



Record plc  
Interim results  
**Half year to 30 September 2019**

22 November 2019

# Disclaimer

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## **IMPORTANT INFORMATION**

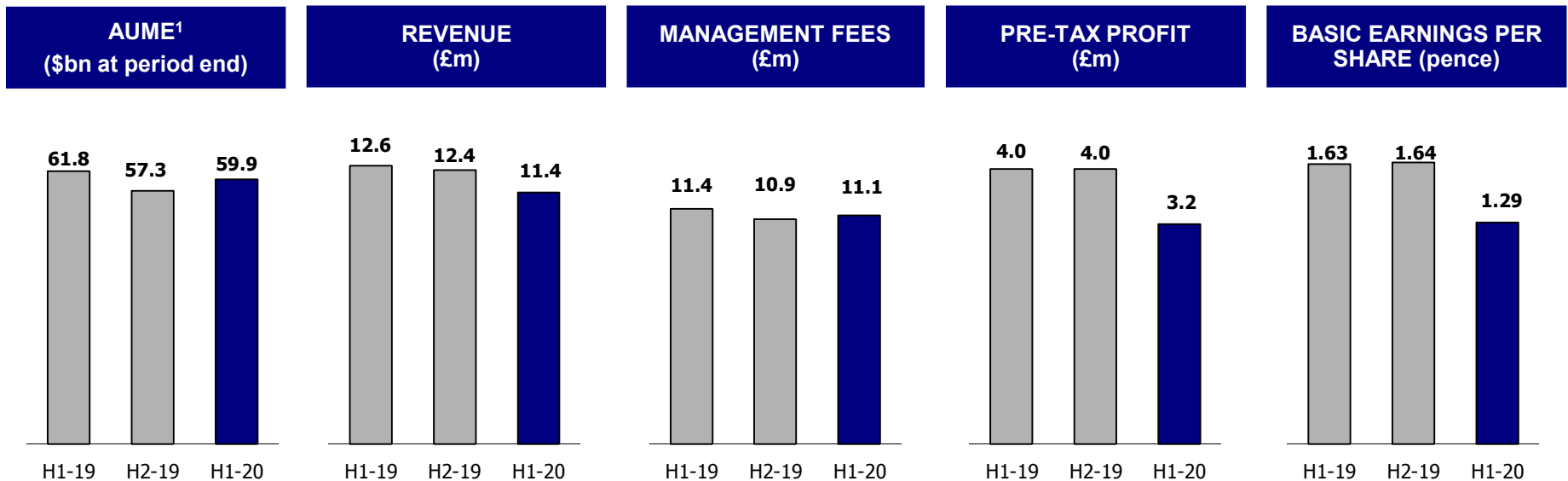
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Forward-looking statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The value of investments, and the income from them, may go 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 4.6% to \$59.9bn (31 March 2019: \$57.3bn)
- Revenue £11.4m (H1-19: £12.6m)
- Management fees £11.1m (H1-19: £11.4m)
- Performance fees £nil (H1-19: £1.0m)
- Operating profit margin 27% (H1-19: 32%)
- Pre-tax profit £3.2m (H1-19: £4.0m)
- Basic EPS 1.29p per share (H1-19: 1.63p per share)
- Interim dividend of 1.15p per share, payable 27 December 2019
- Shareholders' equity £26.4m at 30 September 2019



1 – The definition of AUME is provided on page 29.



# Agenda

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- Business strategy
- Product performance
- Financial performance



# Growth strategy

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- Growth being pursued from a strong vantage point
    - 36 year track record
    - Profitable
    - Established reputation
    - Broad solution suite
    - Extensive distribution
  - Our expertise is relevant to (almost) every institutional investor globally
  - Few if any practical capacity or liquidity constraints in the currency markets we operate in
  - Operational scalability from function-based organisation
  - Strong capital position supports dividend policy
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# Current environment

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- Economic, political and market uncertainty continues to provide opportunities to engage
- Encouraging range of new business opportunities across products and geographies, balanced against continued competition and fee pressure
- Future success will continue to depend on responsiveness to client demand and market opportunities
  - Maintained investment in people and enhanced capabilities, supported by measured investment in technology
- Developments in the period
  - Continued innovation – introduction of the Dynamic Macro Currency strategy
  - Expanding capabilities in managing derivatives and derivative overlays in asset classes other than currency
  - Distribution capability – further progress in developing North American platform
  - New Group Profit Share rules with improved link to Group and individual performance

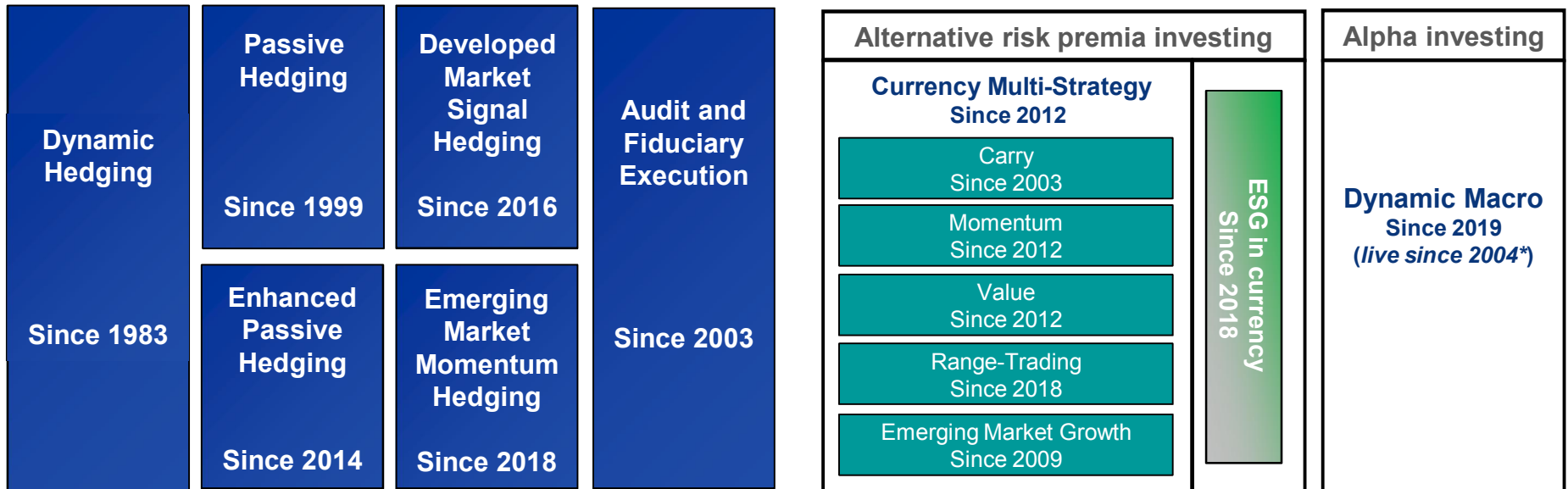


# Bespoke solutions for our clients

## Record's products and services

**Currency risk management**  
Offering bespoke currency risk management solutions to clients

**Return-seeking currency strategies**  
Offering factor-based and absolute return strategies



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



# Agenda

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- Business strategy
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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

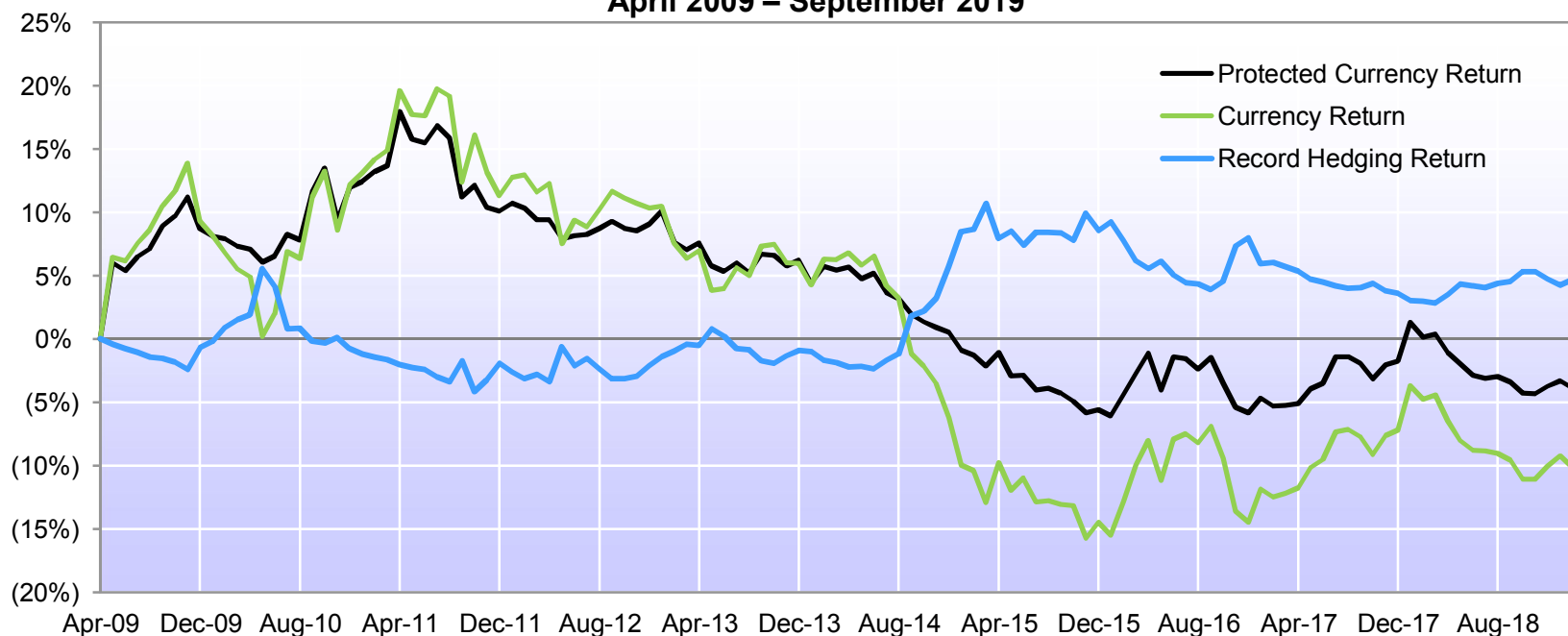
	Return for half year to 30 September 2019	Return since inception
Value added by enhanced Passive Hedging programme relative to a fixed-tenor benchmark	0.04%	0.12% p.a.

Source: Record Currency Management. Data from October 2014 to September 2019. Live track record based on a fixed-tenor costed benchmark. Returns shown are gross of fees.

# Performance of a US Dynamic Hedging client



US Dynamic Hedging Client  
April 2009 – September 2019

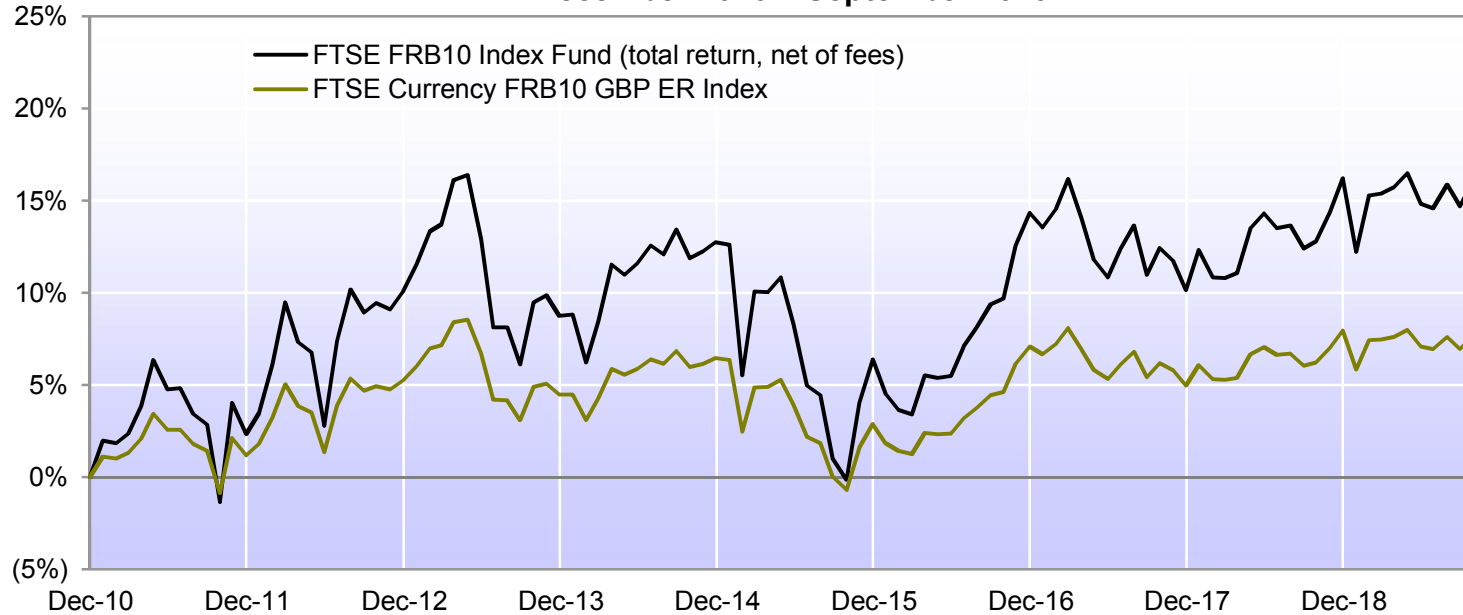


As at September 2019	Protected Currency Return	Currency Return	Record Hedging Return
Inception to date (cum.)	(5.32%)	(12.50%)	5.86%
Inception to date (ann.)	(0.52%) p.a.	(1.27%) p.a.	0.55% p.a.

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 2019. Returns are shown gross of fees.

# FRB10 Fund performance

**Record Currency FTSE FRB10 Index Fund  
December 2010 – September 2019**

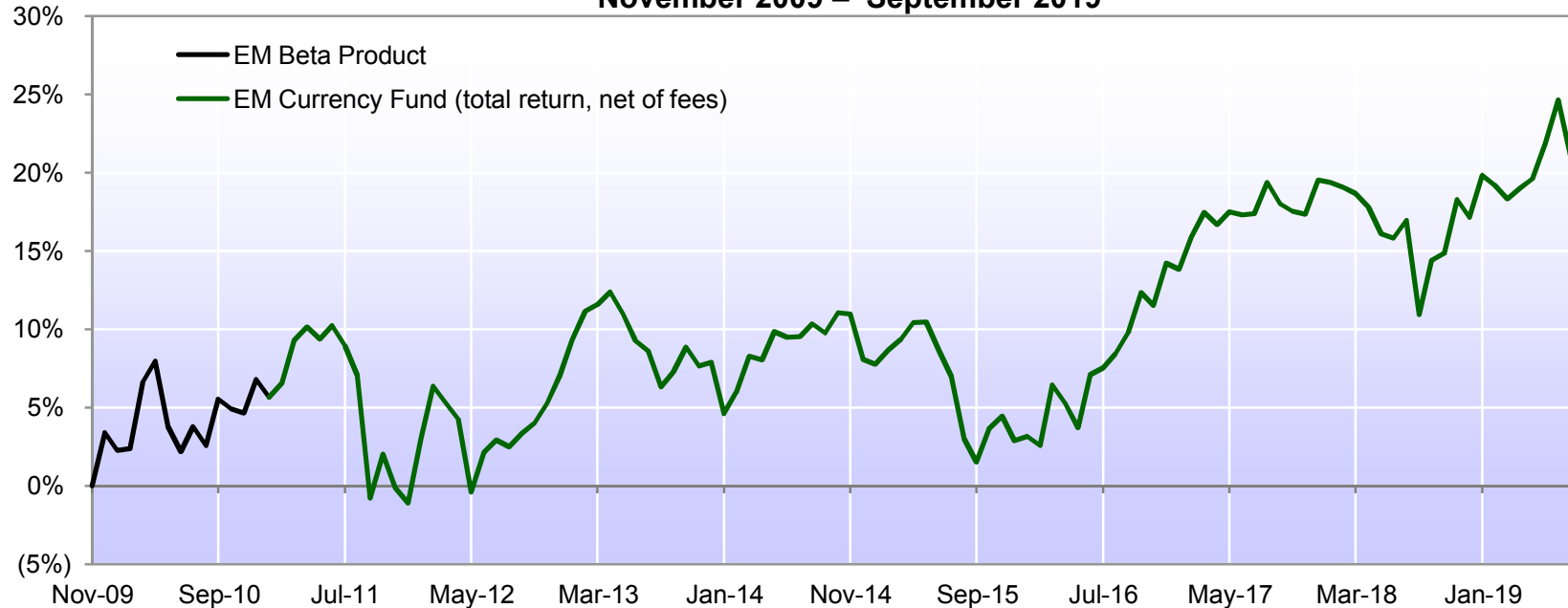


As at September 2019	FTSE FRB10 Index Fund (x1.8)
Returns (cum.)	16.03%
Returns (ann.)	1.70% p.a.
Volatility	6.73% p.a.
Information ratio	0.28

Source: Record Currency Management, FTSE International Ltd. Returns to 30 September 2019. FTSE FRB10 index fund returns are total returns, net of admin fees. The information ratio has been calculated using an arithmetically linked annualised return.

# Emerging Market Currency performance

**Record Emerging Market Currency  
November 2009 – September 2019**



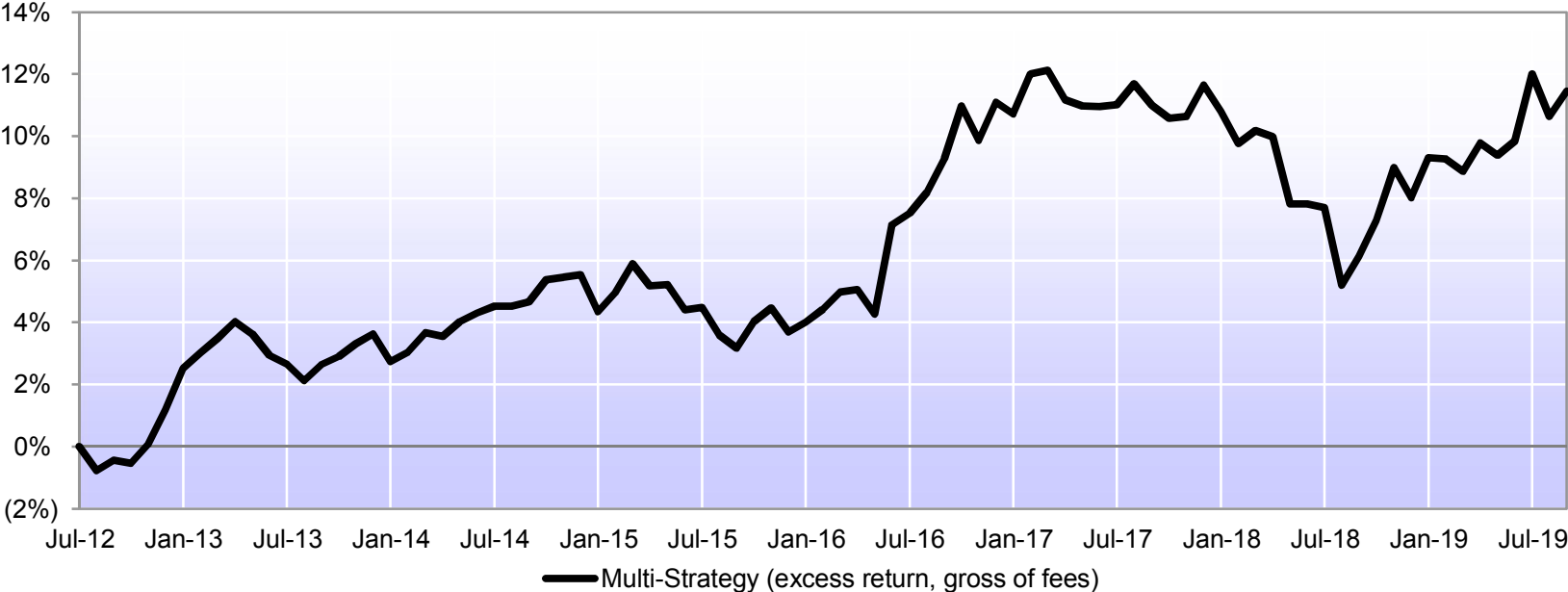
As at September 2019	Emerging Market Currency
Returns (cum.)	22.65%
Returns (ann.)	2.10% p.a.
Volatility	6.52% p.a.
Information ratio	0.35

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 2019. Returns are total returns, net of admin fees. The information ratio has been calculated using an arithmetically linked annualised return.



# Multi-Strategy performance

**Record Multi-Strategy  
July 2012 – September 2019**

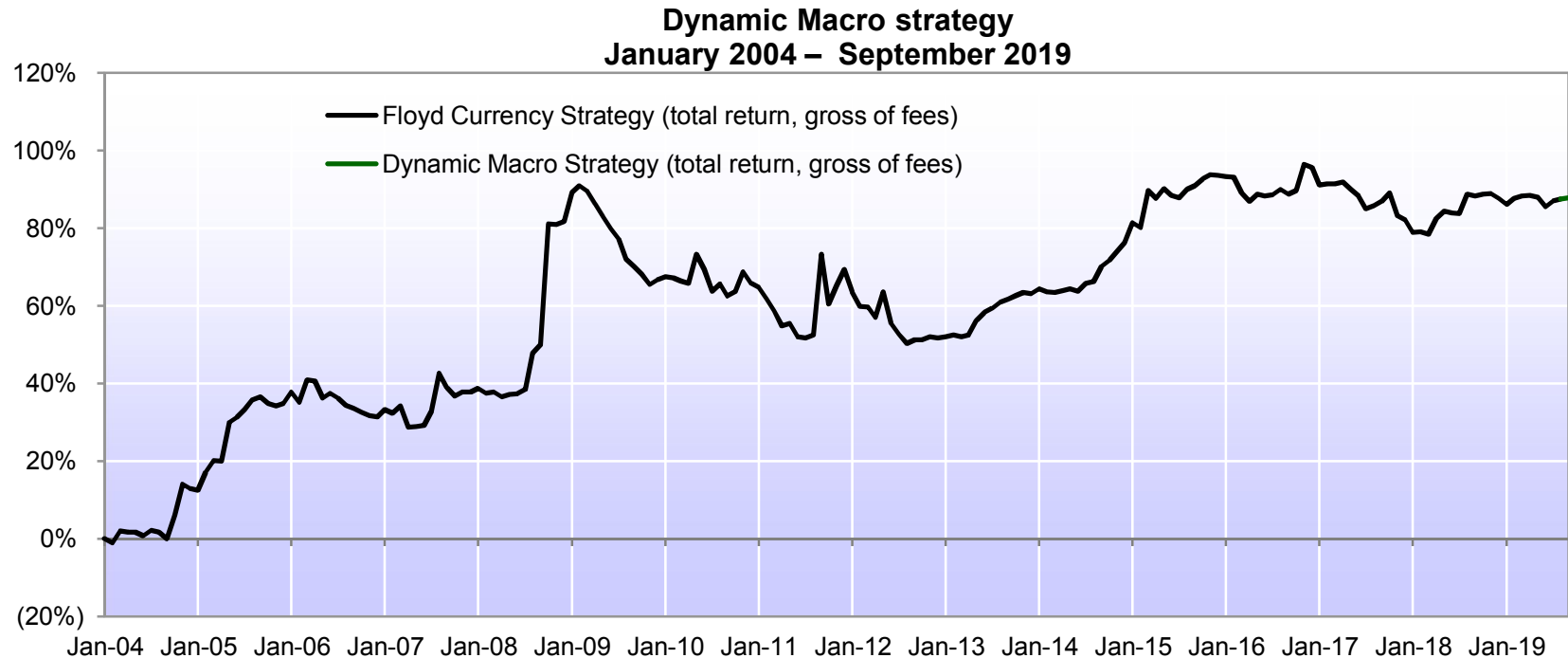


As at September 2019	Multi-Strategy	DBCR +*
Returns (cum.)	11.45%	9.49%
Returns (ann.)	1.52% p.a.	1.27% p.a.
Volatility	2.80% p.a.	3.13% p.a.
Information ratio	0.55	0.42

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 is gross of fees, 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. The information ratio has been calculated using an arithmetically linked annualised return.

# Dynamic Macro strategy performance



As at September 2019	Dynamic Macro strategy
Returns (cum.)	87.83%
Returns (ann.)	4.11% p.a.
Volatility	9.38% p.a.
Information ratio	0.47

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



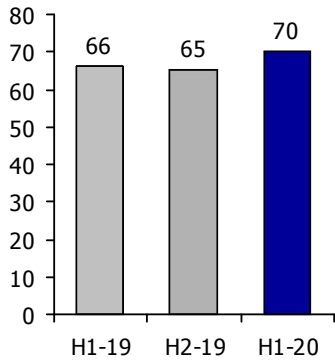
# Agenda

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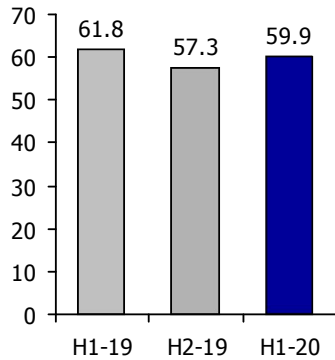
- Business strategy
- Product performance
- Financial performance

# Financial KPIs

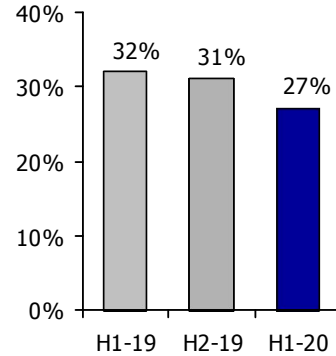
**Client numbers**



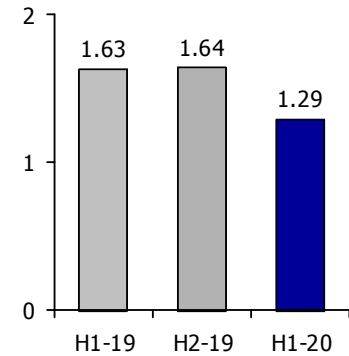
**AUME (\$bn)**



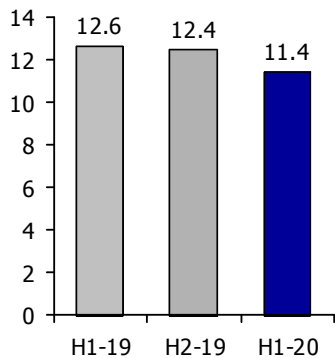
**Operating margin**



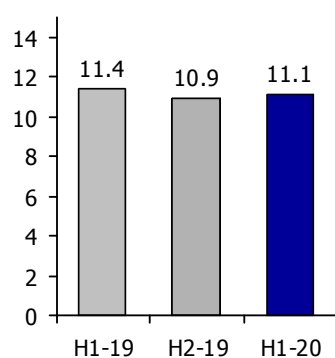
**EPS (pence)**



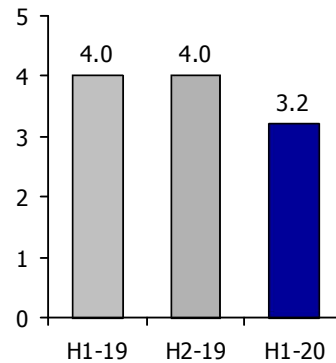
**Revenue (£m)**



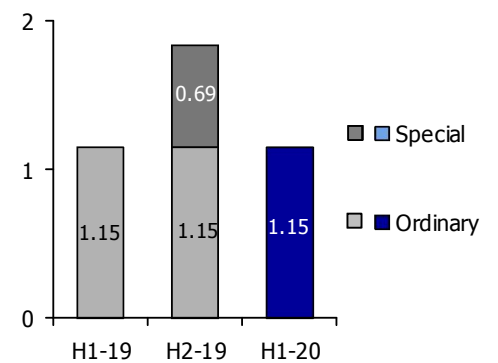
**Management fees (£m)**



**Profit before tax (£m)**



**Dividend per share (pence)**

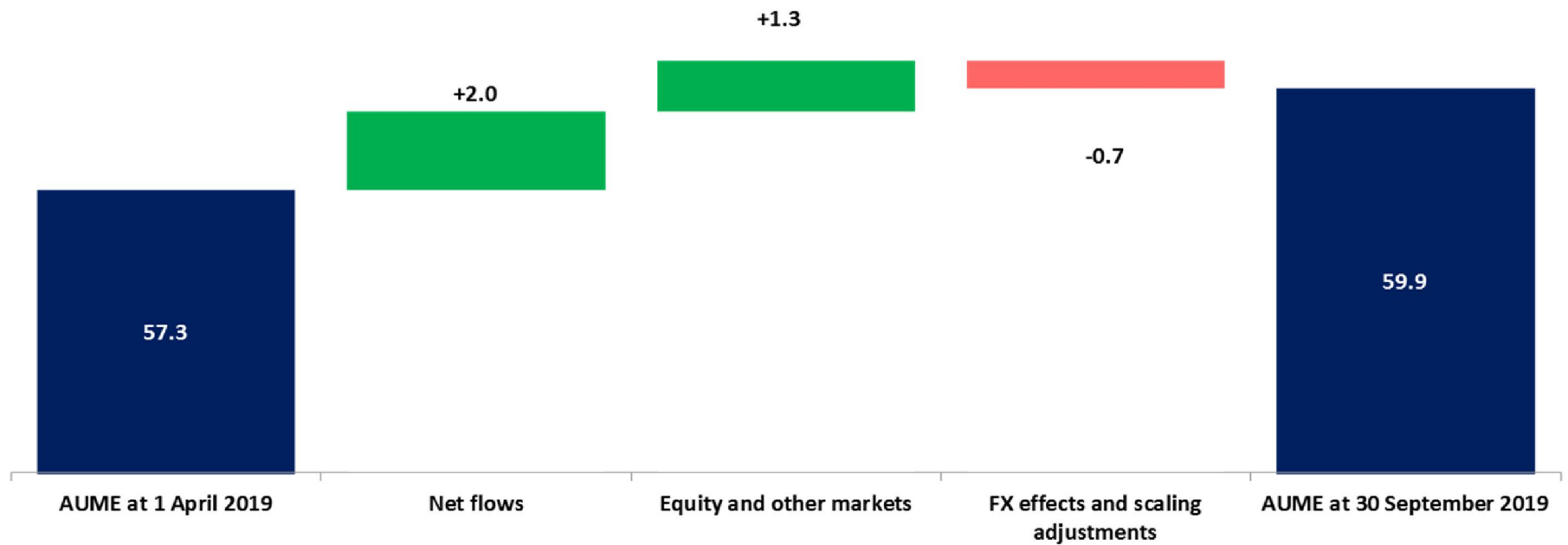




# Financials – AUME movement



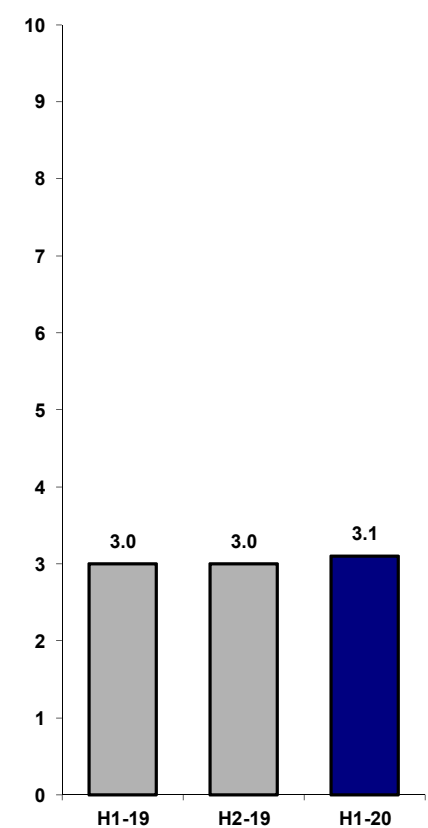
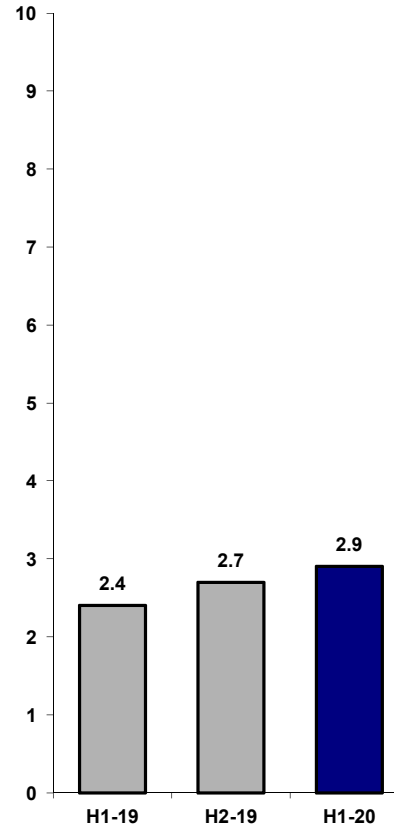
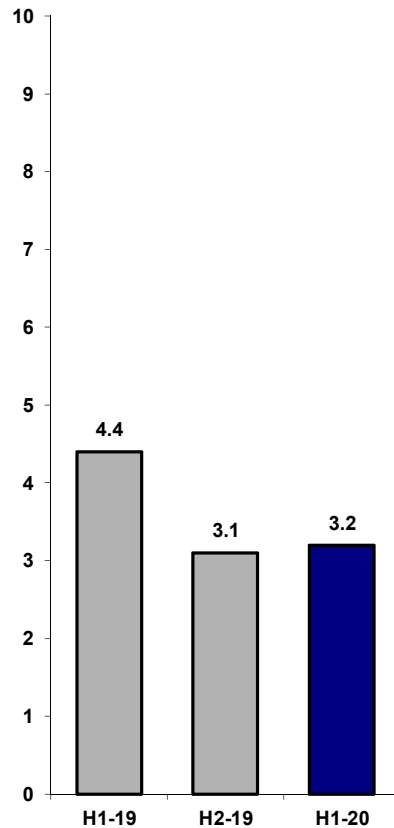
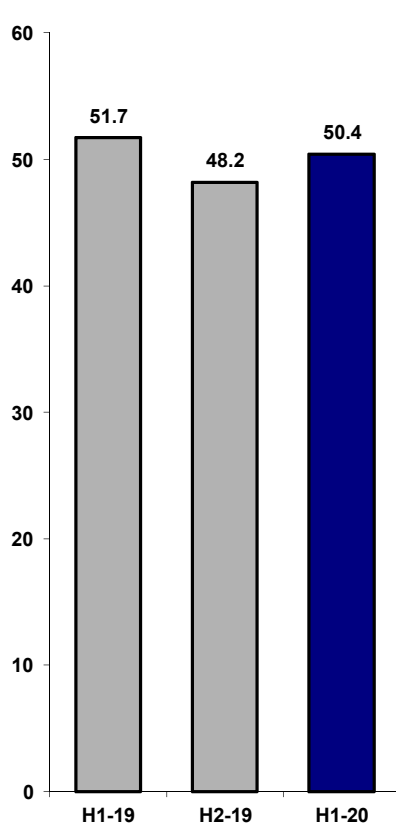
AUME bridge for the half year ended 30 September 2019 (\$bn)





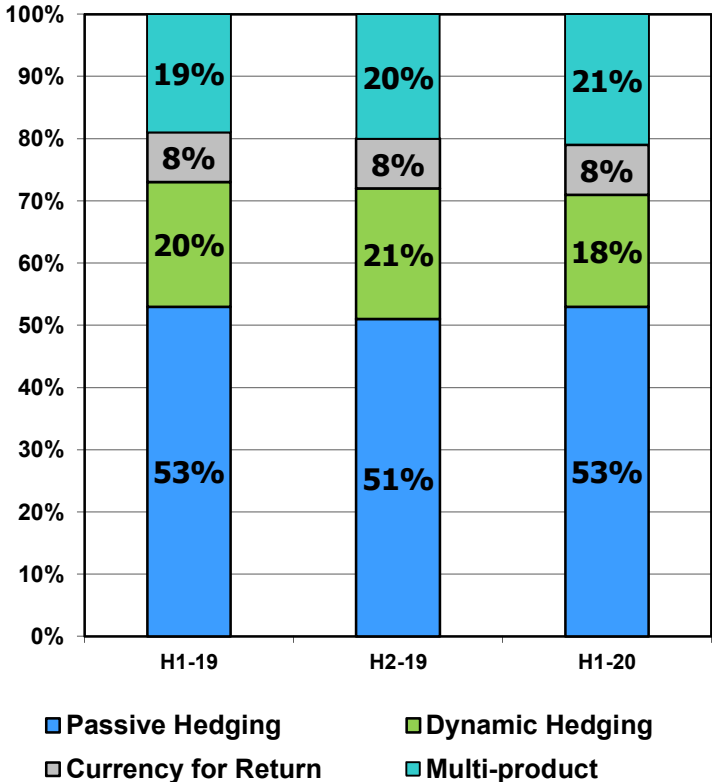
# AUME by product at period end

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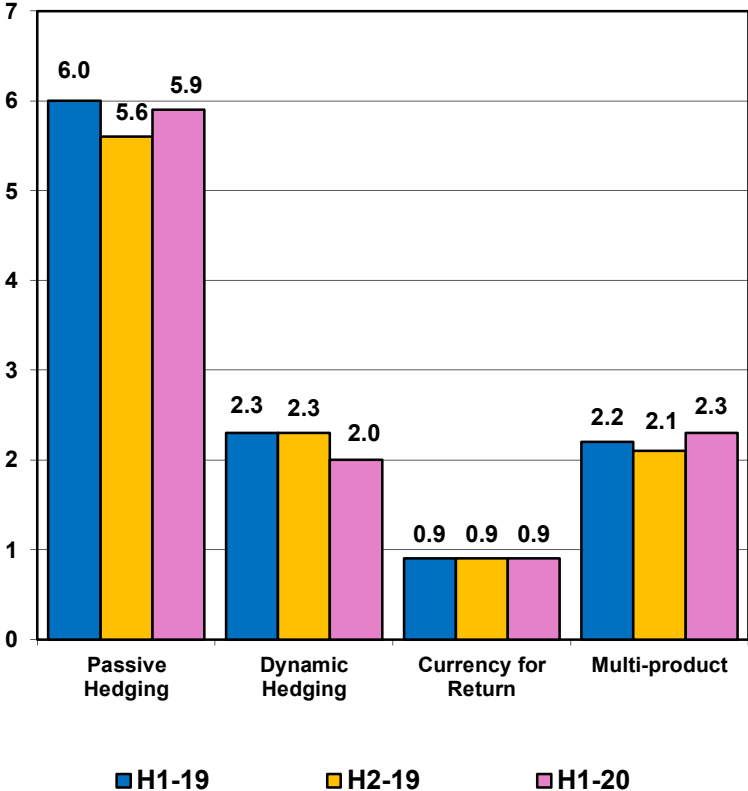


# Financials – management fee analysis

Management fees analysis by product



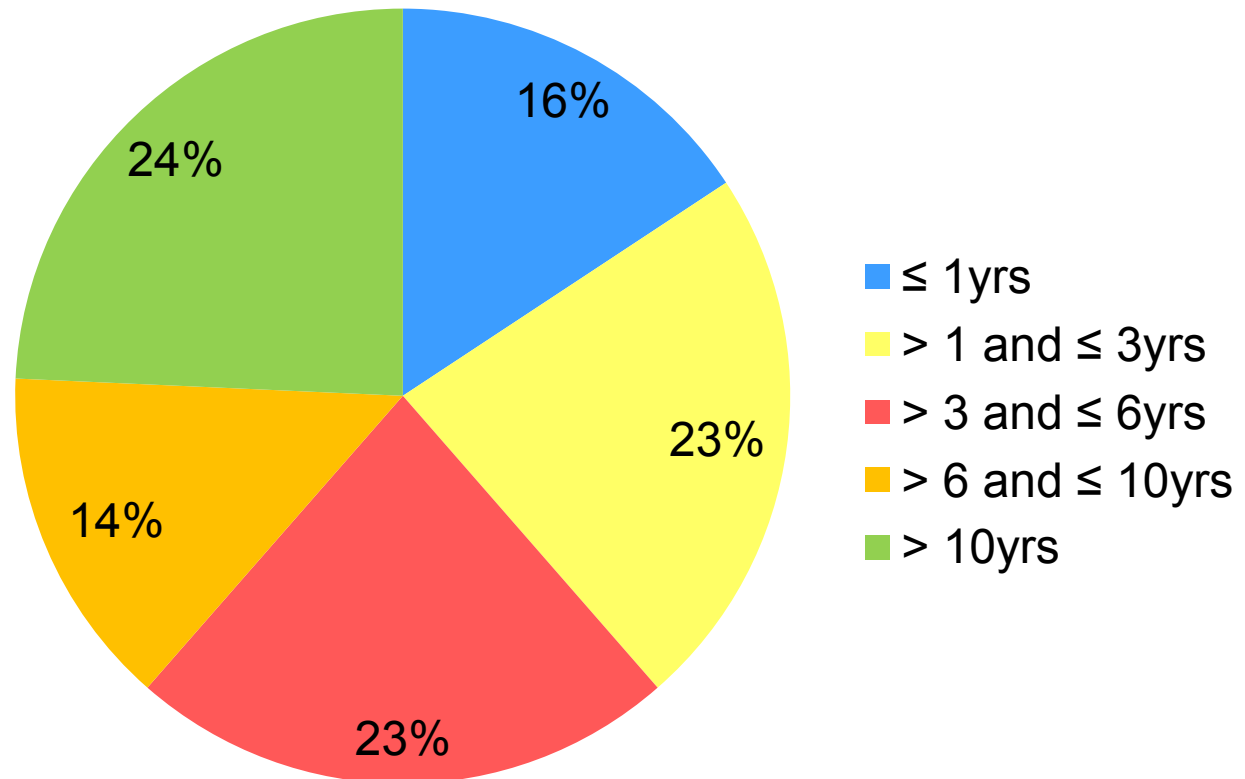
Management fees by product (£m)



# Financials – client longevity



Client longevity at 30 September 2019



Source: Record Currency Management. Client longevity is the length of continuous service as at 30 September 2019.

# Financials – cost analysis



	H1-19	H2-19	H1-20
	£m	£m	£m
Personnel (excluding Group Profit Share)	4.1	4.1	4.2
Non-personnel cost	2.5	2.6	2.6
Administrative expenditure excluding Group Profit Share	6.6	6.7	6.8
Group Profit Share	1.7	1.7	1.4
<b>Total administrative expenditure</b>	<b>8.3</b>	<b>8.4</b>	<b>8.2</b>
Other income and expenditure	0.1	(0.1)	-
<b>Total expenditure</b>	<b>8.4</b>	<b>8.3</b>	<b>8.2</b>



# Group Profit Share (GPS) and Share Scheme

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## Group Profit Share Scheme

- Changes made from 1 April 2019 have linked GPS more closely to performance against individual objectives
- Profit Share Pool set at 31.1% of pre-GPS Operating Profit before adjustment for statutory consolidated accounts
  - Pool has fallen by 17% in absolute terms when compared with H1-19, in line with 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 Board Directors:
  - 1/3<sup>rd</sup> ‘Mandatory’ Shares
  - 1/3<sup>rd</sup> Cash
  - 1/3<sup>rd</sup> Cash or Shares
  - Mandatory shares subject to “lock up” for up to 3 years
- GPS Scheme rules include claw back provisions

## Share Scheme

- Share Scheme rules include performance and claw back provisions for options issued to Executive Directors
-

# Financials – income statement

	H1-19	H2-19	H1-20
	£m	£m	£m
Management fees	11.4	10.9	11.1
Performance fees	1.0	1.3	-
Other investment services income	0.2	0.2	0.3
<b>Total revenue</b>	<b>12.6</b>	<b>12.4</b>	<b>11.4</b>
Cost of sales	(0.2)	(0.2)	(0.1)
<b>Gross profit</b>	<b>12.4</b>	<b>12.2</b>	<b>11.3</b>
Operating costs (excl. variable remuneration)	(6.6)	(6.7)	(6.8)
Variable remuneration	(1.7)	(1.7)	(1.4)
Other income and expenditure	(0.1)	0.1	-
<b>Total expenditure</b>	<b>(8.4)</b>	<b>(8.3)</b>	<b>(8.2)</b>
<b>Operating profit</b>	<b>4.0</b>	<b>3.9</b>	<b>3.1</b>
Operating profit margin	32%	31%	27%
Net finance income	-	0.1	0.1
<b>Profit before tax</b>	<b>4.0</b>	<b>4.0</b>	<b>3.2</b>
Taxation	(0.8)	(0.8)	(0.7)
<b>Profit after tax</b>	<b>3.2</b>	<b>3.2</b>	<b>2.5</b>



# Financials – earnings

	H1-19	H2-19	H1-20
	£m	£m	£m
Profit before tax	4.0	4.0	3.2
Tax	(0.8)	(0.8)	(0.7)
<b>Profit after tax</b>	<b>3.2</b>	<b>3.2</b>	<b>2.5</b>
	H1-19	H2-19	H1-20
eps – basic	1.63p	1.64p	1.29p
eps – diluted	1.61p	1.64p	1.29p
Total ordinary dividend per share	1.15p	1.15p	1.15p
Special dividend per share	-	0.69p	-
<b>Dividend cover (ordinary and special)</b>	<b>1.1x</b>		<b>1.1x</b>

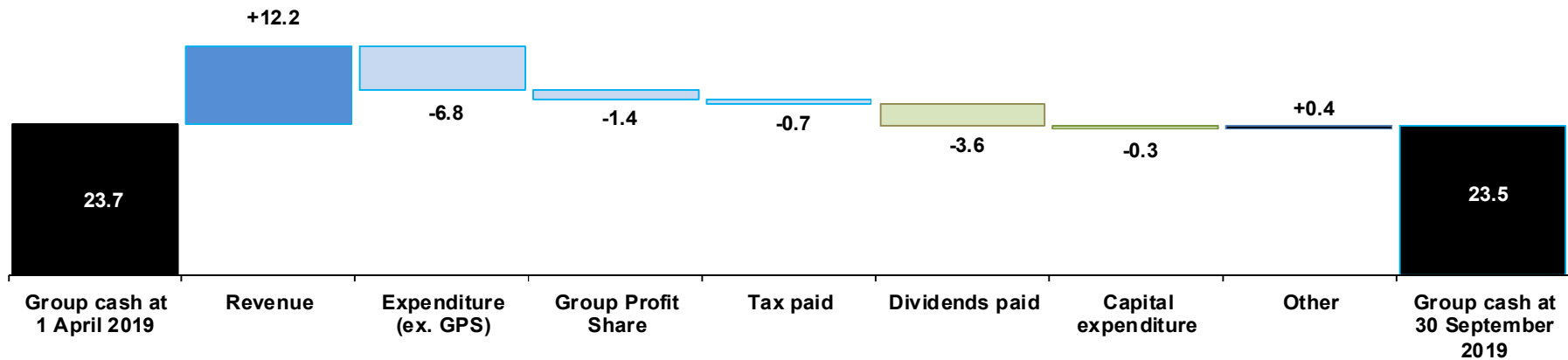


# Financials – balance sheet

	H1-19	H2-19	H1-20
	£m	£m	£m
Property, plant and equipment	1.1	1.1	1.1
Right-of-use assets	-	-	1.4
Investment in fund	1.1	1.1	1.2
<b>Non-current assets</b>	<b>2.2</b>	<b>2.2</b>	<b>3.7</b>
Trade and other receivables	8.4	7.6	6.7
Derivative financial assets	0.2	0.1	0.1
Money market instruments > 3 months	9.8	10.7	13.9
Cash and cash equivalents	13.0	13.0	9.6
<b>Total assets</b>	<b>33.6</b>	<b>33.6</b>	<b>34.0</b>
<b>Current liabilities</b>	<b>(7.2)</b>	<b>(6.2)</b>	<b>(6.0)</b>
<b>Non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>(1.5)</b>
<b>Net assets</b>	<b>26.4</b>	<b>27.4</b>	<b>26.5</b>
<b>Shareholders' equity</b>	26.4	27.3	26.4
<b>Non-controlling interest</b>	-	0.1	0.1
<b>Total equity</b>	<b>26.4</b>	<b>27.4</b>	<b>26.5</b>

# Financials – cash

## CASH BRIDGE FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019 (£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 £3.1 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 2019 includes £5.8 million held by the seed funds (1 April 2019: £5.8 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
Jane Tufnell	Non-Executive Director (independent)	■ Co-founded the investment management firm Ruffer in 1994 ■ Currently Senior Independent Director of the Woodford Patient Capital Trust plc and Chairman of Odyssean Investment Trust plc, and a Non-executive Director of JP Morgan Claverhouse Investment Trust plc and the ICG Enterprise Trust.
Rosemary Hilary	Non-Executive Director (independent)	■ Appointed 1 June 2016. Non-executive Director of Willis Ltd, Vitality Health and Vitality Life ■ Formerly Chief Audit Officer at TSB until March 2016 and at 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 Limited, Chairman of Storm Therapeutics Limited and previously a Member of the governing Board of Innovate UK, a Director of the Cell and Gene Therapy Catapult and Chair of the BioIndustry Association.



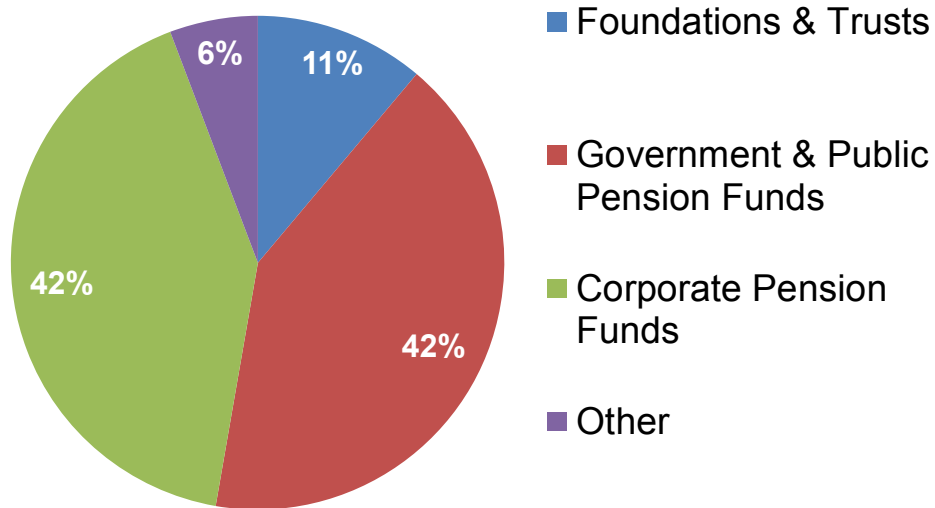
# AUME definition

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- 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.
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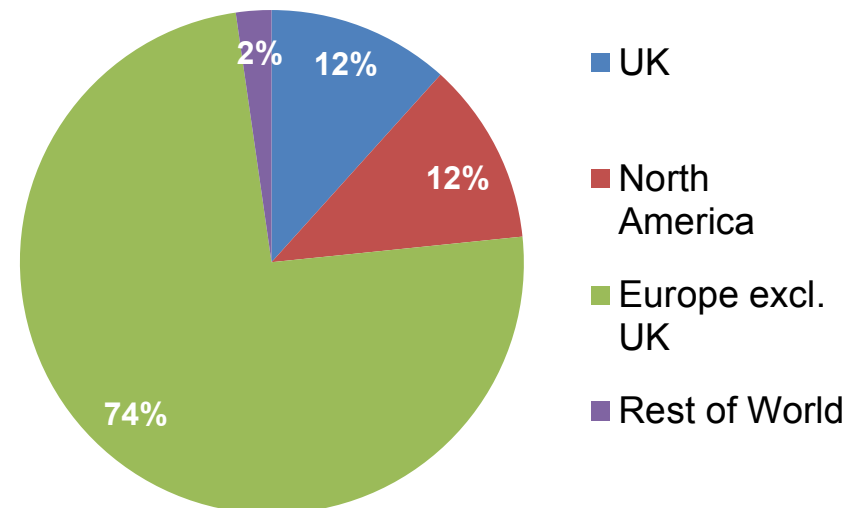
# AUME analysis

**Split of AUME by client type as at 30 September 2019**



**Total: \$59.9 bn**

**Split of AUME by geography as at 30 September 2019**



**Total: \$59.9 bn**

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



# Financials – client numbers

	30 Sep 18	31 Mar 19	30 Sep 19
Passive Hedging	49	47	52
Dynamic Hedging	3	3	3
<b>Hedging</b>	<b>52</b>	<b>50</b>	<b>55</b>
Currency for Return	12	13	13
Multi-product	2	2	2
Other	2	2	2
Less clients with >1 product	(2)	(2)	(2)
<b>Total</b>	<b>66</b>	<b>65</b>	<b>70</b>

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 H1-20 management fees

	AUME	Management fees	
	\$bn	£m	%
Clients 1-10	41.8	8.4	76%
Clients 11-20	12.5	2.1	19%
Other clients	5.6	0.6	5%
<b>Total</b>	<b>59.9</b>	<b>11.1</b>	<b>100%</b>



# Hedging mandates – underlying assets



## Class of assets underlying hedging mandates as at 30 September 2019

	Equity	Fixed income	Other
Passive Hedging	29%	42%	29%
Dynamic Hedging	100%	-%	-%
Multi-product	-%	-%	100%