



Record plc
Interim Results Presentation
Period ended
30 September 2020

24 November 2020

Disclaimer



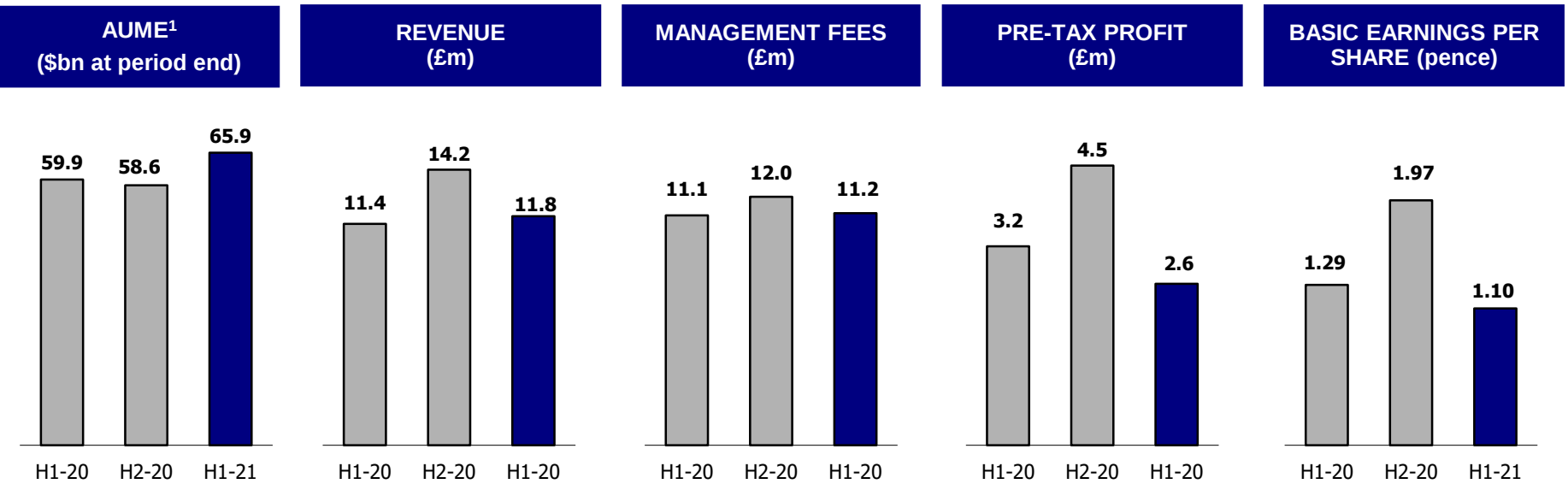
IMPORTANT INFORMATION

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 up 12% to \$65.9bn (31 March 2020: \$58.6bn)
- Revenue £11.8m (H1-20: £11.4m)
- Management fees £11.2m (H1-20: £11.1m)
- Performance fees £nil (H1-20: £nil)
- Operating profit margin 22% (H1-20: 27%)
- Pre-tax profit £2.6m (H1-20: £3.2m)
- Basic EPS 1.10p per share (H1-20: 1.29p per share)
- Interim dividend of 1.15p per share, payable 31 December 2020
- Shareholders' equity £25.7m at 30 September 2020



1 – The definition of AUME is provided on page 26.



Agenda

- Strategy and outlook
- Product Performance
- Financial performance



Strategy and outlook

- Growth and modernisation – ongoing momentum
- Recent wins: \$8bn Dynamic Hedging mandate and new Currency Impact Fund
- Enhanced distribution capabilities – client-led solutions and European office
- Investment in technology – already increasing operational efficiency, capability and scalability
- Cultural and generational change
- Strong capital position supports investment and maintains dividend policy
- Board's confidence in future growth underpinned by interim dividend payment



Agenda

- Business Strategy
- Product Performance
- Financial performance

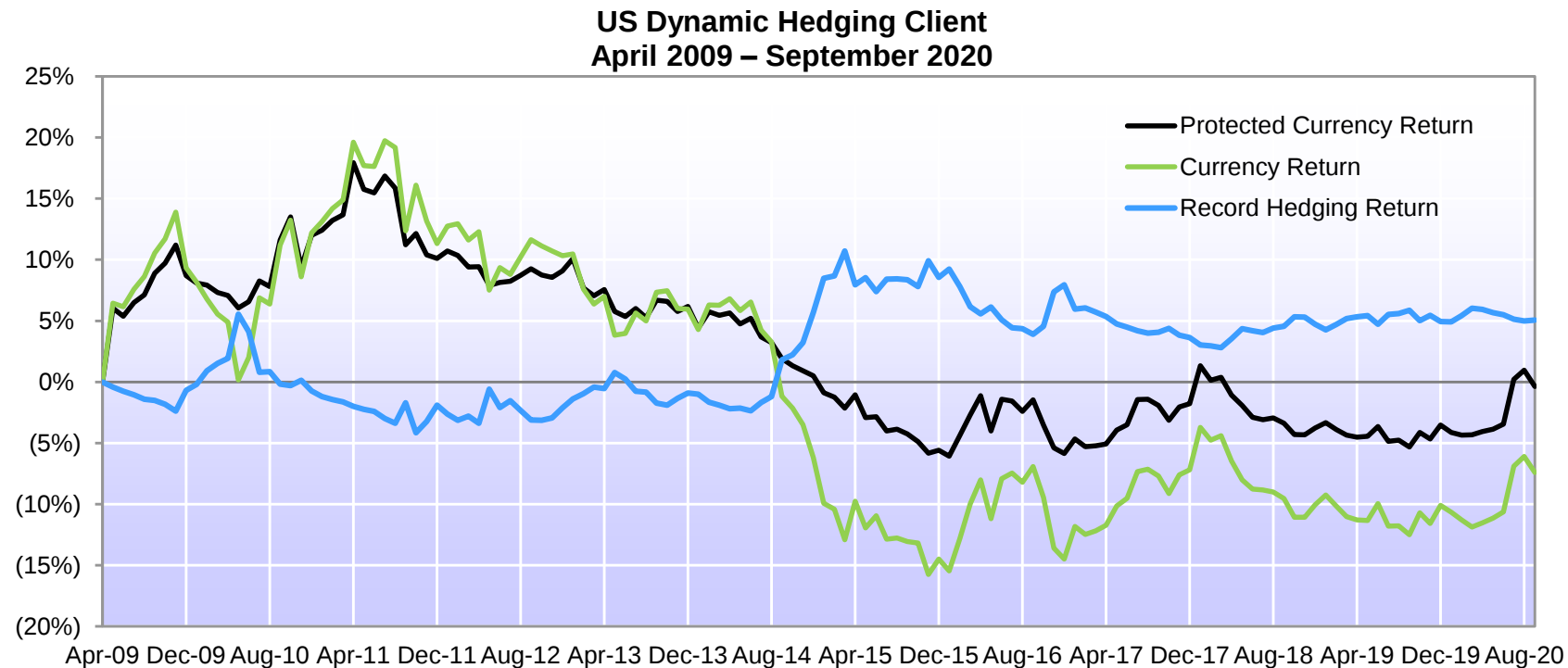
Active Tenor Management

- 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 2020	Return since inception
Value added by enhanced Passive Hedging programme relative to a fixed tenor benchmark	0.02%	0.09% p.a.

Source: Record Currency Management. Data from October 2014 to September 2020. Live track record based on a fixed-tenor costed benchmark.

Performance of a US Dynamic Hedging client

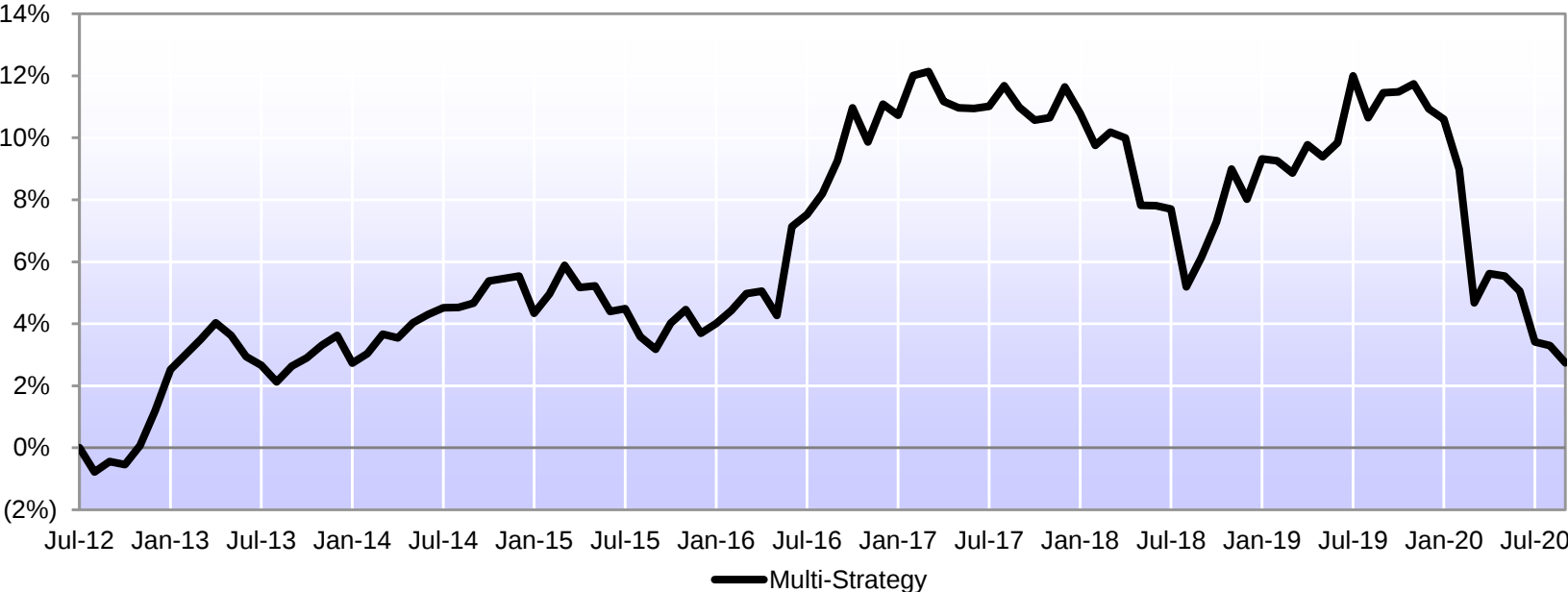


As at September 2020	Protected Currency Return	Currency Return	Record Hedging Return
Inception to date (cum.)	(0.38%)	(7.41%)	5.07%
Inception to date (ann.)	(0.03%) p.a.	(0.67%) p.a.	0.43% p.a.

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 2020.

Multi-Strategy performance

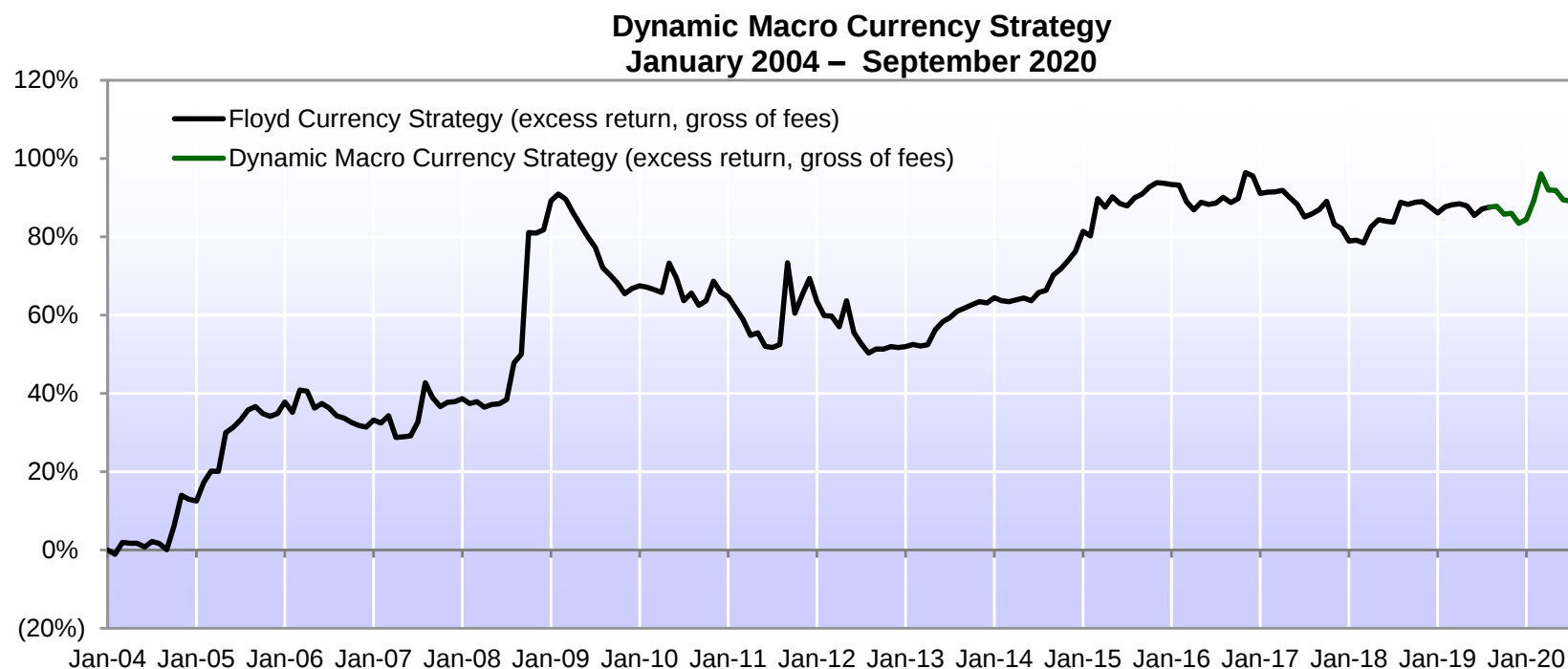
Record Multi-Strategy approach
July 2012 – September 2020



As at September 2020	Multi-Strategy
Returns (cum.)	2.74%
Returns (ann.)	0.33% p.a.
Volatility	3.12% 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.

Dynamic Macro Currency Strategy Performance



As at September 2020	Dynamic Macro Currency Strategy
Returns (cum.)	88.73%
Returns (ann.)	3.88% p.a.
Volatility	9.20% p.a.
Information ratio	0.46

Source: Record Currency Management. Returns are excess returns, gross of fees. The information ratio has been calculated using an arithmetically linked annualised return.



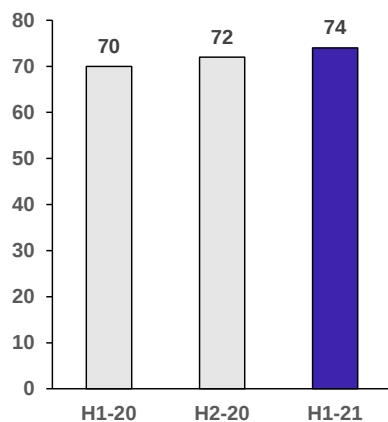
Agenda

- Business Strategy
- Product Performance
- Financial performance

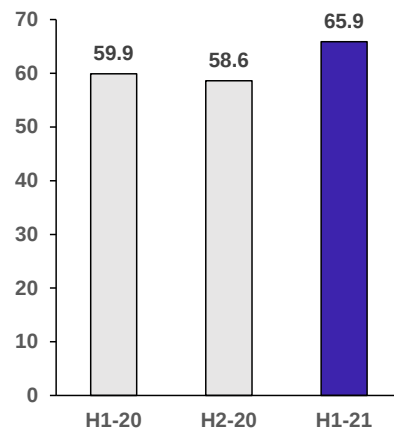
Financial KPIs



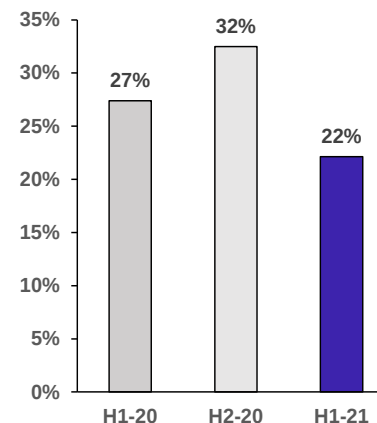
Client numbers



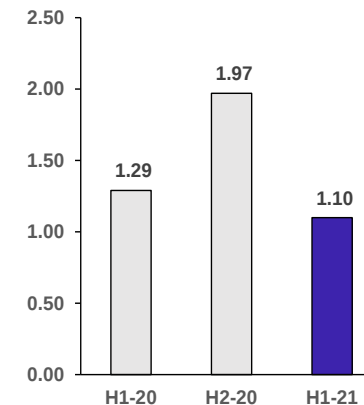
AUME (\$bn)



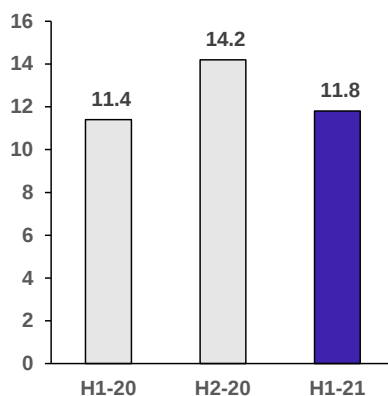
Operating margin



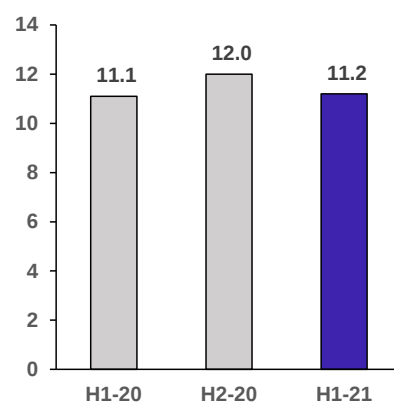
EPS (pence)



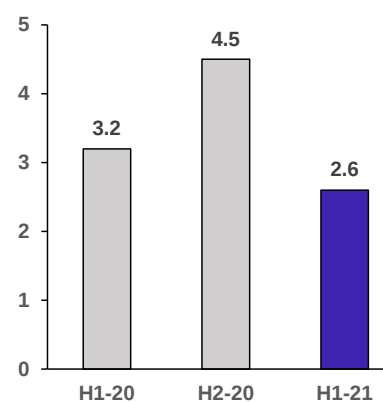
Revenue (£m)



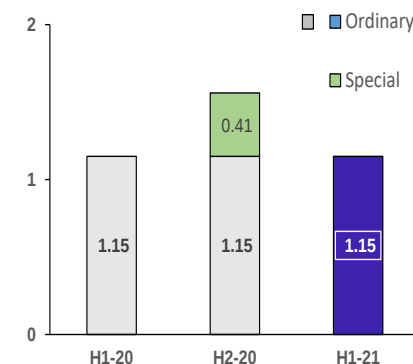
Management fees (£m)



Profit before tax (£m)

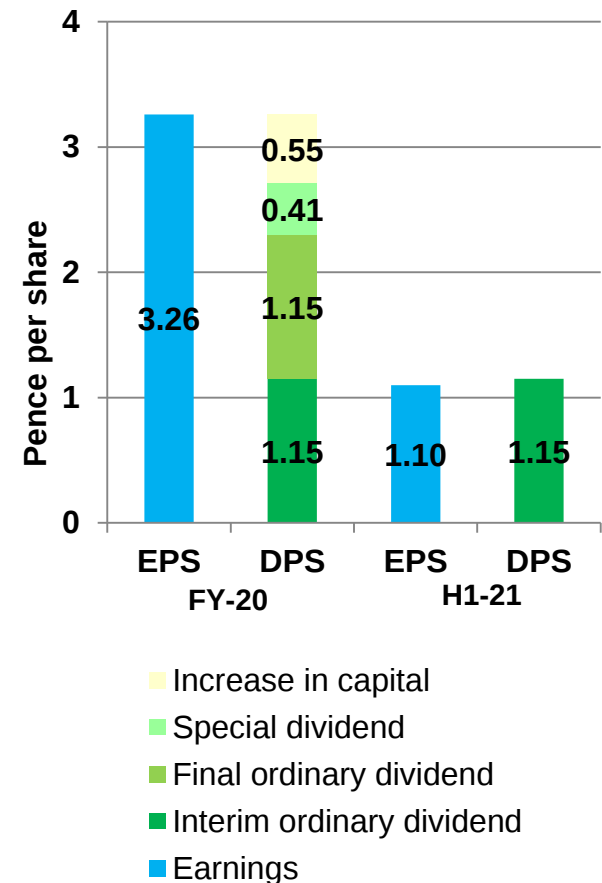


Dividend per share (pence)



Confident dividend policy

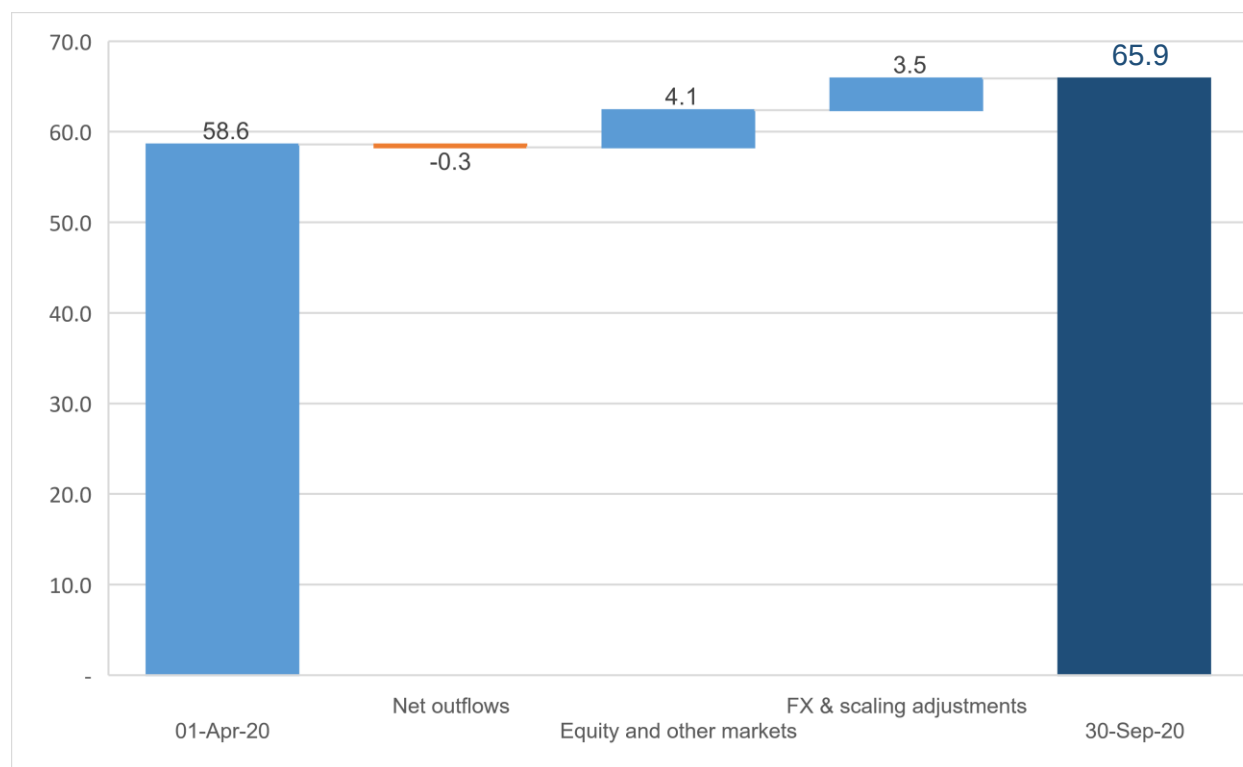
- Interim dividend for H1-21 of 1.15p per share to be paid in December 2020
- Total ordinary dividend for FY-20: 2.30 pence per share
- Special dividend for FY-20 of 0.41 pence per share
- Net increase in capital requirements in FY-20 equivalent to 0.55 pence per share
- Dividend policy
 - Progressive 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



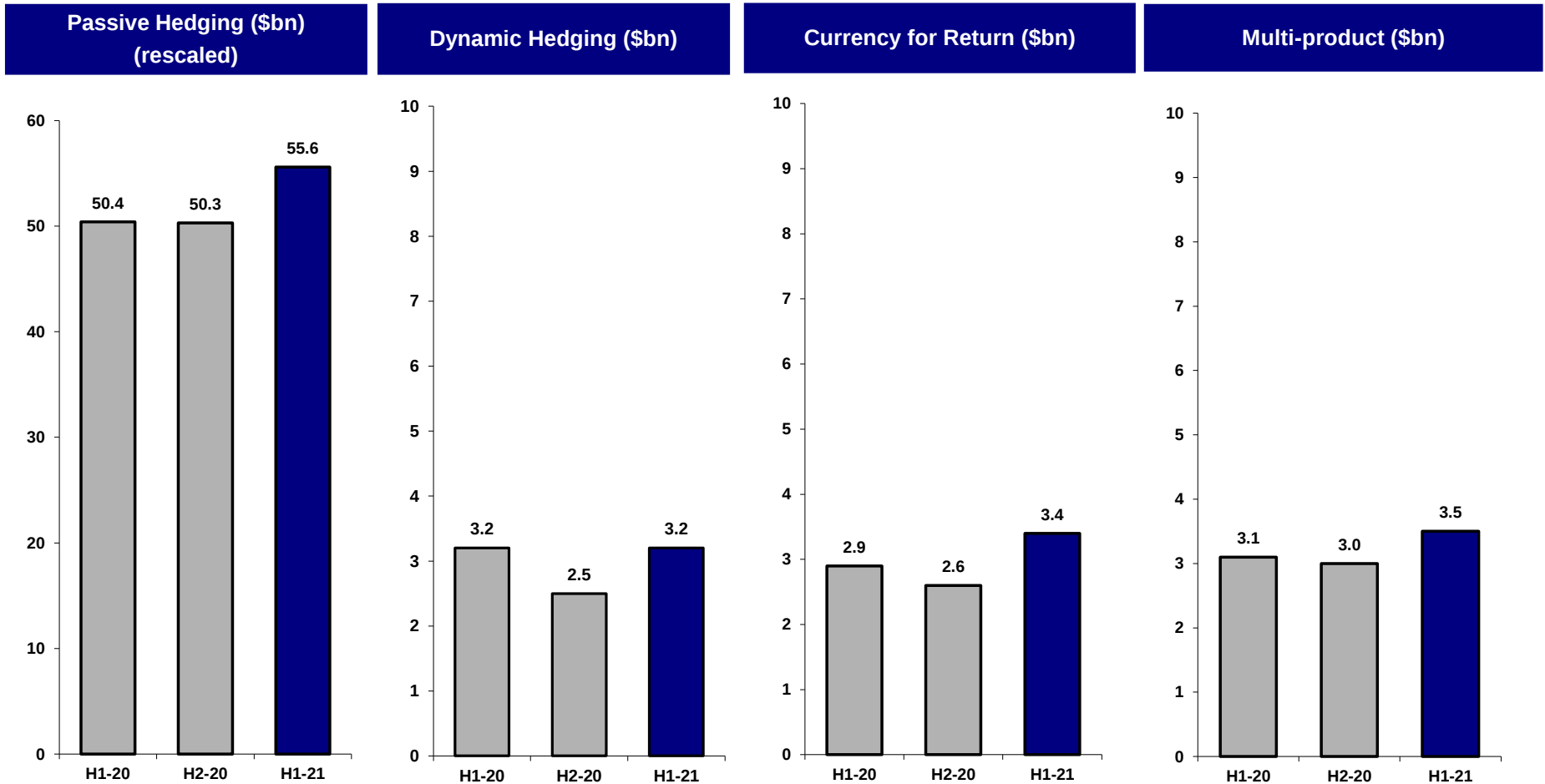
Financials – AUME movement



AUME bridge for the period ended 30 September 2020 (\$bn)

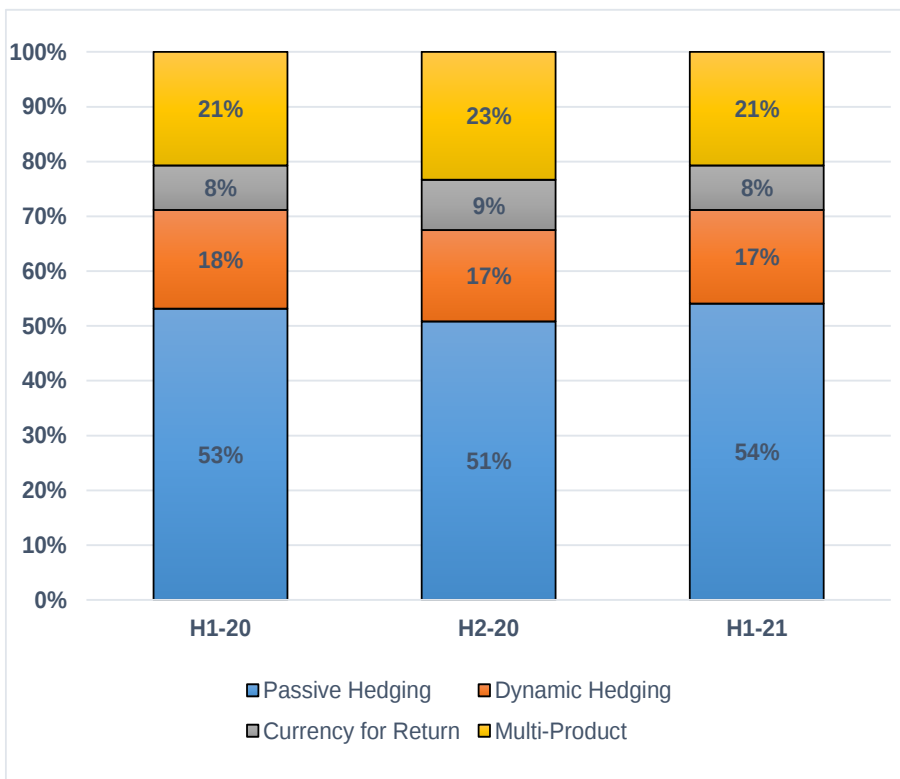


AUME by product at period end

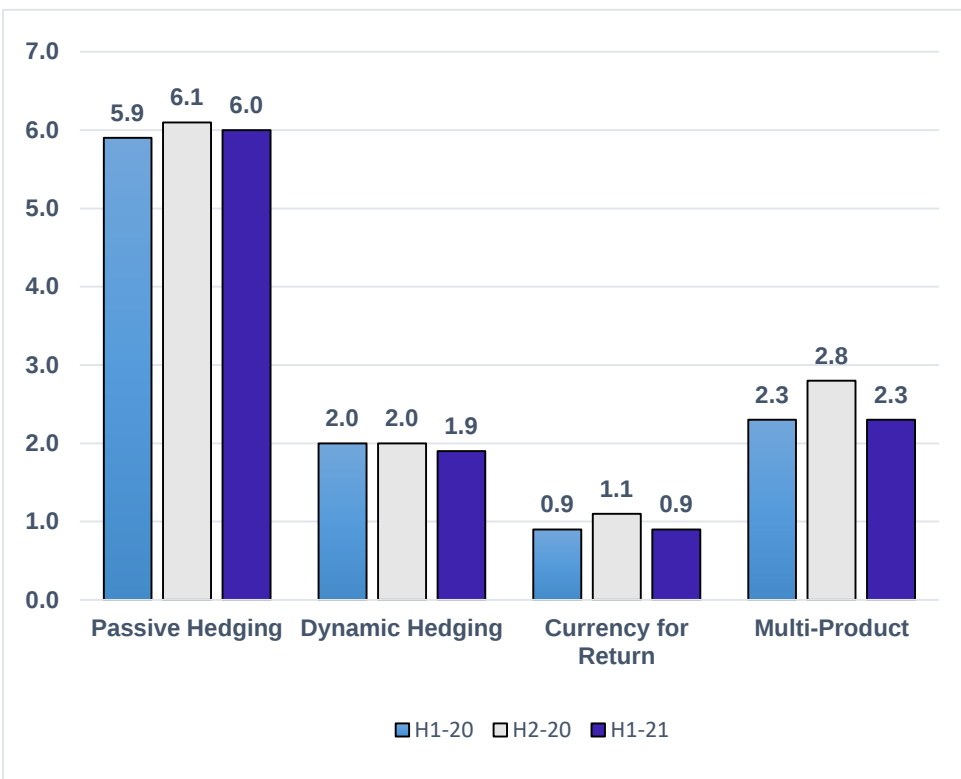


Financials – management fee analysis

Management Fees by product mix (%)



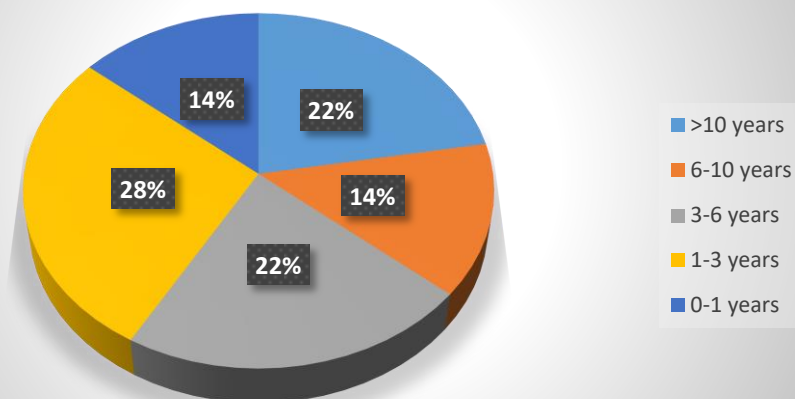
Management Fees by product (£m)



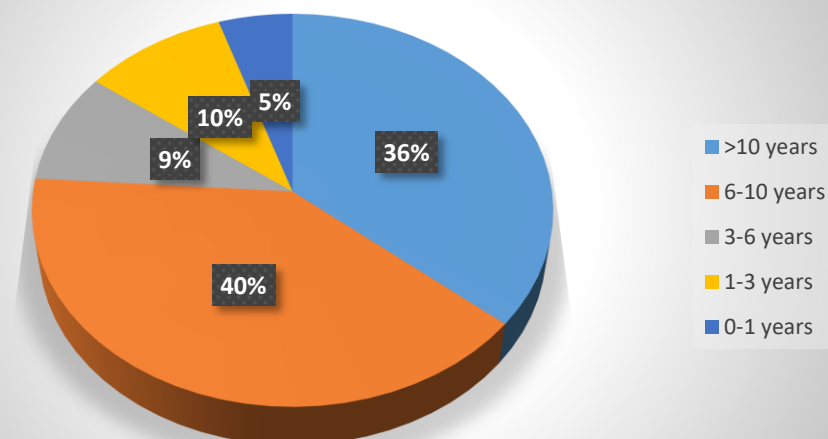
Financials – client longevity



Client longevity as at 30 September 2020
(numbers)



Client longevity as at 30 September 2020 (AUME)



Source: Record Currency Management. Client longevity is the length of continuous service as at 30 September 2020.

Financials – cost analysis

	H1-20	H2-20	H1-21
	£m	£m	£m
Personnel (excluding Group Profit Share)	4.2	4.4	5.0
Non-personnel cost	2.6	3.1	2.7
Administrative expenditure excluding Group Profit Share	6.8	7.5	7.7
Group Profit Share	1.4	2.1	1.3
Total administrative expenditure	8.2	9.6	9.0
Other income and expenditure	-	(0.1)	-
Total expenditure	8.4	9.5	9.0



Group Profit Share (GPS) and Share Scheme

Group Profit Share Scheme

- Changes made from 1 April 2019 more closely link GPS to individual performance objectives
- GPS Scheme used a Profit Share Pool calculated at 33.1% 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 Executive 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

	H1-20	H2-20	H1-21
	£m	£m	£m
Management fees	11.1	12.0	11.2
Performance fees	-	1.8	-
Other currency services income	0.3	0.4	0.6
Total revenue	11.4	14.2	11.8
Cost of sales	(0.1)	(0.2)	(0.2)
Gross profit	11.3	14.0	11.6
Operating costs (excl. variable remuneration)	(6.8)	(7.5)	(7.7)
Variable remuneration	(1.4)	(2.1)	(1.3)
Other income and expenditure	-	0.1	-
Total expenditure	(8.2)	(9.5)	(9.0)
Operating profit	3.1	4.5	2.6
Operating profit margin	27%	32%	22%
Net finance income	0.1	-	-
Profit before tax	3.2	4.5	2.6
Taxation	(0.7)	(0.6)	(0.5)
Profit after tax	2.5	3.9	2.1

Financials – earnings

	H1-20	H2-20	H1-21
	£m	£m	£m
Profit before tax	3.2	4.5	2.6
Tax	(0.7)	(0.6)	(0.5)
Profit after tax	2.5	3.9	2.1
	H1-20	H2-20	H1-21
eps – basic	1.29p	1.97p	1.10p
eps – diluted	1.29p	1.97p	1.10p
Total ordinary dividend per share	1.15p	1.15p	1.15p
Special dividend per share	-	0.41p	-
Dividend cover (ordinary and special)	1.1x	1.2x	0.96x

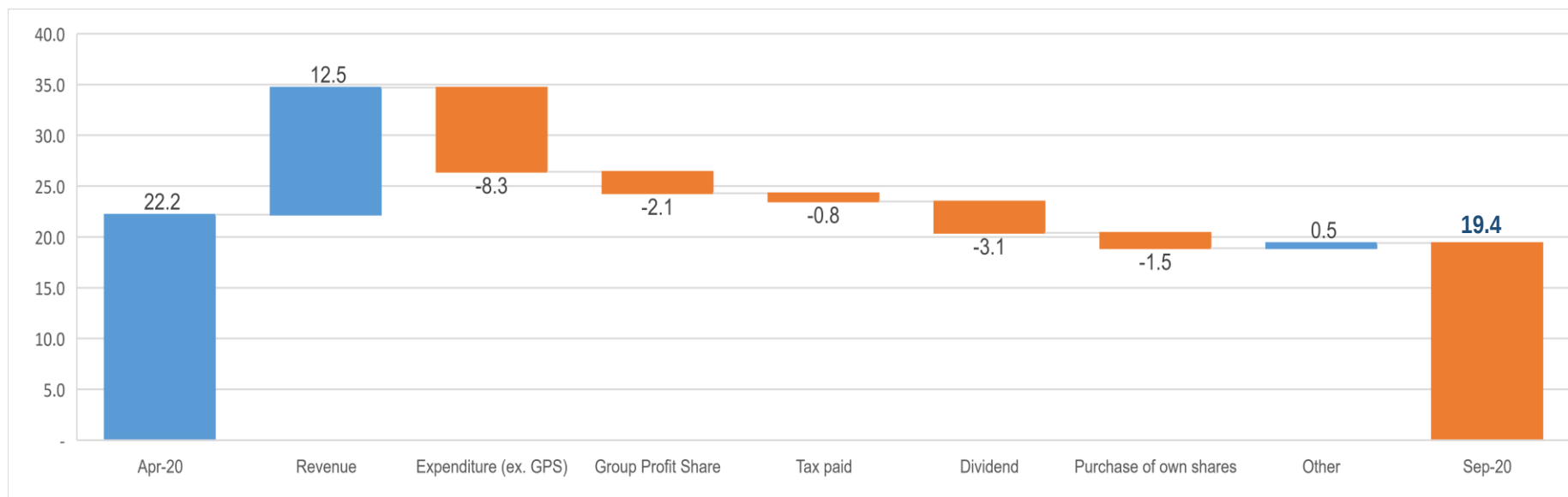
Financials – balance sheet

	H1-20	H2-20	H1-21
	£m	£m	£m
Property, plant and equipment	1.1	1.2	1.1
Right-of-use assets	1.4	1.2	0.9
Investments	1.2	2.5	2.8
Non-current assets	3.7	4.9	4.8
Trade and other receivables	6.7	8.7	7.3
Derivative financial assets	0.1	0.2	0.1
Money market instruments > 3 months	13.9	8.0	12.5
Cash and cash equivalents	9.6	14.2	6.9
Total assets	34.0	31.1	31.6
Current liabilities	(6.0)	(6.9)	(5.1)
Non-current liabilities	(1.5)	(0.9)	(0.6)
Net assets	26.5	28.2	25.9
Shareholders' equity	26.4	28.1	25.8
Non-controlling interest	0.1	0.1	0.1
Total equity	26.5	28.2	25.9

Financials – cash



CASH BRIDGE FOR THE PERIOD ENDED 30 September 2020 (£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.
- Group cash at 30 September 2020 includes £3.8 million held by the seed funds (31 March 2020: £4.3 million).



Appendices



Management and Board

Executive management

Name	Position	Experience
Leslie Hill	Chief Executive Officer	■ 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 Record PLC ■ Previous experience includes working at Lloyds Bank and Merrill Lynch, where she was Director and Head of Corporate Foreign Exchange Sales worldwide
Bob Noyen	Chief Investment Officer	■ Joined Record in 1999 with responsibility for Investment & Research and has been Chief Investment Officer since 2000 ■ Previously worked as Assistant Treasurer for Minorco (now part of Anglo American plc)
Steve Cullen	Chief Financial Officer	■ 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 ■ Previous experience: 15 years of audit experience gained in public practice

Non-executive Directors

Name	Position	Experience
Neil Record	Chairman	■ 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)	■ Co-founded the investment management firm Ruffer in 1994 ■ Chairman of Odyssean Investment Trust plc and is an independent non-executive director of Schroders UK Public Private Trust plc and ICG Enterprise Trust
Rosemary Hilary	Non-Executive Director (independent)	■ Appointed 1 June 2016. Non-executive Director of Willis Ltd, St James's Place plc, St James's Place UK plc, 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)	■ Appointed as a Non-executive Director on 21 March 2018 ■ Chairman of Karus Therapeutics and Storm Therapeutic Limited and a director of Oxagen Limited and 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

	30 Sep 19	31 Mar 20	30 Sep 20
Passive Hedging	52	58	60
Dynamic Hedging	3	3	3
Hedging	55	61	63
Currency for Return	13	9	9
Multi-product	2	2	2
Other	2	7	7
Less clients with >1 product	(2)	(7)	(7)
Total	70	72	74

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 H1-21 management fees

	AUME \$bn	Management fees	
		£m	%
Clients 1-10	43.1	7.6	67%
Clients 11-20	14.4	2.2	20%
Other clients	8.4	1.4	13%
Total	65.9	11.2	100%

Hedging mandates – underlying assets



Class of assets underlying hedging mandates as at 30 September 2020

	Equity	Fixed income	Other
Passive Hedging	30%	39%	31%
Dynamic Hedging	92%	-0%	8%
Multi-product	-0%	-0%	100%

Bespoke solutions for our clients

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	Alpha investing
Currency Multi-Strategy Since 2012	Dynamic Macro Currency Since 2019 <i>(live since 2004*)</i>
Carry Since 2003	
Momentum Since 2012	
Value Since 2012	
Range-Trading Since 2018	
Emerging Market Growth Since 2009	
ESG and Impact Investing	

Return-Seeking Strategies

Offering diversified return strategies

Enhanced Liquidity Management Since 2017
Dynamic Macro Multi-Asset Since 2020
Supply Chain Finance Strategy Since 2020
Local Currency EM Debt Since 2019
UK Real Rates Strategy Since 2019
Impact Strategy Expected 2021

*In 2019, John Floyd of Floyd Capital Management joined Record Currency Management. During this process, Mr. Floyd's Dynamic Macro Currency Strategy was incorporated into Record's suite of products.