



Record plc

Interim results

Six months to 30 September 2014

14 November 2014



Disclaimer

IMPORTANT INFORMATION

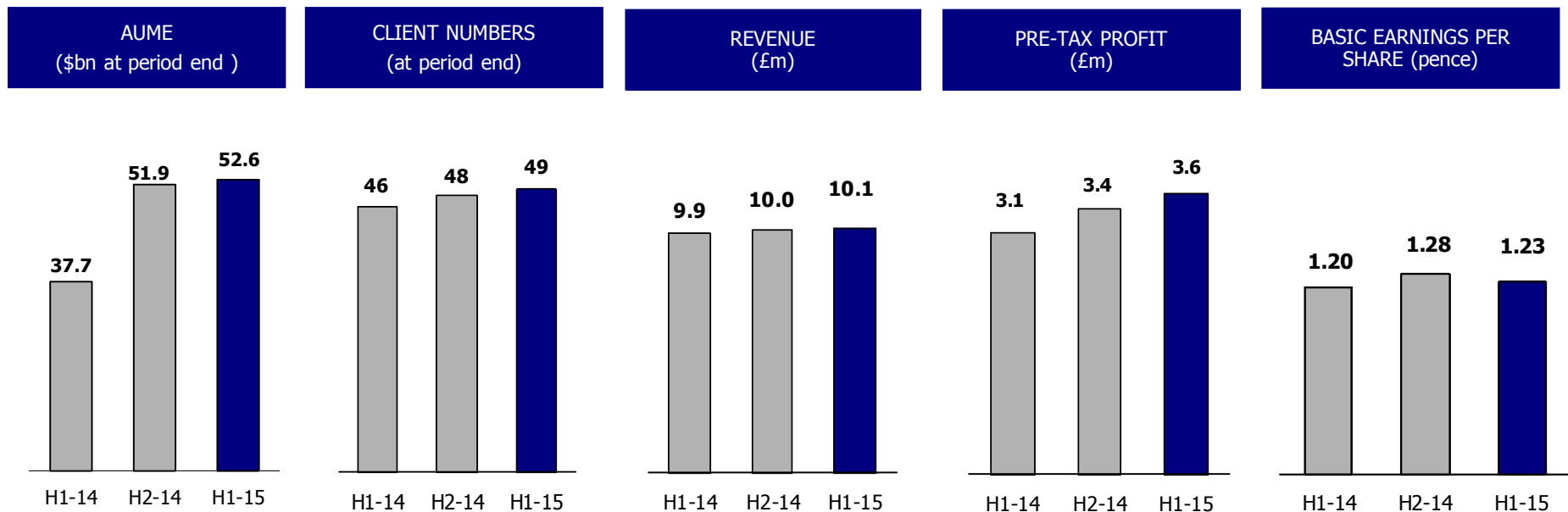
This document does not constitute an offer to sell or an invitation to buy shares in Record plc or any other invitation or inducement to engage in investment activities. Certain statements, beliefs and opinions in this document are forward-looking, which reflect the Company's current expectations and 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

- Revenue of £10.1m (up 2% on H1-14)
- Pre-tax profit £3.6m (up 16% on H1-14)
- Underlying pre-tax profit of £3.4m (H1-14: £3.4m)
- AUME \$52.6bn at 30 September 2014 up 1% in H1-15
- Shareholders' equity £30.4m at 30 September 2014
- Client numbers up from 48 to 49 in H1-15
- Management fees £9.7m (down 6% on H1-14)
- Underlying operating profit margin of 34% (H1-14: 33%)
- Basic EPS 1.23p per share (H1-14: 1.20p per share, up 3%)
- Interim dividend of 0.75p per share, payable on 19 December 2014
- Subject to business conditions the Board intends to propose a final dividend of 0.75p





Business strategy



Developments and opportunities

■ Key developments

- Continued divergence in central bank policy and a rise in volatility in currency markets generate new interest in Currency for Return strategies
- Our return-seeking strategies have all performed positively over the six-month period, including the Multi-Strategy product which enters its third year of live track record
- Continued growth in Passive Hedging AUME and revenues
- Continue to seek to offset the impact of fee reductions undertaken part-way through the prior financial year, as well as the loss of a Dynamic Hedging mandate

■ New business opportunities

- New business enquiries more widely diversified across client geography and product type than for many years
- The Group's product suite is well placed to take advantage of such opportunities



Strategy

- Maintain focus on currency and short-term interest rate management
- Sustained marketing effort in US, UK and Switzerland
- Focus on further new sales
- Deliver diversification benefits from expanded product offering
- Enhancement of Hedging products and Currency for Return products
- Preserving cash



Diversified product suite

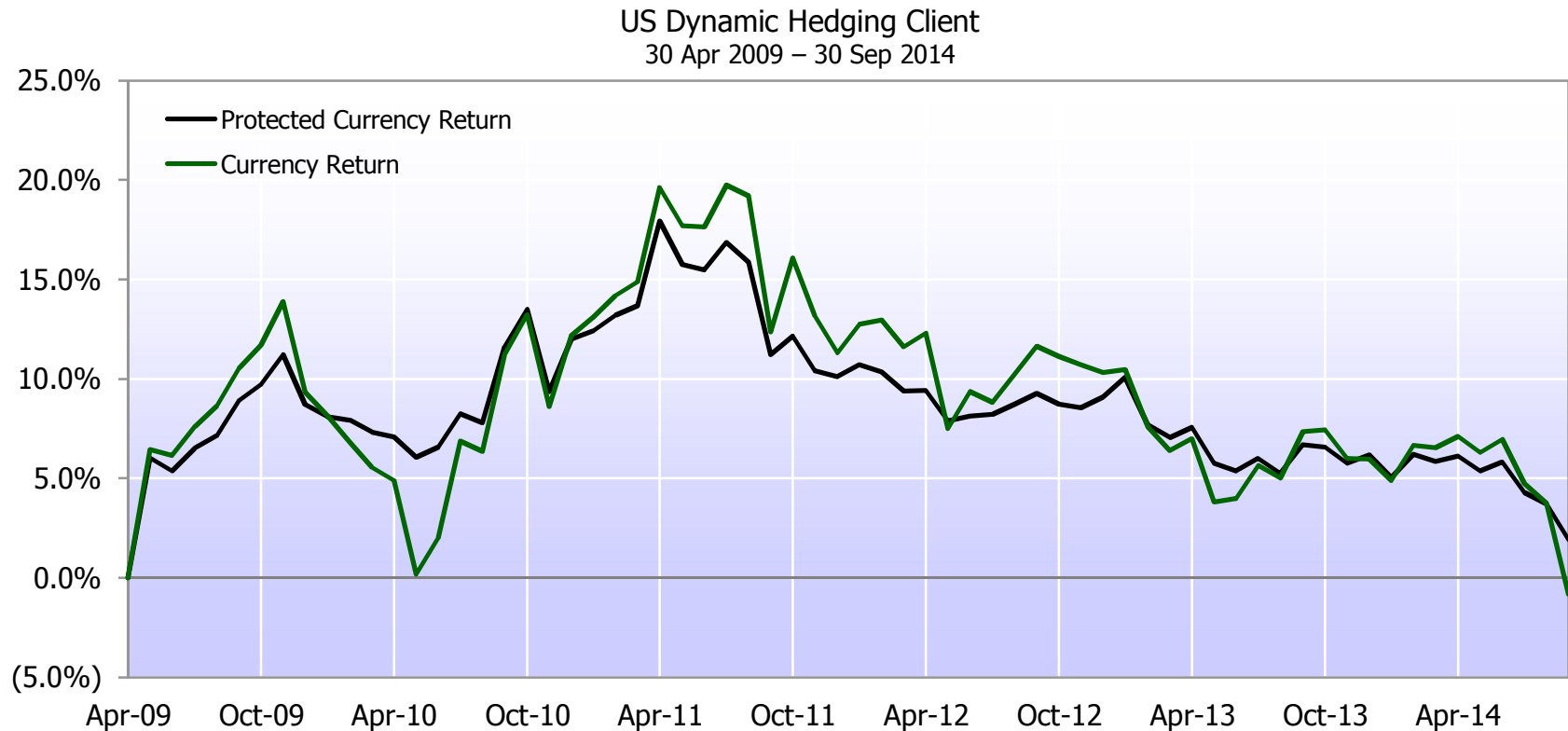
■ Current product range

- Hedging
 - Dynamic Hedging First Live Programme 1983
 - Passive Hedging First Live Programme 1999
- Currency for Return
 - FRB Alpha First Live Programme February 2003
 - FRB Beta First Live Programme September 2009
 - Emerging Markets First Live Programme November 2009
 - Currency Momentum First Live Programme July 2012
 - Currency Value First Live Programme July 2012
 - Multi-Strategy First Live Programme July 2012



Product Performance

Performance of a US Dynamic Hedging Client



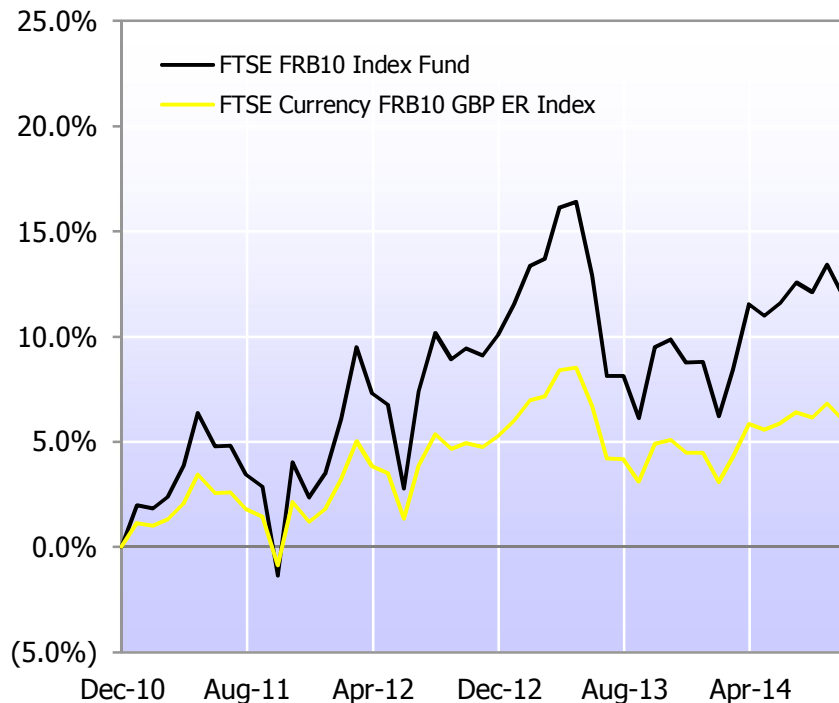
As at 30 Sep 2014	Protected Currency Return	Currency Return
Inception to date (cum.)	1.9%	(0.8%)%
Inception to date (ann.)	0.4% p.a.	(0.2%) p.a.

Source: Record Currency Management and WM/Reuters. Protected currency return is calculated as the weighted average currency return plus the contribution from hedging. Data is cumulative from 30 Apr 2009 to 30 Sep 2014.



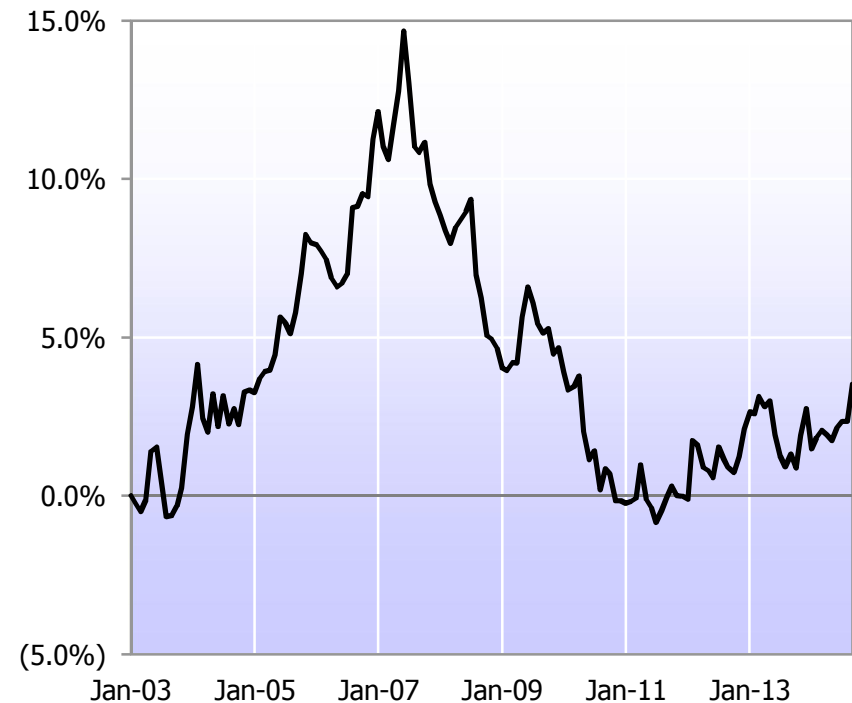
FRB10 Fund and Alpha Composite Performance

Record Currency FTSE FRB10 Index Fund
01 Dec 2010 - 30 Sep 2014



As at 30 Sep 2014	FTSE FRB10 Index Fund (x1.8)
Inception to date (cum.)	11.9%
Inception to date (ann.)	3.0% p.a.

Alpha Composite
31 Jan 2003 - 30 Sep 2014



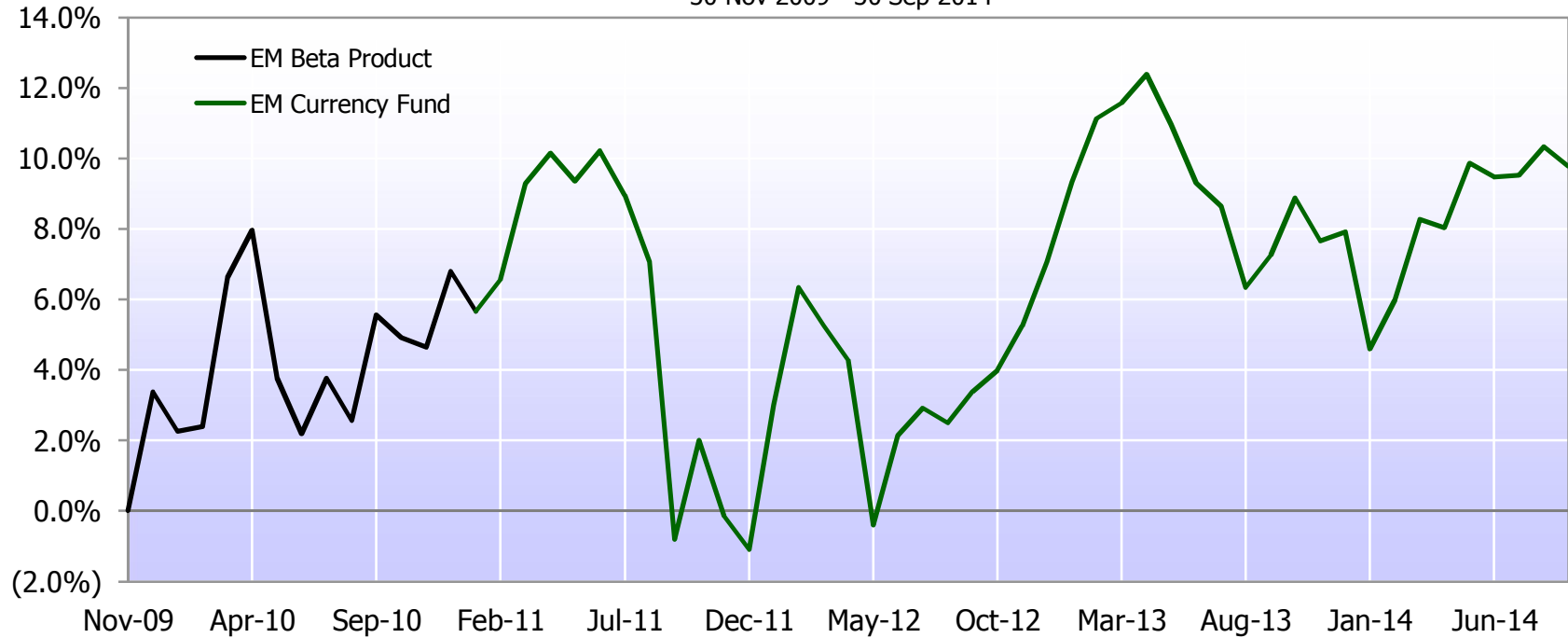
As at 30 Sep 2014	Alpha Composite
Inception to date (cum.)	3.5%
Inception to date (ann.)	0.3% p.a.

Source: Record Currency Management, FTSE International Ltd. Returns to 30 Sep 2014. Returns of all clients in the Alpha composite are weighted in US dollars and scaled to a gearing ratio of one. The volatility of returns will be greater if higher leverage is applied.



Record's Emerging Market Currency Strategy

Record Emerging Market Strategy
30 Nov 2009 - 30 Sep 2014

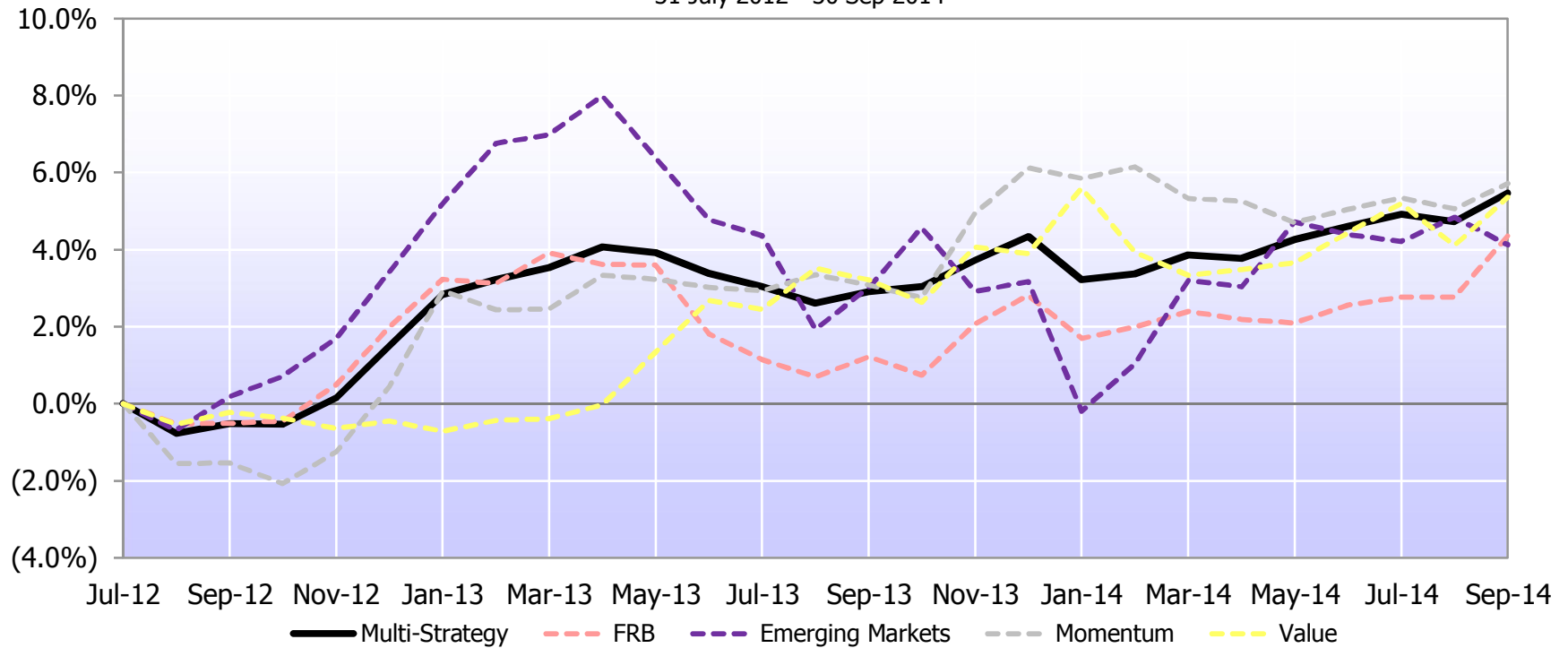


As at 30 Sep 2014	Emerging Market Strategy
Inception to date (cum.)	9.8%
Inception to date (ann.)	1.9% p.a.

Source: Record Currency Management. Total returns based on EM Beta product from 30 Nov 2009 to 31 Dec 2010 and Record EM currency fund from 01 Jan 2011 to 30 Sep 2014.

Multi-Strategy Performance

Record Multi-Strategy approach
31 July 2012 - 30 Sep 2014



As at 30 Sep 2014	Multi-Strategy	FRB	Emerging Markets	Momentum	Value	DBCR +*
Inception to date (cum.)	5.5%	4.4%	4.1%	5.7%	5.4%	0.2%
Inception to date (ann.)	2.5% p.a.	2.0% p.a.	1.9% p.a.	2.6% p.a.	2.4% p.a.	0.1% p.a.

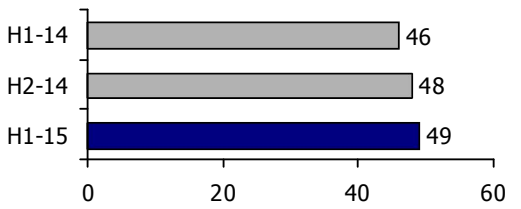
Source: Record Currency Management and Bloomberg. Record Multi-Strategy based on cumulative returns from 31 Jul 2012 to 30 Sep 2014 for a live mandate in CAD base. *Deutsche Bank currency index excess returns in CAD: equally weighted strategies in Carry (includes EM currencies), Momentum and Value.



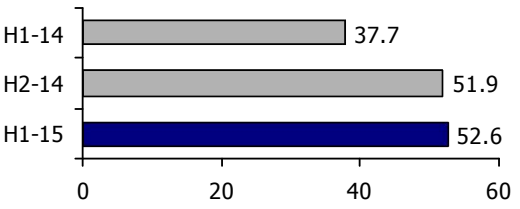
Financial Performance

Financial KPIs

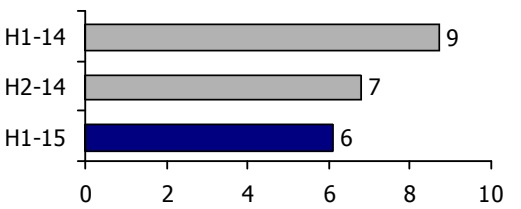
Client numbers at period end



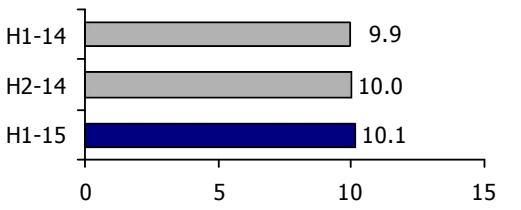
AUME (\$bn) at period end



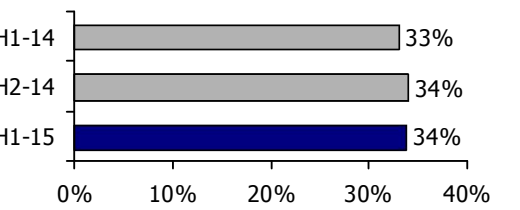
Average management fee rates (bps)



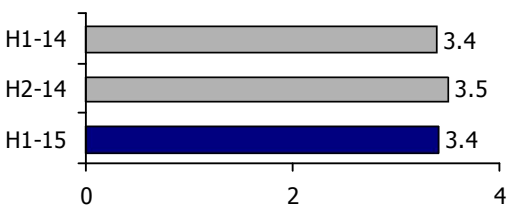
Revenue (£m)



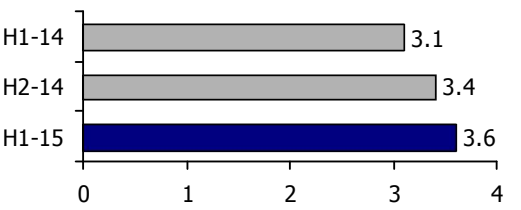
Underlying operating margin



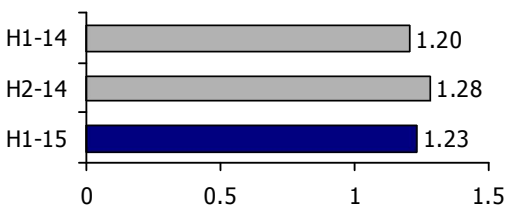
Underlying profit before tax (£m)



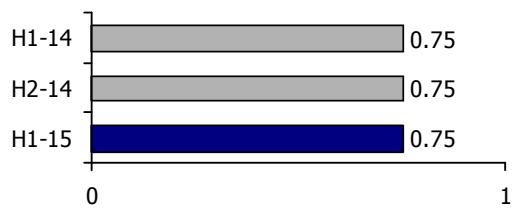
Profit before tax (£m)



EPS (pence)



Dividend (pence per share)





Financials – client numbers

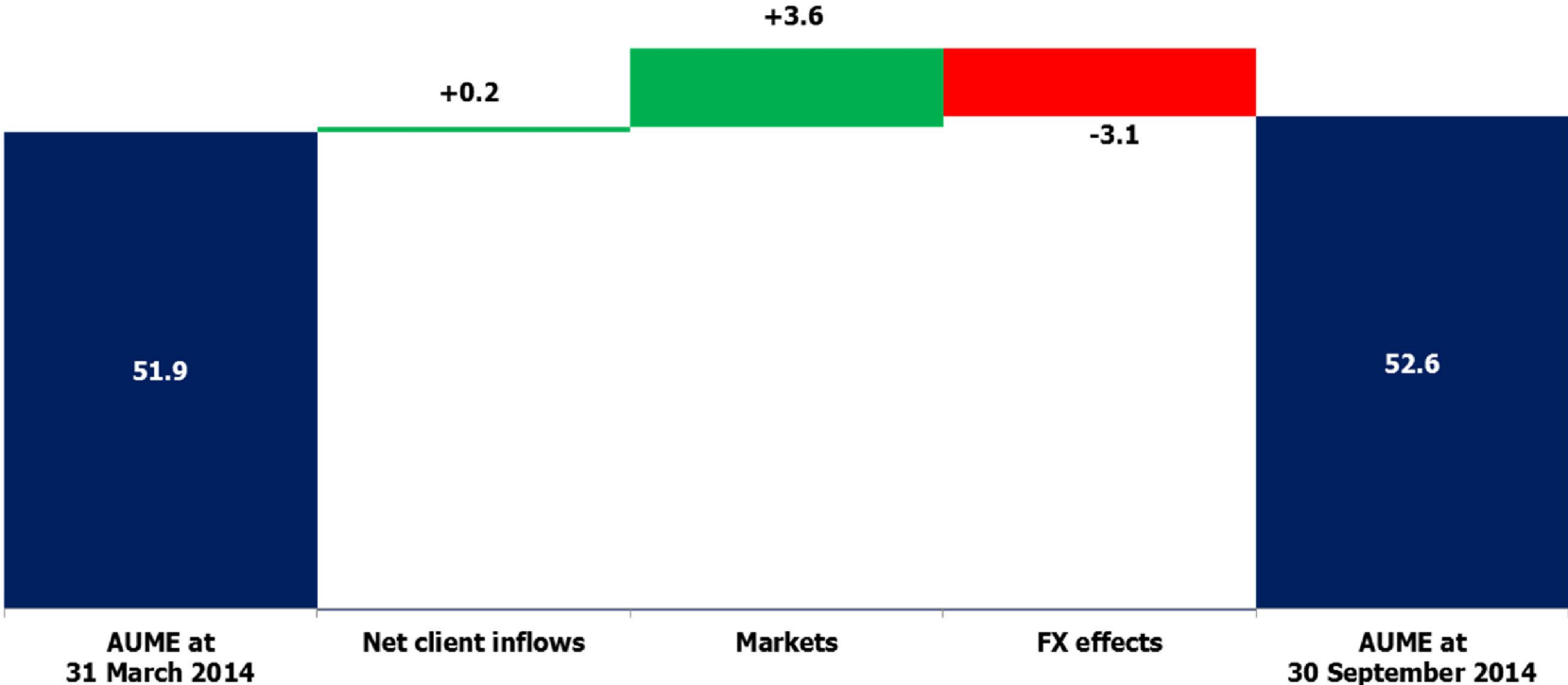
Client numbers

	30 Sep 13	31 Mar 14	30 Sep 14
Dynamic Hedging	9	12	11
Passive Hedging	26	28	27
Hedging	35	40	38
Currency for Return	15	13	15
Other currency management services	1	-	-
Less clients with >1 product	(5)	(5)	(4)
Total	46	48	49

Note: total of client numbers by product type is greater than total client numbers due to some clients having more than one account; for pooled fund client numbers look through pooled funds to individual investor level.

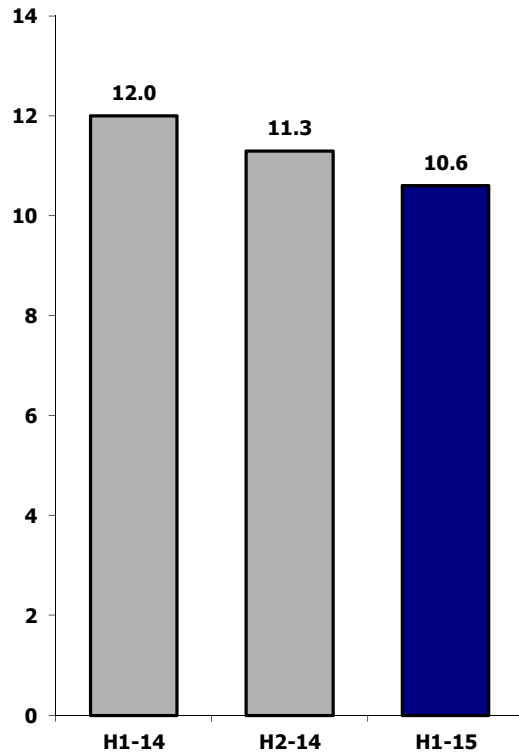
Financials – AUME movement

AUME bridge for the six months ended 30 September 2014 (\$bn)

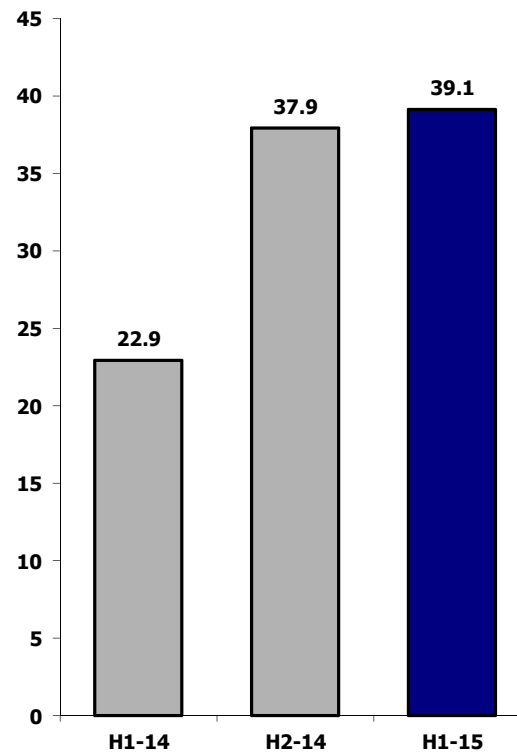


AUME by product at period end

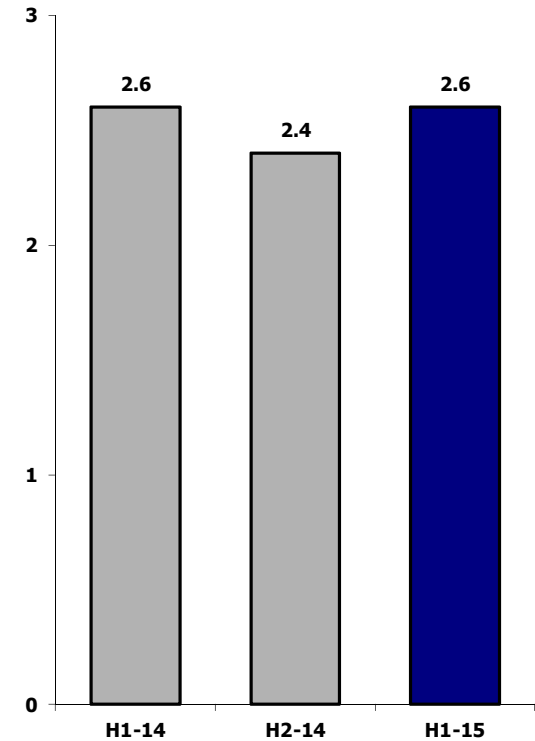
Dynamic Hedging (\$bn)



Passive Hedging (\$bn)



Currency for Return (\$bn)





Hedging mandates – underlying assets

Composition of assets underlying the Hedging mandates

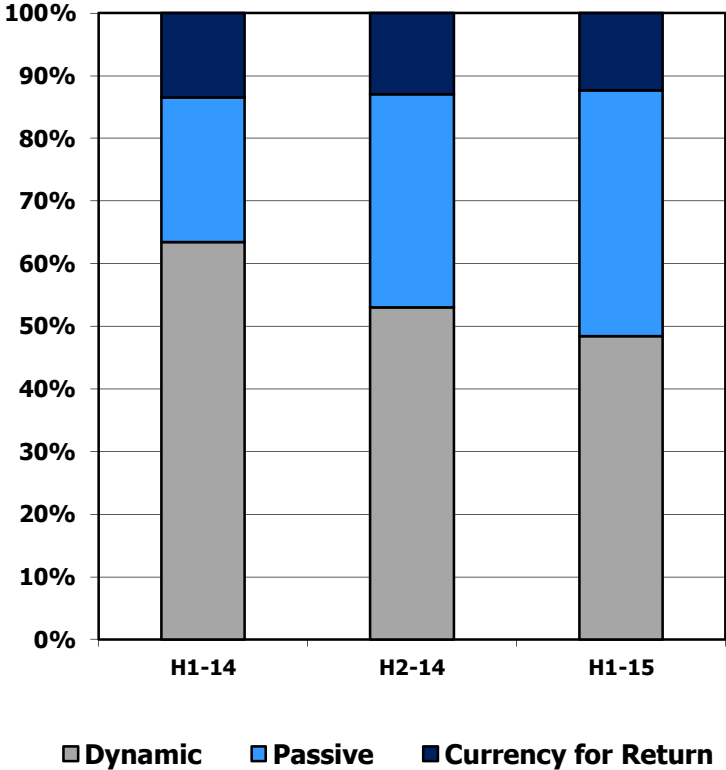
	Equity	Fixed income	Other
Dynamic Hedging	82%	-%	18%
Passive Hedging	35%	55%	10%

Financials – Average management fee rates

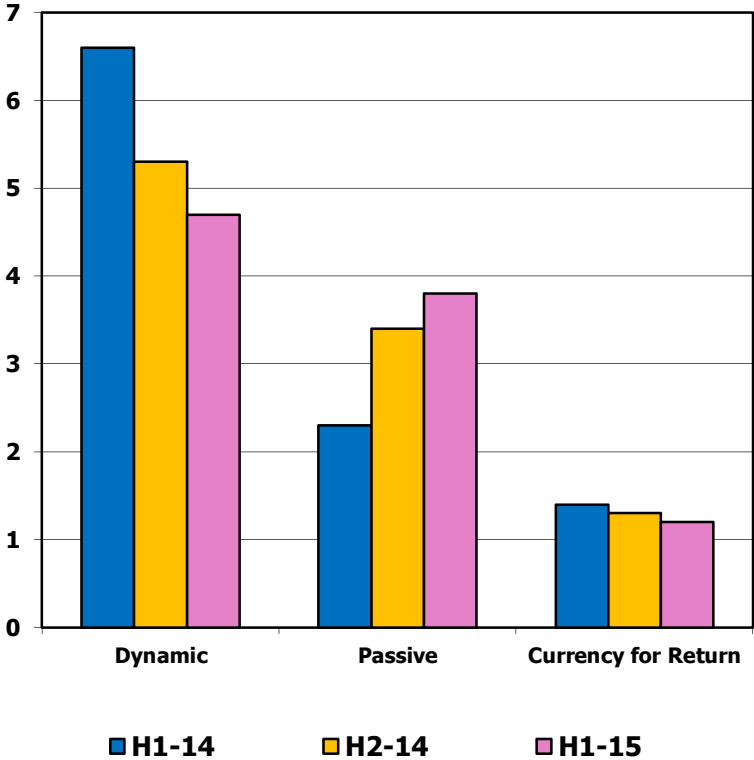
	Av. AUME (\$bn)		Av. mgmt. fee rates (bps)		Mgmt. fee (£m)	
	FY-14	H1-15	FY-14	H1-15	FY-14	H1-15
Dynamic Hedging	11.8	11.0	16	14	11.9	4.7
Passive Hedging	27.8	39.3	3	3	5.7	3.8
Currency for Return	2.5	2.5	17	16	2.7	1.2
Cash	0.2	0.3	-	-	-	-
Combined	42.3	53.1	8	6	20.3	9.7

Financials – fee analysis

Management fees analysis by product



Management fees by product (£m)





Financials – income statement

	H1-14		H1-15	
	Underlying £m	Consolidated £m	Underlying £m	Consolidated £m
Management fees	10.3	10.3	9.7	9.7
Other income	(0.1)	(0.4)	0.2	0.4
Total Income	10.2	9.9	9.9	10.1
Cost of sales	(0.1)	(0.1)	(0.1)	(0.1)
Gross Profit	10.1	9.8	9.8	10.0
Operating costs (excl. variable remuneration)	(5.4)	(5.4)	(5.1)	(5.1)
Variable remuneration	(1.4)	(1.4)	(1.4)	(1.4)
Total expenditure	(6.8)	(6.8)	(6.5)	(6.5)
Operating profit	3.3	3.0	3.3	3.5
Operating Profit Margin	33%	31%	34%	35%
Finance income	0.1	0.1	0.1	0.1
Profit before tax	3.4	3.1	3.4	3.6
Taxation	(0.8)	(0.8)	(0.7)	(0.7)
Profit after tax	2.6	2.3	2.7	2.9



Financials - earnings

	H1-14	H2-14	H1-15
	£m	£m	£m
Profit before tax	3.1	3.4	3.6
Tax	(0.8)	(0.7)	(0.7)
Profit after tax	2.3	2.7	2.9
Profit attributable to the equity holders	2.6	2.8	2.7
Profit / loss attributable to Non controlling interests	(0.3)	(0.1)	0.2
eps – basic	1.20p	1.28p	1.23p
eps – diluted	1.19p	1.28p	1.23p
Final / interim dividend per share	0.75p	0.75p	0.75p
Dividend cover	1.6x	1.7x	1.6x

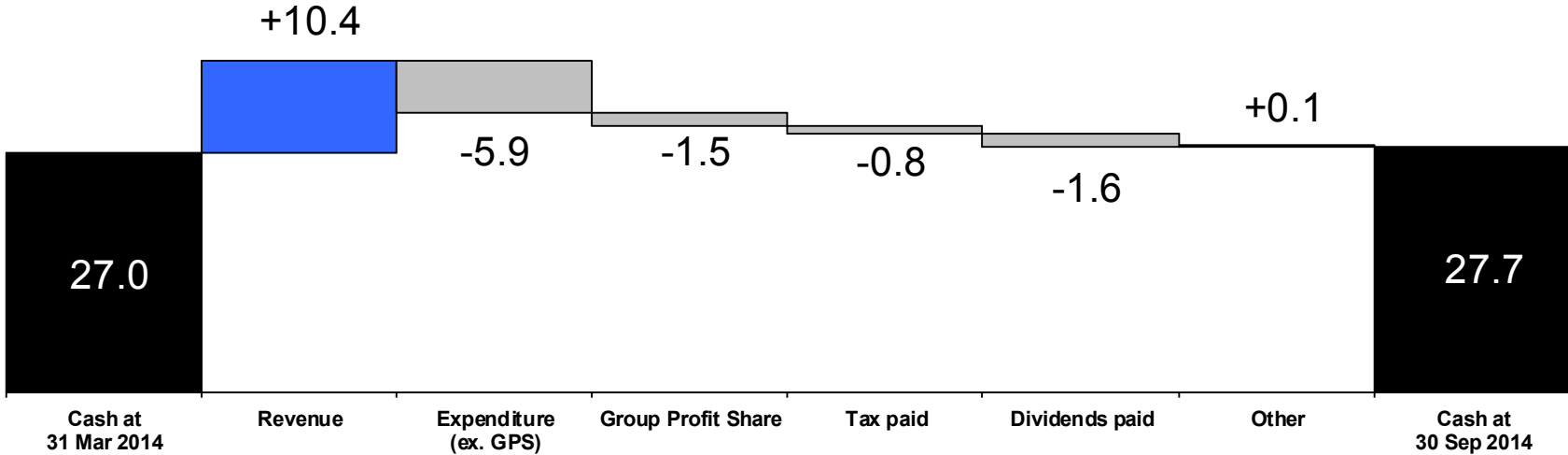
Financials – balance sheet

Balance sheet as at period end

	FY-14	H1-15
	£m	£m
Fixed assets	0.9	0.8
Investments	2.8	2.9
Non-current assets	3.7	3.7
Trade debtors and other receivables	5.6	6.0
Derivative financial assets	0.2	0.4
Money market instruments	15.5	15.4
Cash and cash equivalents	11.5	12.3
Current assets	32.8	34.1
Current liabilities	(3.6)	(3.5)
Net assets	32.9	34.3
Equity attributable to owners of the parent	29.2	30.4
Non-controlling interest	3.7	3.9
Total equity	32.9	34.3

Financials - cash

CASH BRIDGE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014 (£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.



Appendices



Management and Board

Executive Management

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
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
Cees Schrauwers	Senior Independent Director	<ul style="list-style-type: none">■ Formerly Managing Director, Aviva International; Managing Director, CGU Insurance; Partner, Coopers & Lybrand; Senior Independent Director Brit Insurance Holdings; Chairman Drive Assist Holdings Ltd.■ Currently Chairman of the Guernsey Financial Services Commission and a Non-executive Director of Scottish Widows Group Limited
Andrew Sykes	Non-Executive Director	<ul style="list-style-type: none">■ Formerly Director, Schroders plc■ Currently Chairman of SVG Capital plc and Smith & Williamson Holdings Limited, and a Non-executive Director of Gulf International Bank (UK) Limited
David Morrison	Non-Executive Director	<ul style="list-style-type: none">■ Director PayPoint plc; Chairman Snoozebox Holdings plc; a Director of several private companies and a Non-executive Director of N P Record plc between 1987 - 1996■ Founder and Chief Executive of Prospect Investment Management



AUME definition

- **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, plus

- **Passive Hedging mandates:**

- = the aggregate nominal amount of passive hedges actually outstanding in respect of each client, plus

- **Currency for Return mandates:**

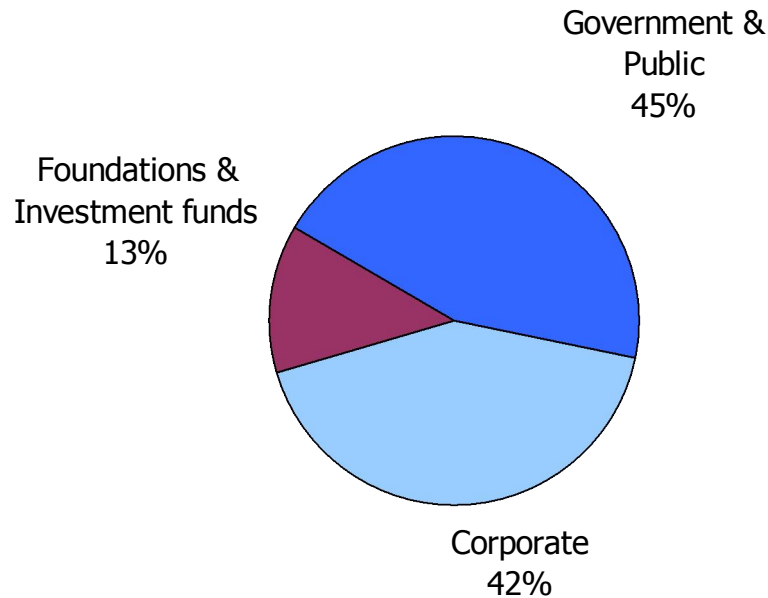
- = the maximum aggregate nominal amount of outstanding forward contracts for each client, plus

- **Cash:**

- = the total set aside by clients and managed and/or "equitised" using futures by Record.

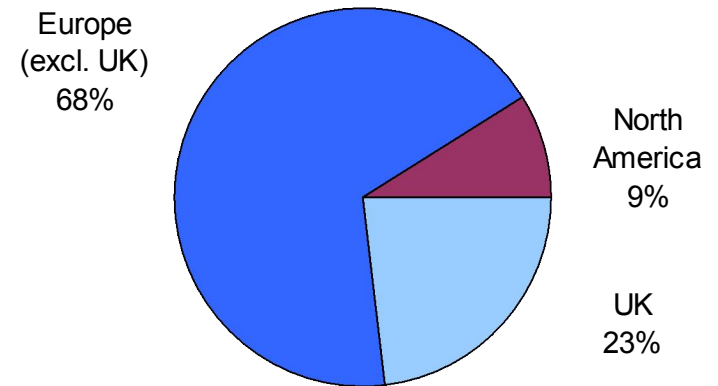
AUME analysis

Split of AUME by client type — 30 September 2014



Total: \$52.6 bn

Split of AUME by country/region — 30 September 2014



Total: \$52.6 bn

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



Group Profit Share (GPS) and Share Scheme

Group Profit Share Scheme

- **GPS Scheme is split into a 27% Profit Share Pool and a 3% Matching Pool – in line with intention to be 30% of Operating Profit over the medium term**
- **GPS Scheme is shared amongst all staff based on “profit share units”**
- **For all senior employees including Board Directors:**
 - 1/3rd Shares
 - 1/3rd Cash
 - 1/3rd Cash or Shares - shares attract a matching award (funded from the Matching Pool)
 - Shares subject to “lock up” for up to 3 years
- **GPS claw back provisions added to GPS Scheme rules**

Share Scheme

- **No further grant of options since FY-14**
 - **Share Scheme claw back provisions added to the Unapproved scheme rules for Executive Directors**
-



Financials – cost analysis

	H1-14	H2-14	H1-15
	£m	£m	£m
Personnel (excluding Group Profit Share)	3.3	2.8	3.0
Non-personnel cost	2.1	2.3	2.1
Expenditure before Group Profit Share	5.4	5.1	5.1
Group Profit Share Scheme	1.4	1.5	1.4
Total administrative expenditure	6.8	6.6	6.5



Financials – concentration

Largest clients by H1-15 fees

	AUME	Management fees	H1-15	FY-14
	\$bn	£m	%	%
Clients 1-10	39.9	8.0	82%	81%
Clients 11-20	8.6	1.3	13%	13%
Other clients	4.1	0.4	5%	6%
Total	52.6	9.7	100%	100%