



Record plc
Annual Results Presentation

June 2021

Disclaimer



IMPORTANT INFORMATION

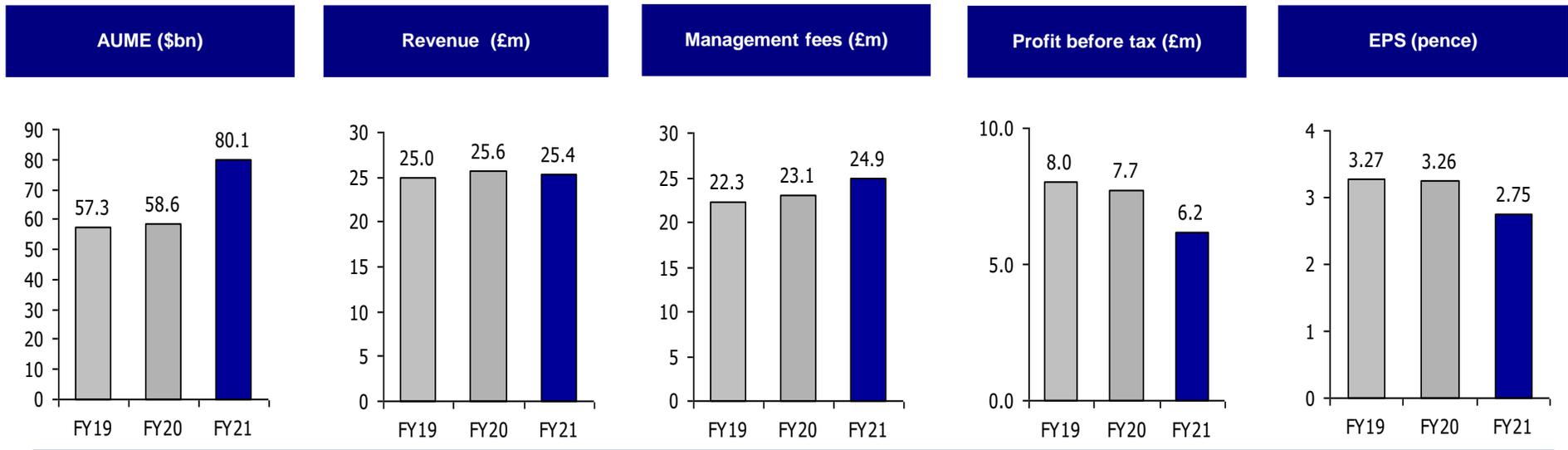
This document does not constitute an offer to sell or an invitation to buy shares in Record plc or any other invitation or inducement to engage in investment activities. Certain statements, beliefs and opinions in this document are forward-looking, which reflect the Company's current expectations and 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 \$80.1bn (31 March 2020: \$58.6bn)
- Revenue £25.4m (FY20: £25.6m)
- Management fees £24.9m (FY20: £23.1m)
- Performance fees £0.1m (FY20: £1.8m)
- Operating profit margin 24% (FY20: 30%)
- Pre-tax profit £6.2m (FY20: £7.7m)
- Basic EPS: 2.75p (FY20: 3.26p)
- Final ordinary dividend of 1.15p per share, payable 10 August 2021
- Special dividend of 0.45p per share, payable 10 August 2021
- Shareholders' equity £26.8m at 31 March 2021





Agenda

- **Business Strategy**
- Product Performance
- Financial performance



Growth and modernisation strategy

- Growth being pursued and building on strong foundations:
 - 38 year track record - established reputation and expertise within FX and derivatives markets
 - Profitable and cash generative business model
 - Broad suite of products and services
 - High quality institutional clients and longevity of client relationships
 - Focus on client-led product development opportunities
 - Diversification of offerings beyond currency-related products and services
 - Increase operational efficiency and capability through investment in infrastructure and third party systems
 - Plan for future generational change
 - Maintain strong capital position to support investment and dividend policy
-



Current environment

- Opportunities to collaborate with clients and strategic partners on innovative new products (for example the Record EM Sustainable Finance Fund).
- Proven resilience and adaptability of business model through unprecedented market and social environment
- Diversification opportunities both in client type and geography
- Stable client base with opportunities to expand relationships
- Technological advances give opportunities to enhance client experience, and improve productivity and employee work patterns

Firm overview

Products and services



Bespoke solutions for our clients

Currency Risk Management

Offering bespoke hedging solutions to clients

Dynamic Hedging Since 1983	Passive Hedging Since 1999
Enhanced Passive Hedging Since 2014	Signal Hedging Since 2016
Emerging Market Hedging Since 2018	Audit and Fiduciary Execution Since 2003
Counterparty ESG selection	

Return-Seeking Currency Strategies

Offering factor-based and absolute return strategies

Alternative risk premia	
Currency Multi-Strategy Since 2012	
Carry Since 2003	ESG and Impact Investing
Momentum Since 2012	
Value Since 2012	
Range-Trading Since 2018	
Emerging Market Growth Since 2009	

Return-Seeking Strategies

Offering diversified return strategies

Enhanced Liquidity Management Since 2017
Supply Chain Finance Strategy Since 2020
Local Currency EM Debt Since 2019
UK Real Rates Strategy Since 2019



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 2021	Return since inception p.a.
Value added by enhanced Passive Hedging programme relative to a fixed-tenor benchmark	0.05%	0.08%

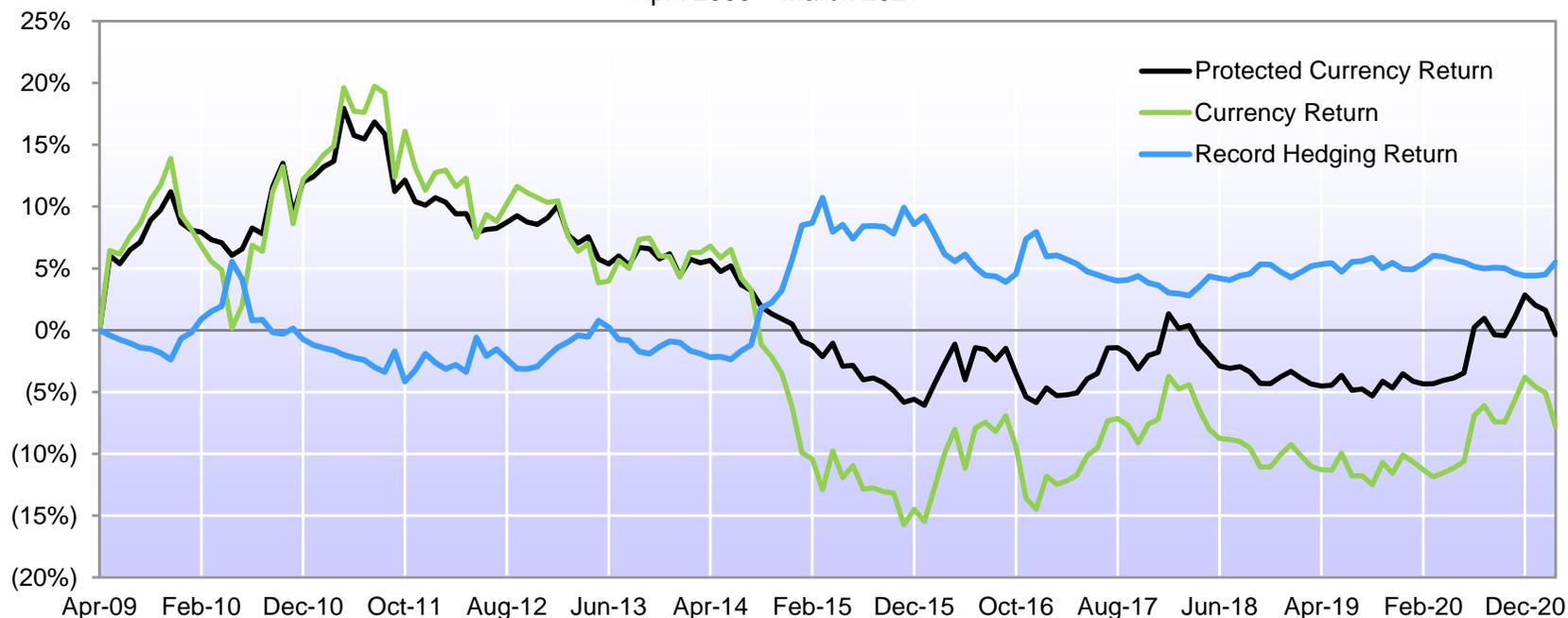
Source: Record Currency Management. Data from October 2014 to March 2021. Live track record based on a fixed-tenor costed benchmark.

US Dynamic Hedging client

Performance



US Dynamic Hedging Client
April 2009 – March 2021

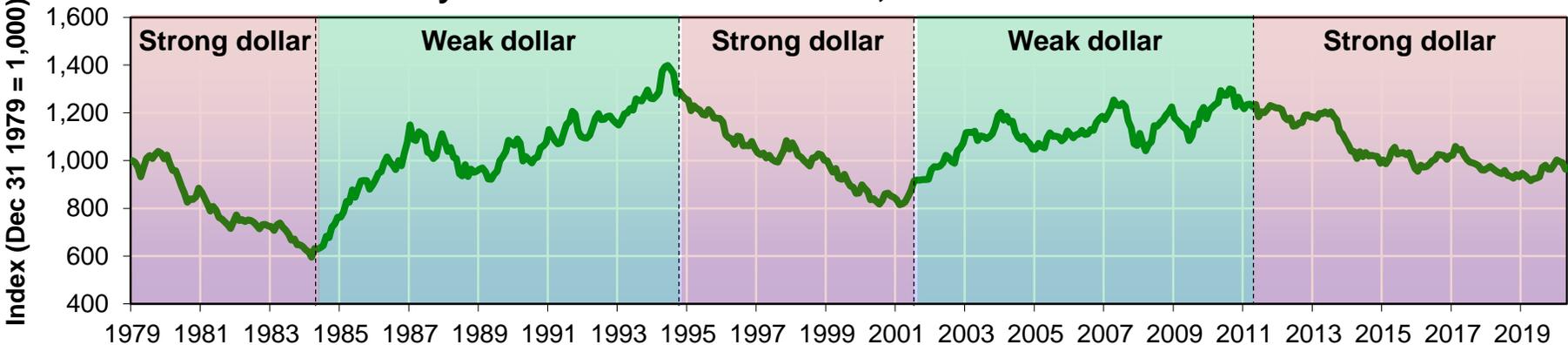


<i>As at March 2021</i>	Protected Currency Return	Currency Return	Record Hedging Return
Inception to date (cum.)	(0.37%)	(7.81%)	5.51%
Inception to date (ann.)	(0.03%) p.a.	(0.68%) p.a.	0.45% p.a.

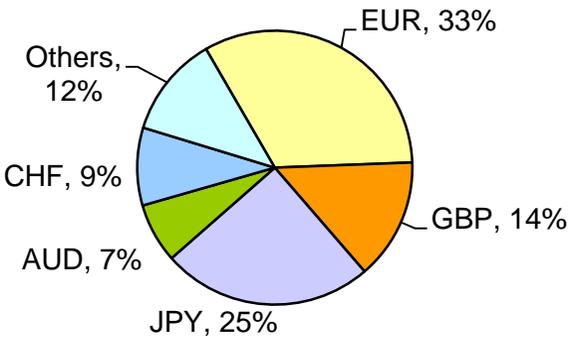
Source: Record Currency Management and WM/Reuters. Protected currency return is calculated as the weighted average currency return plus the contribution from hedging. Performance has been re-scaled to a 0%-100% dynamic range. Data is cumulative from 30 April 2009 to 31 March 2021.

Cyclical behaviour of the US Dollar

Currency contribution to MSCI EAFE, December 1979 to March 2021



MSCI EAFE Weights (Mar 31, 2021)



Currency contribution	Gross Ret. % p.a.	Vol. % p.a.
1 year	5.2%	6.4%
3 years	-2.7%	5.0%
5 years	-1.5%	5.4%
10 years	-2.5%	6.0%
Since inception (Dec 31 1979)	-0.1%	8.2%

Source: Record, MSCI, WM/Reuters. Dec 1979 – Mar 2021. Currency returns account for interest rate differential (“currency surprise”).

Multi-Strategy

Performance



Record Multi-Strategy approach
July 2012 – March 2021



<i>As at March 2021</i>	Multi-Strategy
Returns (cum.)	7.68%
Returns (ann.)	0.86% p.a.
Volatility	3.19% p.a.

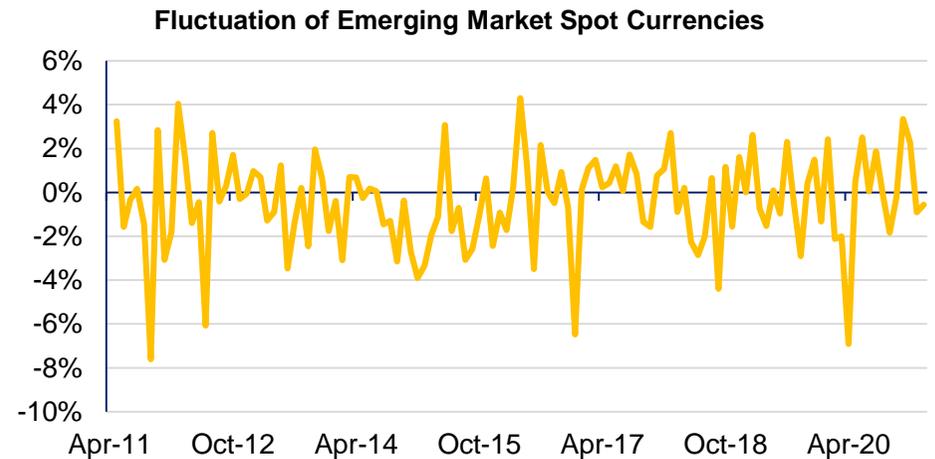
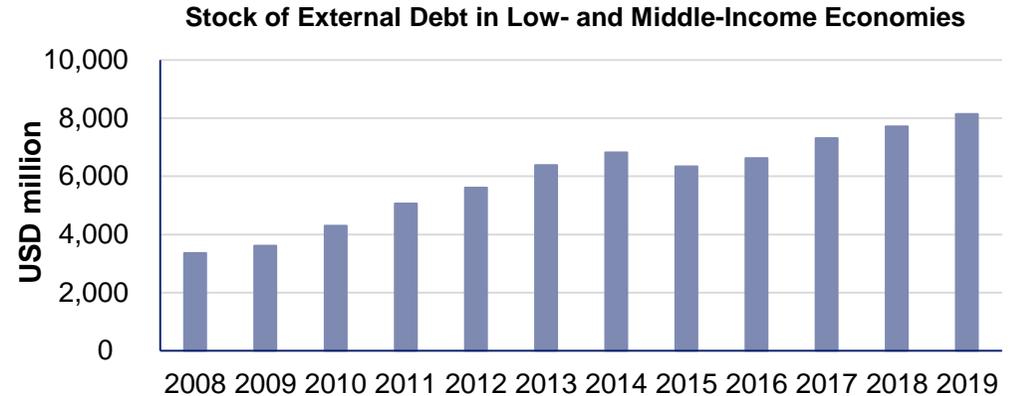
Source: Record Currency Management and Bloomberg. The performance of the multi-strategy is based on a combination of live and third party index returns for the individual strands from 31 Jul 2012 to 30 Sep 2016. Thereafter, performance is based on live composite returns. Performance has been scaled to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

Emerging Market Sustainable Finance strategy

The challenge



- Emerging economies often rely on loans denominated in a foreign currency to meet their development objectives
- Currency volatility, however, can act as a barrier to the development of domestic capital markets and the creation of economic wealth
- The cost of insuring the currency risk can be high and subject to large fluctuations, leaving local communities unprotected and vulnerable



Source: International Debt Statistics 2021, World Bank. Chart 2 – Based on the monthly average return of a basket (18) of emerging market currencies.

Emerging Market Sustainable Finance

Our solution



Record Emerging Market Sustainable Finance strategy trades a diversified portfolio of Emerging Market and Frontier currencies aimed at stabilising exchange rates to facilitate development and harness growth potential in developing countries

We leverage every component of our strategy to increase our contribution to sustainable finance:

- ✓ The collateral of our currency strategy is invested in **sustainable development bonds** issued by supranational entities such as the World Bank and the African Development Bank
- ✓ Our currency trading is executed under a novel **engagement** strategy. We seek to **align our impact mission** with our **trading counterparties** through an intensive dialogue where we leverage our trade flow to **incentivise positive change**
- ✓ Where FX market infrastructure is least developed, we initiate and **engage in partnerships** (with a focus on other impact investors) within which to advance an incipient FX market

We are committed to remain active in adverse market conditions to help moderate the financial stress and the inconvenience to trade.



Agenda

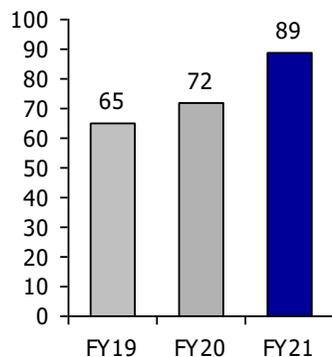
- Business Strategy
- Product Performance
- **Financial performance**

Financials

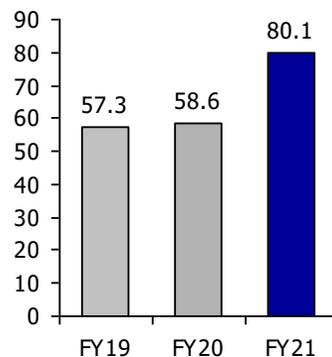
KPIs



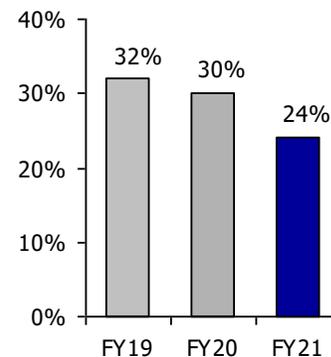
Client numbers



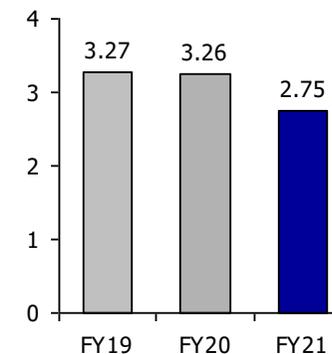
AUME (\$bn)



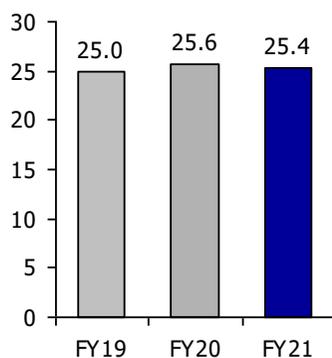
Operating margin



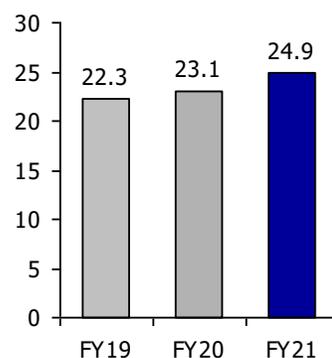
EPS (pence)



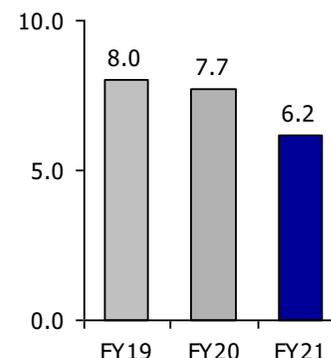
Revenue (£m)



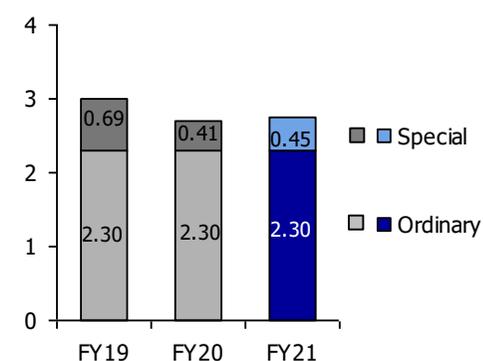
Management fees (£m)



Profit before tax (£m)



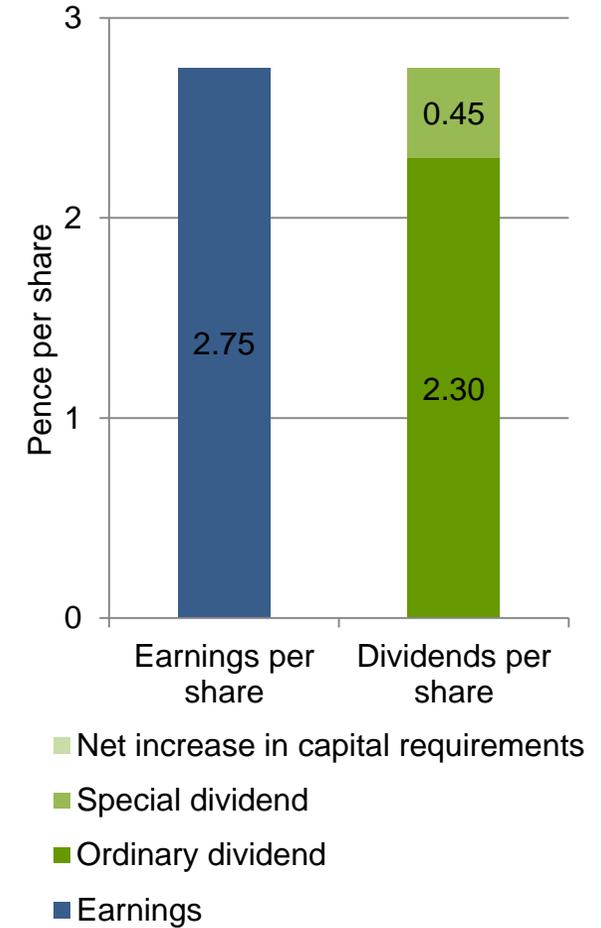
Dividend per share (pence)





Dividend policy

- Interim dividend for H1-21 of 1.15p per share paid in December 2020
- Final ordinary dividend for FY-21 of 1.15 pence per share
 - Total ordinary dividend for FY-21: 2.30 pence per share (FY-20: 2.30 pence per share)
- Special dividend for FY-21 of 0.45 pence per share (FY-20: 0.41 pence per share)
 - No increase in capital requirements
- 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

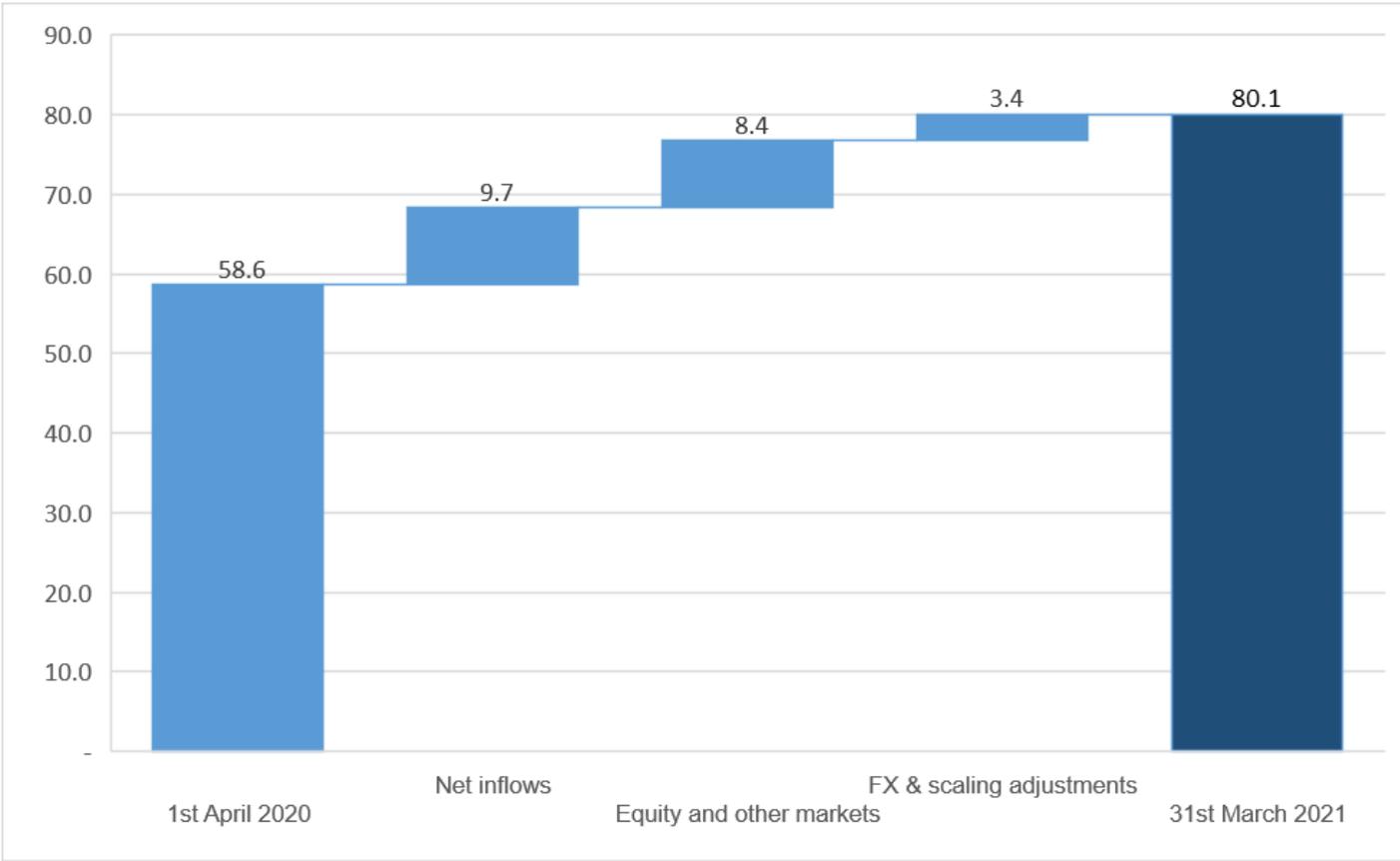


Financials

AUME movement



AUME bridge for the year ended 31 March 2021 (\$bn)

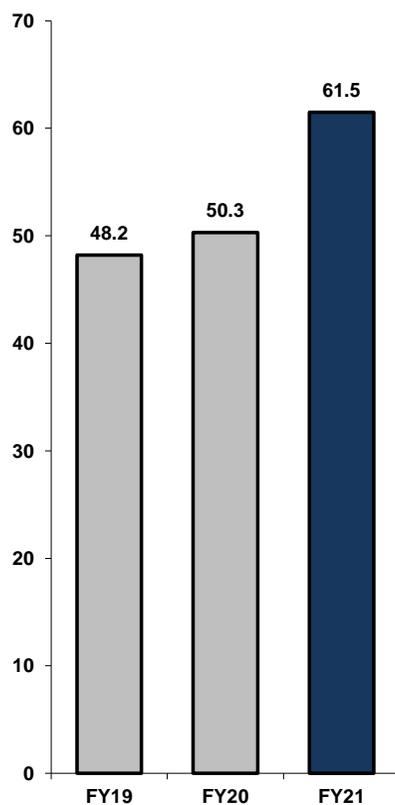


AUME

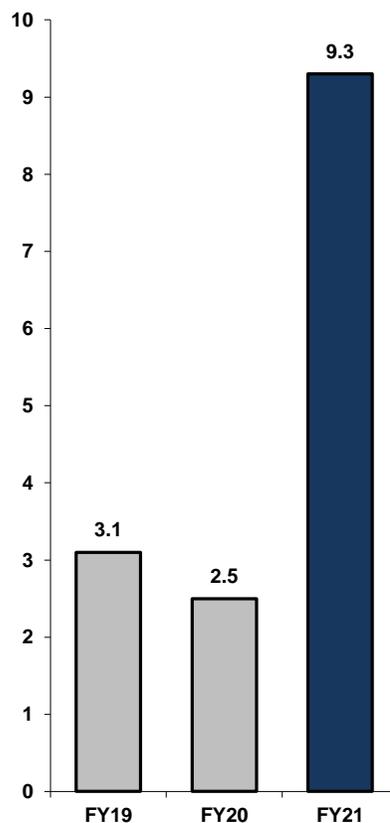
By product at year end



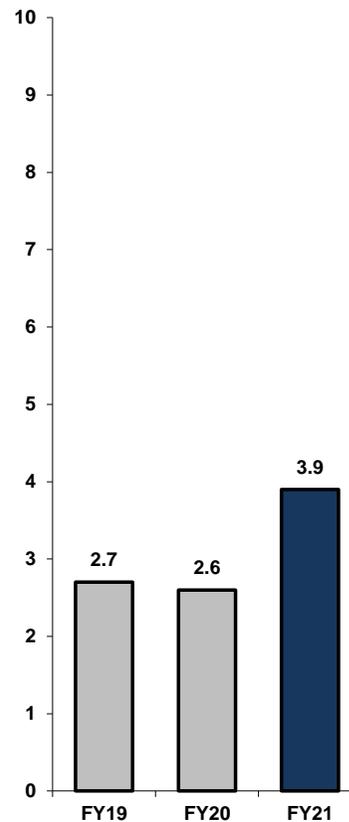
Passive Hedging (\$bn)
(rescaled)



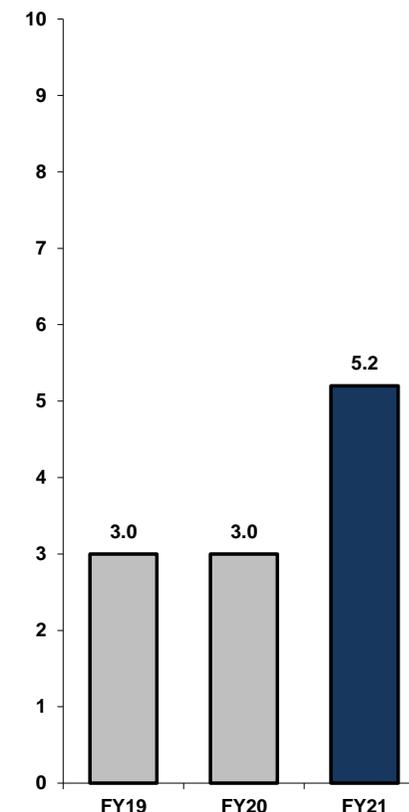
Dynamic Hedging (\$bn)



Currency for Return (\$bn)



Multi-product (\$bn)

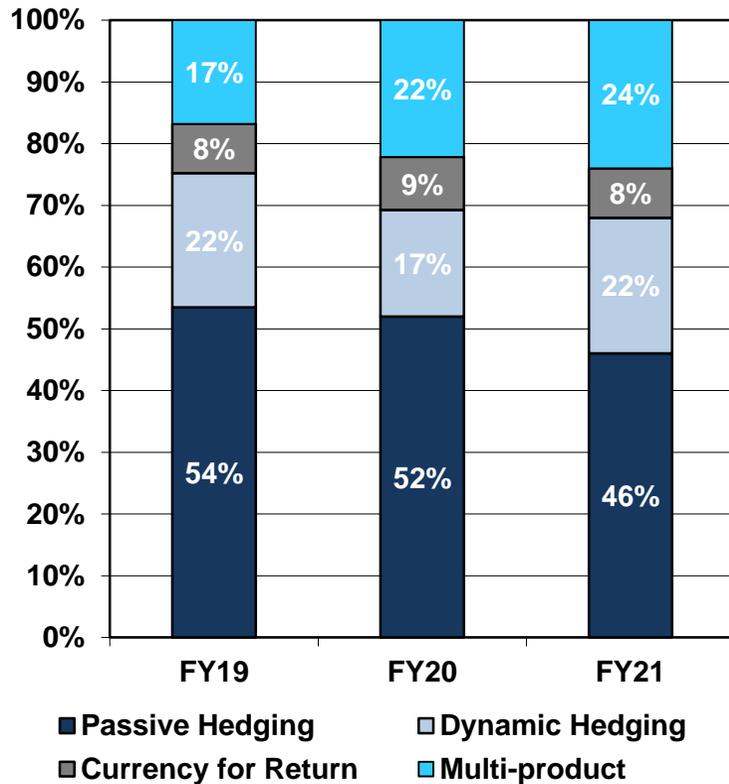


Financials

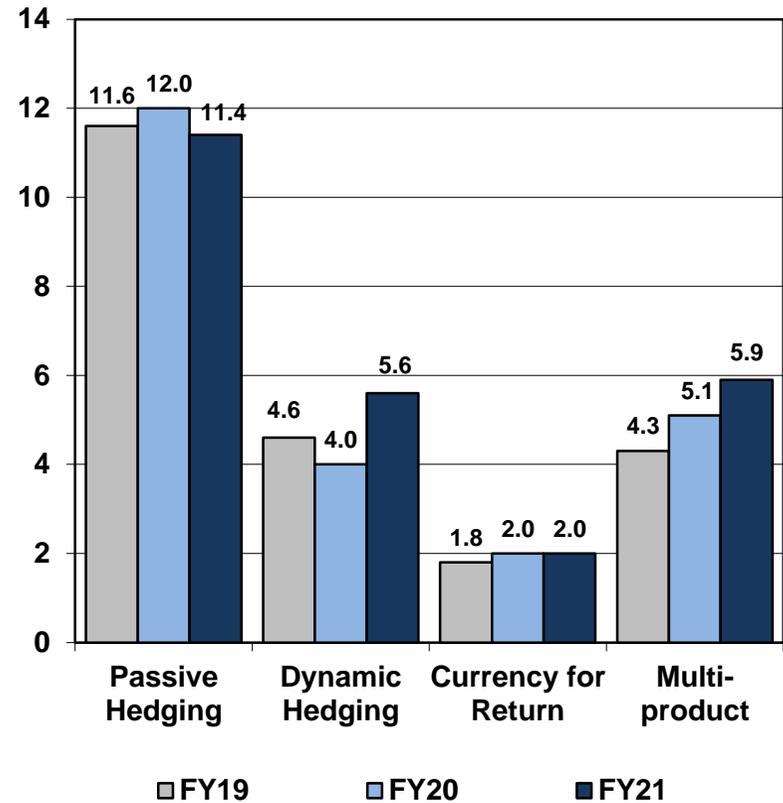
Management fee analysis



Management fees analysis by product



Management fees by product (£m)

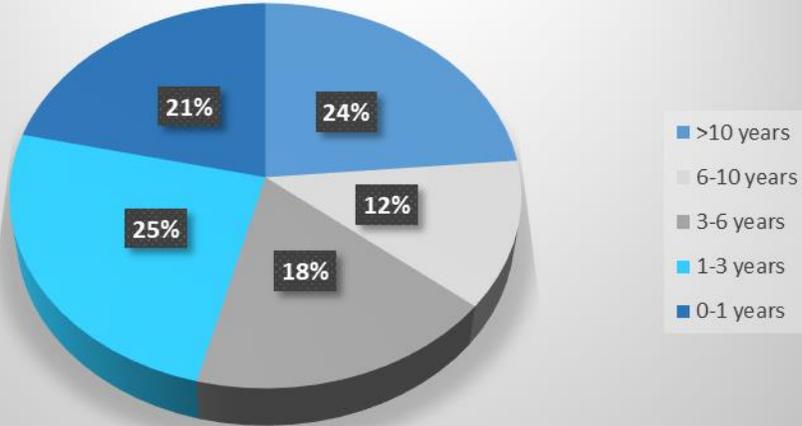


Financials

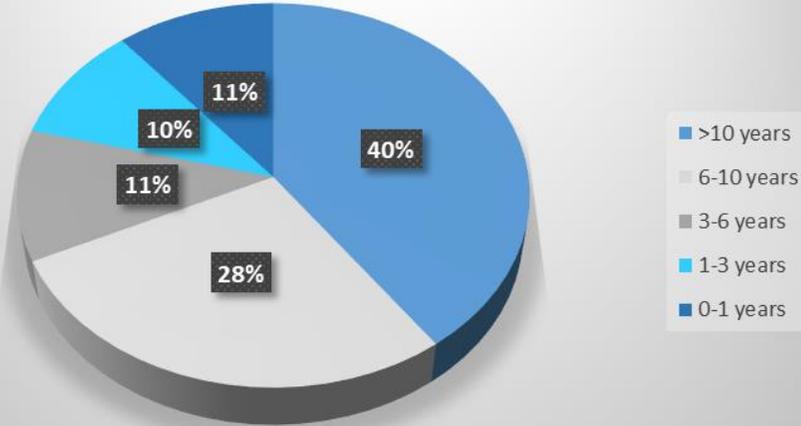
Client longevity



Client longevity as at 31 March 2021 (numbers)



Client longevity as at 31 March 2021 (AUME)



Source: Record Currency Management. Client longevity is the length of continuous service as at 31 March 2021.

Financials

Cost analysis



	FY20 £m	FY21 £m
Personnel (excluding Group Profit Share)	8.6	10.3
Non-personnel cost	5.7	5.4
Administrative expenditure excluding Group Profit Share	14.3	15.7
Group Profit Share	3.5	3.2
Total administrative expenditure	17.8	18.9
Other income and expenditure	(0.1)	0.0
Total expenditure	17.7	18.9



Group Profit Share (GPS) and Share Scheme

Group Profit Share Scheme

- GPS payments linked to individual performance objectives
- GPS Scheme used a Profit Share Pool calculated at 34.3% 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



	FY20 £m	FY21 £m
Management fees	23.1	24.9
Performance fees	1.8	0.1
Other currency services income	0.7	0.4
Total revenue	25.6	25.4
Cost of sales	(0.3)	(0.4)
Gross profit	25.3	25.0
Operating costs (excl. variable remuneration)	(14.3)	(15.7)
Variable remuneration	(3.5)	(3.2)
Other income and expenditure	0.1	0.0
Total expenditure	(17.7)	(18.9)
Operating profit	7.6	6.1
Operating Profit Margin	30%	24%
Net finance income	0.1	0.1
Profit before tax	7.7	6.2
Taxation	(1.3)	(0.8)
Profit after tax	6.4	5.4

Financials

Earnings



	FY20 £m	FY21 £m
Profit before tax	7.7	6.2
Taxation	(1.3)	(0.8)
Profit after tax	6.4	5.4

EPS - Basic	3.26p	2.75p
EPS - diluted	3.26p	2.73p
Total ordinary dividend per share	2.30p	2.30p
Special dividend per share	0.41p	0.45p
Dividend cover (ordinary and special)	1.2x	1.0x

Financials

Balance sheet



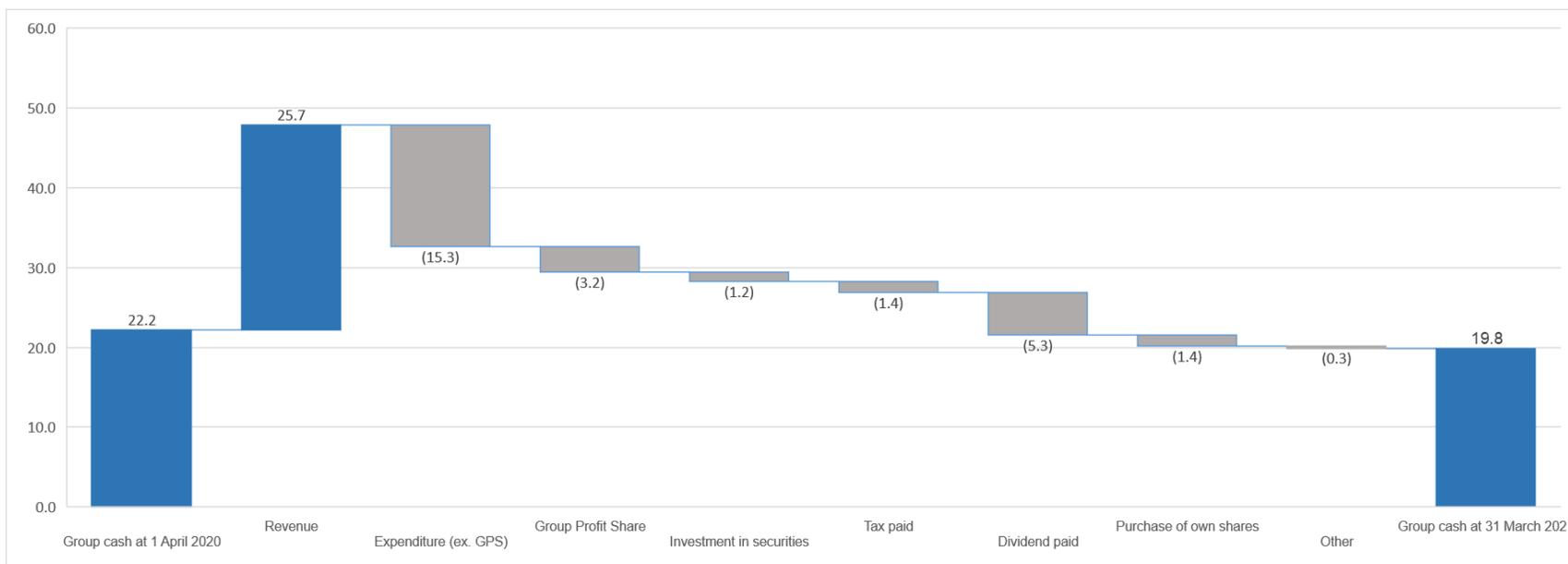
	FY20 £m	FY21 £m
Fixed assets	1.2	1.1
Right to use assets	1.2	0.7
Other investments	2.5	3.1
Deferred tax	-	0.3
Non-current assets	4.9	5.2
Trade and other receivables	8.7	8.0
Derivative financial assets	0.2	0.3
Money market instruments > 3 months	8.0	12.9
Cash and cash equivalents	14.2	6.8
Current assets	31.1	28.0
Current liabilities	(6.9)	(6.0)
Net current assets	24.2	22.0
Lease liability	(0.6)	(0.1)
Other non current liabilities	(0.3)	(0.3)
Net assets	28.2	26.8
Shareholders' equity	28.0	26.8
Non-controlling interest	0.2	0.0
Total equity	28.2	26.8

Financials

Cash



CASH BRIDGE FOR THE YEAR ENDED 31 MARCH 2021 (£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 is 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 2021 includes £3.6 million held by the seed funds (1 April 2020: £4.3 million).



Summary and outlook

- Progress made on implementation of change in strategy in all core areas: growth, modernisation and succession
- Excellent platform for revenue growth into FY-22 provided by highest ever AUME diversified across higher-margin products
- Focus on innovation and client-led product development, including opportunities in sustainable investment
- Operational flexibility and financial resilience achieved during pandemic
- Strong capital position & committed strategy provide solid platform for continued value creation
- Board's confidence in future growth underpinned by Final & Special dividends



Appendices



Record plc Board of Directors

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 the Record plc GroupPrevious experience includes working at Lloyds Bank and Merrill Lynch, where Leslie 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. Steve was promoted to Chief Financial Officer and appointed to the Board in March 2013Previous 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 sinceAcknowledged 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 1994Chair of Odyssean Investment Trust plc and ICG Enterprise Trust plc and is an independent non-executive director of Schroders UK Public Private Trust plc
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 LifeFormerly 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 2018Chair of Schroder UK Public Private Trust, Karus Therapeutics Limited 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



	FY20 £m	FY21 £m
Passive Hedging	58	74
Dynamic hedging	3	4
Hedging	61	78
Currency for Return	9	9
Multi-product	2	2
Other	7	7
Less clients with >1	(7)	(7)
Total	72	89

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

Financials

Concentration



	AUME \$bn	Management Fees	
		£m	%
Clients 1-10	48.9	16.9	67%
Clients 11-20	19.9	5.0	20%
Other	11.3	3.5	13%
Total	80.1	25.4	100%

Hedging mandates

Underlying asset allocation



	Equity	Fixed Income	Other
Passive Hedging	30%	37%	33%
Dynamic Hedging	97%	-%	3%
Multi-product	-%	-%	100%