



Record plc

Interim results

Six months to 30 September 2016

18 November 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.

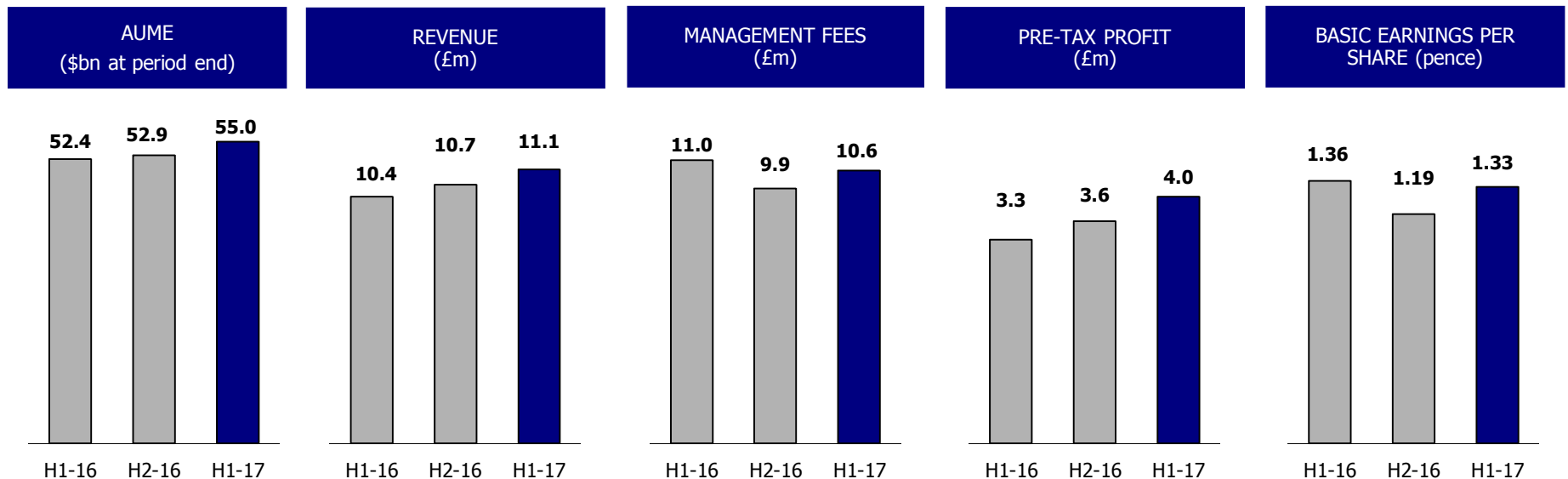
Forward-looking statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The value of investments, and the income from them, may go down as well as up, and is not guaranteed. Past performance 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.



Business strategy

Headlines

- Client numbers up 3 to 61
- AUME \$55.0bn at 30 September 2016 (+4%)
- Revenue £11.1m (H1-16: £10.4m)
- Management fees of £10.6m (down 3% on H1-16)
- Operating profit margin of 36% (H1-16 : 31%)
- Underlying operating profit margin of 33% (H1-16: 33%)
- Pre-tax profit £4.0m (up 22% on H1-16)
- Underlying pre-tax profit of £3.6m (H1-16: £3.7m)
- Basic EPS 1.33p per share (H1-16: 1.36p per share)
- Interim dividend of 0.825p per share, payable on 23 December 2016
- Shareholders' equity £35.0m at 30 September 2016



Mandate classification changes

	Historic presentation			Mandate reclassification			AUME re-definition			Revised presentation		
AUME (US\$ billion)	30-Sep-16	30-Sep-15	31-Mar-16	30-Sep-16	30-Sep-15	31-Mar-16	30-Sep-16	30-Sep-15	31-Mar-16	30-Sep-16	30-Sep-15	31-Mar-16
Dynamic Hedging	7.5	8.7	7.9	-1.8	-2.1	-1.8	0.0	0.0	0.0	5.7	6.6	6.1
Passive Hedging	46.0	42.1	43.8	-0.4	-0.4	-0.4	0.0	0.0	0.0	45.6	41.7	43.4
Currency for Return	2.1	2.3	1.8	-1.2	-1.7	-1.2	0.0	0.0	0.0	0.9	0.6	0.6
Multi-product	n/a	n/a	n/a	+3.4	+4.2	+3.4	-0.8	-0.9	-0.8	2.6	3.3	2.6
Cash & other	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.2
Total	55.8	53.3	53.7	0.0	0.0	0.0	-0.8	-0.9	-0.8	55.0	52.4	52.9

Management fees

(£ million)	30-Sep-16	30-Sep-15	31-Mar-16	30-Sep-16	30-Sep-15	31-Mar-16	30-Sep-16	30-Sep-15	31-Mar-16
Dynamic Hedging	4.0	4.4	8.3	-1.4	-1.4	-2.8	2.6	3.0	5.5
Passive Hedging	5.6	4.5	9.4	0.0	0.0	0.0	5.6	4.5	9.4
Currency for Return	1.0	2.1	3.2	-0.5	-1.7	-2.4	0.5	0.4	0.8
Multi-product	n/a	n/a	n/a	+1.9	+3.1	+5.2	1.9	3.1	5.2
Total	10.6	11.0	20.9	0.0	0.0	0.0	10.6	11.0	20.9

Management fee rates

(bps per annum)	30-Sep-16	30-Sep-15	31-Mar-16	30-Sep-16	30-Sep-15	31-Mar-16
Dynamic Hedging	14	15	15	13	13	13
Passive Hedging	4	3	3	4	3	3
Currency for Return	14	15	15	17	19	20
Multi-product	n/a	n/a	n/a	20	18	19



Current environment

- Market environment presents new business opportunities
 - Currency market volatility, attractive investment performance and regulatory change
 - Investors seeking out more sustainable returns as a consequence of ultra-low interest rate environment
 - Reversal of previous decline in emerging market currencies
 - Heightened investor awareness of currency volatility and associated opportunities and threats
 - Positive performance across all return-seeking strategies, enhancing a saleable track record
 - New business opportunities include flexible and innovative solutions to address diversification in clients objectives
 - Licensing agreement with WisdomTree extended during the period
 - Regulatory change continues to be a major theme in foreign exchange markets
 - Mandatory variation margin requirements present opportunity as well as a threat
 - 'Brexit'
 - Management team established to monitor progress towards Brexit and ramifications on clients and Record
 - Contingency plans being established to allow continued maintenance of ability to serve EU clients
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Strategy

- Maintain client relationships and generate new sales in FY-17
 - Focus on offering flexible currency management strategies
 - Tailored offerings help maintain fee rates and act as key differentiator
 - 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
- Passive Hedging
- Signal Hedging

First Live Programme 1983

First Live Programme 1999

First Live Programme 2016

□ Currency for Return

- Forward Rate Bias
- Emerging Markets
- Currency Momentum
- Currency Value
- Multi-Strategy

First Live Programme February 2003

First Live Programme November 2009

First Live Programme July 2012

First Live Programme July 2012

First Live Programme July 2012

□ Multi-product

- Complex currency solutions with multiple objectives

First Live Programme August 2003

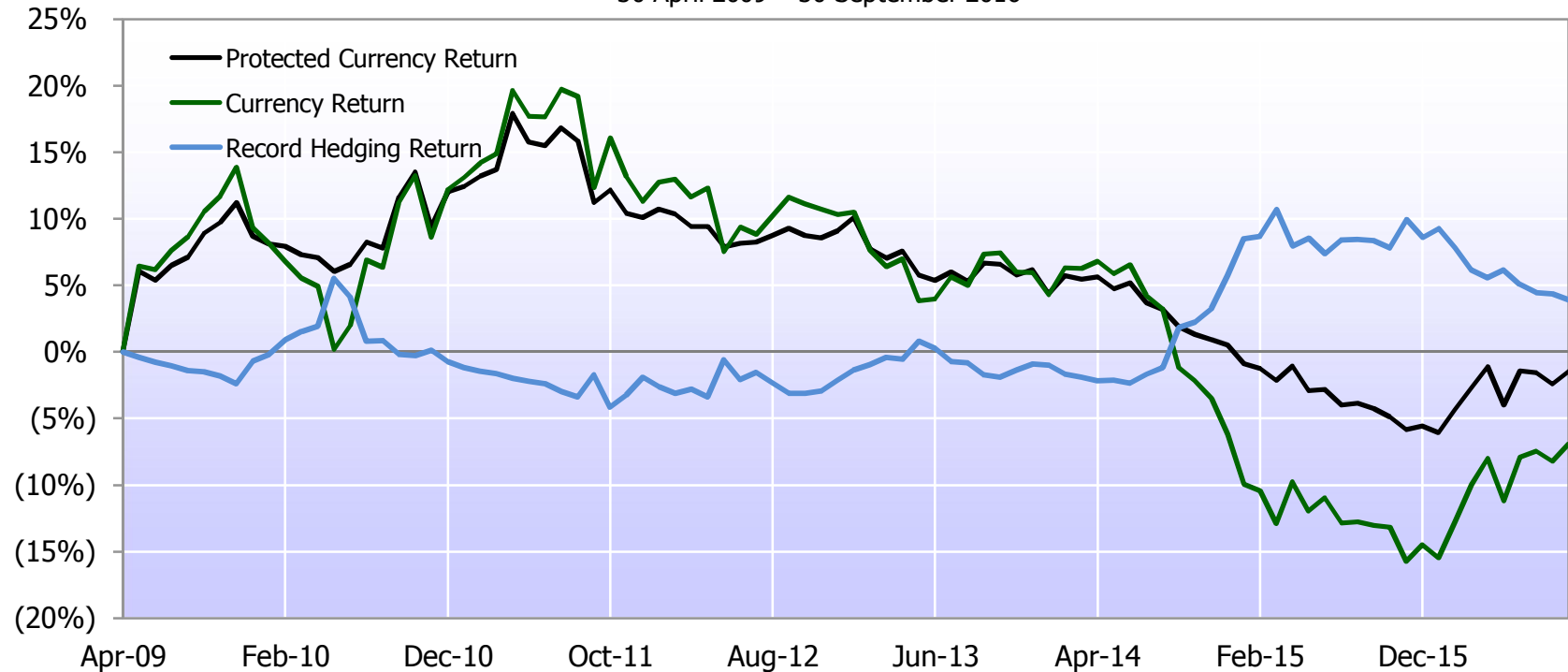


Product Performance



Performance of a US Dynamic Hedging Client

US Dynamic Hedging Client
30 April 2009 – 30 September 2016

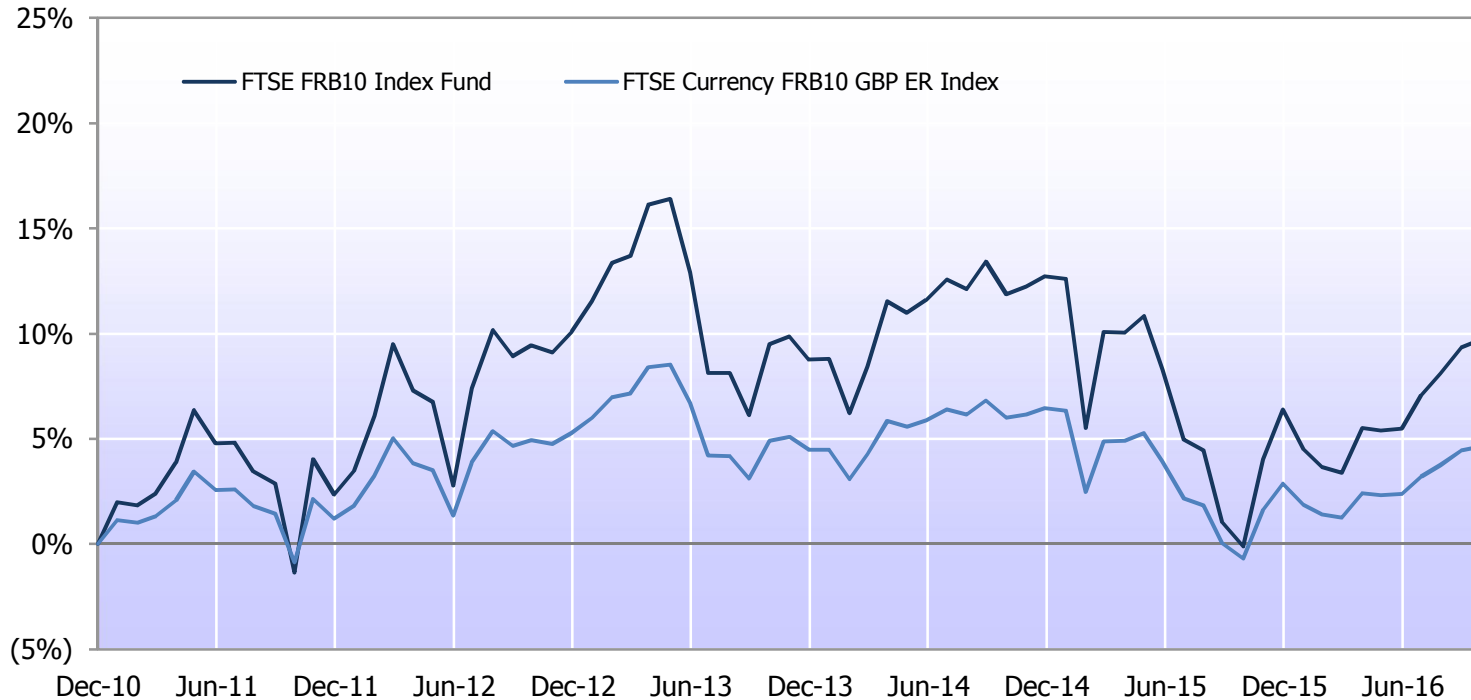


As at 30 September 2016	Protected Currency Return	Currency Return	Record Hedging Return
Inception to date (cum.)	(1.47%)	(6.91%)	3.89%
Inception to date (ann.)	(0.20%) p.a.	(0.96%) p.a.	0.52% p.a.

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 2016.

FRB10 Fund Performance

Record Currency FTSE FRB10 Index Fund
01 December 2010 – 30 September 2016



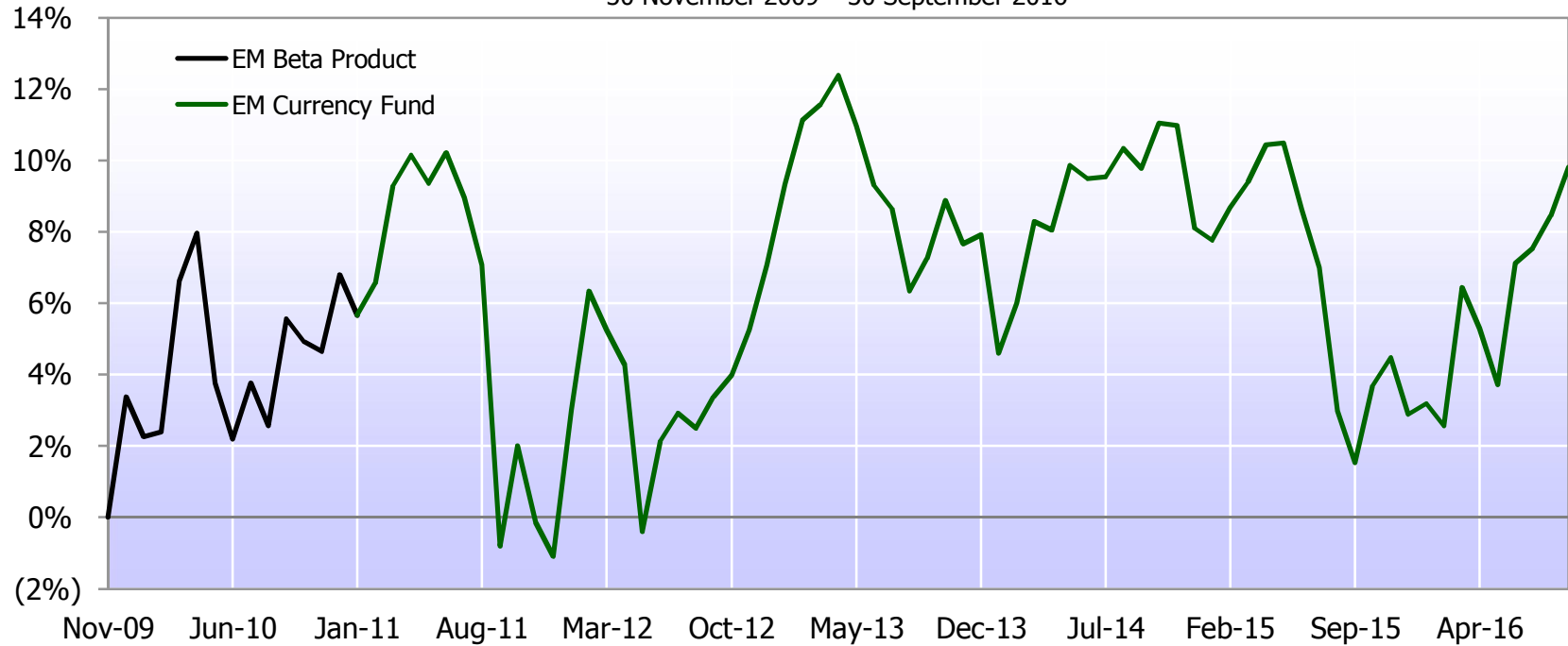
As at 30 September 2016	FTSE FRB10 Index Fund (x1.8)
Inception to date (cum.)	9.70%
Inception to date (ann.)	1.60% p.a.

Source: Record Currency Management, FTSE International Ltd. Returns to 30 September 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 – 30 September 2016

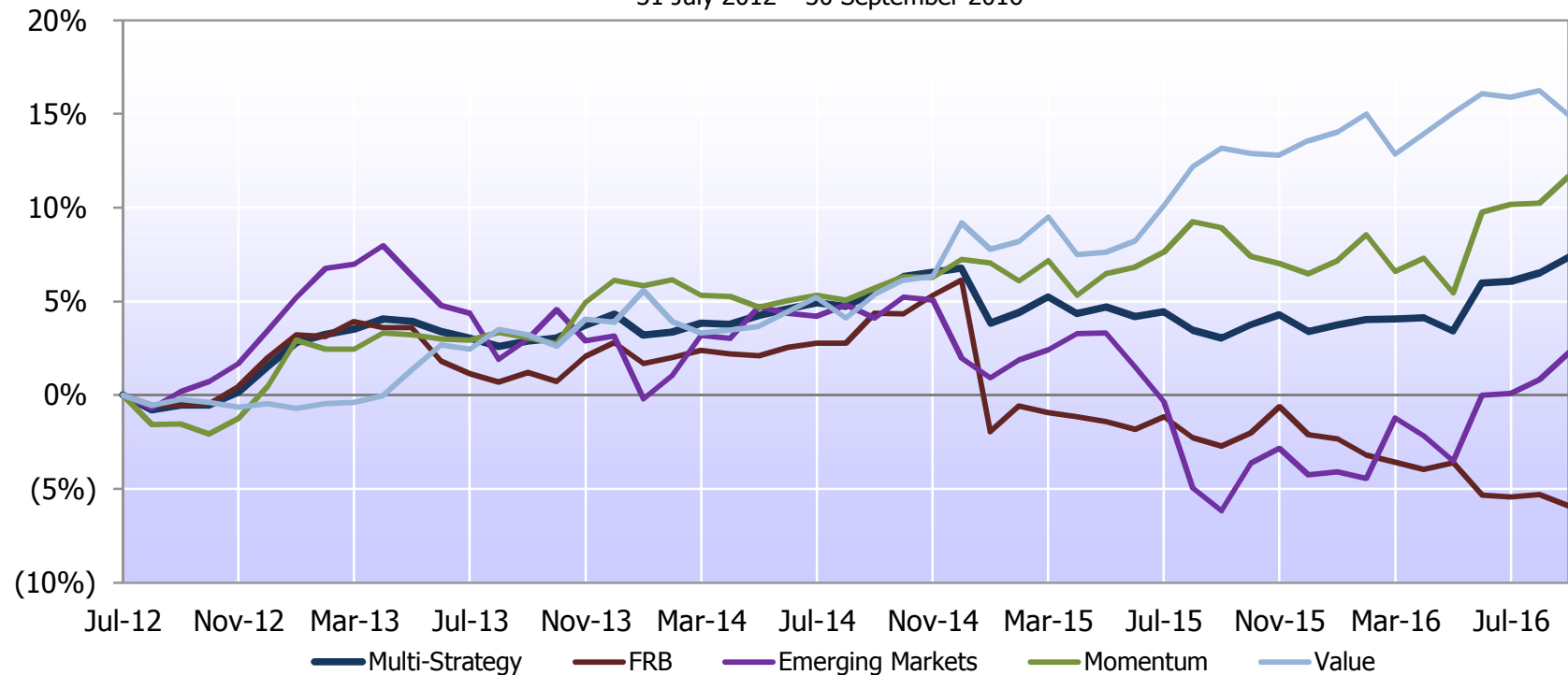


As at 30 September 2016	Emerging Market Strategy
Inception to date (cum.)	9.81%
Inception to date (ann.)	1.38% p.a.

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 2016.

Multi-Strategy Performance

Record Multi-Strategy approach
31 July 2012 – 30 September 2016



As at 30 September 2016	Multi-Strategy	FRB	Emerging Markets	Momentum	Value	DBCR +*
Inception to date (cum.)	7.36%	(5.90%)	2.27%	11.67%	14.92%	7.74%
Inception to date (ann.)	1.72% p.a.	(1.45%) p.a.	0.54% p.a.	2.68% p.a.	3.39% p.a.	1.80% p.a.

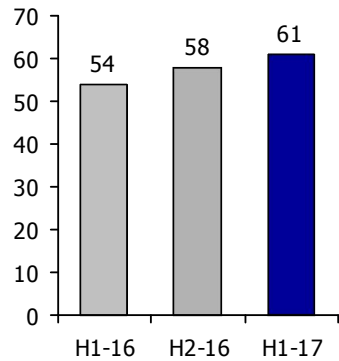
Source: Record Currency Management and Bloomberg. Record Multi-Strategy based on cumulative returns from 31 July 2012 to 30 September 2016 for a live mandate in CAD base. *Deutsche Bank currency index excess returns converted to CAD: equally weighted strategies in Carry (includes EM currencies), Momentum and Value.



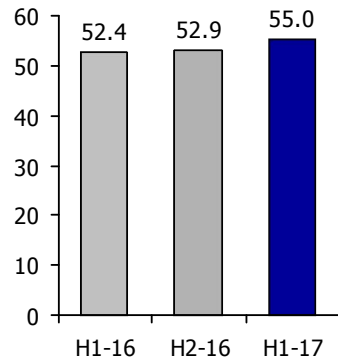
Financial Performance

Financial KPIs

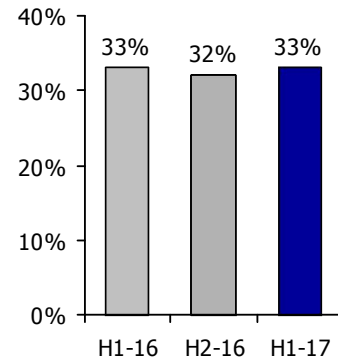
Client numbers



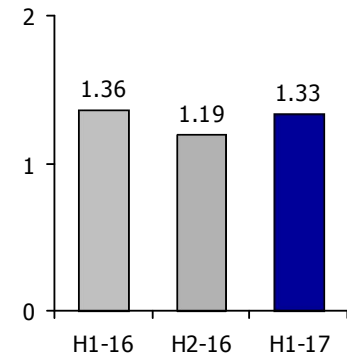
AUME (\$bn)



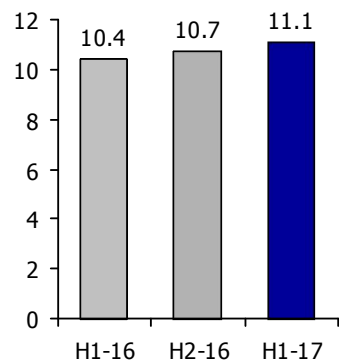
Underlying operating margin



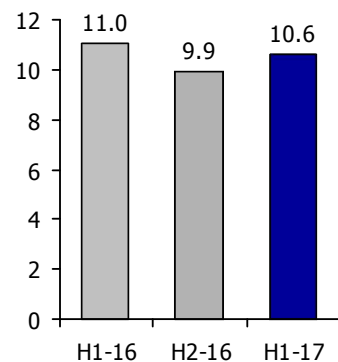
EPS (pence)



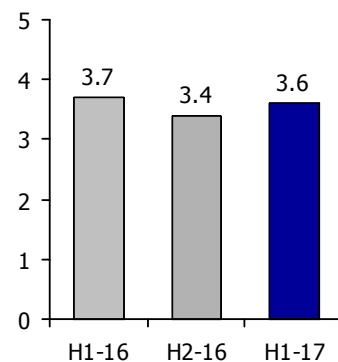
Revenue (£m)



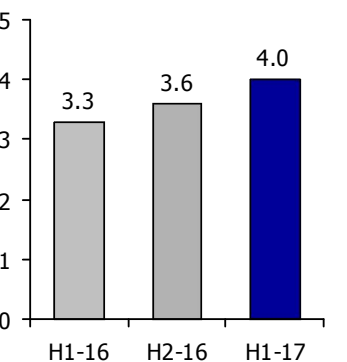
Management fees (£m)



Underlying profit before tax (£m)



Profit before tax (£m)





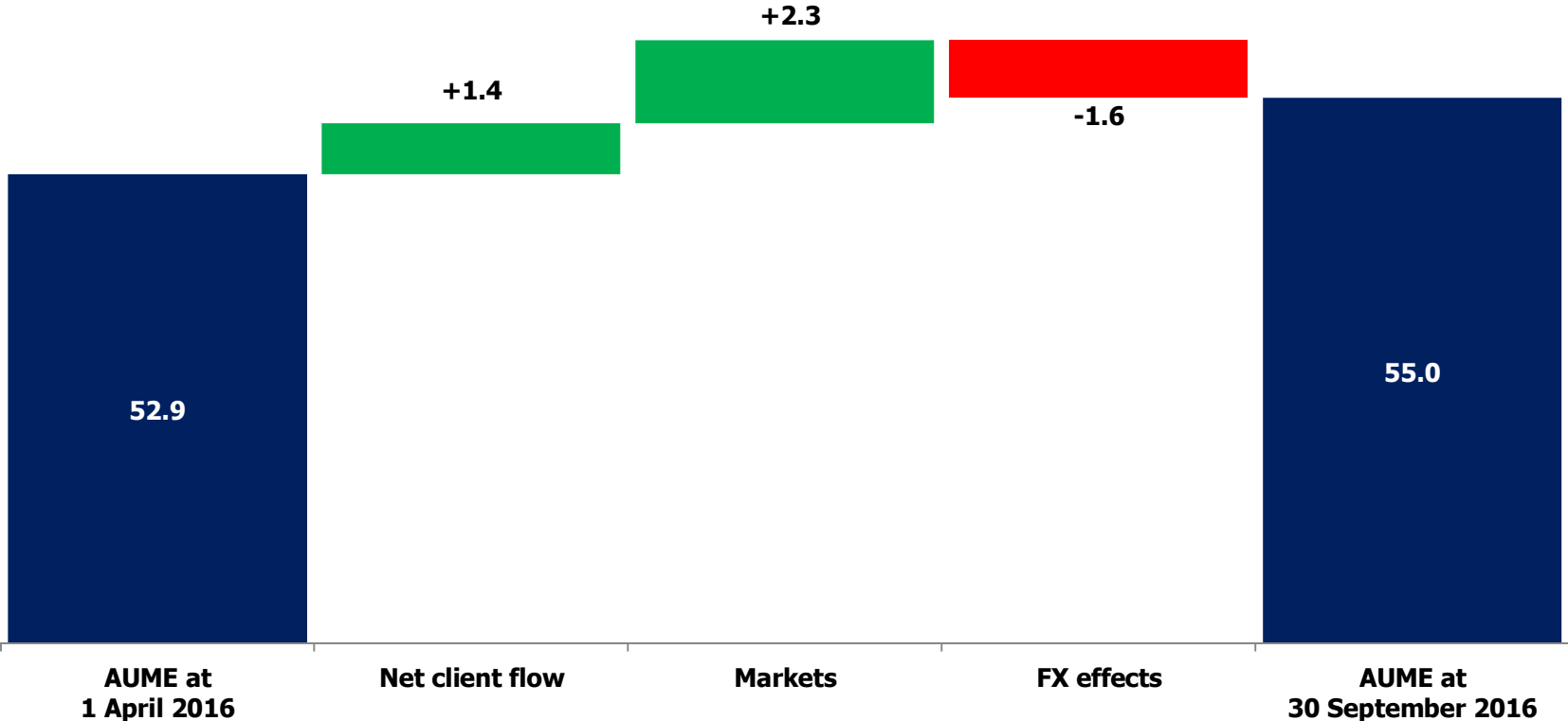
Financials – client numbers

	30 Sep 15	31 Mar 16	30 Sep 16
Dynamic Hedging	8	7	7
Passive Hedging	31	38	42
Hedging	39	45	49
Currency for Return	13	10	11
Multi-product	3	3	2
Other	-	1	2
Less clients with >1 product	(1)	(1)	(3)
Total	54	58	61

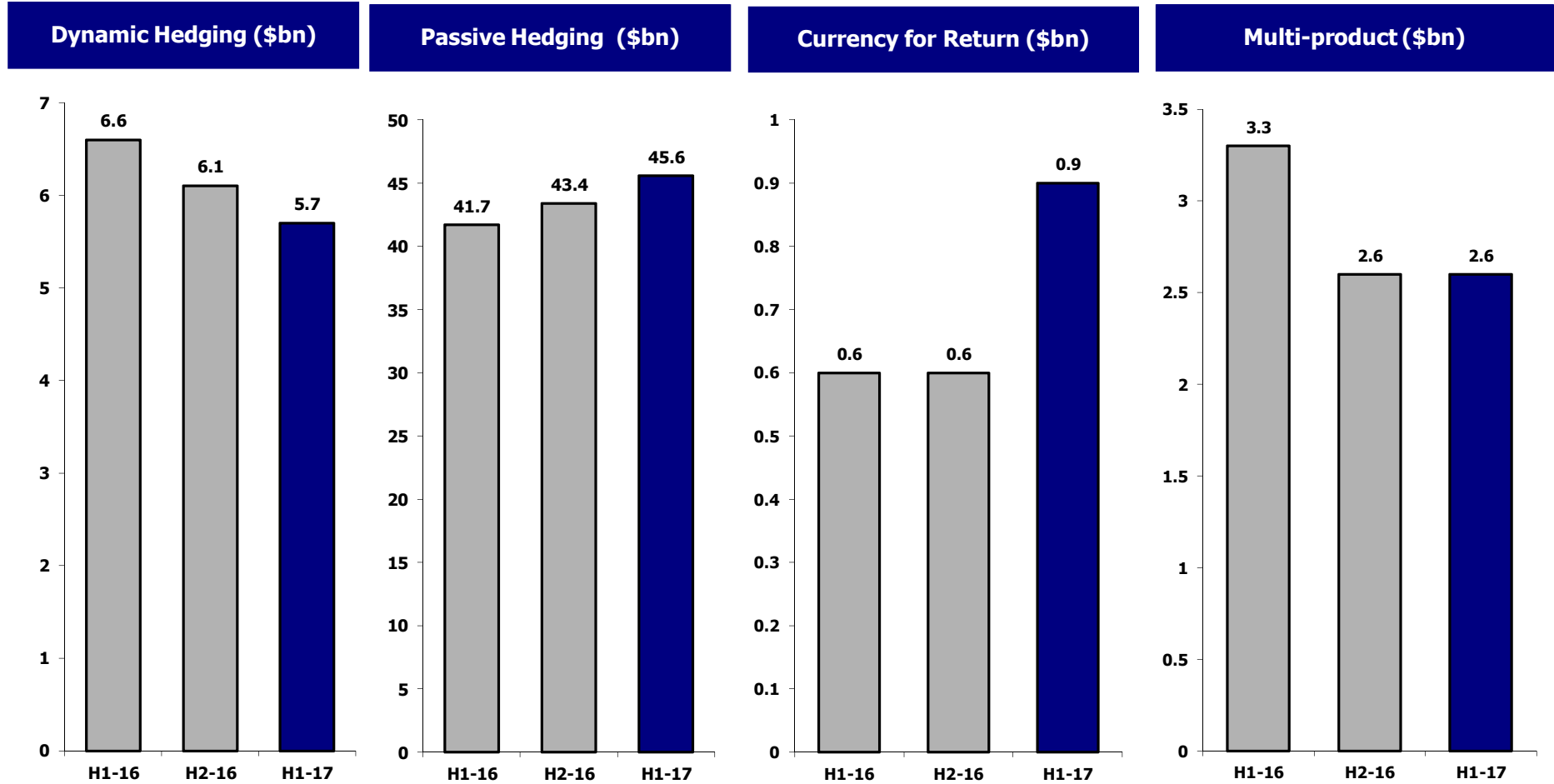
Notes: (i) total of client numbers by product type is greater than total client numbers due to some clients having more than one account;
(ii) for pooled fund, client numbers look through pooled funds to individual investor level.

Financials – AUME movement

AUME bridge for the six months ended 30 September 2016 (\$bn)



AUME by product at period end





Hedging mandates – underlying assets

Composition of assets underlying the Hedging mandates

	Equity	Fixed income	Other
Dynamic Hedging	91%	-0%	9%
Passive Hedging	27%	42%	31%

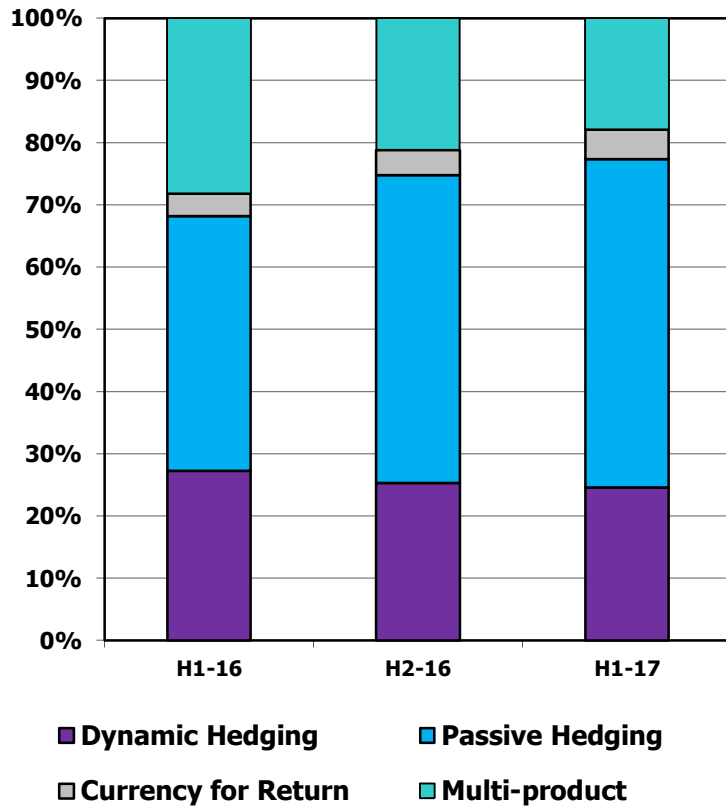


Financials – Average AUME, management fee rates & fees

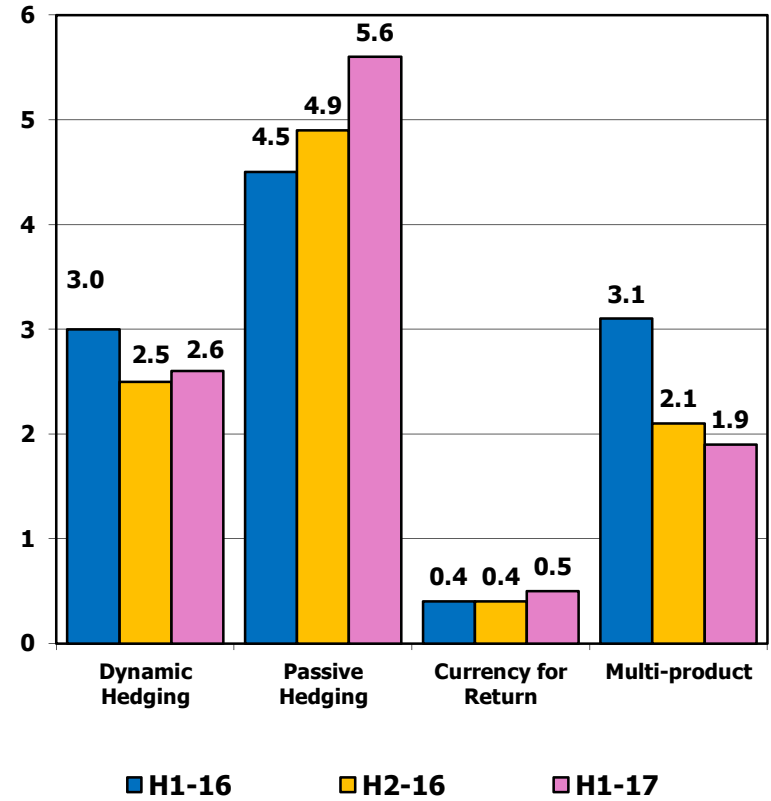
	Av. AUME (\$bn)		Av. mgmt. fee rates (bps)		Mgmt. Fee (£m)	
	H1-17	FY-16	H1-17	FY-16	H1-17	FY-16
Dynamic Hedging	5.6	6.5	13	13	2.6	5.5
Passive Hedging	43.9	41.9	4	3	5.6	9.4
Currency for Return	0.8	0.6	17	20	0.5	0.8
Multi-product	2.7	4.2	20	19	1.9	5.2

Financials – fee analysis

Management fees analysis by product



Management fees by product (£m)





Financials – cost analysis

	H1-16	H2-16	H1-17
	£m	£m	£m
Personnel (excluding Group Profit Share)	3.5	3.3	3.4
Non-personnel cost	2.1	2.2	2.1
Expenditure before Group Profit Share	5.6	5.5	5.5
Group Profit Share Scheme	1.5	1.5	1.5
Total expenditure	7.1	7.0	7.0

Financials – income statement

	H1-16		H2-16		H1-17	
	Underlying £m	Consolidated £m	Underlying £m	Consolidated £m	Underlying £m	Consolidated £m
Management fees	11.0	11.0	10.0	9.9	10.6	10.6
Performance fees	-	-	0.3	0.3	-	-
Other income	(0.2)	(0.6)	0.2	0.5	-	0.5
Total income	10.8	10.4	10.5	10.7	10.6	11.1
Cost of sales	(0.2)	(0.1)	(0.2)	(0.1)	(0.2)	(0.1)
Gross profit	10.6	10.3	10.3	10.6	10.4	11.0
Operating costs (excl. variable remuneration)	(5.5)	(5.6)	(5.5)	(5.5)	(5.4)	(5.5)
Variable remuneration	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Total expenditure	(7.0)	(7.1)	(7.0)	(7.0)	(6.9)	(7.0)
Operating profit	3.6	3.2	3.3	3.6	3.5	4.0
Operating profit margin	33%	31%	32%	33%	33%	36%
Finance income	0.1	0.1	0.1	-	0.1	-
Profit before tax	3.7	3.3	3.4	3.6	3.6	4.0

Financials - earnings

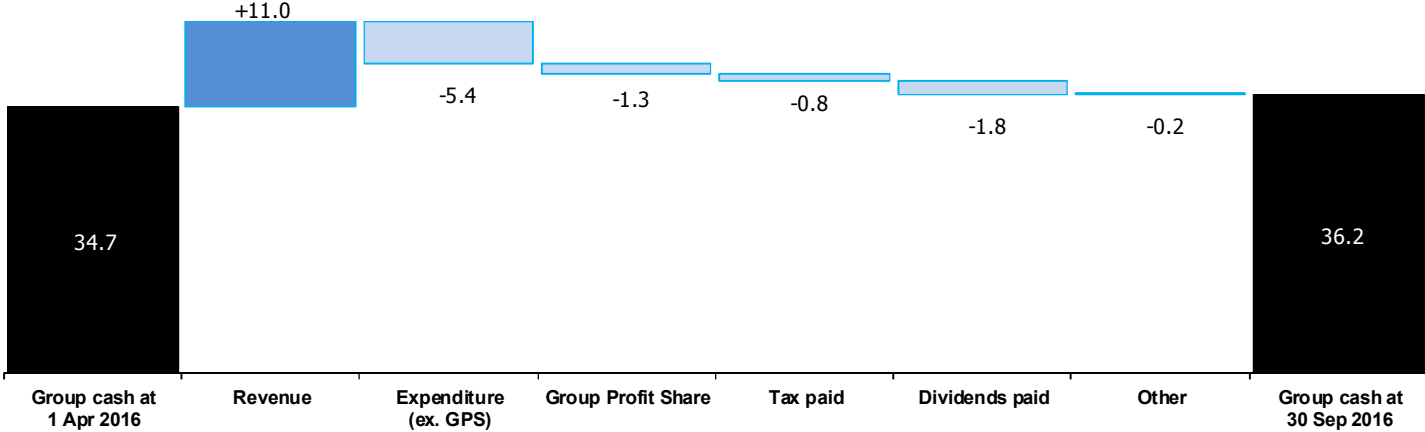
	H1-16	H2-16	H1-17
	£m	£m	£m
Profit before tax	3.3	3.6	4.0
Tax	(0.7)	(0.8)	(0.7)
Profit after tax	2.6	2.8	3.3
Profit attributable to equity holders	3.0	2.5	2.9
Profit/loss attributable to non-controlling interests	(0.4)	0.3	0.4
eps – basic	1.36p	1.19p	1.33p
eps – diluted	1.35p	1.19p	1.33p
Final / interim dividend per share	0.825p	0.825p	0.825p
Dividend cover	1.6x	1.4x	1.6x

Financials – balance sheet

	H1-17 £m	FY-16 £m
Fixed assets	0.4	0.4
Non-current assets	0.4	0.4
Trade debtors and other receivables	6.0	5.7
Derivative financial assets	0.0	0.1
Money market instruments	20.1	13.0
Cash and cash equivalents	16.1	21.7
Current assets	42.2	40.5
Current liabilities	(3.3)	(3.2)
Net assets	39.3	37.7
Equity attributable to owners of the parent	35.0	33.7
Non-controlling interests	4.3	4.0
Total equity	39.3	37.7

Financials - cash

CASH BRIDGE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 £7.0 million cash outflow 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 2016 includes £7.4 million held by the seed funds (1 April 2016: £6.9 million).



Appendices



Management and Board

Executive management

Name	Position	Experience
James Wood-Collins	Chief Executive Officer	■ 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	■ 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	■ 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	■ 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	■ Founded Record in 1983, principal shareholder and Chairman ever since ■ Acknowledged as one of the leading figures in the currency investment management industry
David Morrison	Senior Independent Director	■ 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)	■ 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)	■ 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



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

- **Multi-product mandates:**

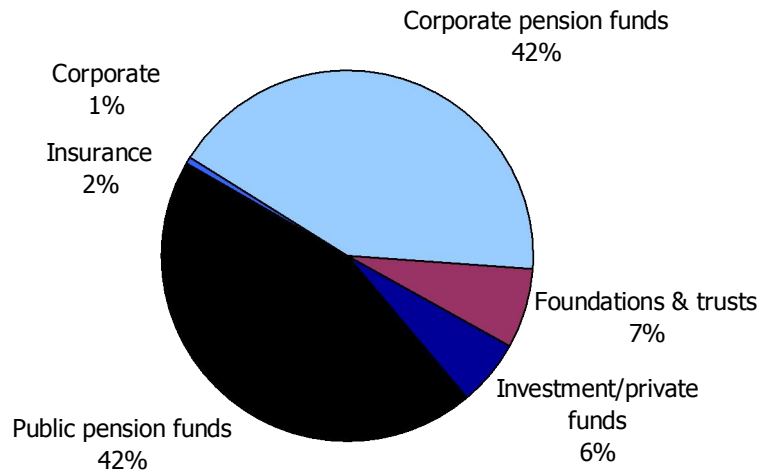
- = the chargeable mandate size for each client, plus

- **Cash:**

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

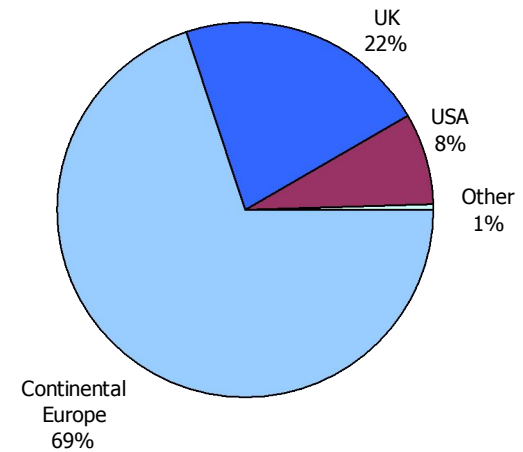
AUME analysis

Split of AUME by client type — 30 September 2016



Total: \$55.0 bn

Split of AUME by geography — 30 September 2016



Total: \$55.0 bn

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



Financials – concentration

Largest clients by H1-17 management fees

	AUME \$bn	Management fees	
		£m	%
Clients 1-10	40.6	7.9	75%
Clients 11-20	8.9	1.9	18%
Other clients	5.5	0.8	7%
Total	55.0	10.6	100%