



Record plc

Annual results

Year to 31 March 2016

17 June 2016



Disclaimer

IMPORTANT INFORMATION

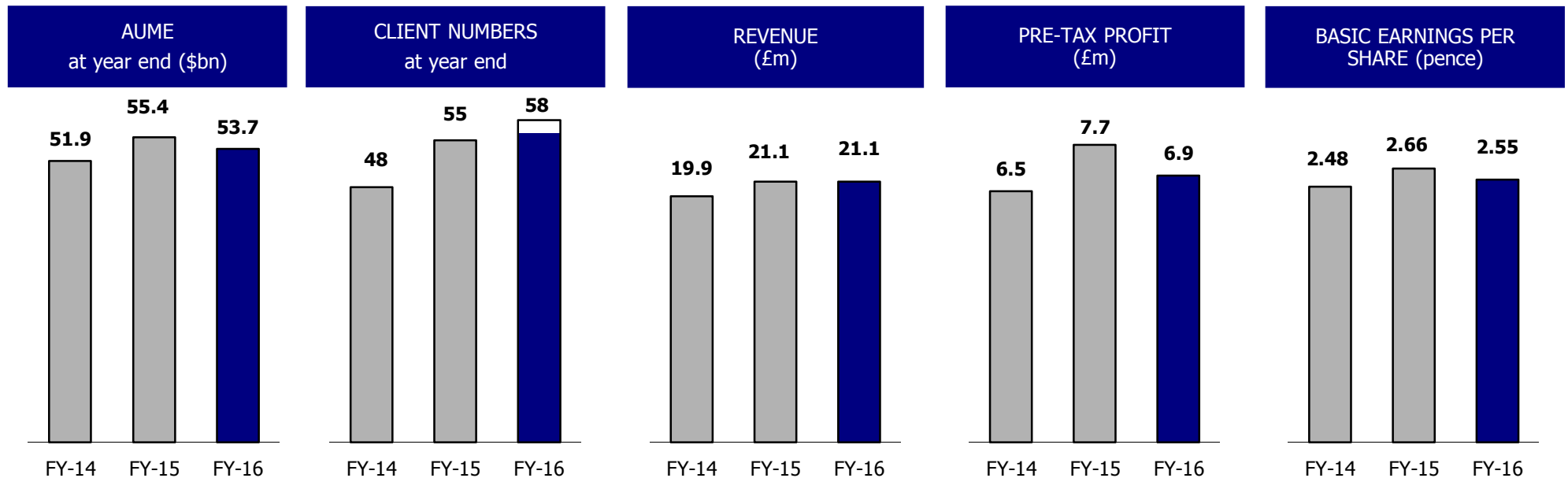
This document does not constitute an offer to sell or an invitation to buy shares in Record plc or any other invitation or inducement to engage in investment activities. Certain statements, beliefs and opinions in this document are forward-looking, which reflect the Company's current expectations and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

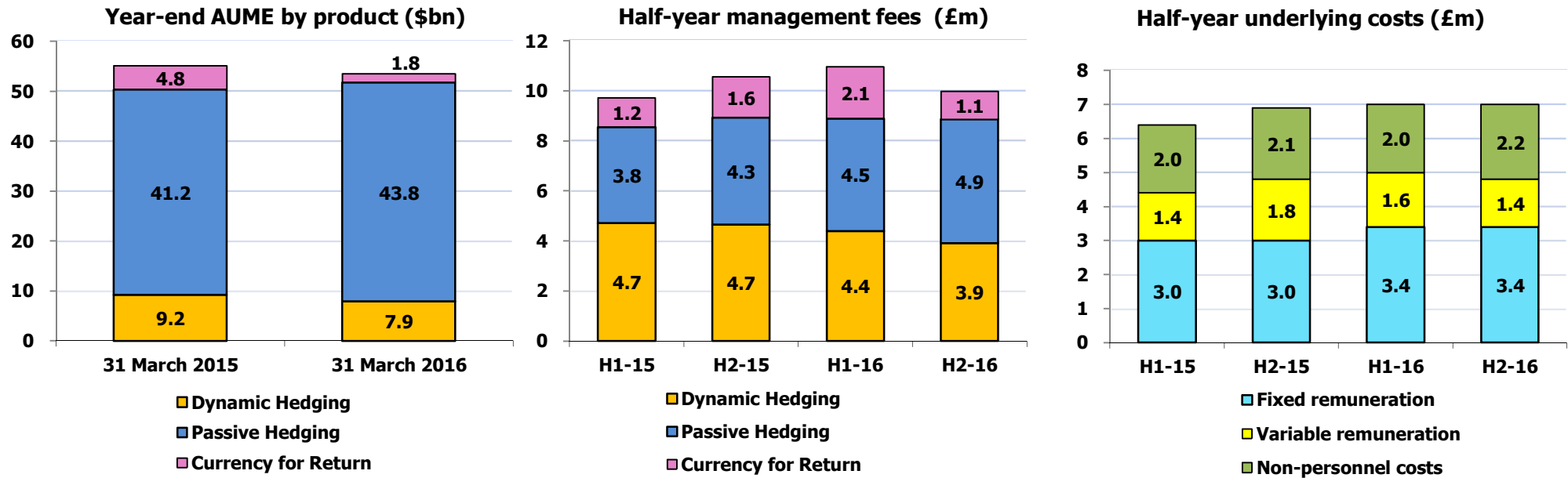


Headlines

- Client numbers up 3 to 58
- AUME \$53.7bn at 31 March 2016 (-3%)
- Revenue of £21.1m (FY-15: £21.1m)
- Management fees £20.9m (FY-15: £20.3m)
- Operating profit margin of 32% (FY-15: 36%)
- Underlying operating profit margin of 33% (FY-15: 35%)
- Pre-tax profit £6.9m (down 10% on FY-15)
- Underlying pre-tax profit of £7.0m (FY-15: £7.5m)
- Basic EPS 2.55p per share (FY-15: 2.66p per share)
- Final dividend of 0.825p per share, payable on 03 August 2016
- Total dividend in respect of FY-16: 1.65p per share
- Shareholders' equity £33.7m at 31 March 2016



Commentary to March 2016



- AUME fell by 3% over FY-16, and the mix changed with Currency for Return falling from 9% to 3%, and Passive Hedging increasing from 74% to 82%
- Management fees increased by 3% year on year due to a temporary increase in a tactical Currency for Return mandate during the first two quarters. Hedging revenues were steady through the year
- One-off 10% salary increase in May 2015 partly offset by reduction in Group Profit share for employees



Business strategy



Current environment

- Market environment has become more challenging
 - Absence of persistent trends
 - Reduced expectation of interest rate divergence and weakened effect of quantitative easing
 - Prolonged decline in emerging market currencies
- Regulatory requirements expected to increase
 - Mandatory variation margin requirements present opportunity as well as a threat
- Investors have increasingly divergent views on managing currency risk and opportunity
- New business opportunities include flexible and innovative solutions
 - Licensing agreement with WisdomTree
- EU referendum on 23 June
 - Avoid trading in periods of anticipated elevated volatility
 - Assist clients in planning for liquidity and cash flow requirements



Strategy

- Maintain client relationships and generate new sales in FY-17
- Focus on offering flexible currency management strategies
 - Tailored offerings help maintain fee rates
 - May require additional investment in systems and people
- Enhance Hedging products and Currency for Return products
 - Explore complementary cash and liquidity management tools
- Sustain marketing effort in US, UK and continental Europe
- Preserve capital buffer and consider distribution of surplus
 - Capital buffer considered broadly sufficient
 - Maintain sufficient cash resources/liquidity to invest selectively and maintain buffer
 - Consider special dividends for distributing excess annual earnings



Expanded product offering

■ Current product range

□ Hedging

- Dynamic Hedging First live programme 1983
- Passive Hedging First live programme 1999
- [Signal Hedging](#) Launched January 2016

□ 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

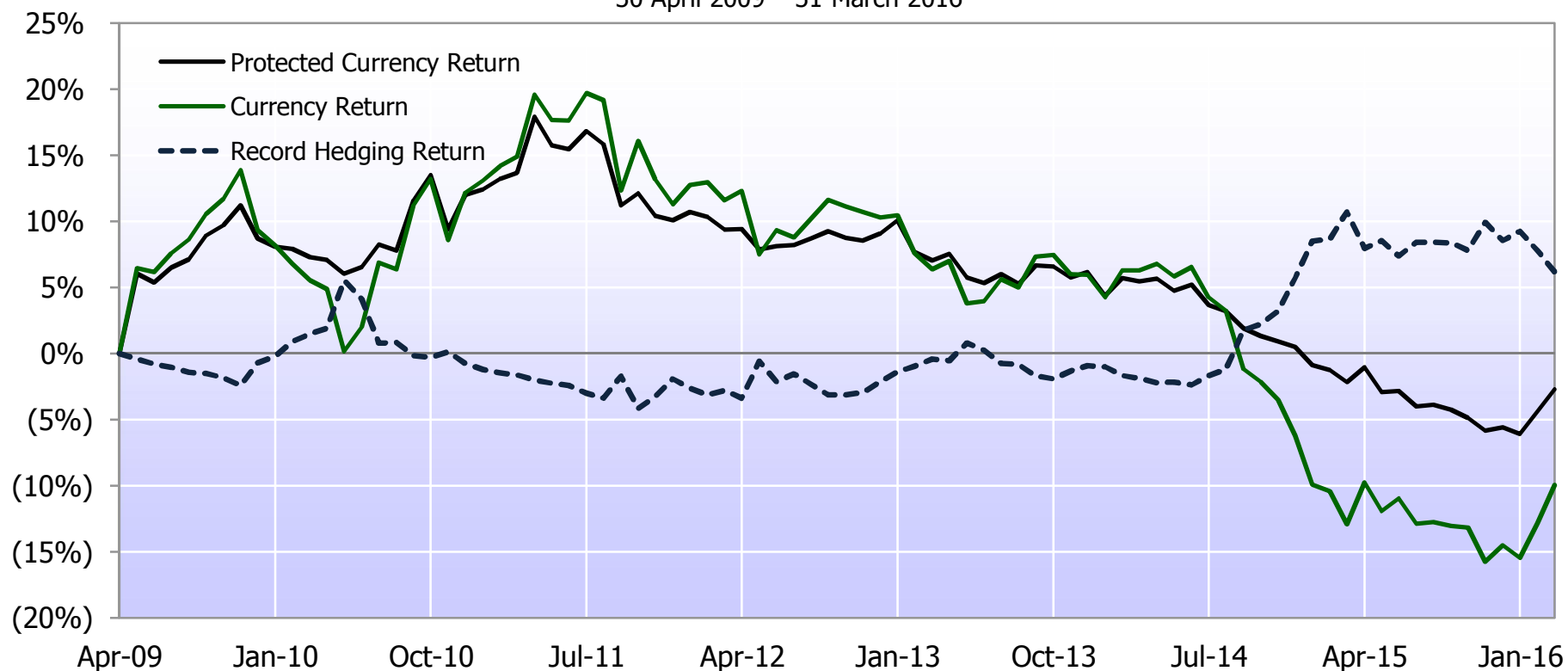


Product Performance



Performance of a US Dynamic Hedging Client

US Dynamic Hedging Client
30 April 2009 – 31 March 2016



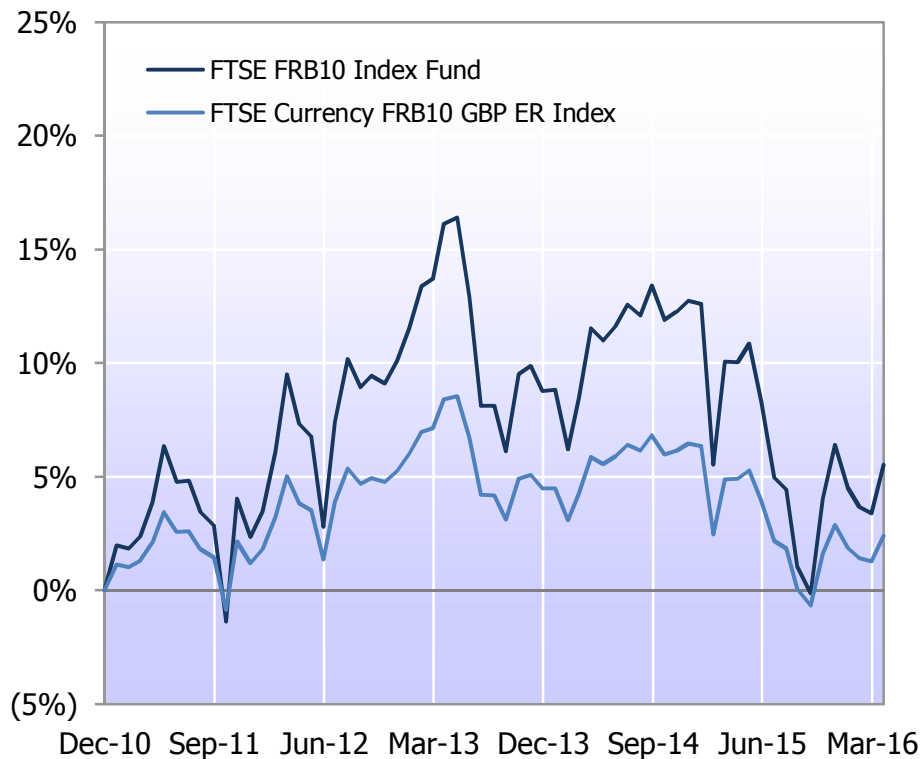
As at 31 March 2016	Protected Currency Return	Currency Return	Record Hedging Return
Inception to date (cum.)	(2.70%)	(9.97%)	6.16%
Inception to date (ann.)	(0.39%) p.a.	(1.51%) p.a.	0.87% p.a.

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 2016.



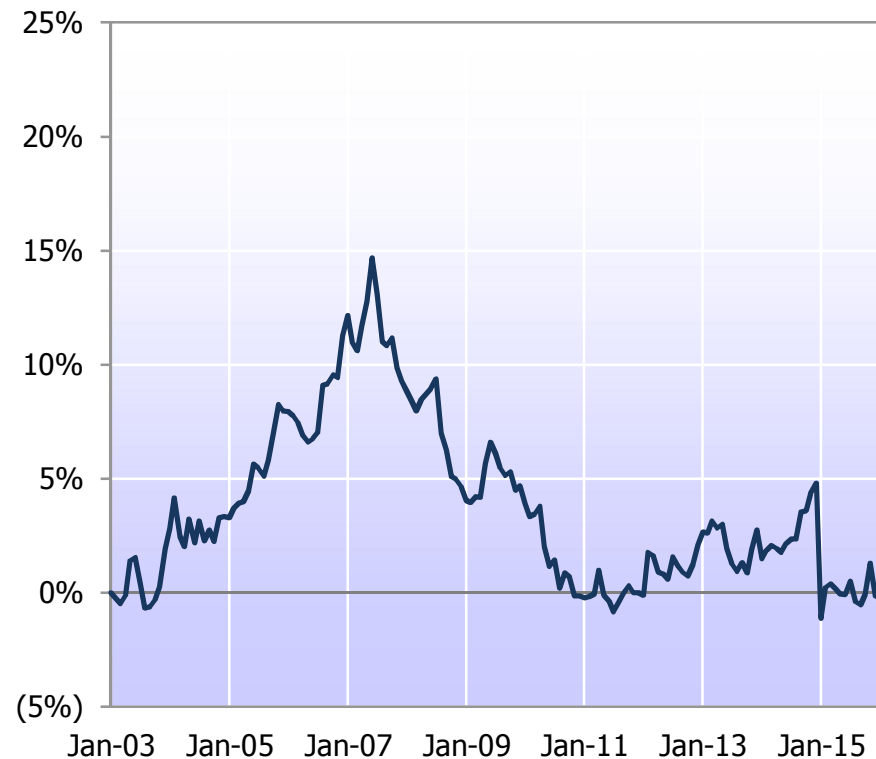
FRB10 Fund and Alpha Composite Performance

Record Currency FTSE FRB10 Index Fund
01 December 2010 - 31 March 2016



As at 31 March 2016	FTSE FRB10 Index Fund (x1.8)
Inception to date (cum.)	5.51%
Inception to date (ann.)	1.01% p.a.

Alpha Composite
31 January 2003 - 31 March 2016



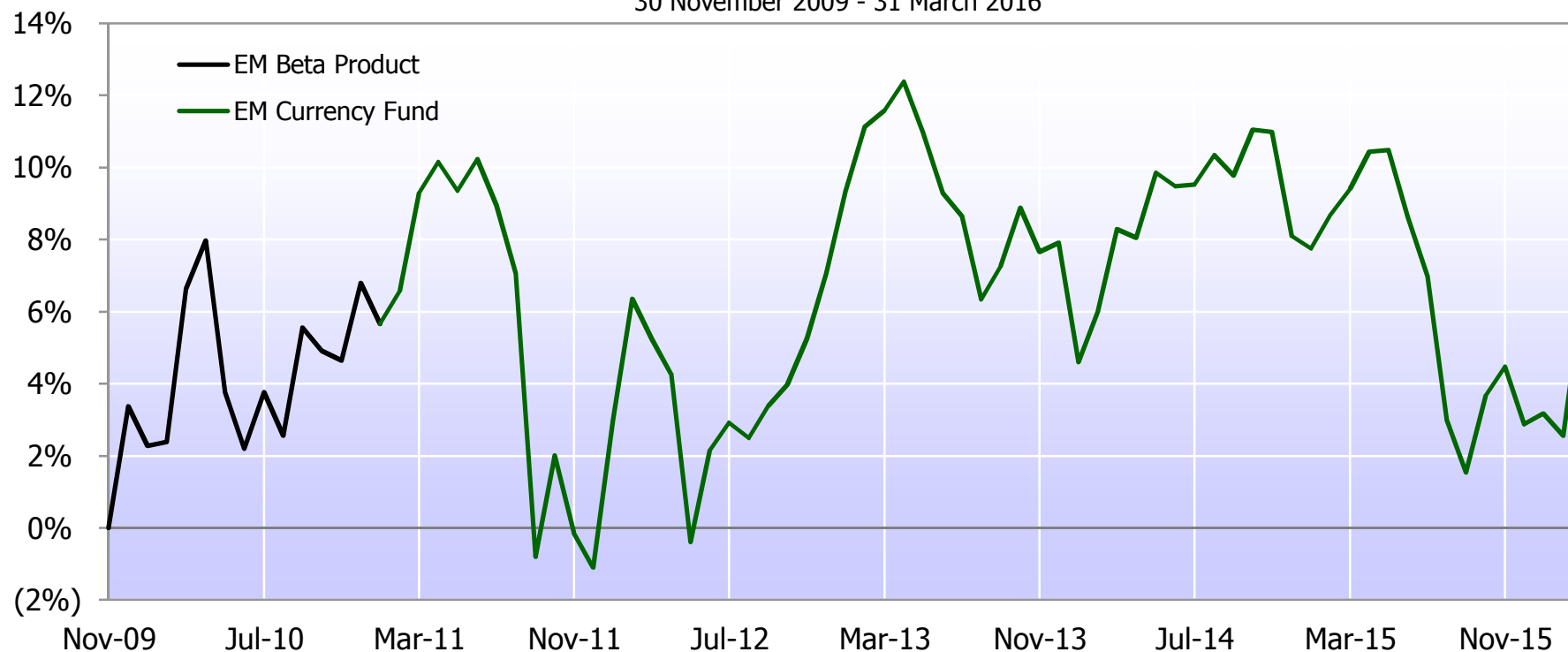
As at 31 March 2016	Alpha Composite
Inception to date (cum.)	(1.55%)
Inception to date (ann.)	(0.12%) p.a.

Source: Record Currency Management, FTSE International Ltd. Returns to 31 March 2016. 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 November 2009 - 31 March 2016



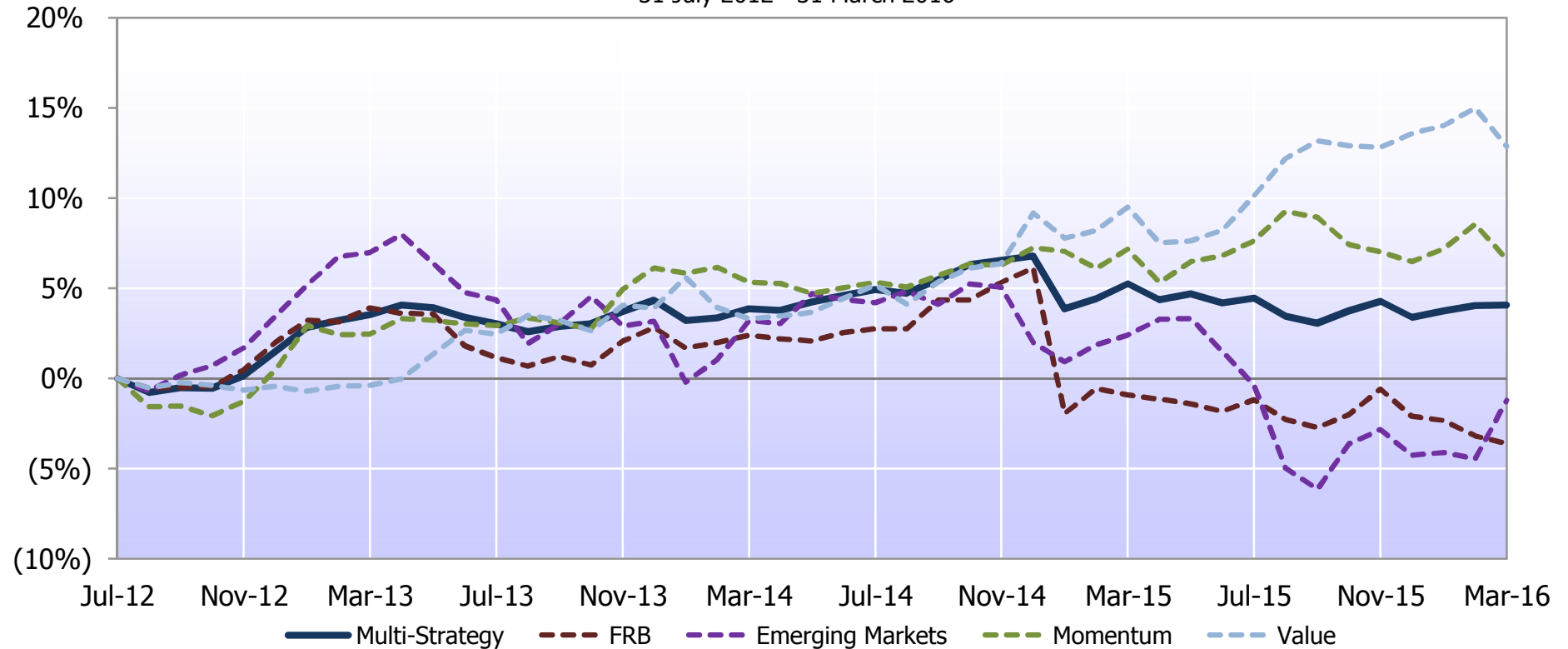
As at 31 March 2016	Emerging Market Strategy
Inception to date (cum.)	6.43%
Inception to date (ann.)	0.99% p.a.

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 31 Mar 2016.



Multi-Strategy Performance

Record Multi-Strategy approach
31 July 2012 - 31 March 2016



As at 31 March 2016	Multi-Strategy	FRB	Emerging Markets	Momentum	Value	DBCR +*
Inception to date (cum.)	4.08%	(3.59%)	(1.21%)	6.59%	12.87%	4.08%
Inception to date (ann.)	1.10% p.a.	(0.99%) p.a.	(0.33%) p.a.	1.76% p.a.	3.36% p.a.	1.10% p.a.

Source: Record Currency Management and Bloomberg. Record Multi-Strategy based on cumulative returns from 31 July 2012 to 31 March 2016 for a live mandate in CAD base. *Deutsche Bank currency index excess returns converted to CAD: equally weighted strategies in Carry (includes EM currencies), Momentum and Value.

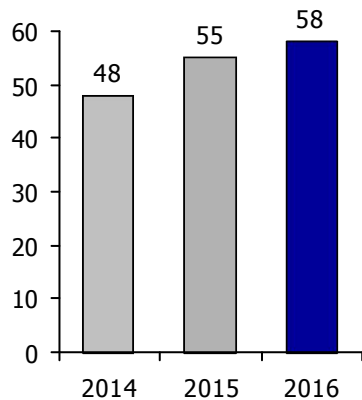


Financial Performance

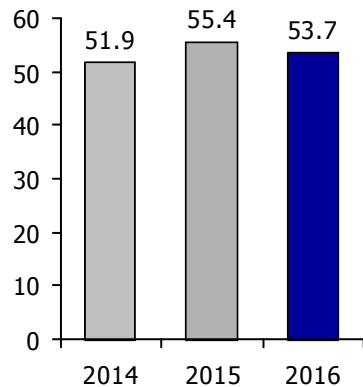


Financial KPIs – Years ended 31 March

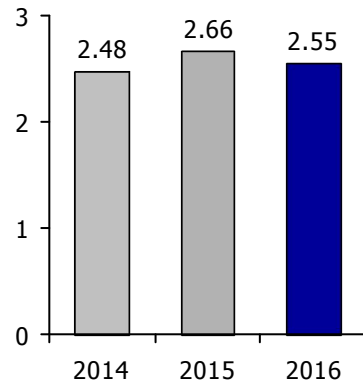
Client numbers



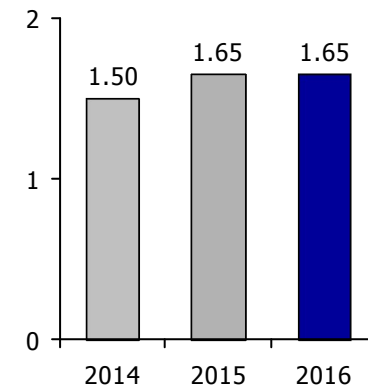
AUME (\$bn)



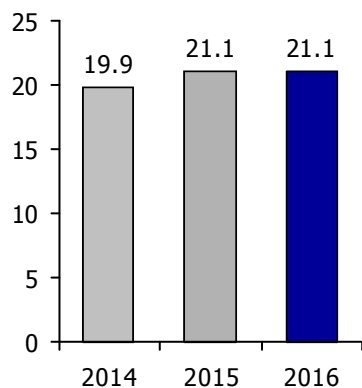
EPS (pence)



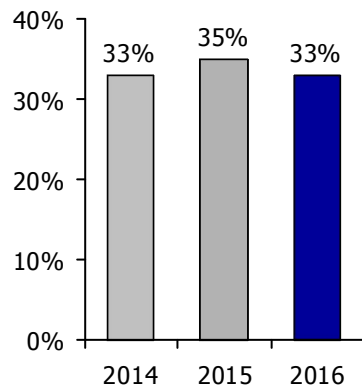
Dividend (pence per share)



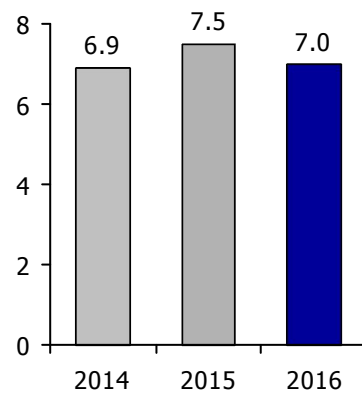
Revenue (£m)



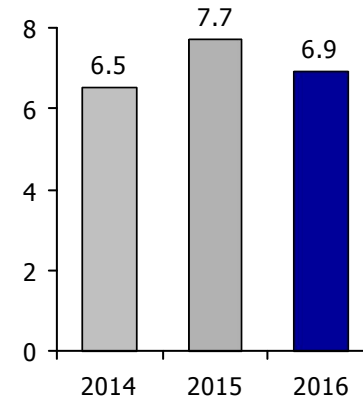
Underlying operating margin



Underlying profit before tax (£m)



Profit before tax (£m)





Financials – client numbers

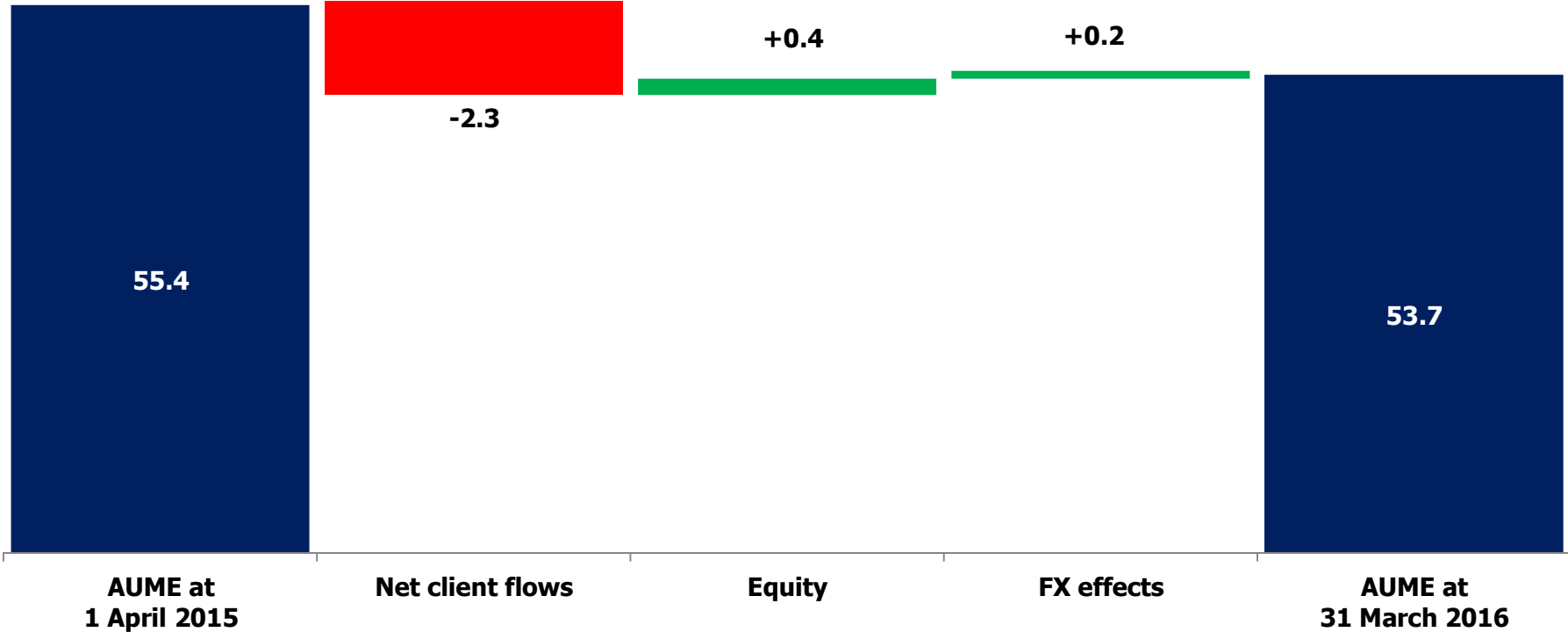
	31 Mar 16	31 Mar 15
Dynamic Hedging	9	11
Passive Hedging	39	31
Hedging	48	42
Currency for Return	13	17
Other	1	-
Less clients with >1 product	(4)	(4)
Total	58	55

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

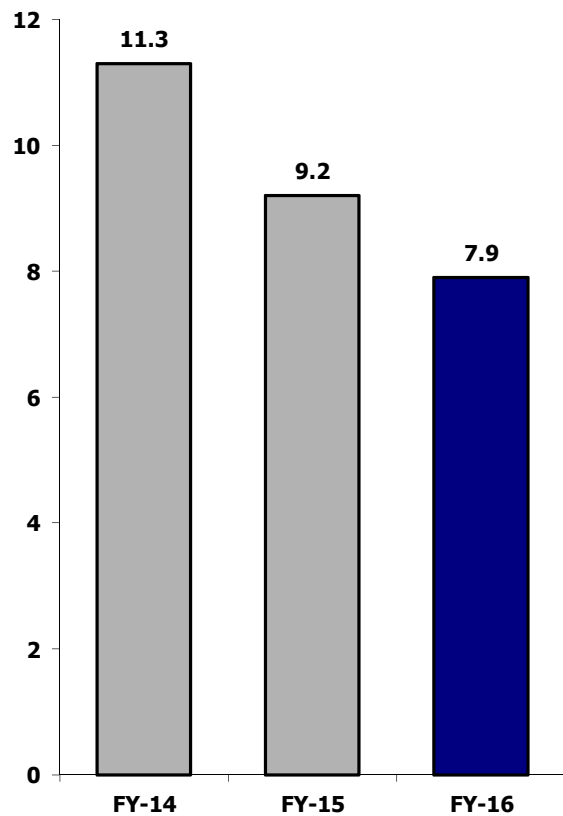
AUME bridge for the year ended 31 March 2016 (\$bn)



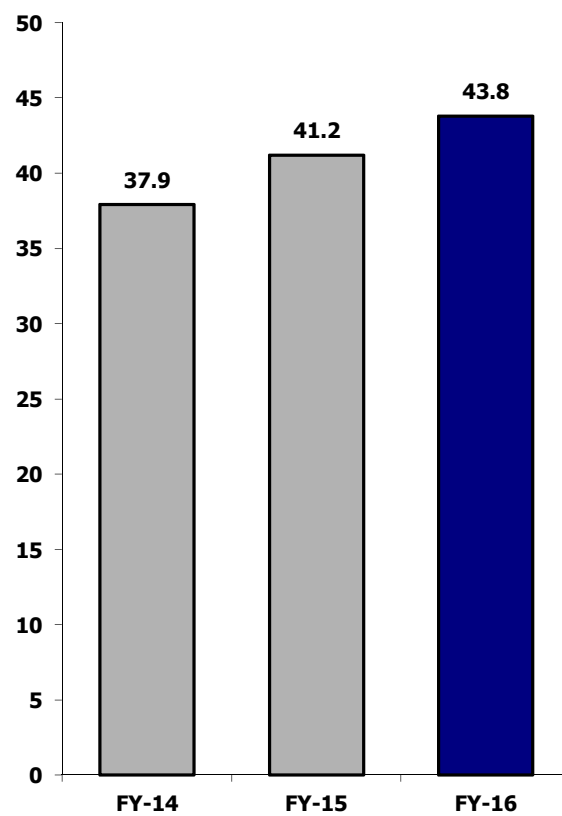


AUME by product at period end

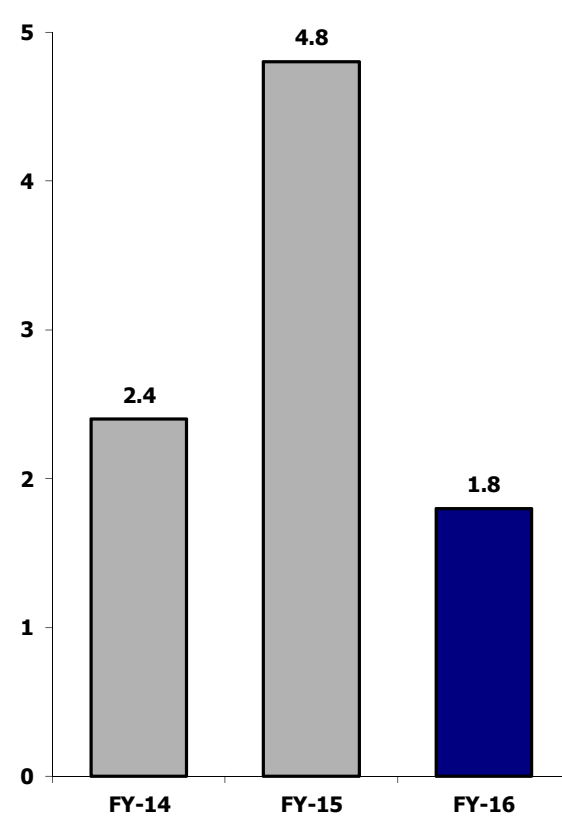
Dynamic Hedging (\$bn)



Passive Hedging (\$bn)



Currency for Return (\$bn)





Hedging mandates – underlying assets

Composition of assets underlying the Hedging mandates

	Equity	Fixed income	Other
Dynamic Hedging	77%	0%	23%
Passive Hedging	27%	50%	23%

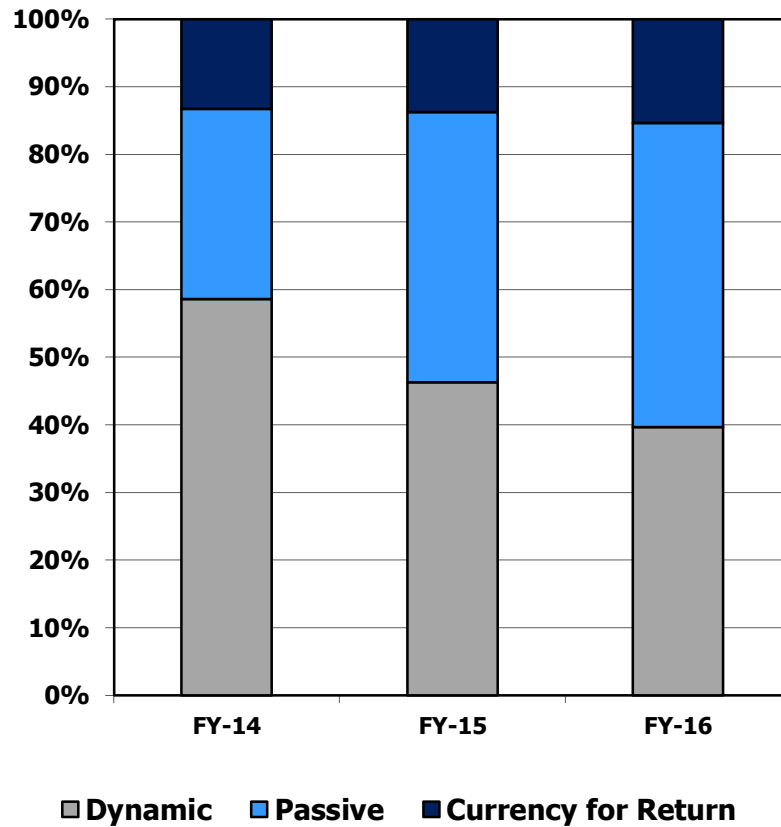


Financials – Average AUME, management fee rates & fees

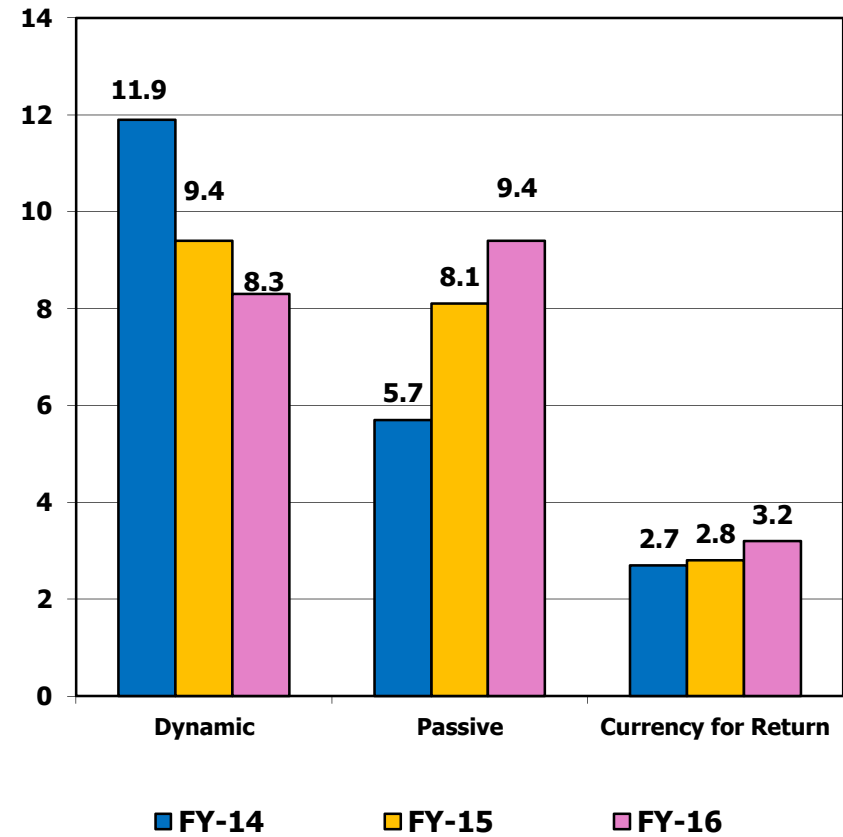
	Av. AUME (\$bn)		Av. mgmt. fee rates (bps)		Mgmt. Fee (£m)	
	FY-16	FY-15	FY-16	FY-15	FY-16	FY-15
Dynamic Hedging	8.6	10.2	15	15	8.3	9.4
Passive Hedging	42.3	39.7	3	3	9.4	8.1
Currency for Return	3.3	2.9	15	16	3.2	2.8
Cash	0.2	0.3	-	-	-	-
Combined	54.4	53.1	6	6	20.9	20.3

Financials – fee analysis

Management fees analysis by product



Management fees by product (£m)



Financials – income statement

	FY-16		FY-15	
	Underlying £m	Consolidated £m	Underlying £m	Consolidated £m
Management fees	21.0	20.9	20.3	20.3
Performance fees	0.3	0.3	0.5	0.5
Other income	-	(0.1)	0.1	0.3
Total Income	21.3	21.1	20.9	21.1
Cost of sales	(0.4)	(0.2)	(0.3)	(0.2)
Gross Profit	20.9	20.9	20.6	20.9
Operating costs (excl. variable remuneration)	(11.0)	(11.1)	(10.1)	(10.2)
Variable remuneration	(3.0)	(3.0)	(3.2)	(3.2)
Total expenditure	(14.0)	(14.1)	(13.3)	(13.4)
Operating profit	6.9	6.8	7.3	7.5
Operating Profit Margin	33%	32%	35%	36%
Finance income	0.1	0.1	0.2	0.2
Profit before tax	7.0	6.9	7.5	7.7
Taxation	(1.5)	(1.5)	(1.7)	(1.7)
Profit after tax	5.5	5.4	5.8	6.0

Financials - earnings

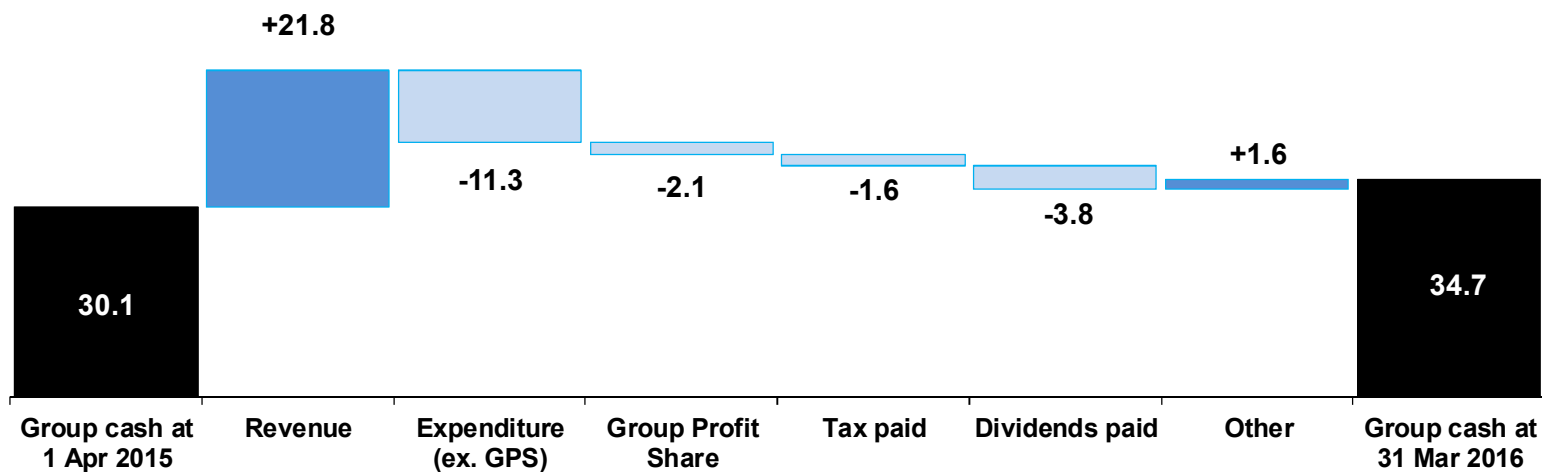
	FY-16	FY-15
	£m	£m
Profit before tax	6.9	7.7
Tax	(1.5)	(1.7)
Profit after tax	5.4	6.0
Profit attributable to the equity holders	5.5	5.8
Profit /loss attributable to Non controlling interests	(0.1)	0.2
eps – basic	2.55p	2.66p
eps – diluted	2.54p	2.65p
Final / interim dividend per share	1.65p	1.65p
Dividend cover	1.5x	1.6x

Financials – balance sheet

	FY-16	FY-15
	£m	£m
Fixed assets	0.4	0.7
Investments	-	2.6
Non-current assets	0.4	3.3
Trade debtors and other receivables	5.7	6.3
Derivative financial assets	0.1	0.6
Money market instruments	13.0	18.1
Cash and cash equivalents	21.7	12.0
Current assets	40.5	37.0
Current liabilities	(3.2)	(4.5)
Net assets	37.7	35.8
Equity attributable to owners of the parent	33.7	31.9
Non-controlling interest	4.0	3.9
Total equity	37.7	35.8

Financials - cash

CASH BRIDGE FOR THE YEAR ENDED 31 MARCH 2016 (£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 £5.1 million cash inflow as a result of the conversion of money market instruments with maturities greater than 3 months.
- Group cash at 31 March 2016 includes £6.9 million held by the seed funds (2015: £4.5 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
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 Chairman of EC3\legal
Andrew Sykes	Non-Executive Director (independent)	<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 (independent)	<ul style="list-style-type: none"> Director PayPoint 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
Jane Tufnell	Non-Executive Director (independent)	<ul style="list-style-type: none"> Co-founded the investment management firm Ruffer in 1994 Currently Chairman of GVQ Investment Management Limited, Senior Independent Director of The Diverse Income Trust plc and a Non-executive Director of JPMorgan Claverhouse 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 Formerly Chief Audit Officer at TSB, Head of Internal Audit at the FCA/FSA



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

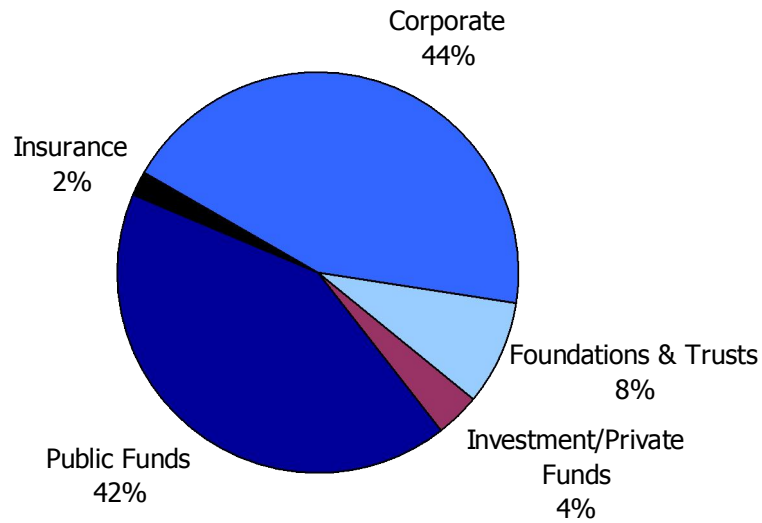
- **Cash:**

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



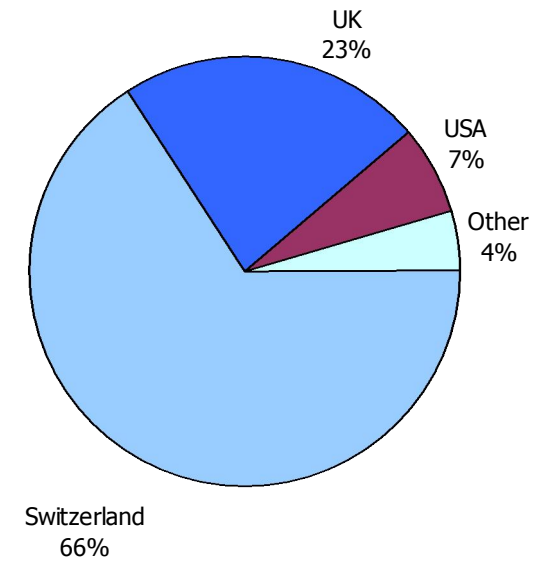
AUME analysis

Split of AUME by client type — 31 March 2016



Total: \$53.7 bn

Split of AUME by country — 31 March 2016



Total: \$53.7 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 Scheme rules include claw back provisions**

Share Scheme

- **Share Scheme rules include claw back provisions for options issued to Executive Directors**
- **Options issued during the year to Executive Directors and senior personnel**



Financials – cost analysis

	FY-16	FY-15
	£m	£m
Personnel (excluding Group Profit Share)	6.8	6.0
Non-personnel cost	4.3	4.2
Expenditure before Group Profit Share	11.1	10.2
Group Profit Share Scheme	3.0	3.2
Total Expenditure	14.1	13.4



Financials – concentration

Largest clients by FY-16 fees

	AUME \$bn	Management fees £m	%
Clients 1-10	39.7	16.2	78%
Clients 11-20	8.4	3.1	15%
Other clients	5.6	1.6	7%
Total	53.7	20.9	100%