



Record plc
Interim results
Six months to 30 September 2018

23 November 2018

Disclaimer



IMPORTANT INFORMATION

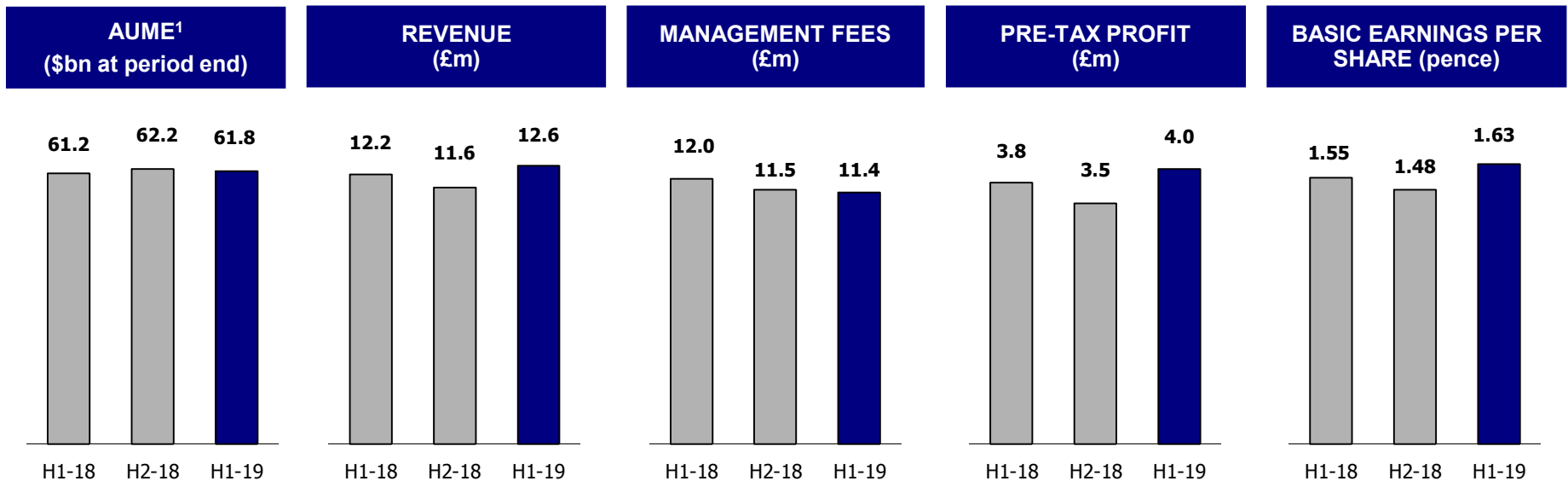
This document does not constitute an offer to sell or an invitation to buy shares in Record plc or any other invitation or inducement to engage in investment activities. Certain statements, beliefs and opinions in this document are forward-looking, which reflect the Company's current expectations and 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 \$61.8bn (31 March 2018: \$62.2bn)
- Revenue £12.6m (up 3% on H1-18)
- Management fees £11.4m (H1-18: £12.0m)
- Performance fees £1.0m (H1-18: £nil)
- Operating profit margin 32% (H1-18: 31%)
- Pre-tax profit £4.0m (up 5% on H1-18)
- Basic EPS 1.63p per share (H1-18: 1.55p per share)
- Interim dividend 1.15p per share, payable on 28 December 2018
- Shareholders' equity £26.4m at 30 September 2018



1 – The definition of AUME is provided on page 27.



Agenda

- Business strategy
- Product performance
- Financial performance



Current environment

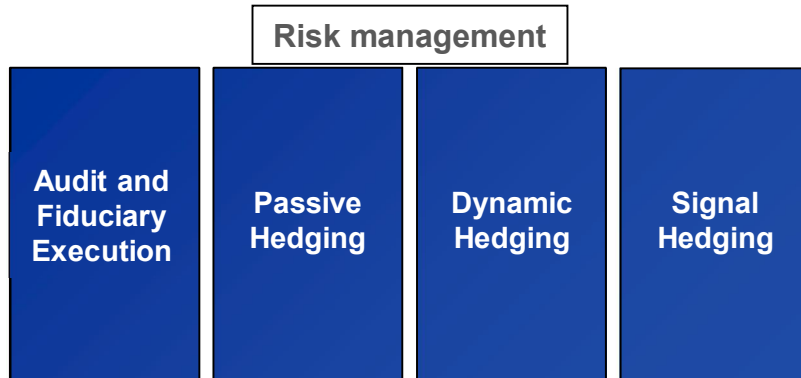
- Encouraging range of new business opportunities across products and geographies, balanced against continued competition and fee pressure
- Future success will depend on responsiveness to client demand and market opportunities
- Developments in the period
 - Continued adoption of enhanced Passive Hedging
 - 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



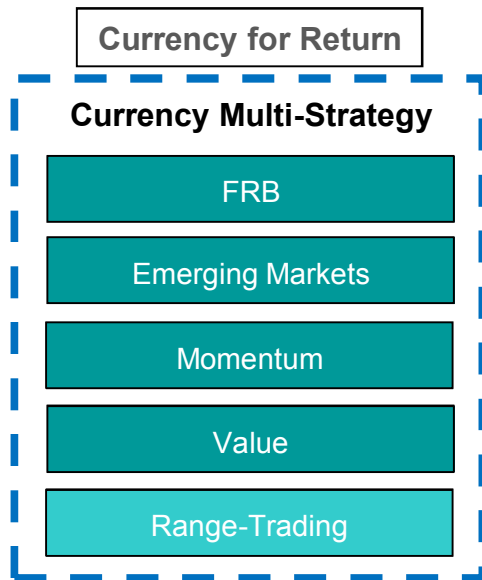
Growth strategy

- Maintain client relationships and generate new sales in FY-19 and beyond
- Innovation through responding to client demand and market opportunities
 - 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



- Currency hedging
 - Dynamic Hedging – First Live Programme 1983
 - Passive Hedging – First Live Programme 1999
– Enhanced hedging from 2014
 - Signal Hedging – First Live Programme 2016



- Currency for return
 - FRB – First Live Programme 2003
 - Emerging Markets – First Live Programme 2009
 - Momentum – First Live Programme 2012
 - Value – First Live Programme 2012
 - Currency Multi-Strategy – First Live Programme 2012
 - Range-Trading – First Live Programme 2018
 - ESG strategy to be seeded 2018



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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

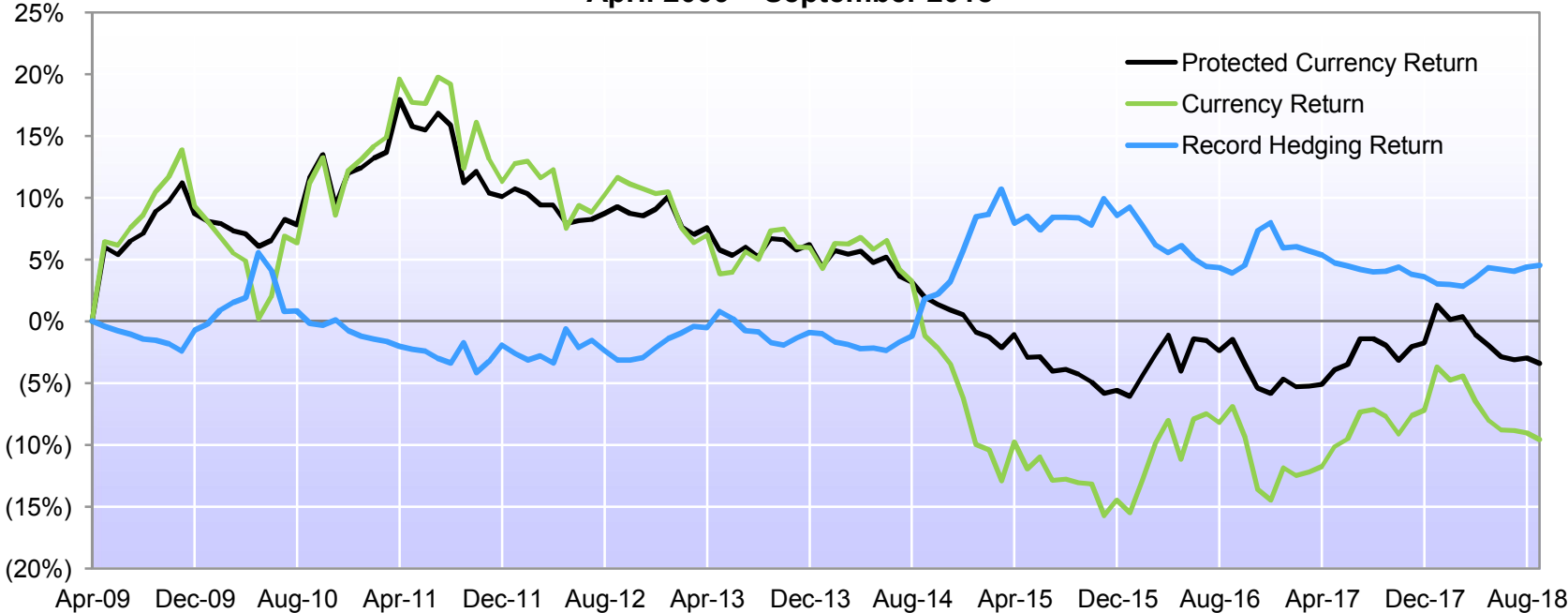
	Value added for 6 months to 30 September 2018	Value added since inception
Value added by enhanced Passive Hedging programme relative to a fixed-tenor benchmark	0.03%	0.13% p.a.

Source: Record Currency Management. Data from October 2014 to September 2018. Live track record based on a fixed-tenor costed benchmark.



Performance of a US Dynamic Hedging client

**US Dynamic Hedging Client
April 2009 – September 2018**

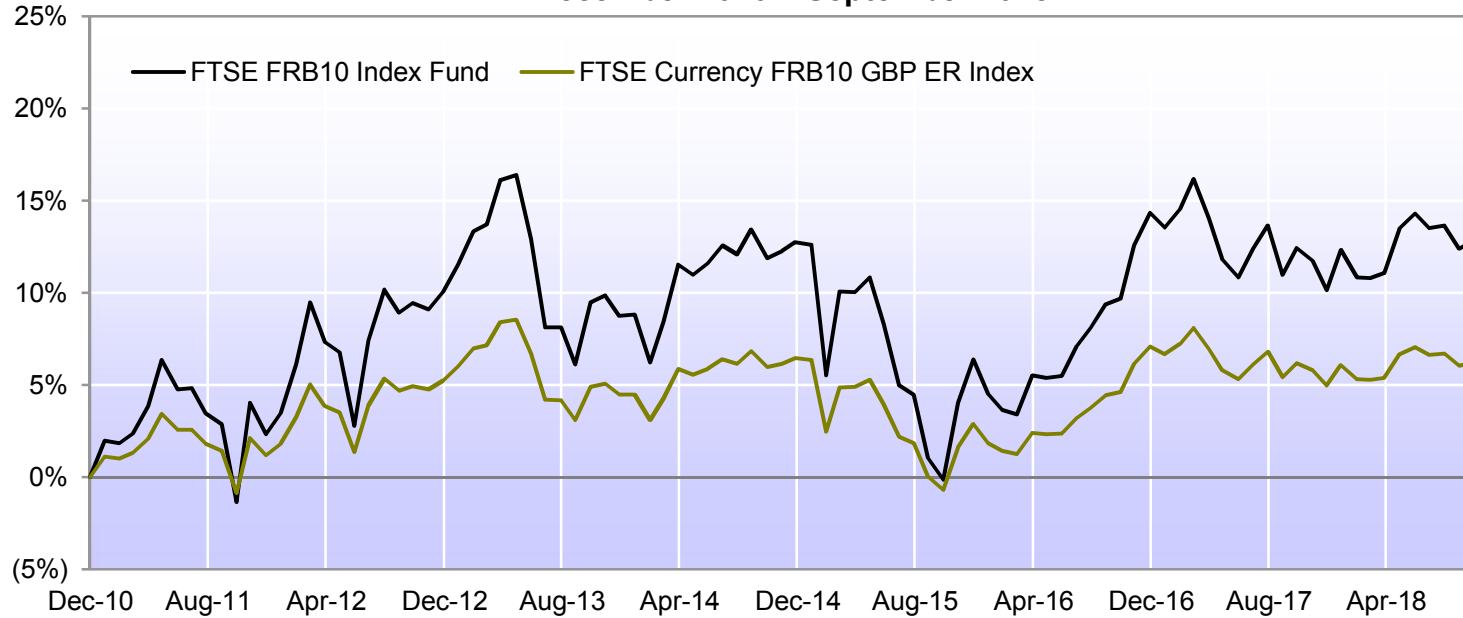


As at September 2018	Protected Currency Return	Currency Return	Record Hedging Return
Inception to date (cum.)	(3.39%)	(9.54%)	4.55%
Inception to date (ann.)	(0.37%) p.a.	(1.06%) p.a.	0.47% p.a.

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 2018.

FRB10 fund performance

**Record Currency FTSE FRB10 Index Fund
December 2010 – September 2018**



As at September 2018	FTSE FRB10 Index Fund (x1.8)
Returns (cum.)	12.78%
Returns (ann.)	1.55% p.a.
Volatility	6.88% p.a.

Source: Record Currency Management, FTSE International Ltd. Returns to 30 September 2018.



Emerging Market Currency strategy performance

**Record Emerging Market Strategy
November 2009 – September 2018**



As at September 2018	Emerging Market Strategy
Returns (cum.)	14.38%
Returns (ann.)	1.53% p.a.
Volatility	6.59% 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 30 September 2018.



Multi-Strategy performance

Record Multi-Strategy approach
July 2012 – September 2018



As at September 2018	Multi-Strategy	DBCR +*
Returns (cum.)	6.14%	3.77%
Returns (ann.)	0.97% p.a.	0.60% p.a.
Volatility	2.68% p.a.	3.20% p.a.

Source: Record Currency Management and Bloomberg. The performance of the Multi-Strategy composite 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.



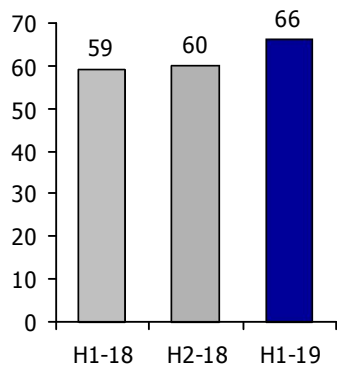
Agenda

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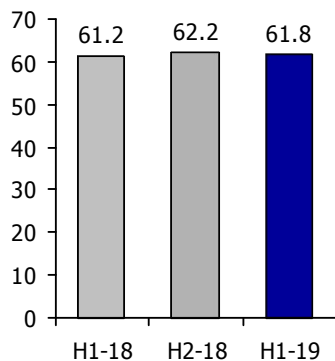
Financial highlights



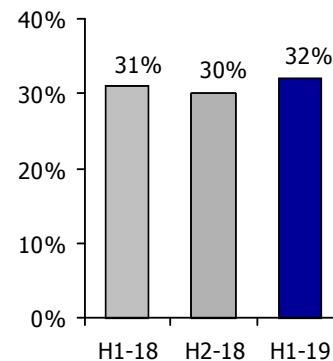
Client numbers



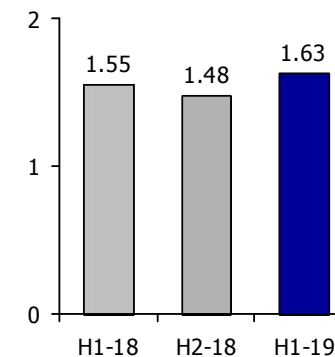
AUME (\$bn)



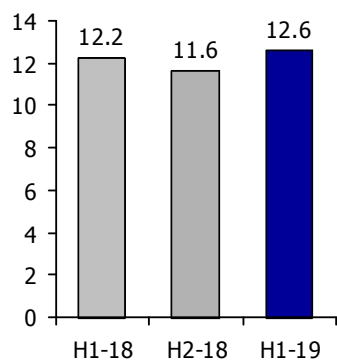
Operating margin



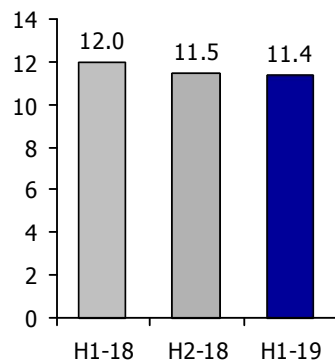
EPS (pence)



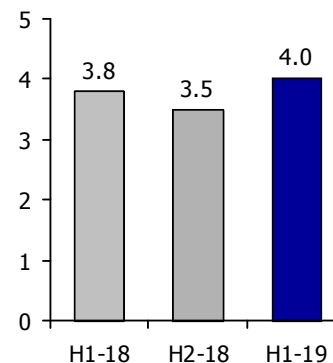
Revenue (£m)



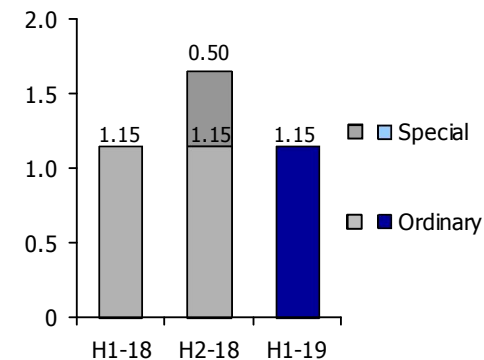
Management fees (£m)



Profit before tax (£m)



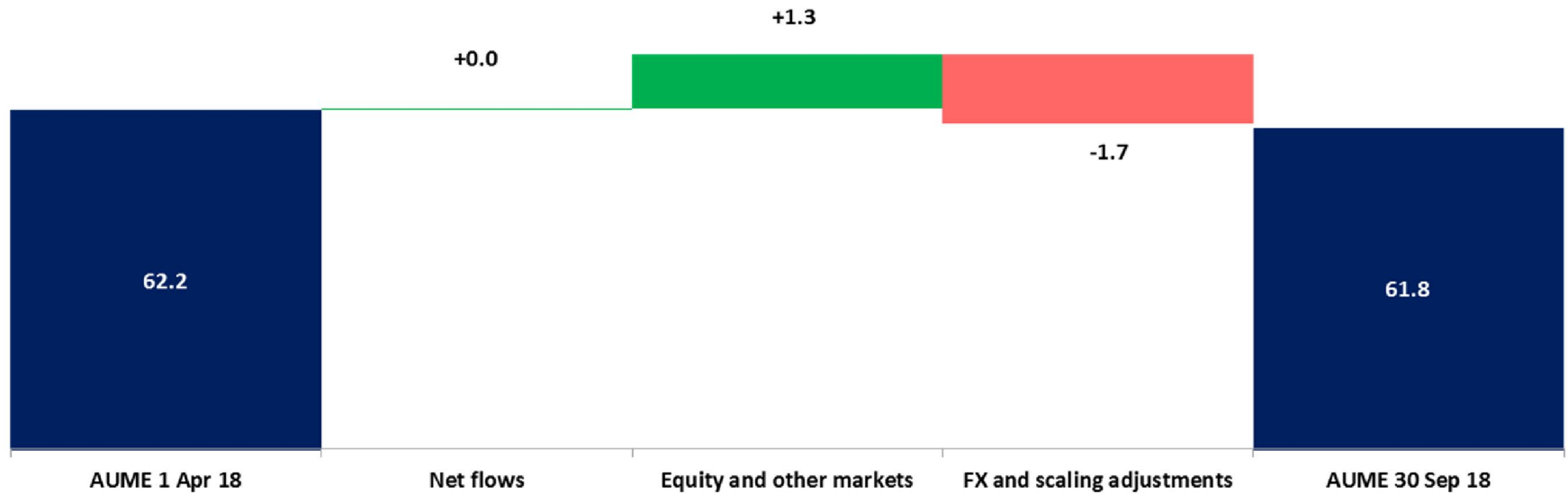
Dividend per share (pence)



Financials – AUME movement



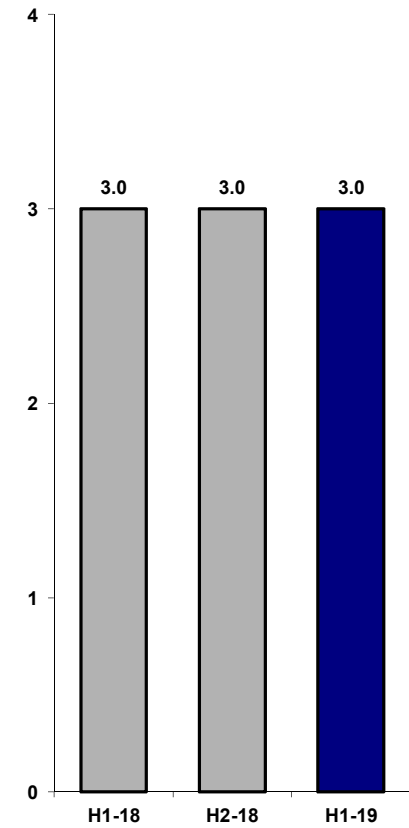
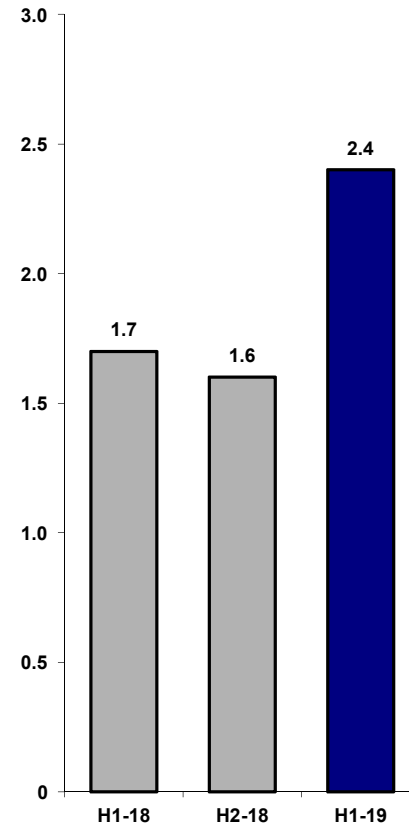
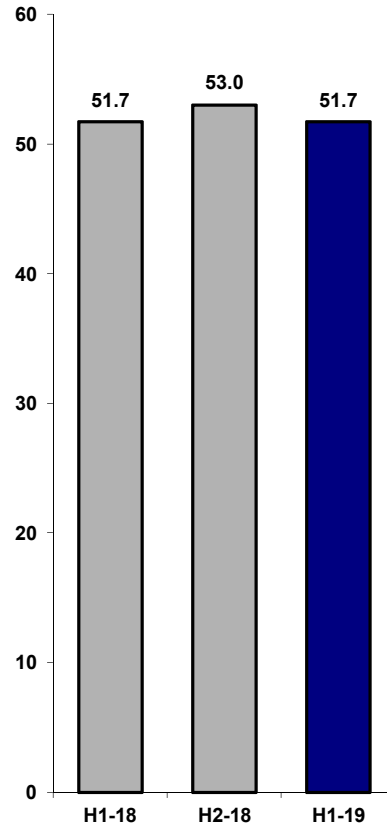
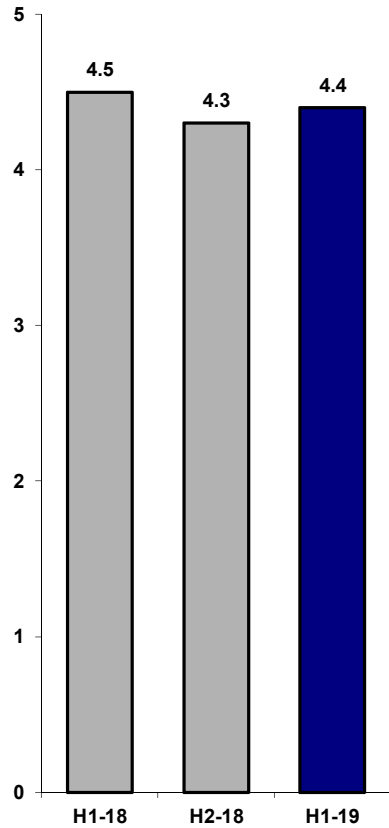
AUME bridge for the 6 months ended 30 September 2018 (\$bn)





AUME by product at period end

Dynamic Hedging (\$bn)	Passive Hedging (\$bn)	Currency for Return (\$bn)	Multi-product (\$bn)
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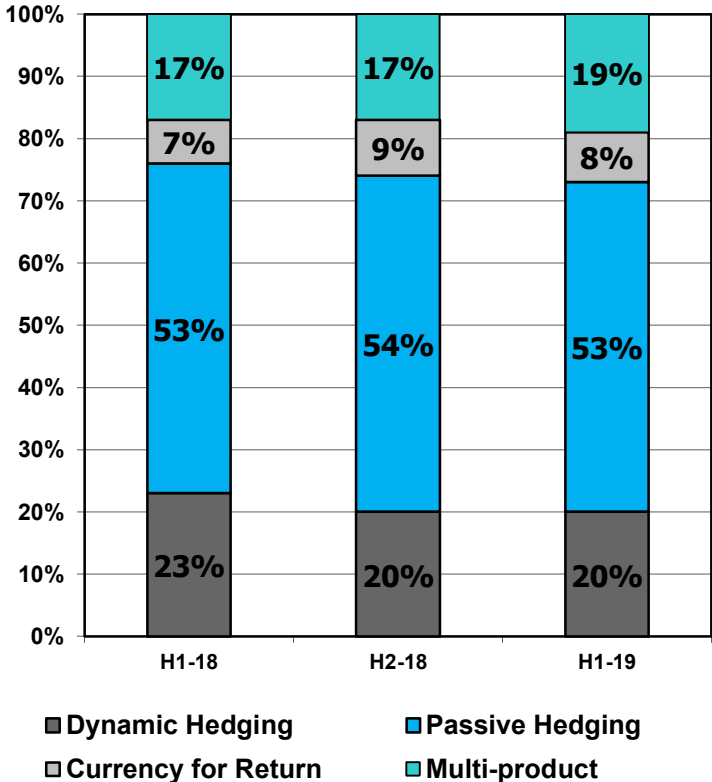


Average AUME, fee rates and fees

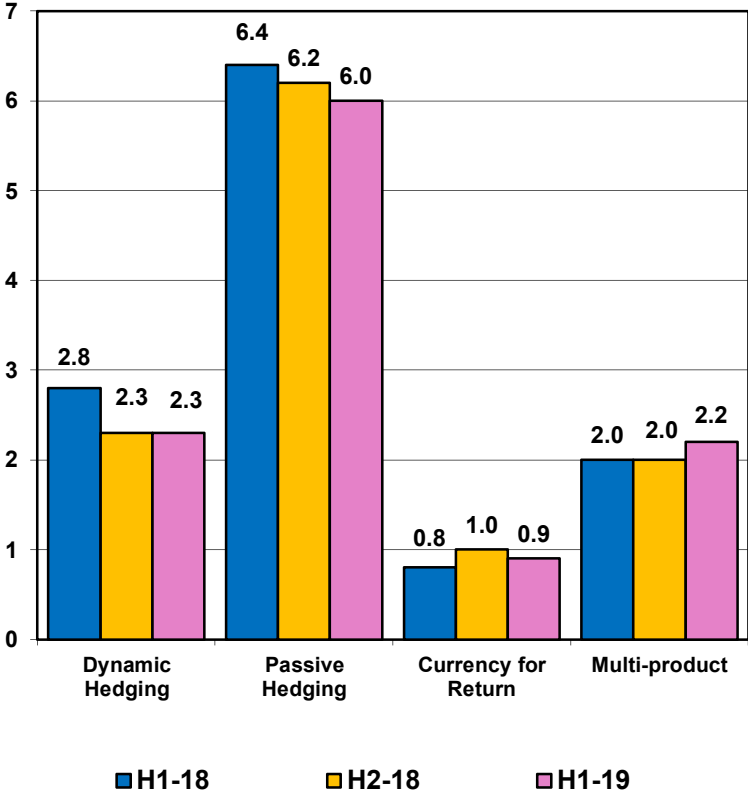
	Average AUME (\$bn)		Average management fee rates (bps)		Management fees (£m)	
	FY-18	H1-19	FY-18	H1-19	FY-18	H1-19
Dynamic Hedging	4.8	4.3	14	14	5.1	2.3
Passive Hedging	51.7	52.2	3	3	12.6	6.0
Currency for Return	1.5	2.2	16	11	1.8	0.9
Multi-product	2.9	3.0	18	19	4.0	2.2

Financials – management fee analysis

Management fees analysis by product



Management fees by product (£m)



Financials – cost analysis



	H1-18	H2-18	H1-19
	£m	£m	£m
Personnel (excluding Group Profit Share)	4.0	3.9	4.1
Non-personnel cost ¹	2.7	2.7	2.5
Administrative expenditure excluding Group Profit Share	6.7	6.6	6.6
Group Profit Share	1.6	1.5	1.7
Total administrative expenditure	8.3	8.1	8.3
Other income and expenditure	-	(0.2)	0.1
Total expenditure	8.3	7.9	8.4

1 – Non-personnel costs for H1-18 includes exceptional costs of £0.2m relating to tender offer.

Financials – income statement

	H1-18	H2-18	H1-19
	£m	£m	£m
Management fees	12.0	11.5	11.4
Performance fees	-	-	1.0
Other currency services income	0.2	0.1	0.2
Total revenue	12.2	11.6	12.6
Cost of sales	(0.2)	(0.1)	(0.2)
Gross profit	12.0	11.5	12.4
Operating costs (excluding variable remuneration)	(6.7)	(6.6)	(6.6)
Variable remuneration	(1.6)	(1.5)	(1.7)
Other income and expenditure	-	0.2	(0.1)
Total expenditure	(8.3)	(7.9)	(8.4)
Operating profit	3.7	3.6	4.0
Operating Profit Margin	31%	30%	32%
Finance income	0.1	(0.1)	-
Profit before tax	3.8	3.5	4.0
Taxation	(0.6)	(0.6)	(0.8)
Profit after tax	3.2	2.9	3.2

Financials – earnings



	H1-18	H2-18	H1-19
	£m	£m	£m
Profit before tax	3.8	3.5	4.0
Tax	(0.6)	(0.6)	(0.8)
Profit after tax	3.2	2.9	3.2
eps – basic	1.55p	1.48p	1.63p
eps – diluted	1.52p	1.46p	1.61p
Total ordinary dividend per share	1.15p	1.15p	1.15p
Special dividend per share	-	0.50p	-
Dividend cover (ordinary and special)	1.1x		1.4x

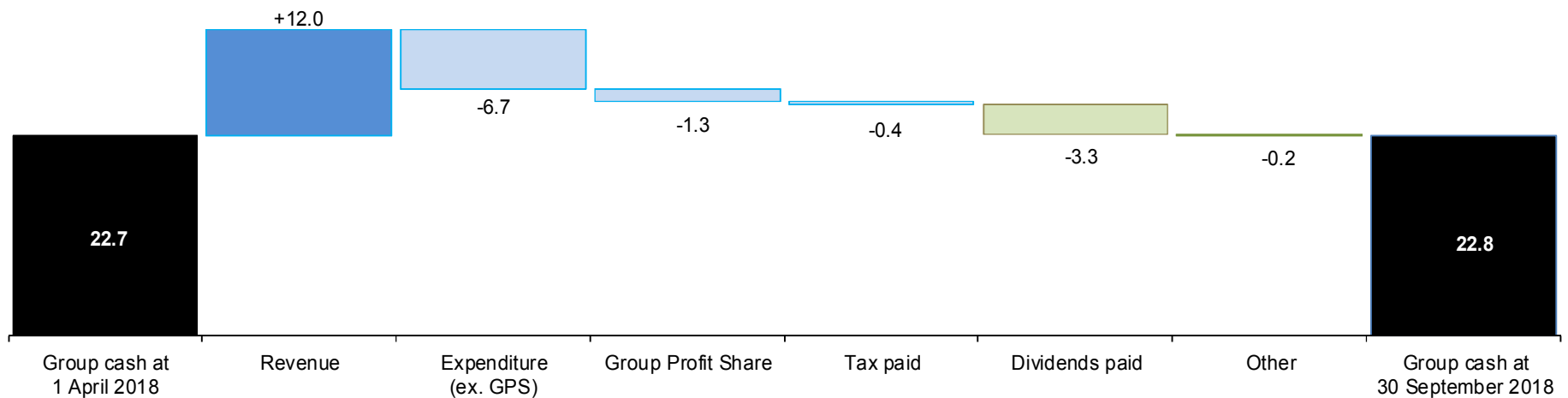


Financials – balance sheet

	H1-18	H2-18	H1-19
	£m	£m	£m
Fixed assets	1.0	1.1	1.1
Investment in seed fund	-	1.1	1.1
Deferred tax assets	0.3	0.1	0.0
Non-current assets	1.3	2.3	2.2
Trade debtors and other receivables	7.0	6.8	8.4
Derivative financial assets	0.5	0.3	0.2
Money market instruments	13.3	10.2	9.8
Cash and cash equivalents	13.0	12.5	13.0
Current assets	33.8	29.8	31.4
Current liabilities	(9.3)	(5.5)	(7.2)
Net assets	25.8	26.6	26.4
Total equity	25.8	26.6	26.4

Financials – cash

CASH BRIDGE FOR THE PERIOD ENDED 30 SEPTEMBER 2018 (£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 £0.4 million cash inflow as a result of transfers between “cash and cash equivalents” and “money market instruments with maturities greater than 3 months”.
- Group cash at 30 September 2018 includes £5.3 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	Senior Independent Director	<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 the Chair of Odyssean Investment Trust plc
Rosemary Hilary	Non-Executive Director (independent)	<ul style="list-style-type: none"> Appointed 1 June 2016. Non-executive Director of Pension Protection Fund, 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 Director of Ervaxx Limited, Chairman of Storm Therapeutic Limited and a former Member of the governing Board of Innovate UK. He was previously Chairman of Atopix Therapeutics and Chief Executive Officer of Cellzome Inc.

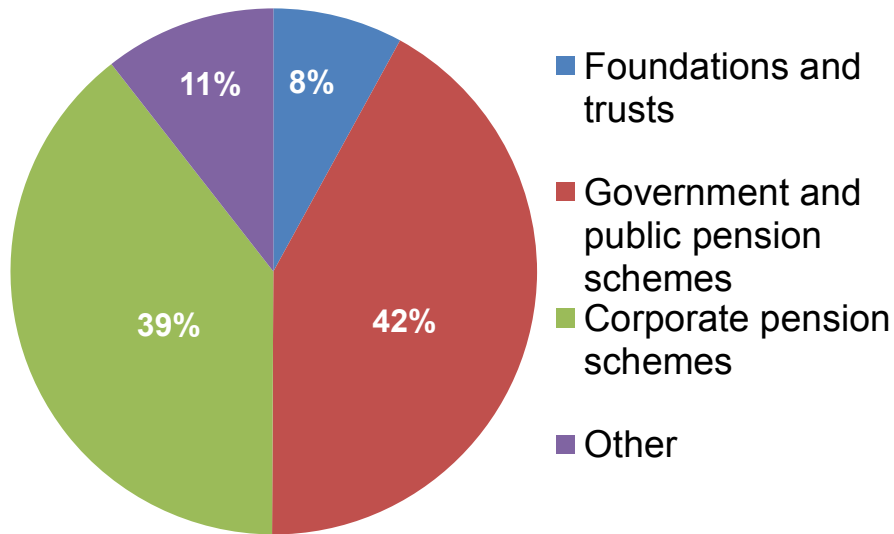


AUME definition

- 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;
 - Passive Hedging mandates:
 - = the aggregate nominal amount of passive hedges actually outstanding in respect of each client;
 - 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.
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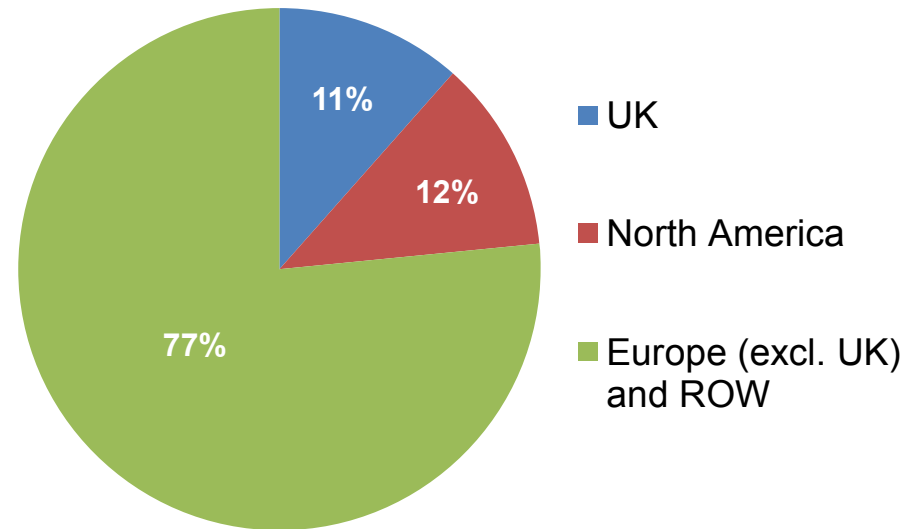
AUME analysis

Split of AUME by client type as at 30 September 2018



Total: \$61.8 bn

Split of AUME by geography as at 30 September 2018



Total: \$61.8 bn

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



Financials – client numbers

	30 Sep 17	31 Mar 18	30 Sep 18
Dynamic Hedging	3	3	3
Passive Hedging	43	44	49
Hedging	46	47	52
Currency for Return	11	11	12
Multi-product	2	2	2
Other	2	2	2
Less clients with >1 product	(2)	(2)	(2)
Total	59	60	66

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

Financials – concentration



Largest clients by H1-19 management fees

	AUME \$bn	Management fees	
		£m	%
Clients 1-10	44.5	8.6	75%
Clients 11-20	12.2	2.0	18%
Other clients	5.1	0.8	7%
Total	61.8	11.4	100%

Hedging mandates – underlying assets



Class of assets underlying mandates by product as at 30 September 2018

	Equity	Fixed income	Other
Dynamic Hedging	95%	-%	5%
Passive Hedging	27%	41%	32%
Multi-product	-%	-%	100%