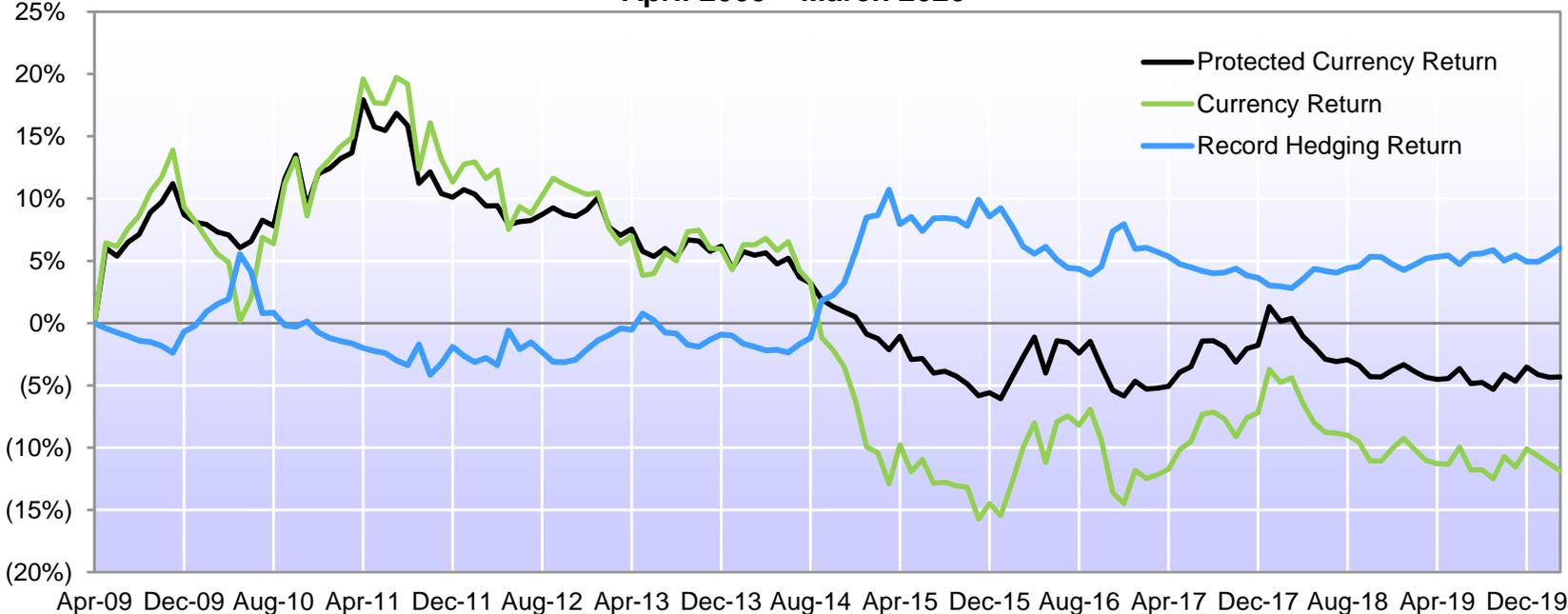
	Return for year to 31 March 2020	Return since inception
Value added by enhanced Passive Hedging programme relative to a fixed-tenor benchmark	(0.05%)	0.09% p.a.

Source: Record Currency Management. Data from October 2014 to March 2020. Live track record based on a fixed-tenor costed benchmark.



Performance of a US Dynamic Hedging client

**US Dynamic Hedging Client
April 2009 – March 2020**



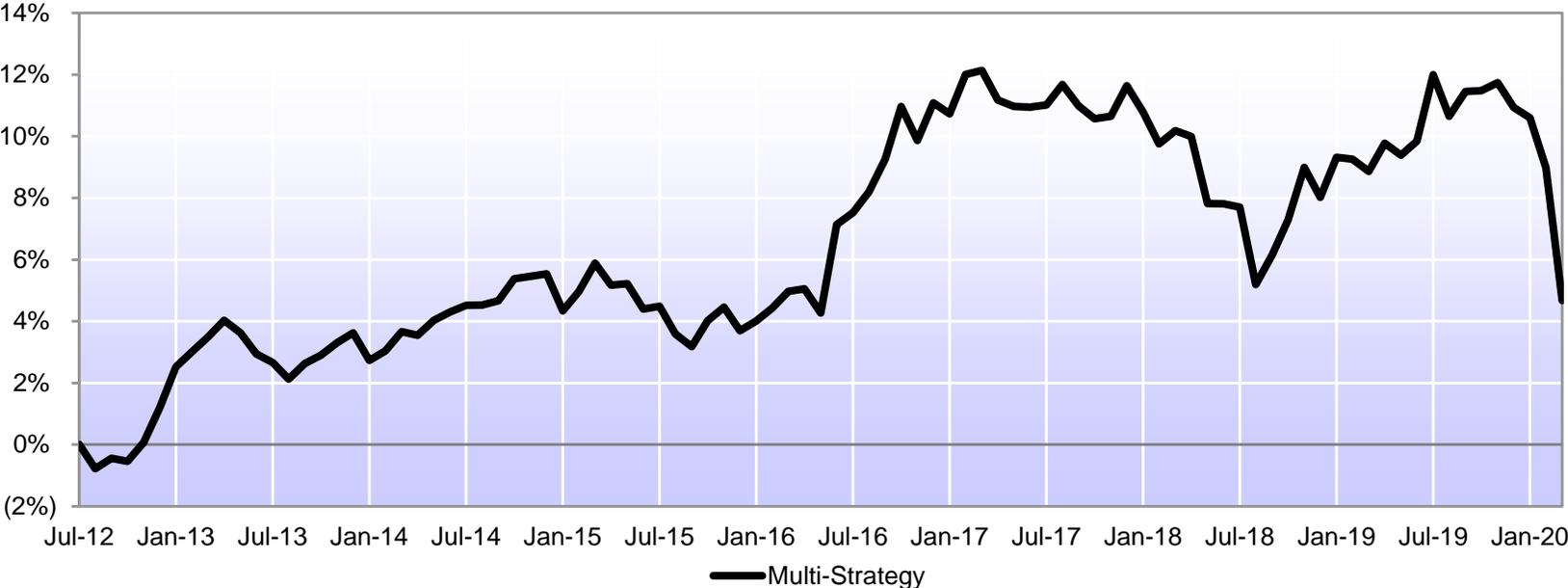
As at March 2020	Protected Currency Return	Currency Return	Record Hedging Return
Inception to date (cum.)	(4.33%)	(11.87%)	6.03%
Inception to date (ann.)	(0.40%) p.a.	(1.15%) p.a.	0.54% p.a.

Source: Record Currency Management and WM/Reuters. Protected currency return is calculated as the weighted average currency return plus the contribution from hedging. Performance has been re-scaled to a 0%-100% dynamic range. Data is cumulative from 30 April 2009 to 31 March 2020.



Multi-Strategy performance

Record Multi-Strategy approach
July 2012 – March 2020



As at March 2020	Multi-Strategy
Returns (cum.)	4.68%
Returns (ann.)	0.60% p.a.
Volatility	3.14% p.a.

Source: Record Currency Management and Bloomberg. The performance of the multi-strategy is based on a combination of live and third party index returns for the individual strands from 31 Jul 2012 to 30 Sep 2016. Thereafter, performance is based on live composite returns. Performance has been scaled to a 4% target volatility and is presented in USD.



Multi-Strategy summary

- Access to persistent risk premia in the FX market
- Robust, disciplined implementation with intelligent oversight
- Diversifier from equities and bond investment portfolios
- Flexible implementation – can be funded or unfunded
- High liquidity of the FX market means strategy is highly scalable
- Seven year live track record (inception 2012)

Dynamic Macro Currency strategy

Investment philosophy and overview



- Dynamically incorporates fundamental, geopolitical, and quantitative analysis to develop a variant perception of future market direction
- Employs a proprietary mix of uncommon qualitative and quantitative analytical inputs
- Seeks to generate alpha over a range of timeframes and market conditions
- Multi-faceted risk management targets an asymmetrical return profile with low downside volatility
- Offers the potential for returns that are negatively correlated with traditional assets and other hedge fund strategies

Dynamic Macro Currency strategy performance



As at March 2020	Dynamic Macro strategy
Returns (cum.)	96.14%
Returns (ann.)	4.25% p.a.
Volatility	9.30% p.a.
Information ratio	0.49

Source: Record Currency Management. Returns are excess returns, gross of fees. The information ratio has been calculated using an arithmetically linked annualised return.

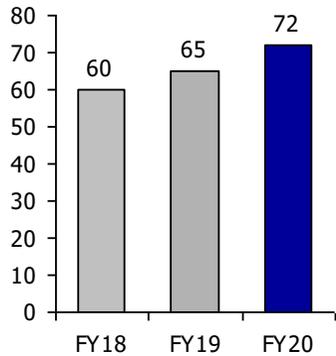


Agenda

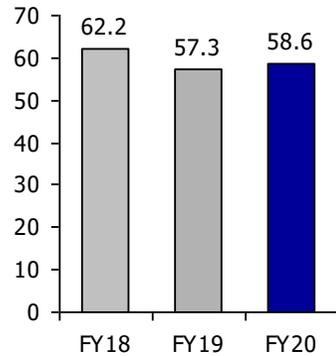
- Business Strategy
- Product Performance
- Financial performance

Financial KPIs

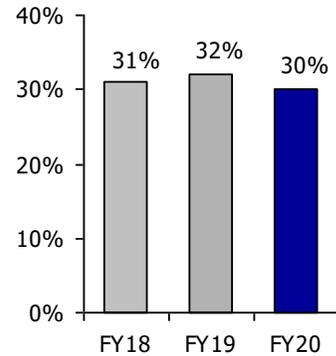
Client numbers



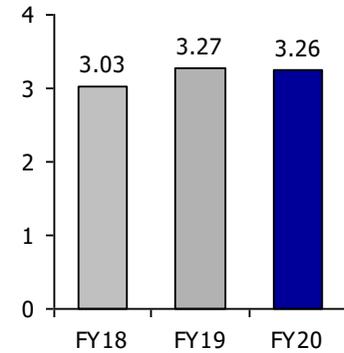
AUME (\$bn)



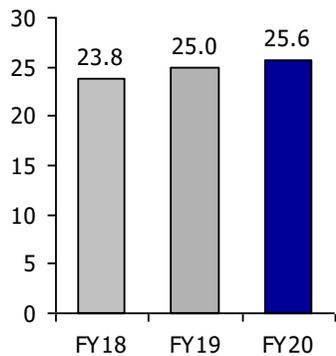
Operating margin



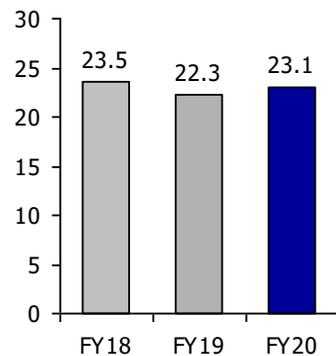
EPS (pence)



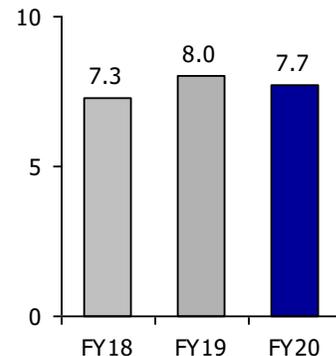
Revenue (£m)



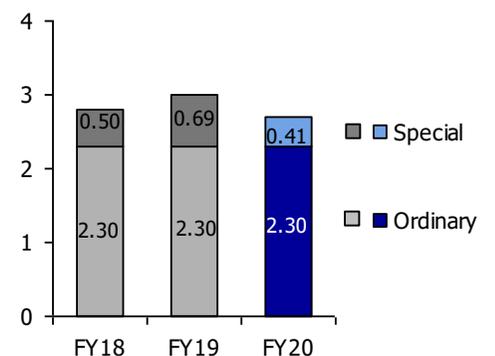
Management fees (£m)



Profit before tax (£m)

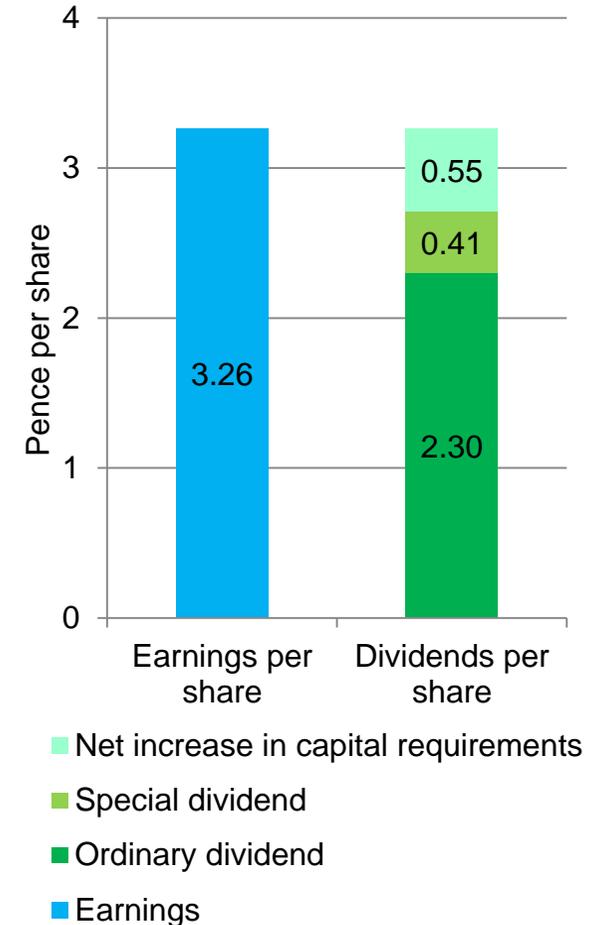


Dividend per share (pence)



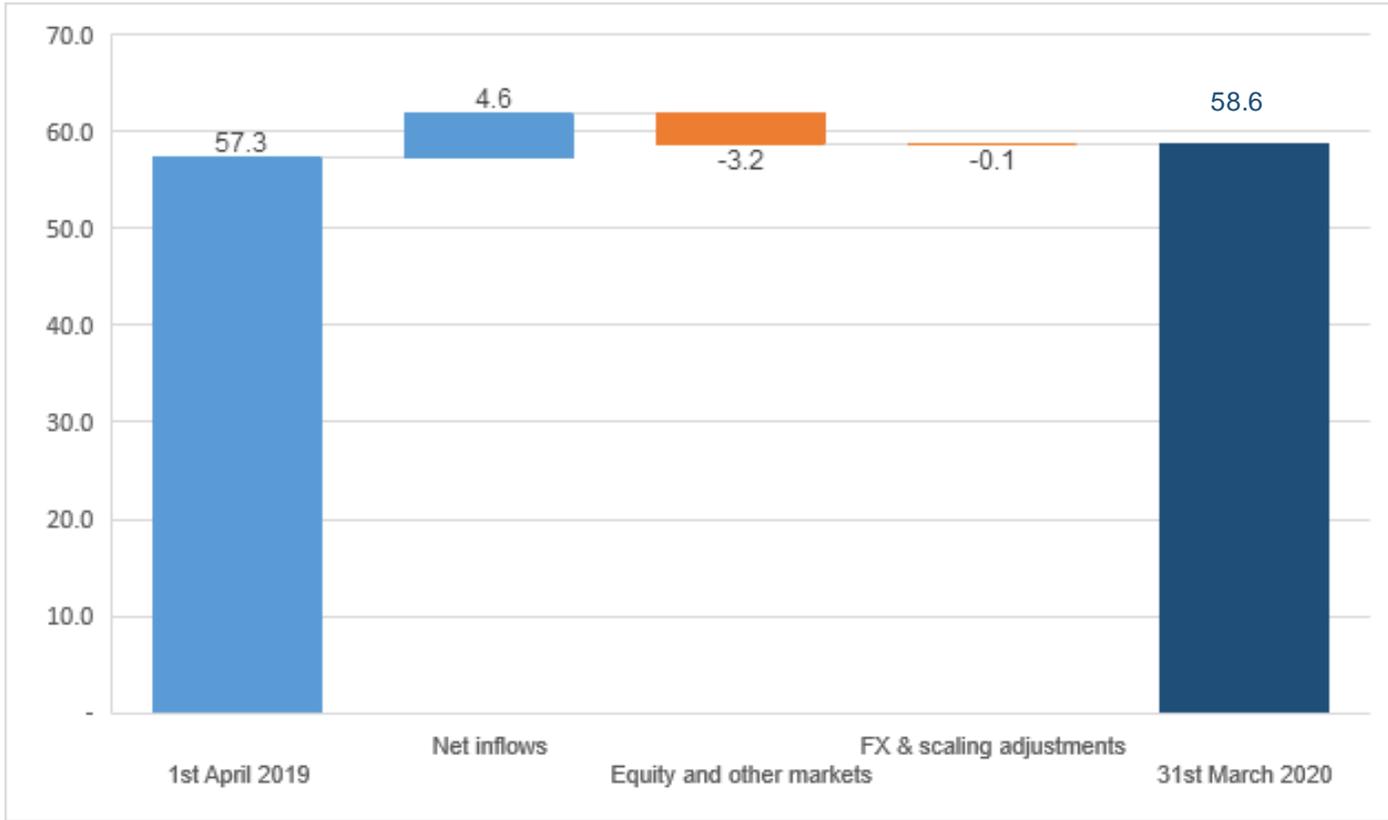
Dividend policy

- Interim dividend for H1-20 of 1.15p per share paid in December 2019
- Final ordinary dividend for FY-20 of 1.15 pence per share
 - Total ordinary dividend for FY-20: 2.30 pence per share (FY-19: 2.30 pence per share)
- Special dividend for FY-20 of 0.41 pence per share (FY-19: 0.69 pence per share)
 - Net increase in capital requirements equivalent to 0.55 pence per share
- Dividend policy
 - Consistent ordinary dividend policy
 - Continue considering returning any excess of earnings over sum of ordinary dividends and increased capital requirements, normally as special dividends
 - Continue to consider ordinary dividends and other distributions on a “total distributions” basis



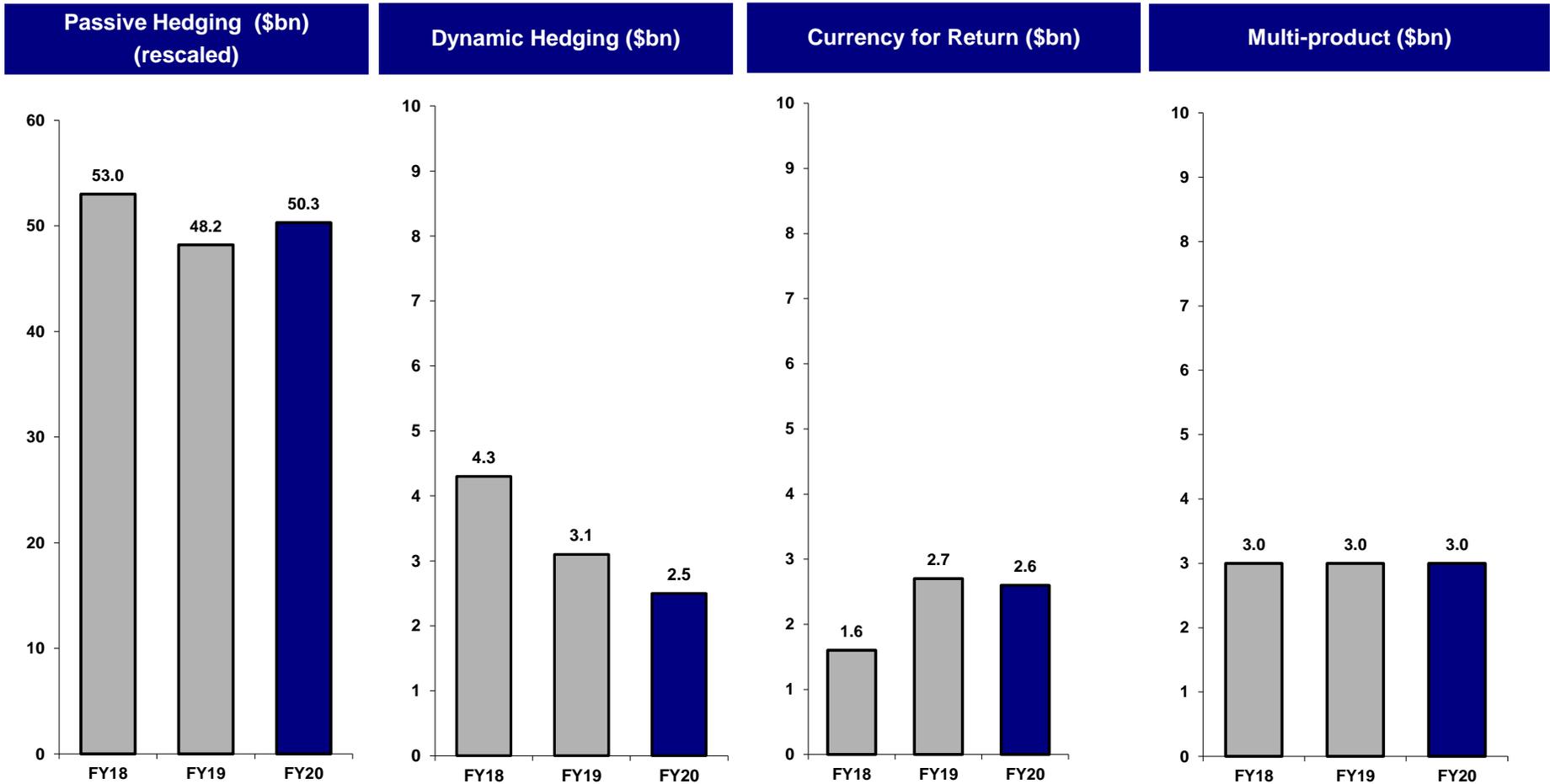
Financials – AUME movement

AUME bridge for the year ended 31 March 2020 (\$bn)



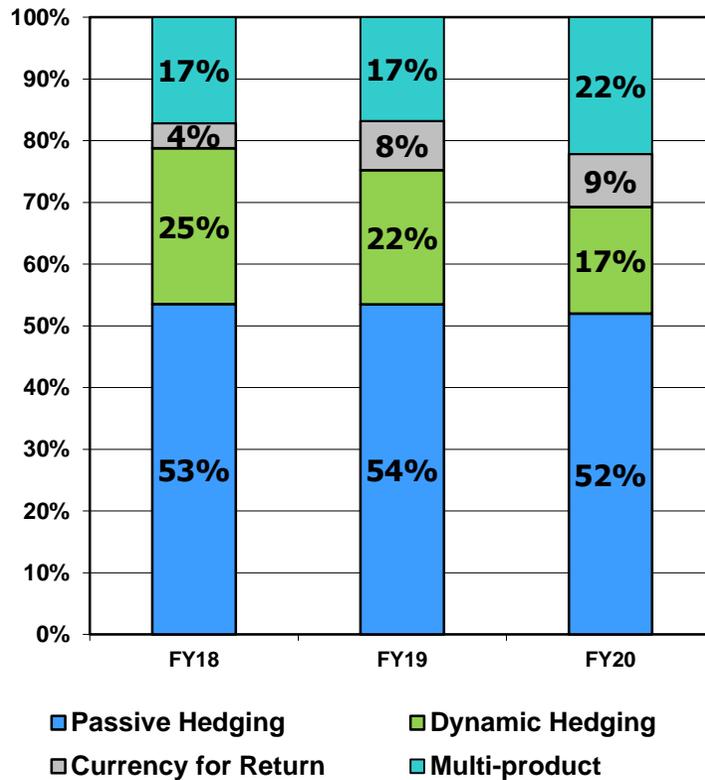


AUME by product at year end

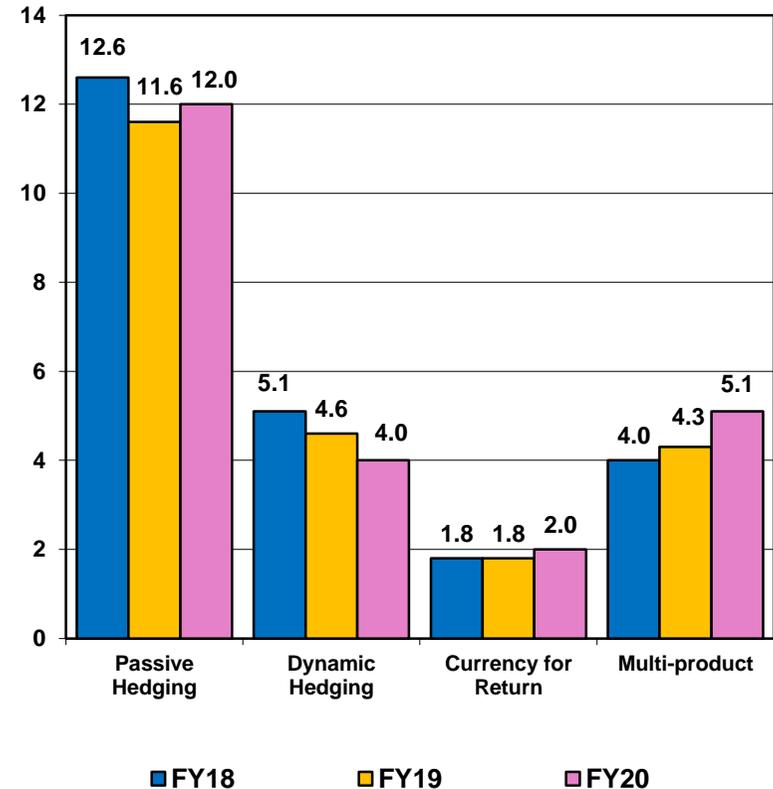


Financials – management fee analysis

Management fees analysis by product



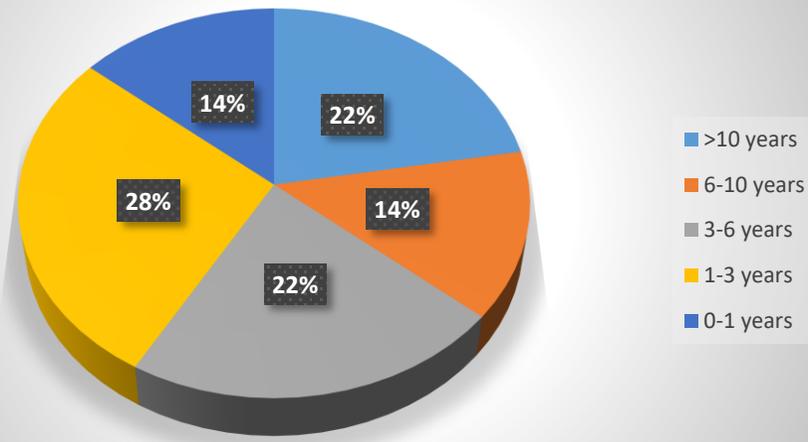
Management fees by product (£m)



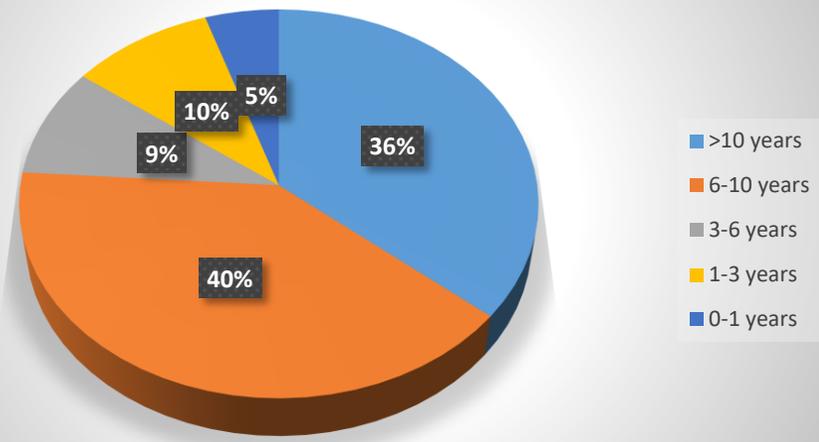


Financials – client longevity

Client longevity as at 31 March 2020 (numbers)



Client longevity as at 31 March 2020 (AUME)



Source: Record Currency Management. Client longevity is the length of continuous service as at 31 March 2020.



Financials – cost analysis

	FY19 £m	FY20 £m
Personnel (excluding Group Profit Share)	8.2	8.6
Non-personnel cost	5.1	5.7
Administrative expenditure excluding Group Profit Share	13.3	14.3
Group Profit Share	3.4	3.5
Total administrative expenditure	16.7	17.8
Other income and expenditure	-	(0.1)
Total expenditure	16.7	17.7



Group Profit Share (GPS) and Share Scheme

Group Profit Share Scheme

- Changes made from 1 April 2019 more closely link GPS to individual performance objectives
- GPS Scheme used a Profit Share Pool calculated at 31.4% of pre-GPS Operating Profit
- Remuneration Committee retains discretion to vary the GPS pool between 25% to 35%
- GPS Scheme is shared amongst all staff based on “profit share units”
- For all senior employees including Board Directors:
 - 1/3rd ‘Mandatory’ Shares (subject to “lock up” for up to 3 years)
 - 1/3rd Cash
 - 1/3rd Cash or Shares
- GPS Scheme rules include claw back provisions

Share Scheme

- Share Scheme rules include performance hurdles and claw back provisions for options issued to Executive Directors



Financials – income statement

	FY19 £m	FY20 £m
Management fees	22.3	23.1
Performance fees	2.3	1.8
Other currency services income	0.3	0.7
Total revenue	25.0	25.6
Cost of sales	(0.4)	(0.3)
Gross profit	24.6	25.3
Operating costs (excl. variable remuneration)	(13.3)	(14.3)
Variable remuneration	(3.4)	(3.5)
Other income and expenditure	(0.0)	0.1
Total expenditure	(16.7)	(17.7)
Operating profit	7.9	7.6
Operating Profit Margin	32%	30%
Net finance income	0.1	0.1
Profit before tax	8.0	7.7
Taxation	(1.6)	(1.3)
Profit after tax	6.4	6.4



Financials – earnings

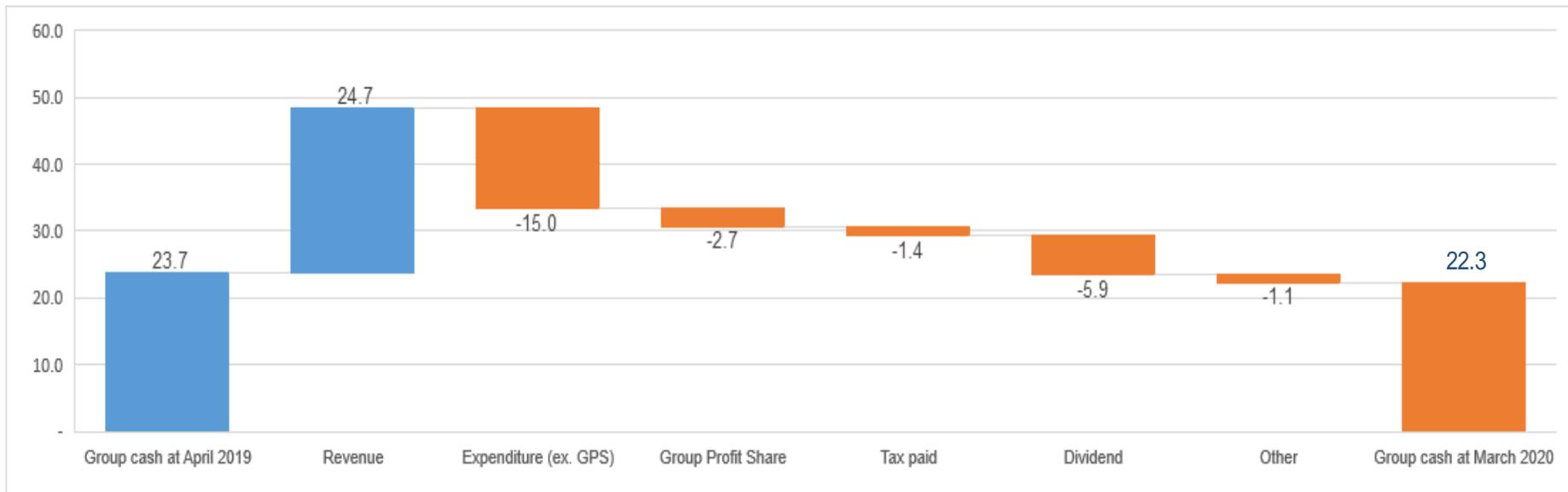
	FY19 £m	FY20 £m
Profit before tax	8.0	7.7
Taxation	(1.6)	(1.3)
Profit after tax	6.4	6.4
EPS - Basic	3.27p	3.26p
EPS - diluted	3.25p	3.26p
Total ordinary dividend per share	2.30p	2.30p
Special dividend per share	0.69p	0.41p
Dividend cover (ordinary and special)	1.1x	1.2x

Financials – balance sheet

	FY19 £m	FY20 £m
Fixed assets	1.0	1.2
Right to use assets	-	1.2
Investment in seed fund	1.1	-
Other investments	-	2.5
Non-current assets	2.2	4.9
Trade and other receivables	7.6	8.7
Derivative financial assets	0.2	0.2
Money market instruments > 3 months	10.7	8.0
Cash and cash equivalents	13.0	14.2
Current assets	31.4	31.1
Current liabilities	(6.2)	(6.9)
Net current assets	25.3	24.2
Lease liability	-	(0.6)
Other non current liabilities	-	(0.3)
Net assets	27.4	28.2
Shareholders' equity	27.3	28.0
Non-controlling interest	0.1	0.2
Total equity	27.4	28.2

Financials – cash

CASH BRIDGE FOR THE YEAR ENDED 31 MARCH 2020 (£m)



- The Group’s cash management strategy employs a variety of treasury management instruments including cash, money market deposits and treasury bills with maturities of up to 1 year. Whilst the Group manages and considers all of these instruments as cash, which are subject to its own internal cash management process, not all of these instruments are classified as cash or cash equivalents under IFRS.
- Group cash at 31 March 2020 includes £4.3 million held by the seed funds (1 April 2019: £5.8 million).



Summary and outlook

- Key leadership changes and new strategic focus firmly set on accelerated, diversified growth
- Operational flexibility and financial resilience achieved during Coronavirus crisis; extreme market volatility reinforces specialist currency offering
- Focus on research and innovation; adapting to market/client demands with new ESG/Impact offerings & Macro Currency Fund
- Strong capital position & committed strategy provide solid platform for continued value creation
- Board's confidence in future growth underpinned by Final & Special dividend payment



Appendices



Management and Board

Executive management

Name	Position	Experience
Leslie Hill	Chief Executive Officer	<ul style="list-style-type: none">■ Joined Record in 1992 and was appointed Head of Sales and Marketing in 1999. In February 2020 Leslie was promoted to Chief Executive Officer of Record PLC■ Previous experience includes working at Lloyds Bank and Merrill Lynch, where she was Director and Head of Corporate Foreign Exchange Sales worldwide
Bob Noyen	Chief Investment Officer	<ul style="list-style-type: none">■ Joined Record in 1999 with responsibility for Investment & Research and has been Chief Investment Officer since 2000■ Previously worked as Assistant Treasurer for Minorco (now part of Anglo American plc)
Steve Cullen	Chief Financial Officer	<ul style="list-style-type: none">■ Qualified as a Chartered Accountant in 1994 and joined Record in 2003 as Financial Controller, Steve was promoted to Chief Financial Officer and appointed to the Board in March 2013■ Previous experience: 15 years of audit experience gained in public practice

Non-executive Directors

Name	Position	Experience
Neil Record	Chairman	<ul style="list-style-type: none">■ Founded Record in 1983, principal shareholder and Chairman ever since■ Acknowledged as one of the leading figures in the currency investment management industry
Jane Tufnell	Non-Executive Director (independent)	<ul style="list-style-type: none">■ Co-founded the investment management firm Ruffer in 1994■ Chairman of Odyssean Investment Trust plc and is an independent non-executive director of Schroders UK Public Private Trust plc and ICG Enterprise Trust
Rosemary Hilary	Non-Executive Director (independent)	<ul style="list-style-type: none">■ Appointed 1 June 2016. Non-executive Director of Willis Ltd, St James's Place plc, Vitality Health and Vitality Life■ Formerly Chief Audit Officer at TSB and the FCA/FSA; a senior regulator at the FSA and Bank of England
Tim Edwards	Non-Executive Director (independent)	<ul style="list-style-type: none">■ Appointed as a Non-executive Director on 21 March 2018■ Chairman of Karus Therapeutics and Storm Therapeutic Limited and a director of AstronauTX Limited



AUME definition

- Passive Hedging mandates:
 - = the aggregate nominal amount of passive hedges actually outstanding in respect of each client;
 - Dynamic Hedging mandates:
 - = total amount of clients' investment portfolios denominated in liquid foreign currencies, and hence capable (under the terms of the relevant mandate) of being hedged;
 - Currency for Return mandates:
 - = the maximum aggregate nominal amount of outstanding forward contracts for each client;
 - Multi-product mandates:
 - = the chargeable mandate size for each client;
 - Cash:
 - = the total set aside by clients and managed and/or "equitised" using futures by Record.
-



Financials – client numbers

	FY19 £m	FY20 £m
Passive Hedging	47	58
Dynamic hedging	3	3
Hedging	50	61
Currency for Return	13	9
Multi-product	2	2
Other	2	7
Less clients with >1	(2)	(7)
Total	65	72

Notes: (i) total of client numbers by product type is greater than total client numbers due to some clients having more than one account;
(ii) for pooled funds, client numbers look through pooled funds to individual investor level.

Financials – concentration



	AUME \$'bn	Management Fees	
		£'m	%
Clients 1-10	37.9	16.4	71%
Clients 11-20	11.6	4.3	19%
Other	9.1	2.4	11%
Total	58.6	23.1	100%



Hedging mandates – underlying assets

Class of assets underlying hedging mandates as at 31 March 2020

	Equity	Fixed income	Other
Passive Hedging	28%	39%	33%
Dynamic Hedging	90%	-%	10%
Multi-product	-%	-%	100%