



Record plc
Annual results
Year ended 31 March 2019

13 June 2019

Disclaimer



IMPORTANT INFORMATION

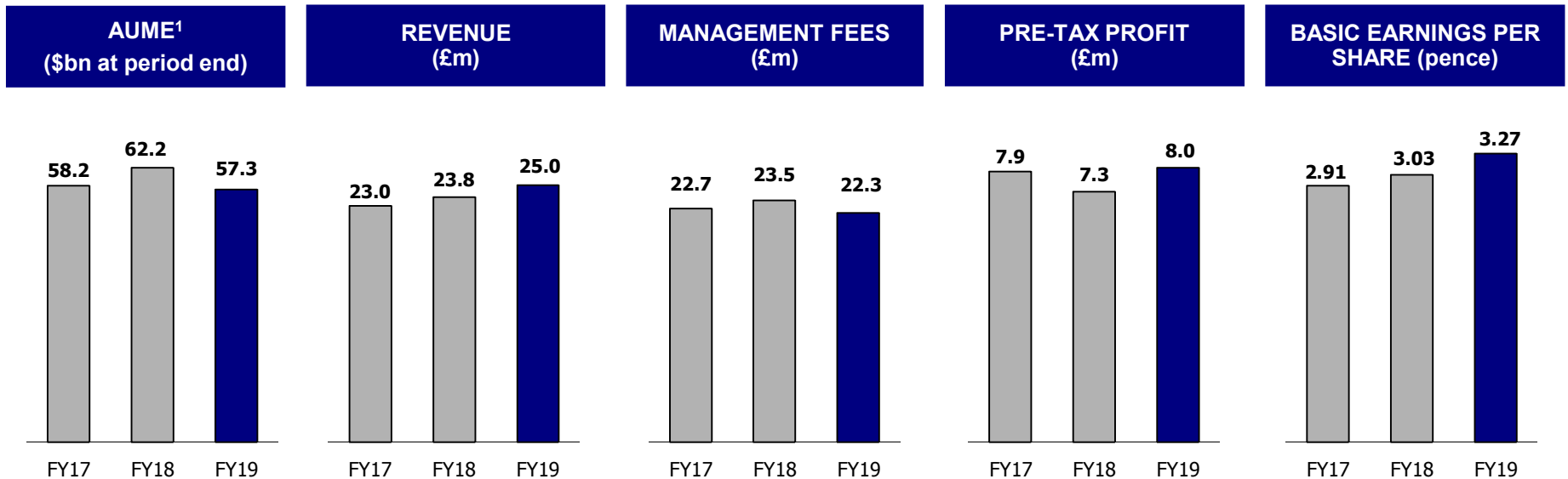
This document does not constitute an offer to sell or an invitation to buy shares in Record plc or any other invitation or inducement to engage in investment activities. Certain statements, beliefs and opinions in this document are forward-looking, which reflect the Company's current expectations and 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 \$57.3bn (31 March 2018: \$62.2bn)
- Revenue £25.0m (up 5% on FY18)
- Management fees £22.3m (FY18: £23.5m)
- Performance fees £2.3m (FY18: £nil)
- Operating profit margin 32% (FY18: 31%)
- Pre-tax profit £8.0m (up 9% on FY18)
- Basic EPS 3.27p per share (FY18: 3.03p per share)
- Final ordinary dividend of 1.15p per share, payable 31 July 2019
- Special dividend of 0.69p per share, payable 31 July 2019
- Shareholders' equity £27.4m at 31 March 2019



1 – The definition of AUME is provided on page 28.



Agenda

- Business strategy
- Product performance
- Financial performance



Current environment

- Political and economic uncertainty provides opportunities to engage
- Encouraging range of new business opportunities across products and geographies, balanced against continued competition and fee pressure
- Future success will depend on responsiveness to client demand and market opportunities
- Developments in the period
 - Continued adoption of enhanced Passive Hedging
 - Addition of fifth strand, Range Trading, to Multi-Strategy
 - Incorporation of ESG factors into currency management
 - Extension of relationship with WisdomTree
 - Engaged New Change FX
 - Expansion of US office



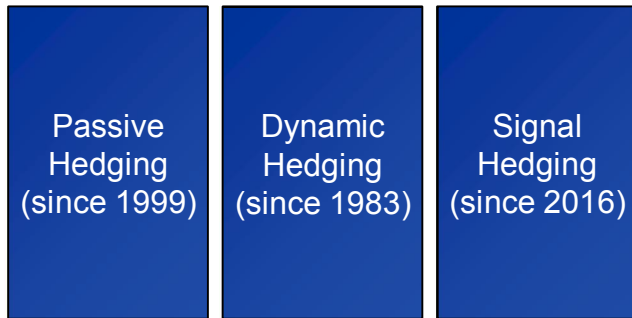
Growth strategy

- Maintain client relationships and generate new sales in FY20 and beyond
- Innovation through responding to client demand, market opportunities and new technologies
 - Will require maintained investment in systems and people
- Continually enhance Hedging products and Currency for Return products
- Collateral and cash management continues to present opportunities
- Maintain diversity by investment strategy, objectives, client location
- Sustain marketing effort in US, UK and continental Europe, and elsewhere as opportunities arise
 - Offices in New York and Zürich
- Maintain appropriate capital resources in the business

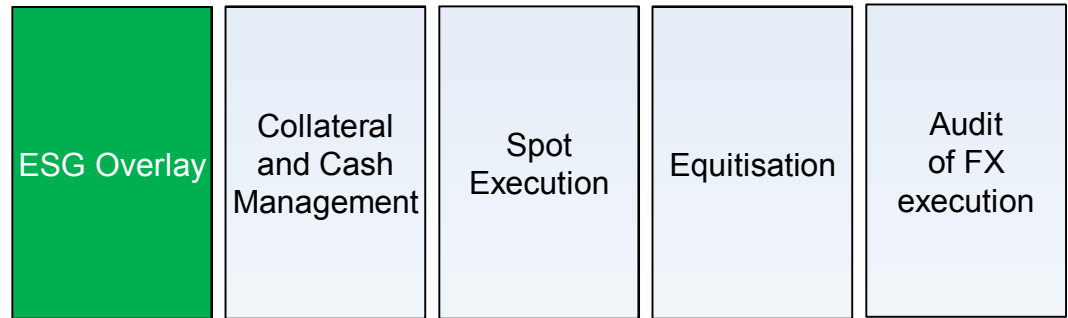


Diverse product offering

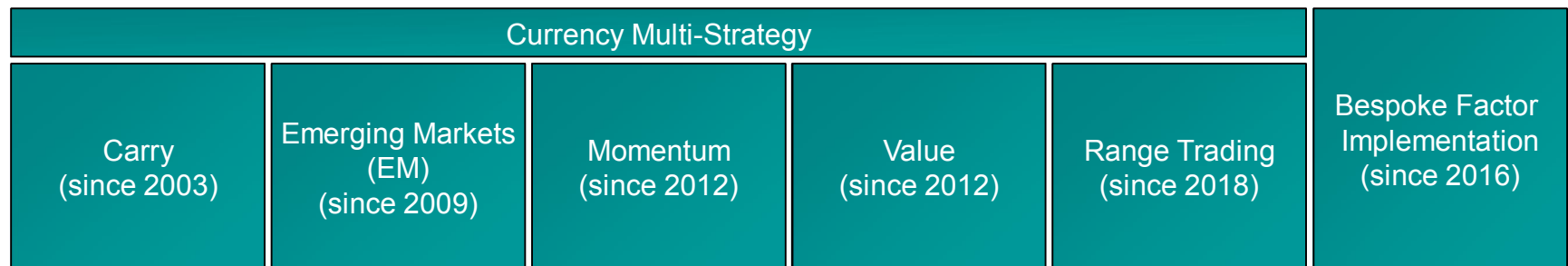
Risk management



Additional services



Currency for Return





Agenda

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- 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

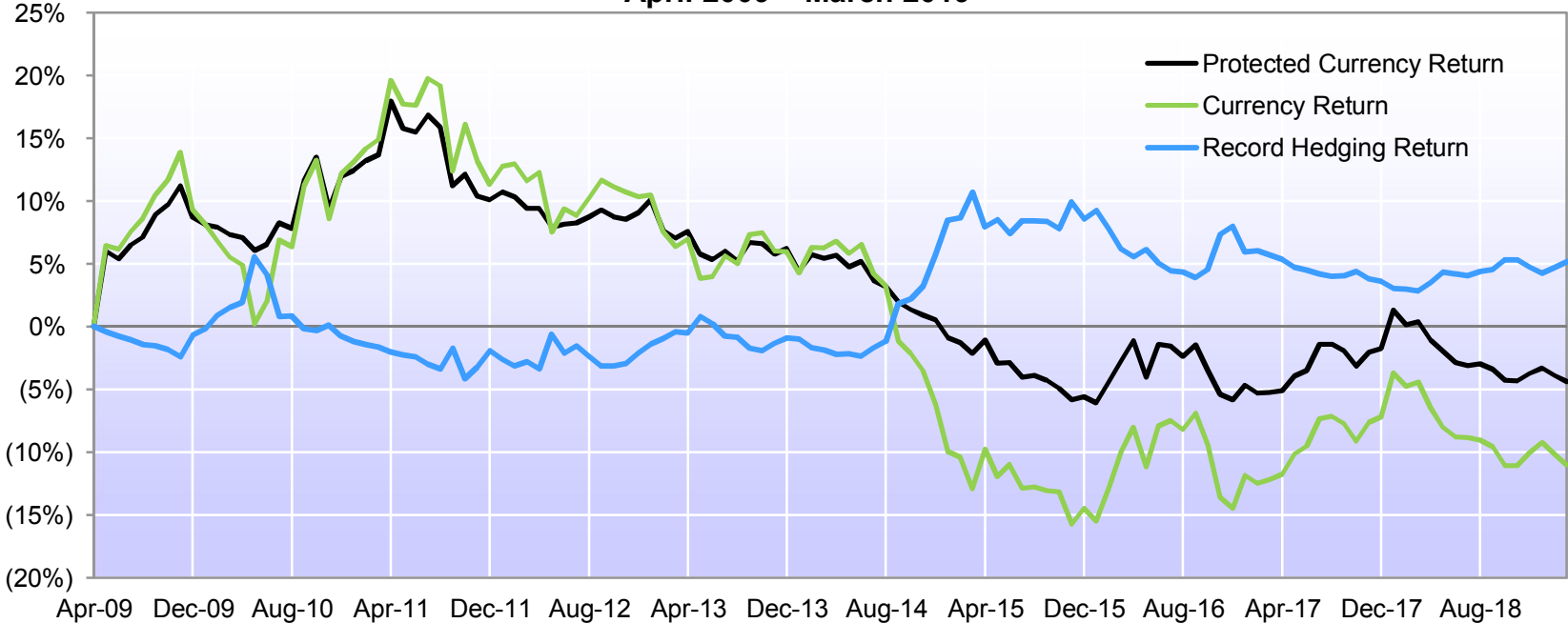
	Return for year to 31 March 2019	Value added since inception
Value added by enhanced Passive Hedging programme relative to a fixed-tenor benchmark	0.05%	0.12% p.a.

Source: Record Currency Management. Data from October 2014 to March 2019. Live track record based on a fixed-tenor costed benchmark.



Performance of a US Dynamic Hedging client

US Dynamic Hedging Client
April 2009 – March 2019



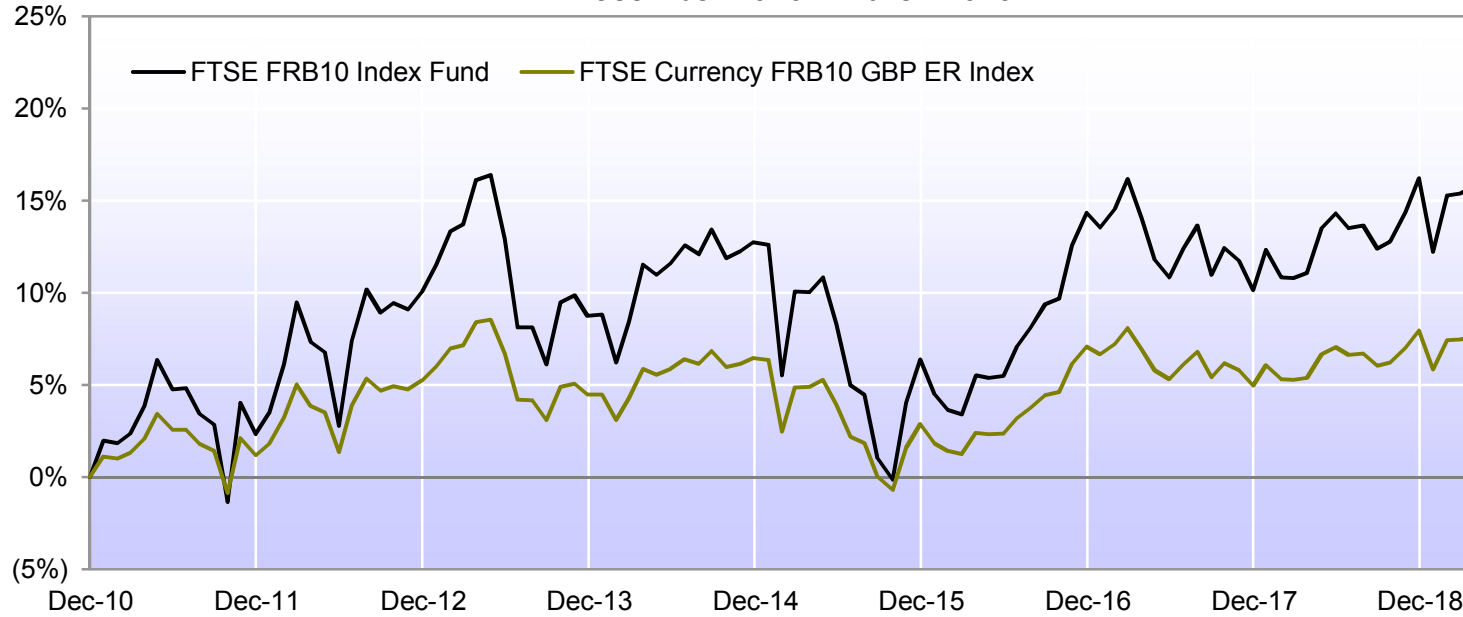
As at March 2019	Protected Currency Return	Currency Return	Record Hedging Return
Inception to date (cum.)	(4.36%)	(11.03%)	5.19%
Inception to date (ann.)	(0.45%) p.a.	(1.17%) p.a.	0.51% p.a.

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 2019.



FRB10 fund performance

**Record Currency FTSE FRB10 Index Fund
December 2010 – March 2019**



As at March 2019	FTSE FRB10 Index Fund (x1.8)
Returns (cum.)	15.72%
Returns (ann.)	1.77% p.a.
Volatility	6.88% p.a.

Source: Record Currency Management, FTSE International Ltd. Returns to 31 March 2019.

Emerging Market Currency strategy performance

**Record Emerging Market Strategy
November 2009 – March 2019**



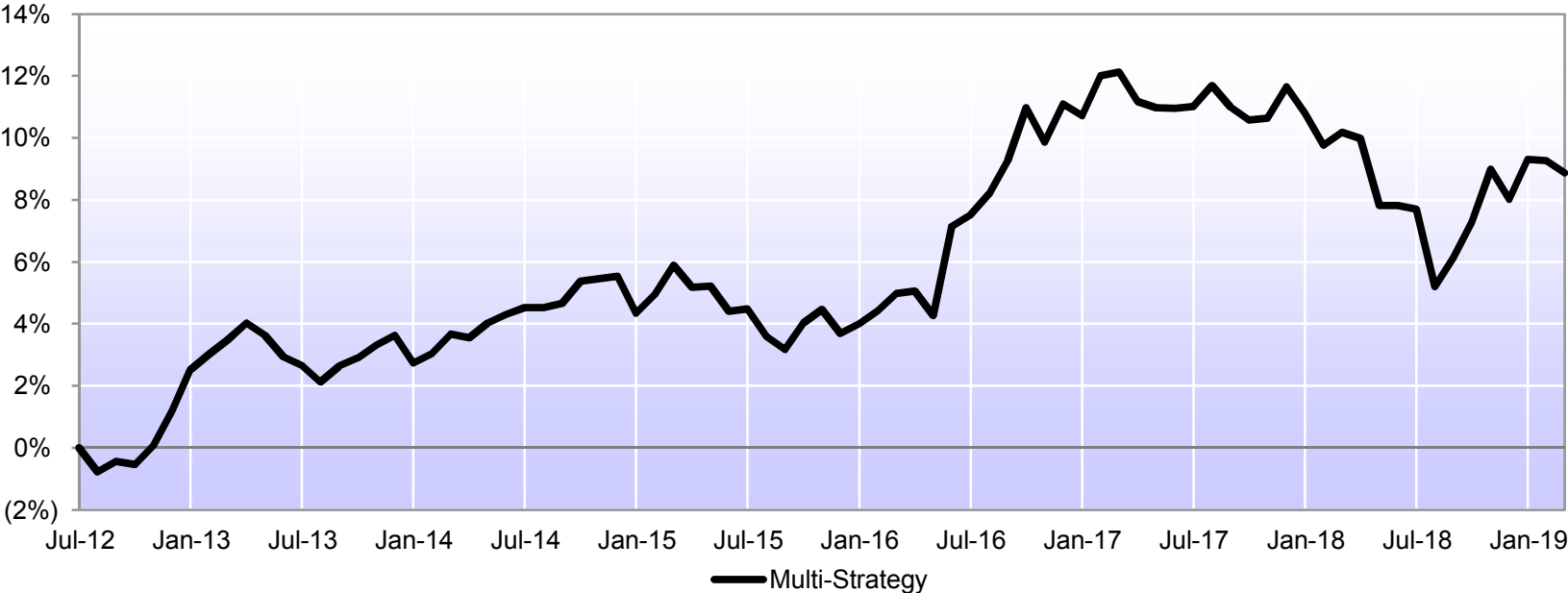
As at March 2019	Emerging Market Strategy
Returns (cum.)	18.31%
Returns (ann.)	1.82% p.a.
Volatility	6.54% p.a.

Source: Record Currency Management. Total returns based on EM Beta Product from 30 November 2009 to 31 December 2010 and Record EM Currency Fund from 1 January 2011 to 31 March 2019.



Multi-Strategy performance

**Record Multi-Strategy approach
July 2012 – March 2019**



As at March 2019	Multi-Strategy	DBCR +*
Returns (cum.)	8.86%	6.00%
Returns (ann.)	1.28% p.a.	0.88% p.a.
Volatility	2.73% p.a.	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. *Deutsche Bank currency index excess returns in USD: equally weighted strategies in Carry (includes EM currencies), Momentum and Value.

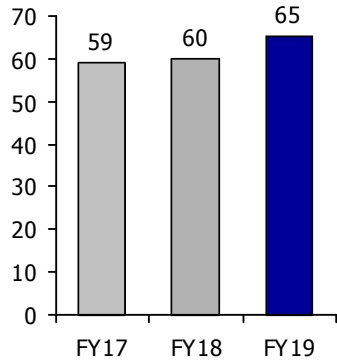


Agenda

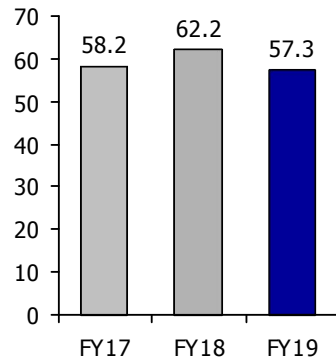
- Business strategy
- Product performance
- Financial performance

Financial KPIs

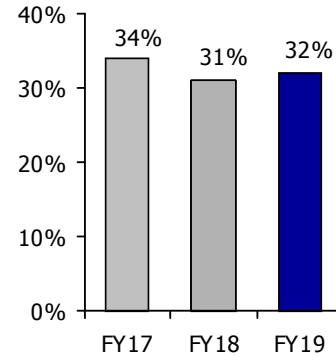
Client numbers



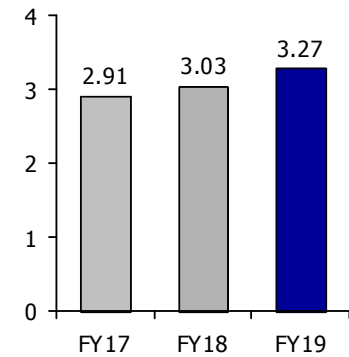
AUME (\$bn)



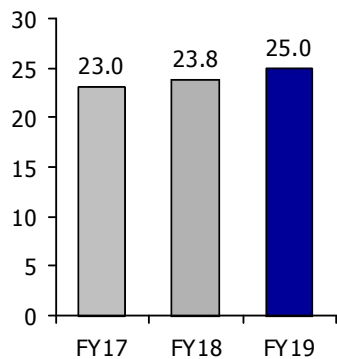
Operating margin



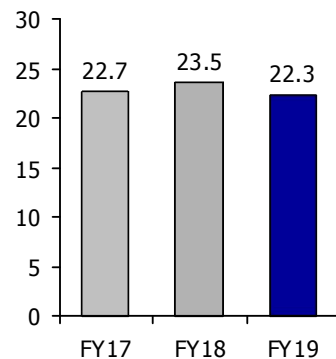
EPS (pence)



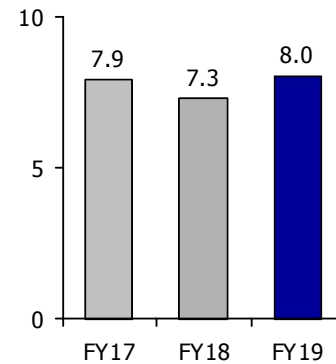
Revenue (£m)



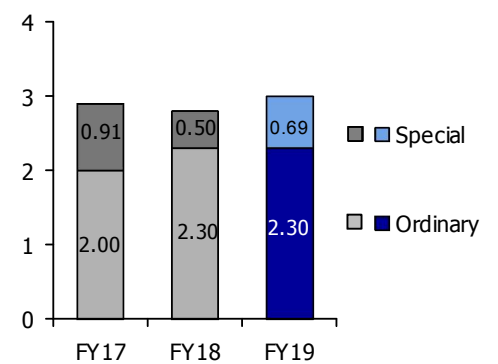
Management fees (£m)



Profit before tax (£m)



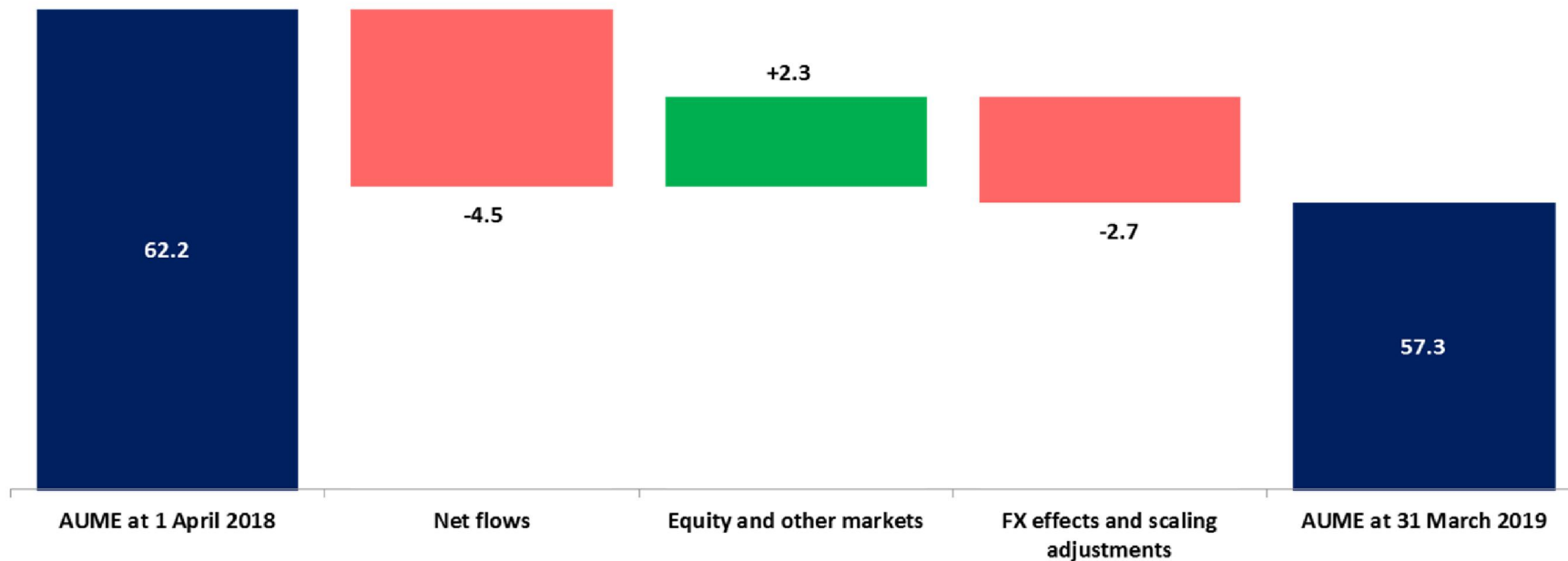
Dividend per share (pence)



Financials – AUME movement

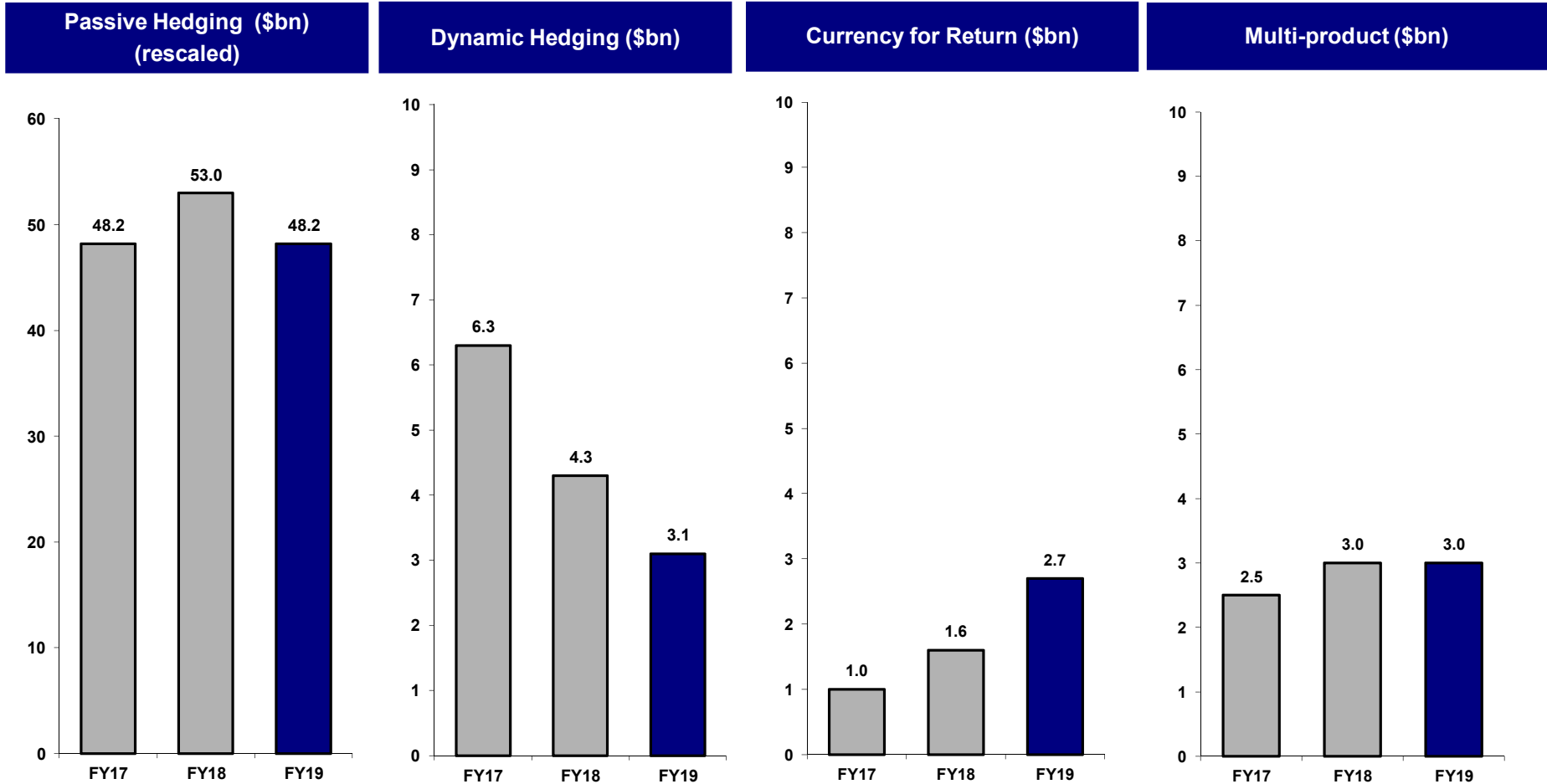


AUME bridge for the year ended 31 March 2019 (\$bn)



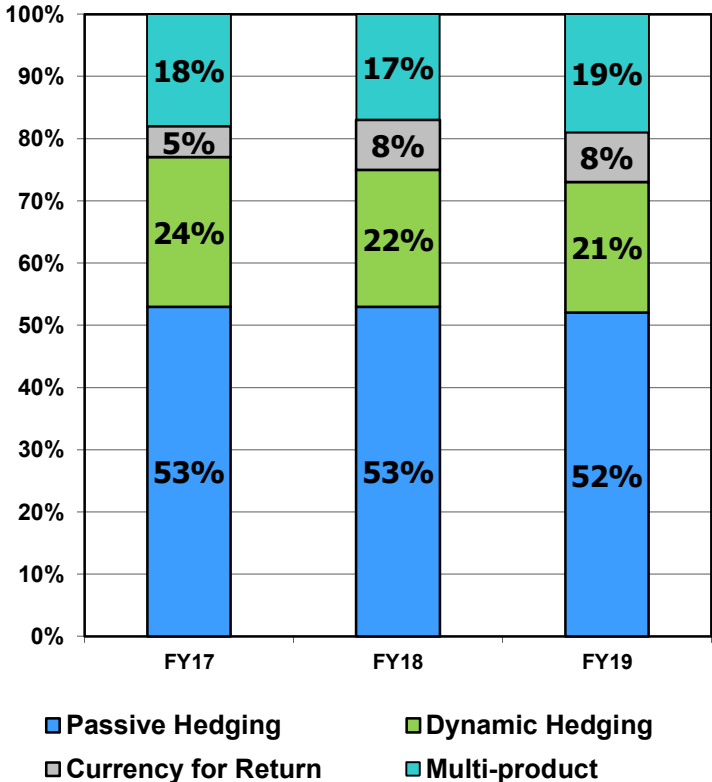


AUME by product at year end

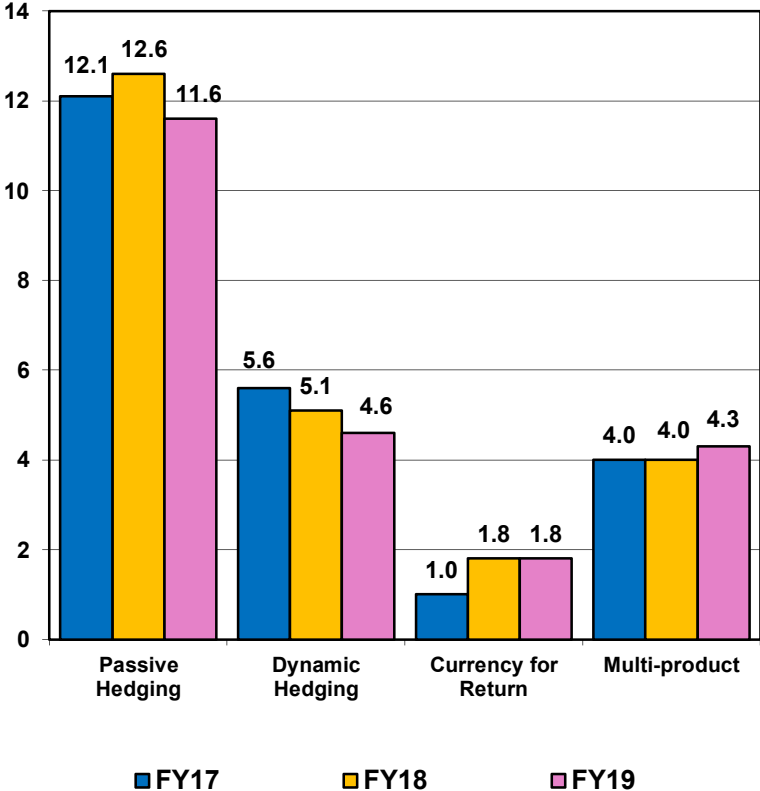


Financials – management fee analysis

Management fees analysis by product



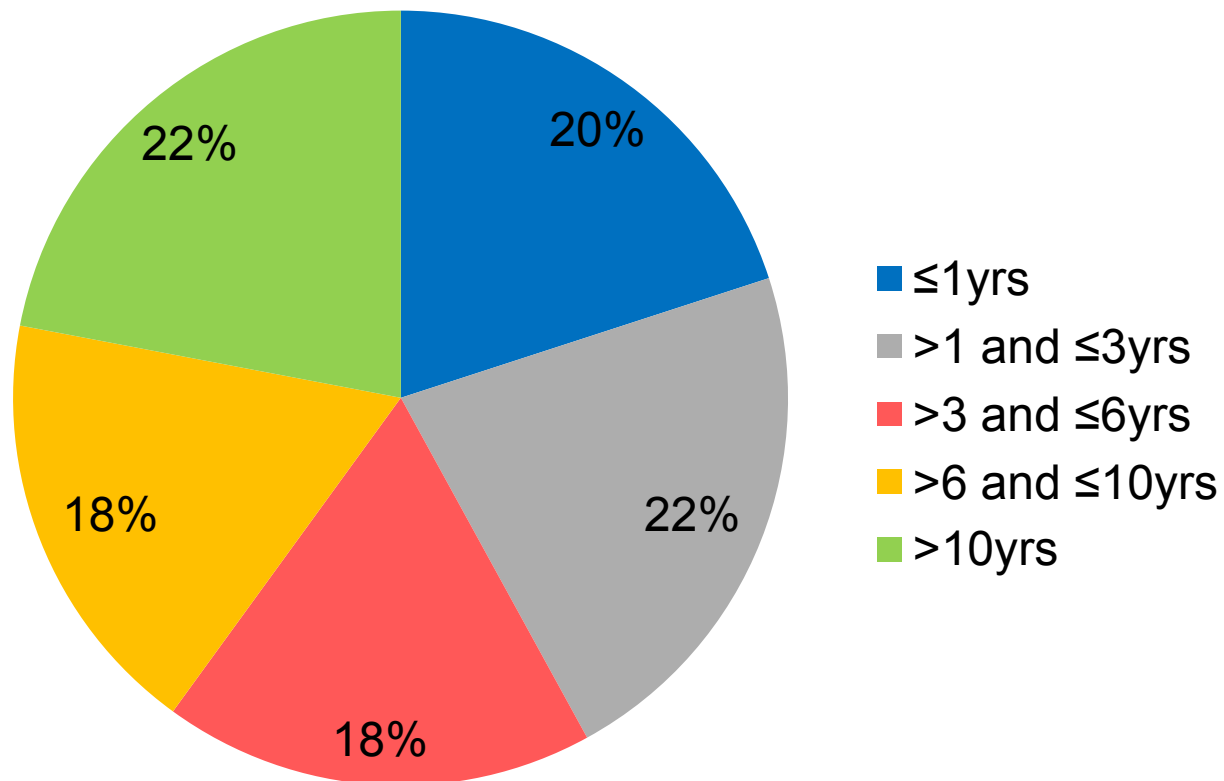
Management fees by product (£m)



Financials – client longevity



Client longevity at 31 March 2019



Source: Record Currency Management. Client longevity is the length of continuous service as at 31 March 2019.

Financials – cost analysis



	FY18	FY19
	£m	£m
Personnel (excluding Group Profit Share)	7.9	8.2
Non-personnel cost ¹	5.4	5.1
Administrative expenditure excluding Group Profit Share	13.3	13.3
Group Profit Share	3.1	3.4
Total administrative expenditure	16.4	16.7
Other income and expenditure	(0.2)	-
Total expenditure	16.2	16.7

1 – Non-personnel costs for FY18 includes exceptional costs of £0.2m relating to tender offer.



Group Profit Share (GPS) and Share Scheme

Group Profit Share Scheme

- Changes made from 1 April 2019 to link GPS more closely to performance against individual objectives
- GPS Scheme uses a Profit Share Pool calculated at 30% 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
 - 1/3rd Cash
 - 1/3rd Cash or Shares
 - Mandatory shares subject to “lock up” for up to 3 years
- GPS Scheme rules include claw back provisions

Share Scheme

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



Financials – income statement

	FY18	FY19
	£m	£m
Management fees	23.5	22.3
Performance fees	-	2.3
Other currency services income	0.3	0.4
Total revenue	23.8	25.0
Cost of sales	(0.3)	(0.4)
Gross profit	23.5	24.6
Operating costs (excl. variable remuneration)	(13.3)	(13.3)
Variable remuneration	(3.1)	(3.4)
Other income and expenditure	0.2	-
Total expenditure	(16.2)	(16.7)
Operating profit	7.3	7.9
Operating Profit Margin	31%	32%
Net finance income	-	0.1
Profit before tax	7.3	8.0
Taxation	(1.2)	(1.6)
Profit after tax	6.1	6.4



Financials – earnings

	FY18	FY19
	£m	£m
Profit before tax	7.3	8.0
Tax	(1.2)	(1.6)
Profit after tax	6.1	6.4
eps – basic	3.03p	3.27p
eps – diluted	2.98p	3.25p
Total ordinary dividend per share	2.30p	2.30p
Special dividend per share	0.50p	0.69p
Dividend cover (ordinary and special)	1.1x	1.1x

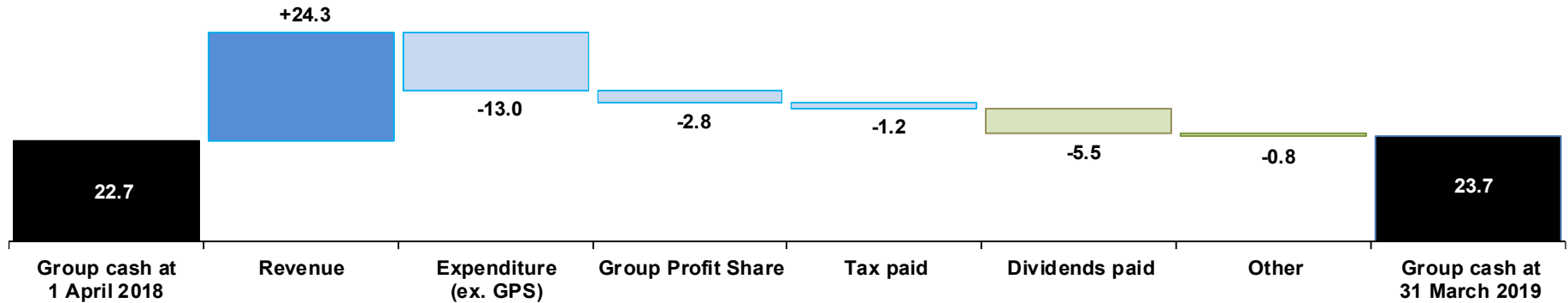


Financials – balance sheet

	FY18	FY19
	£m	£m
Fixed assets	1.1	1.1
Investment in seed fund	1.1	1.1
Deferred tax assets	0.1	-
Non-current assets	2.3	2.2
Trade and other receivables	6.8	7.6
Derivative financial assets	0.3	0.1
Money market instruments > 3 months	10.2	10.7
Cash and cash equivalents	12.5	13.0
Current assets	29.8	31.4
Current liabilities	(5.5)	(6.2)
Net assets	26.6	27.4
Shareholders' equity	26.6	27.3
Non-controlling interest	-	0.1
Total equity	26.6	27.4

Financials – cash

CASH BRIDGE FOR THE YEAR ENDED 31 MARCH 2019 (£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.
- The IFRS classification of these instruments has a material impact on the IFRS cash flow statement which considers the flows relating to cash and cash equivalents only, and indicates a £0.5 million cash outflow as a result of transfers between “cash and cash equivalents” and “money market instruments with maturities greater than 3 months”.
- Group cash at 31 March 2019 includes £5.8 million held by the seed funds (1 April 2018: £5.5 million).



Appendices



Management and Board

Executive management

Name	Position	Experience
James Wood-Collins	Chief Executive Officer	<ul style="list-style-type: none"> Joined Record in 2008. Previously a Managing Director at JP Morgan Cazenove advising financial institutions on M&A, IPOs and related corporate finance transactions
Bob Noyen	Chief Investment Officer	<ul style="list-style-type: none"> Joined Record in 1999 with responsibility for Investment & Research Previously worked as Assistant Treasurer for Minorco (now part of Anglo American plc)
Leslie Hill	Head of Client Team	<ul style="list-style-type: none"> Joined Record in 1992 and was appointed Head of Sales and Marketing in 1999 Prior experience includes working at Lloyds Bank and Merrill Lynch, where she was Director and Head of Corporate Foreign Exchange Sales worldwide
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 Appointed to the Board and made Chief Financial Officer on 15 March 2013

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 Currently Senior Independent Director of The Diverse Income Trust plc and Chairman of Odyssean Investment Trust plc, and a Non-executive Director of JP Morgan Claverhouse Investment Trust plc and the 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, 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 Limited, Chairman of Storm Therapeutics Limited and previously a Member of the governing Board of Innovate UK, a Director of the Cell and Gene Therapy Catapult and Chair of the BioIndustry Association.

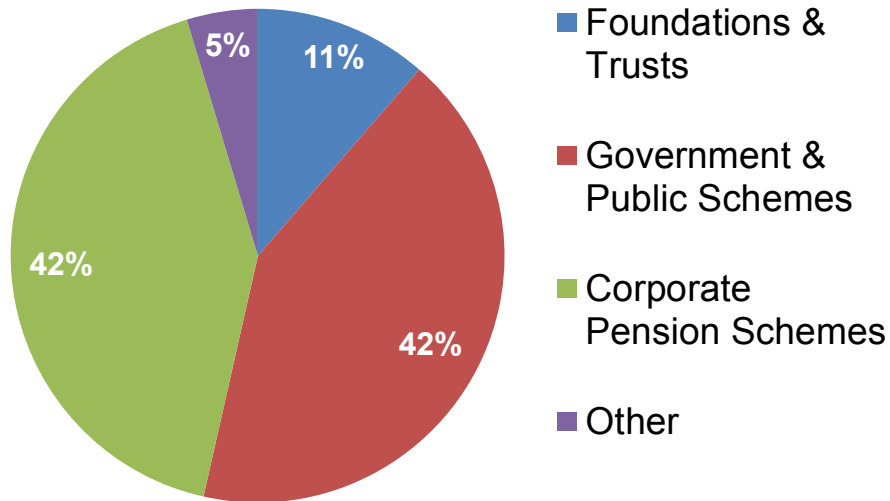


AUME definition

- 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.
-

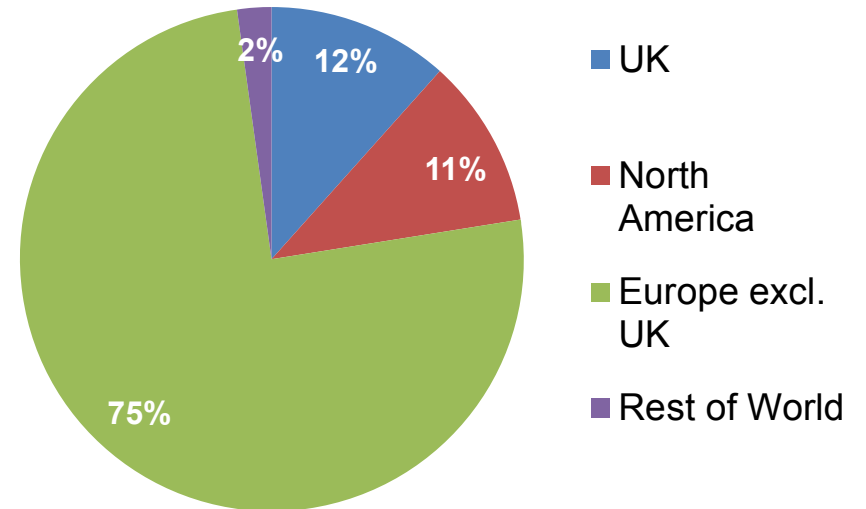
AUME analysis

Split of AUME by client type as at 31 March 2019



Total: \$57.3 bn

Split of AUME by geography as at 31 March 2019



Total: \$57.3 bn

Note: both pie charts look through pooled funds to individual investor level.



Financials – client numbers

	31 Mar 18	31 Mar 19
Passive Hedging	44	47
Dynamic Hedging	3	3
Hedging	47	50
Currency for Return	11	13
Multi-product	2	2
Other	2	2
Less clients with >1 product	(2)	(2)
Total	60	65

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



Largest clients by FY19 management fees

	AUME \$bn	Management fees	
		£m	%
Clients 1-10	40.0	15.9	71%
Clients 11-20	10.1	3.8	17%
Other clients	7.2	2.6	12%
Total	57.3	22.3	100%

Hedging mandates – underlying assets



Class of assets underlying hedging mandates as at 31 March 2019

	Equity	Fixed income	Other
Passive Hedging	27%	44%	29%
Dynamic Hedging	95%	-%	5%
Multi-product	-%	-%	100%