



**Record plc**  
**Half Year Results Presentation**

**November 2021**

# Disclaimer

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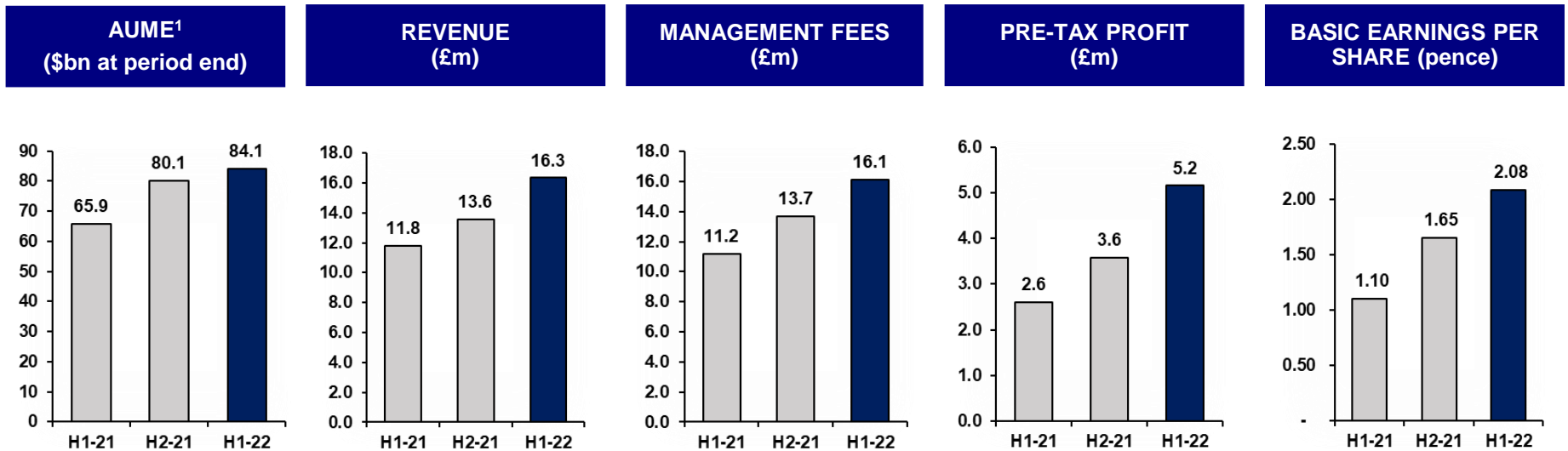
## IMPORTANT INFORMATION

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 up 5% to \$84.1bn (31 March 2021: \$80.1bn)
- Revenue £16.3m (H1-21: £11.8m)
- Management fees £16.1m (H1-21: £11.2m)
- Performance fees £nil (H1-21: £nil)
- Operating profit margin 32% (H1-21: 22%)
- Pre-tax profit £5.2m (H1-21: £2.6m)
- Basic EPS 2.08p per share (H1-21: 1.10p per share)
- Interim dividend of 1.80p per share, payable 30 December 2021
- Shareholders' equity £25.2m at 30 September 2021



1 – The definition of AUME is provided on page 29.



# Agenda

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- Business Strategy
- Product Performance
- Financial Performance

# Growth, diversification and modernisation strategy

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- Diversification, building on strong foundations:
  - Increasing revenue through diversification
  - Improving fees leading to higher margins
  - Expanding suite of products - EM Sustainable Finance Fund and Municipal Loan Fund
  - Building on longstanding client relationships
- Currency manager to asset manager – focusing on client led development opportunities
- Modernisation - increasing operational efficiency and capability through investment in infrastructure and third party systems
- Succession plan continuing to evolve
- Maintain strong capital position to support dividend policy and future investment



## Current environment

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- Opportunities to collaborate with clients and strategic partners on innovative new products (EM Sustainable Finance Fund and Municipal Loan Fund).
- Significant refresh of management team in pursuit of a performance culture and growth agenda
- Diversification opportunities both in client type (asset management) and geography (Europe and Asia)
- Stable client base with opportunities to expand relationships
- Technological advances give opportunities to enhance client experience, and improve productivity and employee work patterns



# Record's products and services

## Bespoke solutions for our clients

**Currency Risk Management**  
Offering bespoke hedging solutions to clients

<b>Dynamic Hedging</b> Since 1983	<b>Passive Hedging</b> Since 1999
<b>Enhanced Passive Hedging</b> Since 2014	<b>Signal Hedging</b> Since 2016
<b>Emerging Market Hedging</b> Since 2018	<b>Audit and Fiduciary Execution (inc. EM FX)</b> Since 2003
<b>Counterparty ESG selection</b>	

**Return-Seeking Currency Strategies**  
Offering factor-based and absolute return strategies

### Currency Multi-Strategy

Since 2012

<b>Carry</b> Since 2003	<b>ESG and Impact Investing</b>
<b>Momentum</b> Since 2012	
<b>Value</b> Since 2012	
<b>Range-Trading</b> Since 2018	
<b>Emerging Markets</b> Since 2009	

**Return-Seeking Strategies**  
Offering diversified return strategies

<b>EM Sustainable Finance Strategy</b> Since 2021
<b>Supply Chain Finance Strategy</b> Since 2020
<b>Local Currency EM Debt</b> Since 2019
<b>UK Real Rates Strategy</b> Since 2019
<b>Enhanced Liquidity Management</b> Since 2017



# Agenda

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- Business Strategy
- Product Performance
- Financial Performance



# Enhanced Passive Hedging

## Performance



- 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 half year to 30 September 2021	Return since inception p.a.
Value added by enhanced Passive Hedging programme relative to a fixed-tenor benchmark	(0.01%)	0.08%

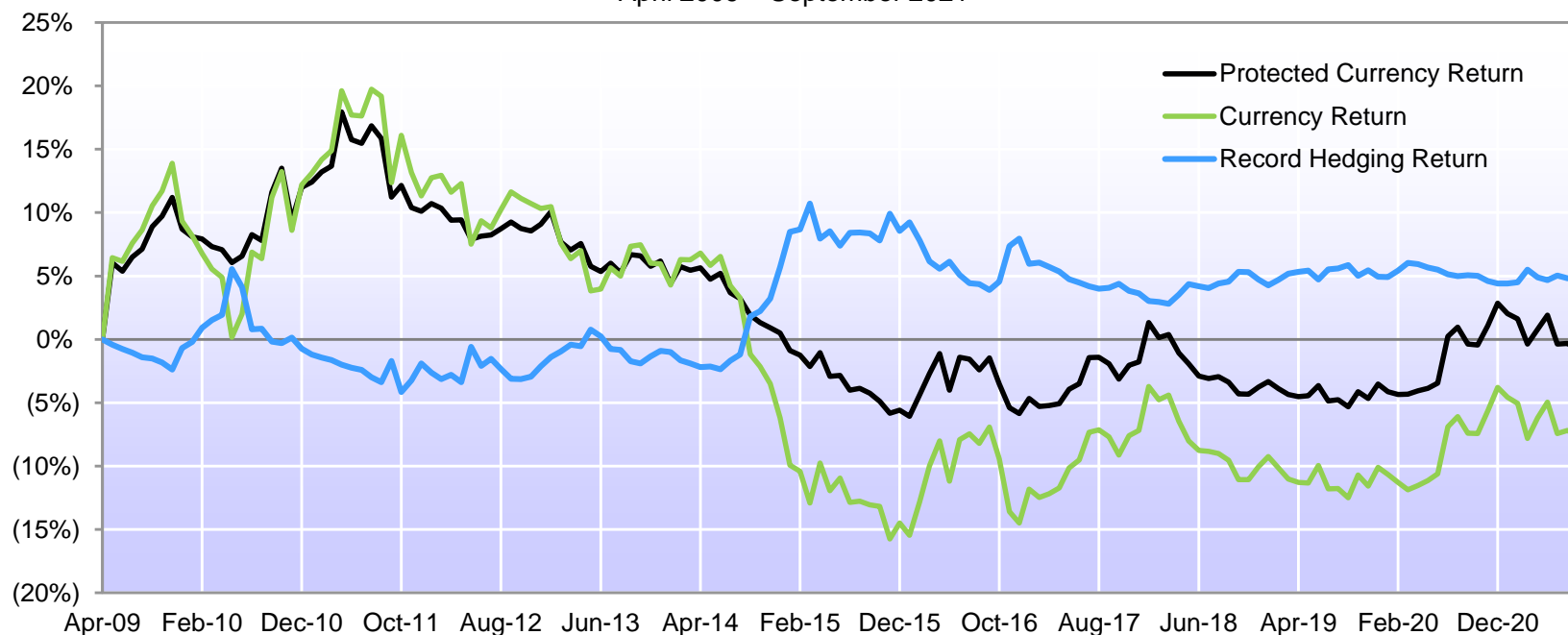
Source: Record Currency Management. Data from October 2014 to September 2021. Live track record based on a fixed-tenor costed benchmark.

# US Dynamic Hedging client

## Performance



**US Dynamic Hedging Client**  
April 2009 – September 2021



<i>As at September 2021</i>	Protected Currency Return	Currency Return	Record Hedging Return
Inception to date (cum.)	(1.93%)	(9.21%)	5.42%
Inception to date (ann.)	(0.16%) p.a.	(0.77%) p.a.	0.43% 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 30 September 2021.

# Multi-Strategy

## Performance



**Record Multi-Strategy approach**  
July 2012 – September 2021



<i>As at September 2021</i>	<b>Multi-Strategy</b>
Returns (cum.)	9.50%
Returns (ann.)	1.00% p.a.
Volatility	3.13% p.a.

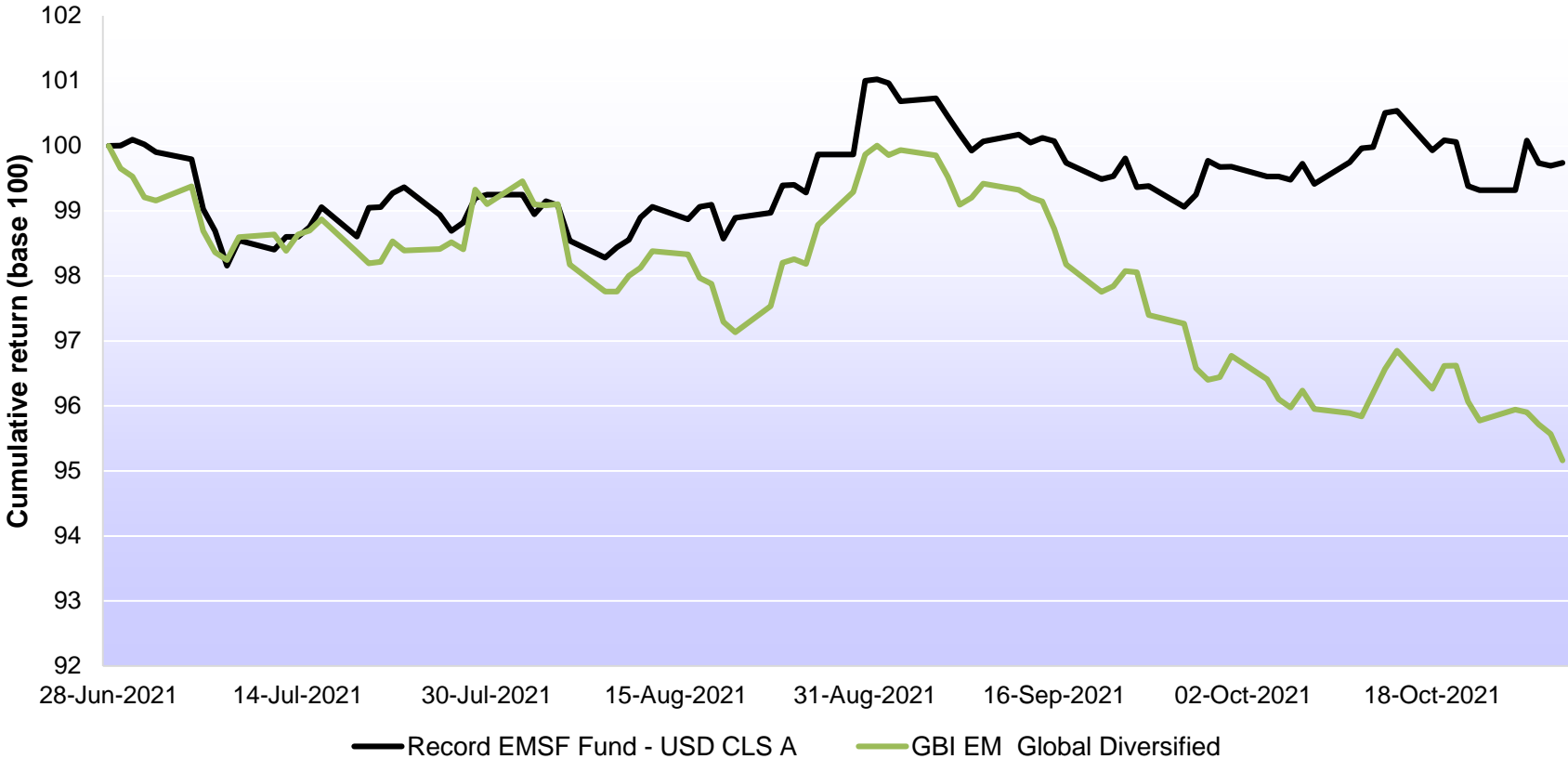
Source: Record Currency Management and Bloomberg. The performance of the multi-strategy is based on a combination of live and third party index returns for the individual strands from 31 Jul 2012 to 30 Sep 2016. Thereafter, performance is based on live composite returns. Performance has been scaled to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

# Record EM Sustainable Finance Fund (EMSF)

## Performance



Record EM Sustainable Finance Fund performance since inception (28 June 21) to 31 October 21



Source: Record. Data as at 29 October 2021.

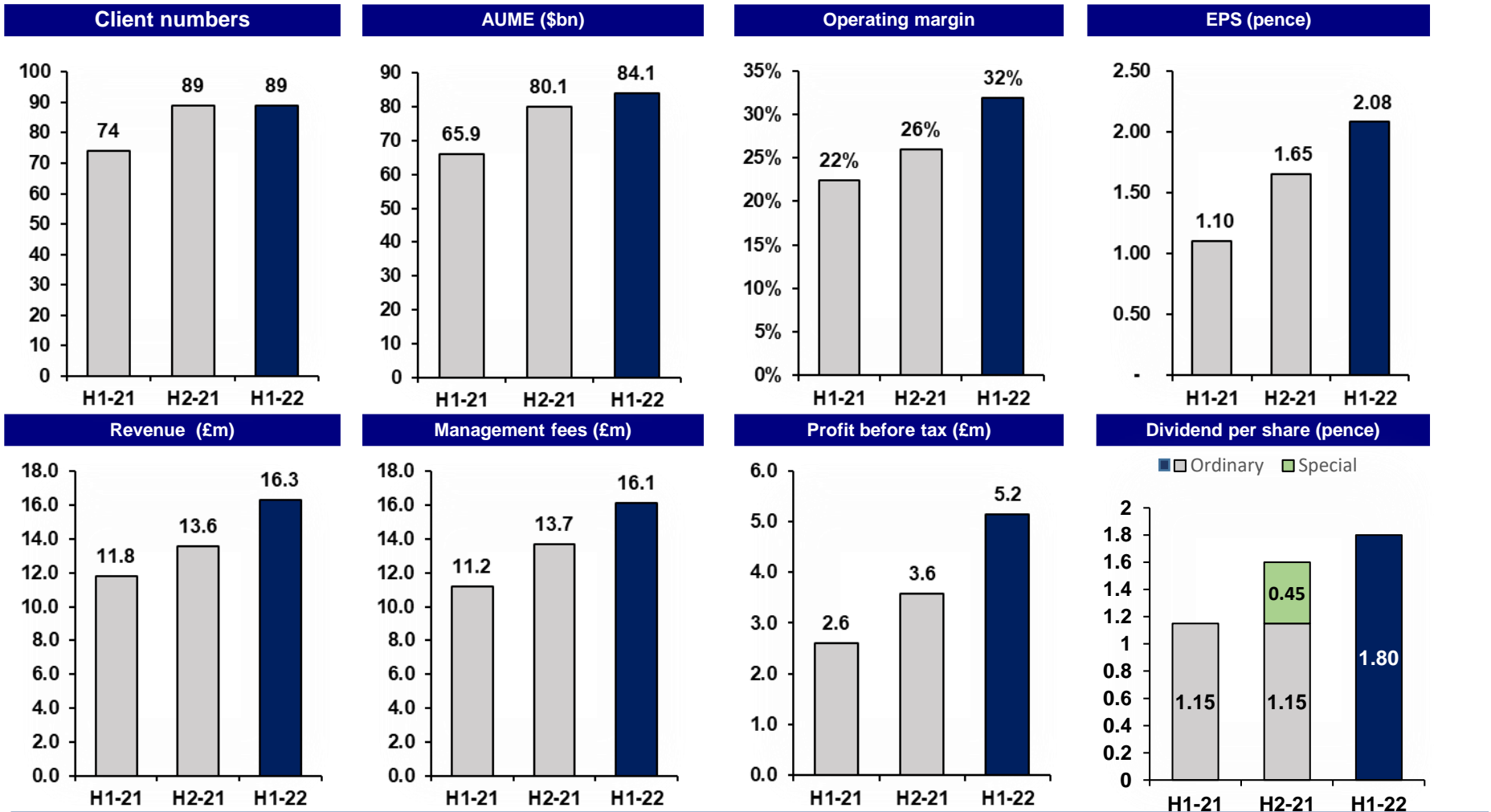


# Agenda

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- Business Strategy
- Product Performance
- Financial Performance

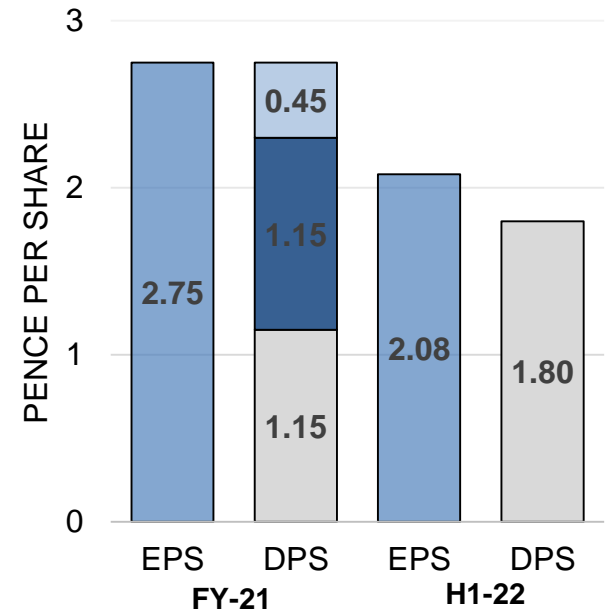
# Financial KPIs



Note: £0.4m of income from a tactical bespoke mandate was transferred from Other currency services income to Management fees in H2-21.

# Dividend policy

- Interim dividend increased by 56% for H1-22 to 1.80p per share to be paid in December 2021(H1-21: 1.15p)
- Total ordinary dividend for FY-21: 2.30 pence per share
- Special dividend for FY-21 of 0.45 pence per share
- Dividend policy
  - Progressive ordinary dividend policy
  - Continue considering returning any excess of annual 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



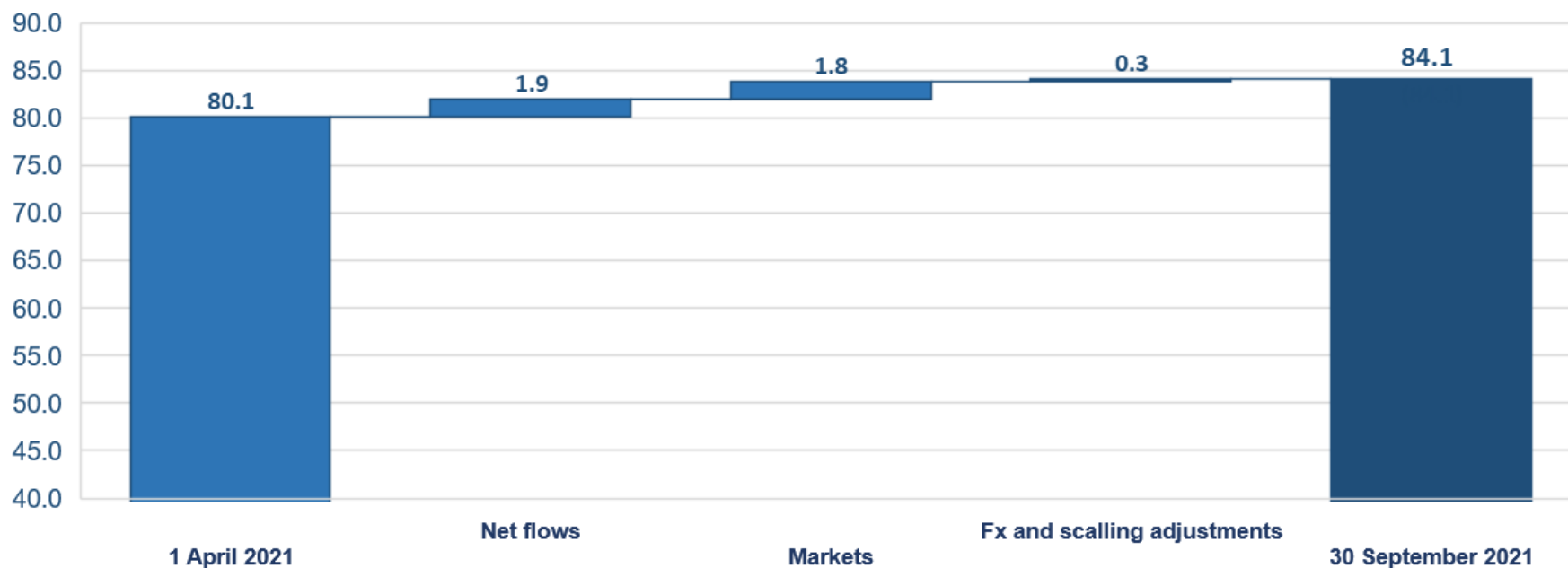
- Special dividend
- Final ordinary dividend
- Interim ordinary dividend
- Earnings

# Financials

## AUME movement



**AUME bridge for the 6 months ended 30 September 2021 (\$bn)**



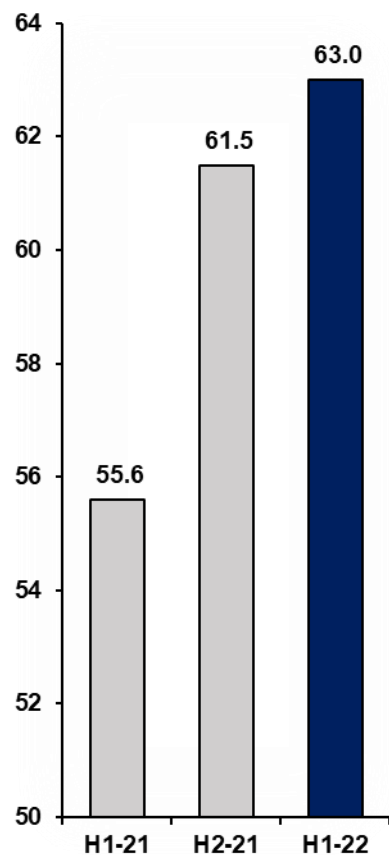


# AUME

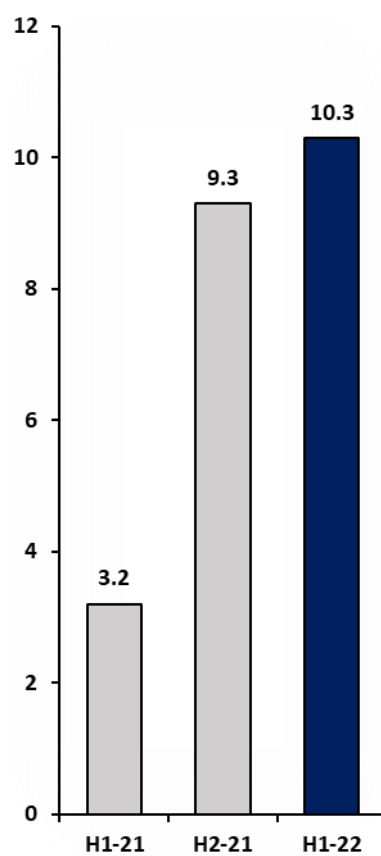
## By product



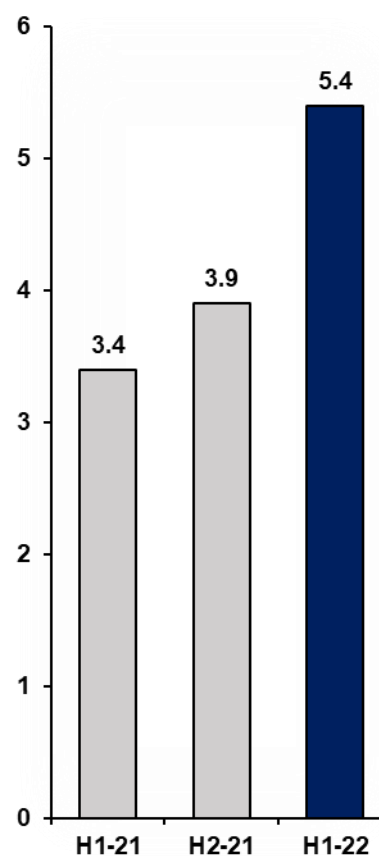
Passive Hedging (\$bn)



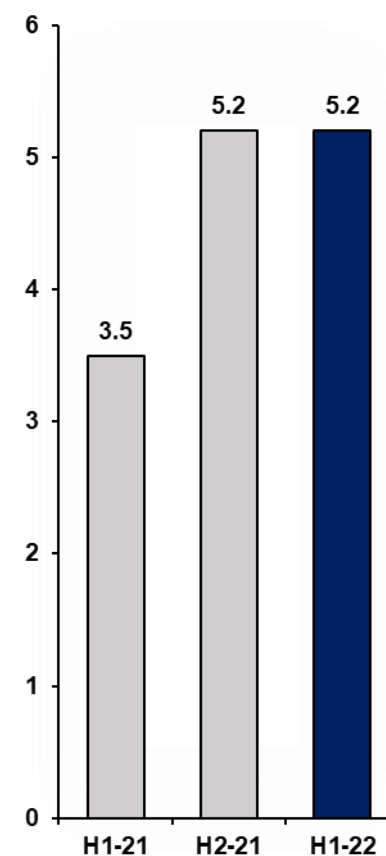
Dynamic Hedging (\$bn)



Currency for Return (\$bn)



Multi-product (\$bn)

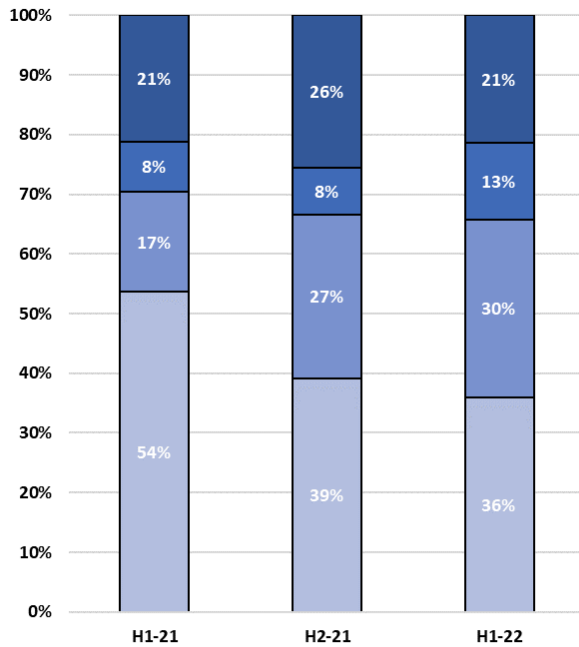


# Financials

## Management fee analysis

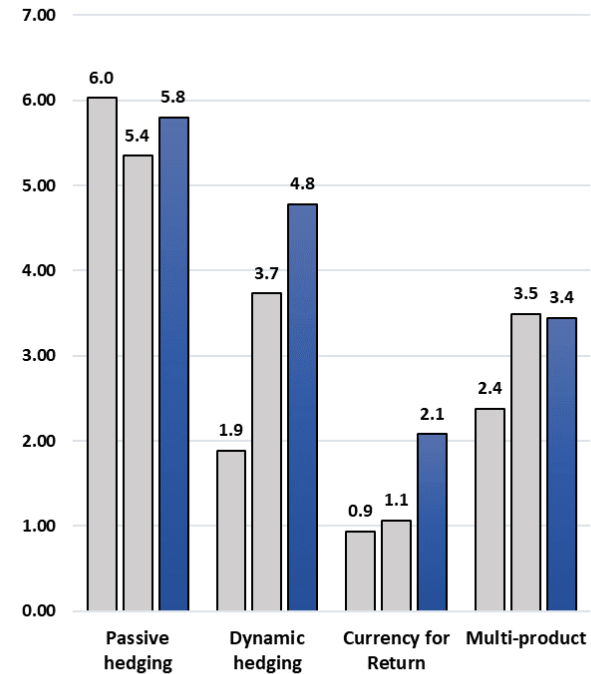


### Management Fees Analysis by Product



■ Passive hedging 
 ■ Dynamic hedging 
 ■ Currency for Return 
 ■ Multi-product

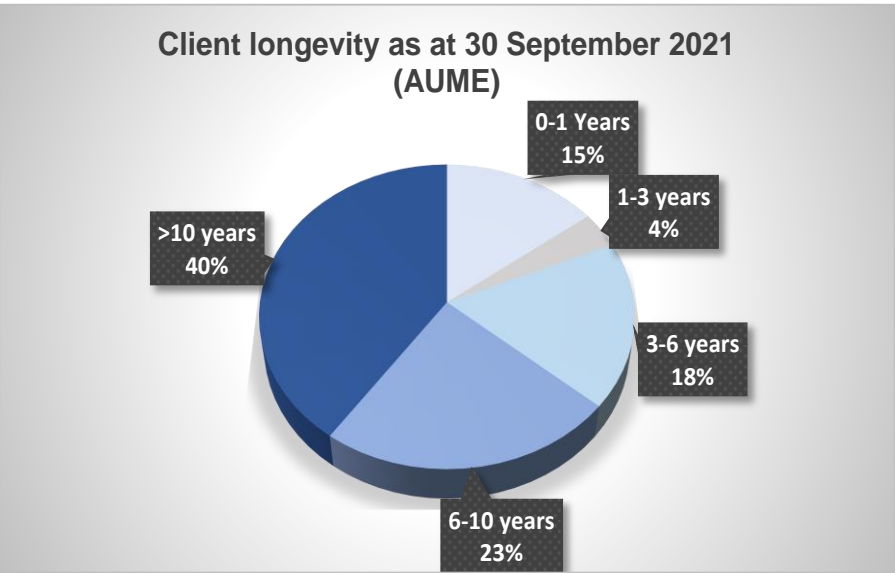
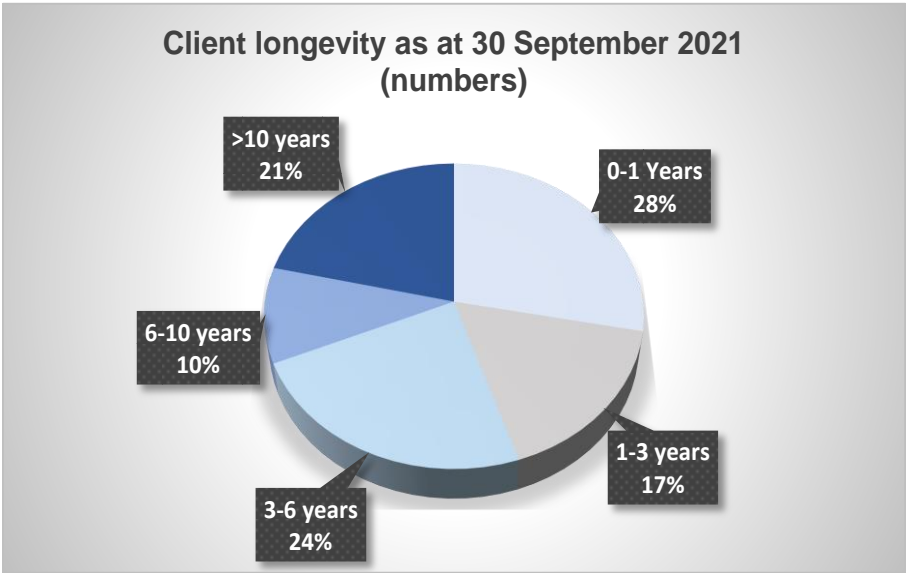
### Management Fees by Product (£m)



■ H1-21 
 ■ H2-21 
 ■ H1-22

# Financials

## Client longevity



Source: Record Currency Management. Client longevity is the length of continuous service as at 30 September 2021.

# Financials

## Cost analysis



	H1-21	H2-21	H1-22
	£m	£m	£m
Personnel (excluding Group Profit Share)	5.0	5.3	5.0
Non-personnel cost	2.7	2.7	2.9
<b>Administrative expenditure excluding Group Profit Share</b>	<b>7.7</b>	<b>8.0</b>	<b>7.9</b>
Group Profit Share	1.3	1.9	2.8
<b>Total administrative expenditure</b>	<b>9.0</b>	<b>9.9</b>	<b>10.7</b>
Other income and expenditure	-	-	0.3
<b>Total expenditure</b>	<b>9.0</b>	<b>9.9</b>	<b>11.0</b>



# Group Profit Share (GPS) and Share Scheme

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## Group Profit Share Scheme

- GPS payments linked to individual performance objectives
- GPS Scheme used a Profit Share Pool calculated at 35% 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
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# Financials

## Income statement



	H1-21 £m	H2-21 £m	H1-22 £m
Management fees	11.2	13.7	16.1
Performance fees	0.0	0.1	0.0
Other currency services income	0.6	(0.2)	0.2
<b>Total revenue</b>	<b>11.8</b>	<b>13.6</b>	<b>16.3</b>
Cost of sales	(0.2)	(0.2)	(0.2)
<b>Gross profit</b>	<b>11.6</b>	<b>13.4</b>	<b>16.1</b>
Operating costs (excl. variable remuneration)	(7.7)	(8.0)	(7.9)
Variable remuneration	(1.3)	(1.9)	(2.8)
Other income and expenditure	-	-	(0.3)
<b>Total expenditure</b>	<b>(9.0)</b>	<b>(9.9)</b>	<b>(11.0)</b>
<b>Operating profit</b>	<b>2.6</b>	<b>3.5</b>	<b>5.2</b>
<b>Operating Profit Margin</b>	<b>22%</b>	<b>26%</b>	<b>32%</b>
Net finance income	-	0.1	-
<b>Profit before tax</b>	<b>2.6</b>	<b>3.6</b>	<b>5.2</b>
Taxation	(0.5)	(0.3)	(1.2)
<b>Profit after tax</b>	<b>2.1</b>	<b>3.3</b>	<b>4.0</b>

Note: £0.4m of income from a tactical bespoke mandate was transferred from Other currency services income to Management fees in H2-21.

# Financials

## Earnings



	H1-21 £m	H2-21 £m	H1-22 £m
<b>Profit before tax</b>	<b>2.6</b>	<b>3.6</b>	<b>5.2</b>
Taxation	(0.5)	(0.3)	(1.2)
<b>Profit after tax</b>	<b>2.1</b>	<b>3.3</b>	<b>4.0</b>
EPS - Basic	1.10p	1.65p	2.08p
EPS - diluted	1.10p	1.63p	2.01p
Total ordinary dividend per share	1.15p	1.15p	1.80p
Special dividend per share	-	0.45p	-
<b>Dividend cover (ordinary and special)</b>	<b>0.96x</b>	<b>1.02x</b>	<b>1.16x</b>

# Financials

## Balance sheet



	H1-21 £m	H2-21 £m	H1-22 £m
Fixed assets	1.1	1.1	0.9
Right to use assets	0.9	0.7	0.4
Other investments	2.8	3.1	3.2
Deferred tax	-	0.3	0.5
<b>Non-current assets</b>	<b>4.8</b>	<b>5.2</b>	<b>5.0</b>
Trade and other receivables	7.3	8.0	8.8
Derivative financial assets	0.2	0.3	-
Money market instruments > 3 months	12.5	12.9	5.9
Cash and cash equivalents	6.8	6.8	11.4
<b>Current assets</b>	<b>26.8</b>	<b>28.0</b>	<b>26.1</b>
<b>Current liabilities</b>	<b>(5.1)</b>	<b>(6.0)</b>	<b>(5.8)</b>
<b>Net current assets</b>	<b>21.7</b>	<b>22.0</b>	<b>20.3</b>
Lease liability	(0.4)	(0.1)	-
Other non current liabilities	(0.2)	(0.3)	(0.1)
<b>Net assets</b>	<b>25.9</b>	<b>26.8</b>	<b>25.2</b>
Shareholders' equity	25.8	26.8	25.2
Non-controlling interest	0.1	-	-
<b>Total equity</b>	<b>25.9</b>	<b>26.8</b>	<b>25.2</b>

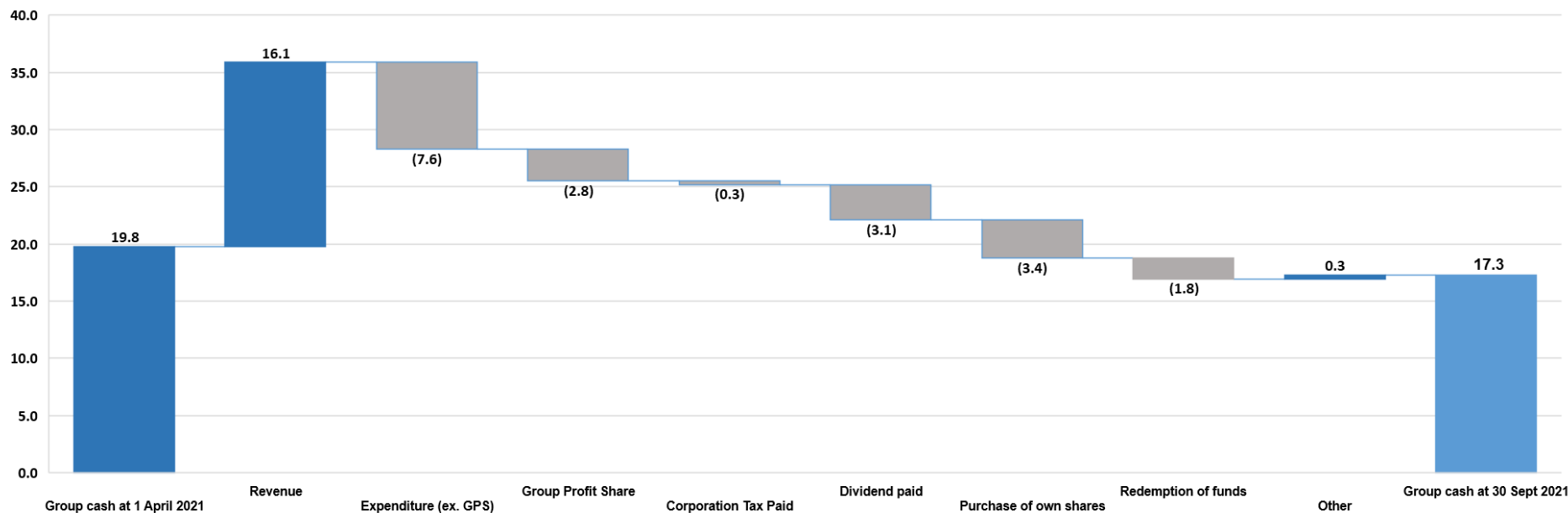


# Financials

## Cash



### CASH BRIDGE FOR THE 6 MONTHS ENDED 30 SEPTEMBER 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.
- In June 2021 Record closed the Record Umbrella Funds. Investors in the funds were paid £3.6m, of which Record received £1.8m.



# Summary and outlook

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- Progress made on implementation of change in strategy in all core areas: growth, modernisation and succession
- Excellent platform for revenue growth into H2-22 provided by high AUME diversified across higher-margin products plus strong pipeline and new product launch anticipated in Q4-22
- Focus on innovation and client-led product development, including further opportunities in sustainable investment
- Operational flexibility and financial resilience achieved during pandemic now embedded
- Continuing to invest for future growth
- Strong capital position & committed strategy provide solid platform for continued value creation
- Board's confidence in strategy underpinned by increased interim ordinary dividend

# Appendices

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# Record plc Board of Directors

## Executive management

Name	Position	Experience
<b>Leslie Hill</b>	Chief Executive Officer	<ul style="list-style-type: none"><li>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 Group</li><li>Previous experience includes working at Lloyds Bank and Merrill Lynch, where Leslie was Director and Head of Corporate Foreign Exchange Sales worldwide</li></ul>
<b>Steve Cullen</b>	Chief Financial Officer	<ul style="list-style-type: none"><li>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</li><li>Previous experience: 15 years of audit experience gained in public practice</li></ul>

## Non-executive Directors

Name	Position	Experience
<b>Neil Record</b>	Chairman	<ul style="list-style-type: none"><li>Founded Record in 1983; principal shareholder and Chairman ever since</li><li>Acknowledged as one of the leading figures in the currency investment management industry</li></ul>
<b>Tim Edwards</b>	Non-Executive Director (Senior independent director)	<ul style="list-style-type: none"><li>Appointed as a Non-executive Director on 21 March 2018</li><li>Chair of Schroder UK Public Private Trust plc, Storm Therapeutics Limited and Karus Therapeutics Limited and a non-executive director of AstronauTX Limited</li></ul>
<b>Matt Hotson</b>	Non-Executive Director (independent)	<ul style="list-style-type: none"><li>Appointed as a Non-executive Director on 30 July 2021</li><li>Currently Chief Financial Officer of Arrow Global Group Plc. 25 years at FTSE 100 Company experience. His experience spans core finance, strategy, investor relations and business leadership gained from Arrow Global plc, RSA insurance Group plc, Cable and Wireless Worldwide plc and Legal and General Group plc.</li></ul>
<b>Krystyna Nowak</b>	Non-Executive Director (independent)	<ul style="list-style-type: none"><li>Appointed as a Non-executive Director on 16 September 2021</li><li>Currently a partner at Ridgeway, having previously been Managing Director of Norman Broadbent. Krystyna is also the Senior Independent Director at Aberdeen Asian Income Fund Ltd (AAIF). Prior to this, Krystyna worked at Citigroup in a variety of senior roles across shipping finance, oil project finance and risk management, in Europe and Asia.</li></ul>



# AUME definition

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- **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 segregated clients; or
    - the Net Asset Value where Record acts as Investment Manager to a Fund.
  - **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.
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# Financials

## Client numbers



	30 Sep 20	31 Mar 21	30 Sep 21
Passive Hedging	60	74	76
Dynamic Hedging	3	4	5
<b>Hedging</b>	<b>63</b>	<b>78</b>	<b>81</b>
Currency for Return	9	9	7
Multi-product	2	2	2
Other	7	7	10
Less clients with >1 product	(7)	(7)	(11)
<b>Total</b>	<b>74</b>	<b>89</b>	<b>89</b>

Notes: total of client numbers by product type is greater than total client numbers due to some clients having more than one account.

# Financials

## Concentration



	AUME \$bn	Management Fees	
		£m	%
Clients 1-10	54.1	12.0	74%
Clients 11-20	19.0	3.0	19%
Other	11.0	1.1	7%
<b>Total</b>	<b>84.1</b>	<b>16.1</b>	<b>100%</b>

# Hedging mandates

## Underlying asset allocation



	Equity	Fixed Income	Other
Passive Hedging	30%	34%	36%
Dynamic Hedging	91%	-%	9%
Multi-product	-%	-%	100%