

TATTON ASSET MANAGEMENT

Interim results for the six months ended
30 September 2019

INVESTOR AND ANALYST PRESENTATION
November 2019



Tatton

ASSET MANAGEMENT PLC

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AGENDA

- Introduction to the team
- Key highlights
- Financial performance
- Market overview
- Investment and fund update
- Summary



INTRODUCTION TO THE TEAM

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Paul Hogarth, CEO

- Over 30 years' experience at Board level in the financial services sector
- Founder of Tatton Asset Management Group, specifically Paradigm Consulting, in 2007 and subsequently of Tatton Capital Limited in 2012



Lothar Mentel, CIO

- Co-founder of Tatton Capital Limited in 2012
- Ex CIO of Octopus. Has held senior investment positions with NM Rothschild, Threadneedle, Barclays Wealth, and Commerzbank AG



Paul Edwards, CFO

- Joined Tatton Asset Management Plc as Group CFO in May 2018
- Previously Group Finance Director of Scapa Group plc and NCC Group plc

Divisional Structure (Reorganised)



Tatton Asset Management plc ("TAM" or "Group")



Investment Management Division ("Tatton")

- *Tatton Investment Management offers on-platform only challenger model DFM*
- *Low charges - MiFID II alignment*
- *Pure investment manager*
- *Complementary, low cost multi-manager fund range*
- *Platform wrap services*



IFA Support Services Division ("Paradigm")

Paradigm Consulting

- *Compliance services*
- *Technical support*
- *Business consultancy*

Paradigm Mortgage Services

- *Mortgage aggregation*
- *Protection*
- *Other insurance aggregation*



KEY HIGHLIGHTS

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Financial

- Tatton's assets under management ("AUM") increased 22.8% to £7.0bn (2018: £5.7bn)
- Average AUM inflows of over £73.0m per month
- Group revenue increased 15.2% to £9.73m (2018: £8.45m)
- Adjusted operating profit* up 23.2% to £4.13m (2018: £3.35m)
- Adjusted operating profit* margin 42.4% (2018: 39.7%)
- Reported profit before tax increased to £3.61m (2018: £3.08m)
- Interim dividend of 3.2p increasing 14.3% (2018: 2.8p)
- Adjusted fully diluted EPS** increased 17.9% to 5.39p (2018: 4.57p)
- Strong financial position, with net cash of £9.2m

* Adjusted for exceptional items and share-based payment costs

** Adjusted for exceptional items and share-based payment costs and potentially dilutive shares

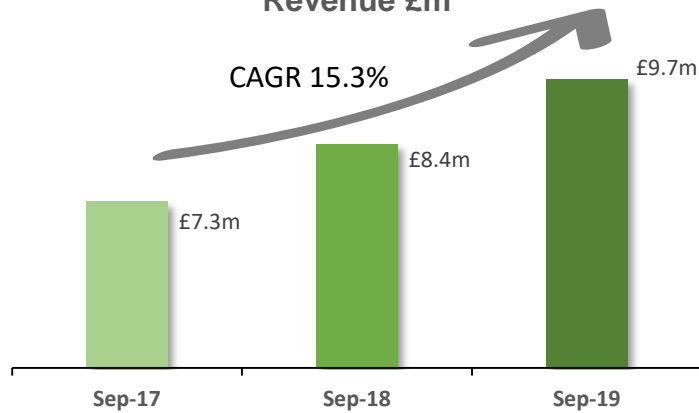
KEY HIGHLIGHTS

Operational

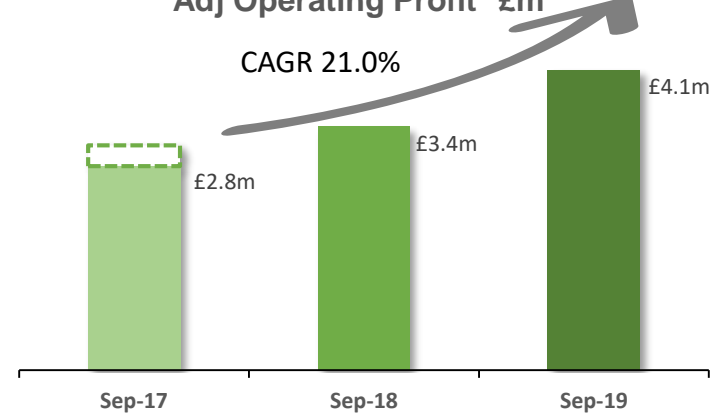
- The Group made its first acquisition of Sinfonia on 30 September for a consideration of up to £2.7m, five risk-targeted funds that complement the current fund range proposition
- Tatton increased the number of firms utilising its DFM services 28.9% to 522 (2018: 405) and the number of accounts increased 14.5% to 61,250 (2018: 53,500)
- Tatton's long-term business partnership with Tenet is developing well with 40 new IFA firms and initial business activity has resulted in assets under management reaching £24.5m
- Amalgamation of Consulting and Mortgages creating a simplified IFA support services business, allowing the Group to better meet the needs of IFAs through an integrated approach
- Paradigm Mortgages increased gross lending via its channels by 20.0% to £4.8bn (2018: £4.0bn) and increased the number of firms by 13.6% to 1,466 (2018: 1,290)
- Paradigm Consulting members steady at 385 (2018: 382)

FINANCIAL PROGRESS

Revenue £m

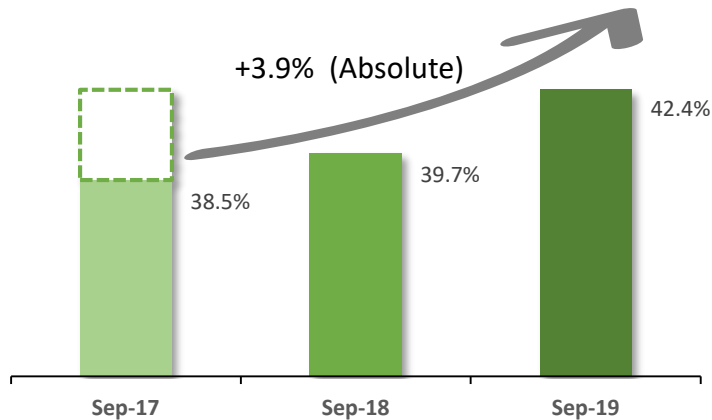


Adj Operating Profit* £m



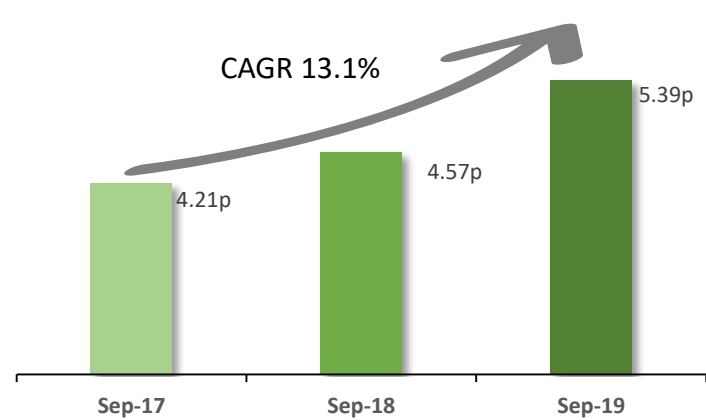
Sep-17 adjusted for like for like plc costs pre-IPO

Margin %



Sep-17 adjusted for like for like plc costs pre-IPO

Adjusted EPS** (p)



* Adjusted for exceptional items and share-based payment costs

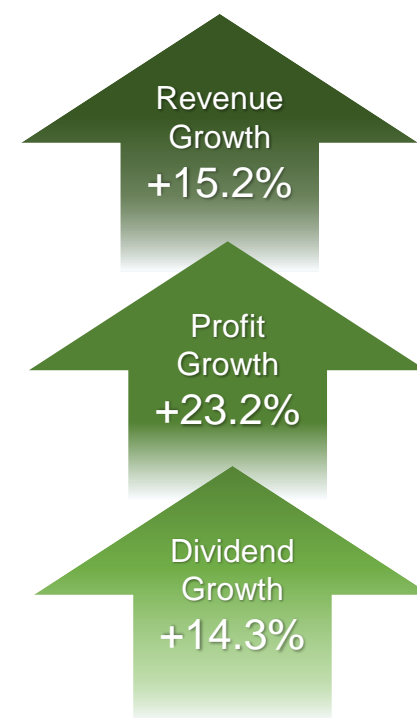
** Adjusted for exceptional items and share-based payment costs and potentially dilutive shares



FINANCIAL PERFORMANCE

FINANCIAL SUMMARY

	H1 2019 £'000	H1 2018 £'000	Increase %
Revenue	9,729	8,445	15.2%
Adjusted Operating profit*	4,126	3,350	23.2%
Profit before tax	3,610	3,084	17.1%
Adjusted F.Dil EPS**	5.39p	4.57p	17.9%
Dividend	3.20p	2.80p	14.3%
ROCE %	25.20%	24.10%	1.1%



* Adjusted for exceptional items and share-based payment costs

** Adjusted for exceptional items and share-based payment costs and potentially dilutive shares



TWO DISTINCT DIVISIONS IN THE GROUP

What's changing?

- “**Paradigm**” Consulting & Mortgages amalgamated to create an IFA support services business (membership)
- “**Tatton**” All income relating to investment management activities presented under Tatton

Rationale

- Integration & collaboration within the Paradigm division – improves cross-fertilisation opportunities
- Consolidation of accountability and responsibility under single leadership
- Tatton now includes all client investment-related revenue

Impact

- Simplification of structure improves transparency and understanding of “what we do”
- No change in reported AUM
- No change in forecast expectations

CHANGE IN FINANCIAL PRESENTATION

LEGAL ENTITIES						OPERATING DIVISIONS			
	Tatton Investment Mgt	Paradigm Consulting	Paradigm Mortgages	Central	Total	Tatton	Paradigm	Central	Total
INCOME	£5.5m	£2.8m	£1.4m	£0.0m	£9.7m	£7.1m	£2.6m	£0.0m	£9.7m
	£1.6m investment and wrap ¹								
TOTAL INCOME	£5.5m	£2.8m	£1.4m	£0.0m	£9.7m	£7.1m	£2.6m	£0.0m	£9.7m
Splits %	56.0%	29.1%	14.6%		100.0%	73.0%	26.8%		100.0%
COSTS	(£2.5m)	(£1.4m)	(£0.6m)	(£1.1m)	(£5.6m)	(£2.8m)	(£1.7m)	(£1.1m)	(£5.6m)
	£0.2m allocation of wrap associated ¹								
OPERATING PROFIT	£2.9m	£1.5m	£0.8m	(£1.1m)	£4.1m	£4.3m	£0.9m	(£1.1m)	£4.1m
Splits %	70.4%	35.8%	19.4%		100.0%	103.6%	22.1%		100.0%
Margin	53.3%	52.3%	56.1%		42.4%	60.2%	35.0%		42.4%

Note: Splits % & Margins % calculated to three decimal places, ¹ Rounded - Income of £1.649m and costs of £0.282m

DIVISIONAL ANALYSIS

Performance	Drivers	Commentary
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Tatton	Sep 2019	Sep 2018	Growth %
Revenue	£7.1m	£6.0m	18.6%
Adj Operating profit*	£4.3m	£3.5m	22.7%
Margin	60.2%	58.2%	2.0%

Cost analysis



Revenue drivers

- Net inflows £440m - H1 average £73m pm
- New firms +28.9% to 522
- Market movements +5.3%

Costs drivers

- 65% costs related to personnel
- Investment in sales personnel and marketing activity, investment and compliance cost is stepped
- 35% largely fixed

- Net AUM inflow target at average +£90m pm
- Cost investment (Bus Dev / Marketing & compliance resource)
- Strong drop through, continued margin improvement anticipated
- Sinfonia – No contribution in FY20 due to transfer costs

Paradigm	Sep 2019	Sep 2018	Growth %
Revenue	£2.6m	£2.4m	6.9%
Adj Operating profit*	£0.9m	£0.8m	10.6%
Margin	35.0%	33.8%	1.2%

Cost analysis



Revenue drivers

- New member growth (Mortgages +13.6% to 1,466, Consulting steady at 385)
- Gross Lending increased 20.0% to £4.8bn.
- Diversified income proc fees, Protection/GI, compliance membership, consultancy and marketing. IFA consolidation evidence in the market

Costs drivers

- 83% personnel and software costs mainly variable
- 17% largely fixed

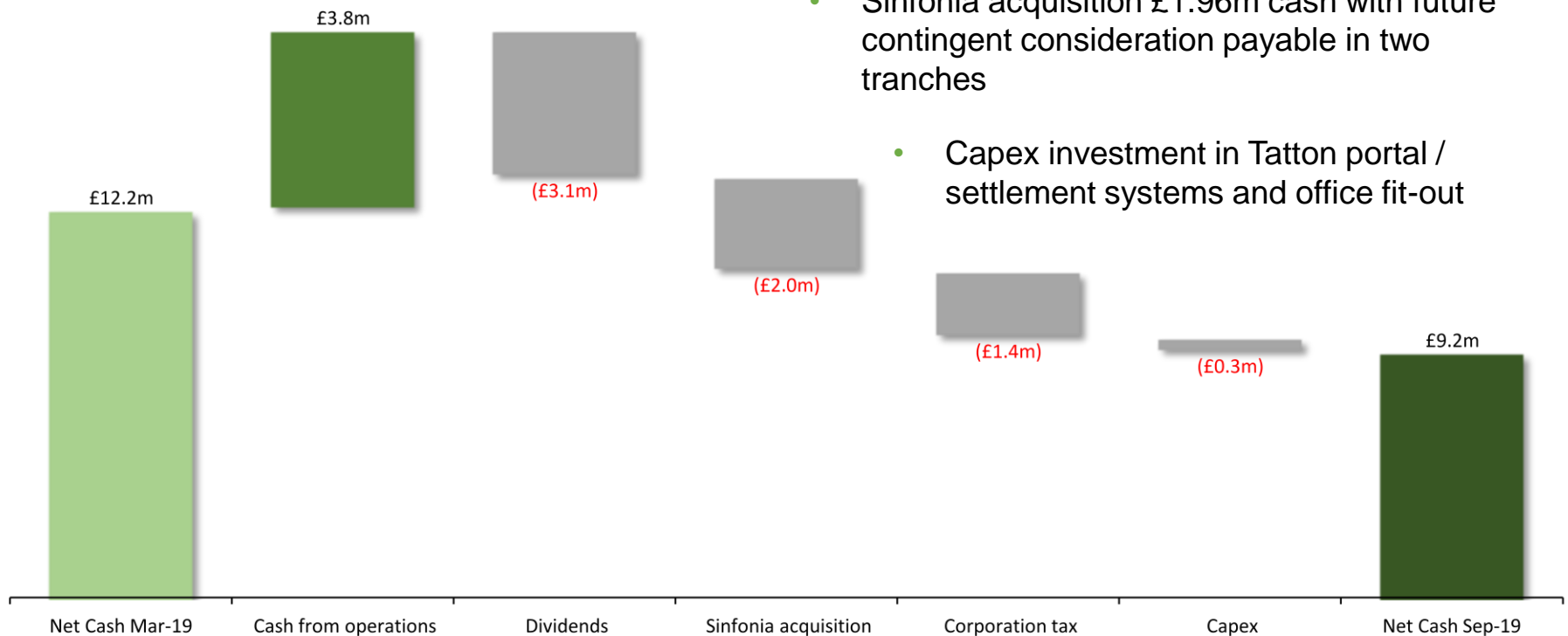
- Amalgamation a logical step
- Cross-fertilisation of income streams across the Paradigm division
- Increased compliance requirements in mortgage market
- Gross Lending will react in line with mortgage market
- Not resource constrained, no significant investment in cost base required
- Not a source of material growth or margin improvement

* Adjusted for exceptional items and share-based payment costs

Note: Growth % calculated to three decimal places

CASHFLOW BRIDGE

- Net cash generated from operations was 105% of operating profit
- Payment of final dividend of 5.6p for the year ended 31 March 2019
- Sinfonia acquisition £1.96m cash with future contingent consideration payable in two tranches
- Capex investment in Tatton portal / settlement systems and office fit-out



BALANCE SHEET HIGHLIGHTS

	Sep-19 £'000	Sep-18 £'000
Goodwill & intangible assets	7,810	4,917
Tangible fixed assets & deferred tax	1,195	310
Trade & other receivables	2,639	3,410
Cash	9,174	11,622*
Trade & other payables	(5,587)	(5,775)
Tax	118	(615)
Net Assets	15,349	13,869

- **Goodwill & intangible assets** £2.6m of the increase relates to the acquisition of Sinfonia including provisional valuation of £1.5m of customer relationship intangible assets to be amortised over 10 years
- **Tangible fixed assets** Recognition of £0.6m lease asset following adoption of IFRS 16 and investment in office fit-out
- **Trade & other receivables** Repayment of pre-IPO loan balance in Dec-18 and higher level of accrued income at Sept-18 due to transition of ACD
- **Tax** Earlier payment of quarterly instalments under “very large companies’ scheme”

* Includes £2.2m of non-shareholder cash to be distributed to IFAs relating to Nucleus IPO

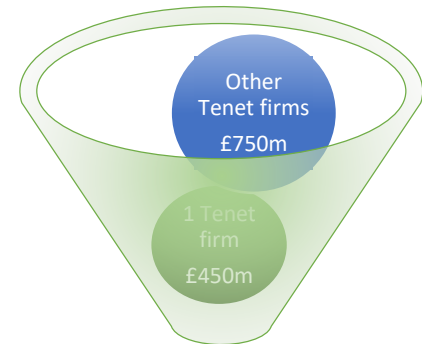


MARKET OVERVIEW

PARTNERSHIPS & ACQUISITION

TENET PARTNERSHIP

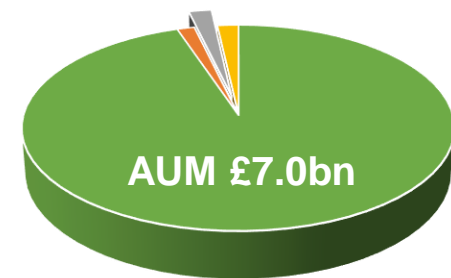
- Very positive start to the relationship
- 40 Tenet firms now using Tatton
- AUM reaching £24.5m – good start more to come (add'l £32.8m October 2019)
- Actively marketing to all Tenet firms through multiple channels
- Addressable opportunities estimated at **£1.2bn**
 - One firm = total £450m AUI
 - Other firms = total £750m AUI



Visible opportunity
£1.2bn

SINFONIA ACQUISITION

- Small “opportunistic” acquisition of 5 risk targeted funds complementing existing Tatton range
- £135m AUM with an average AMC of 65bps, earnings enhancing
- Develops and cements relationship with Tenet and ensures consistency of investment proposition to Tenet IFAs

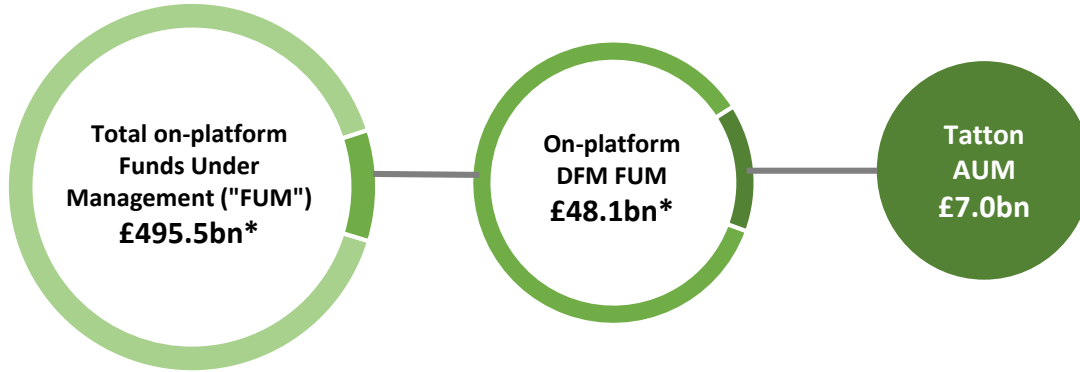


■ DFM ■ Blended Funds ■ Sinfonia Funds ■ Oak Funds

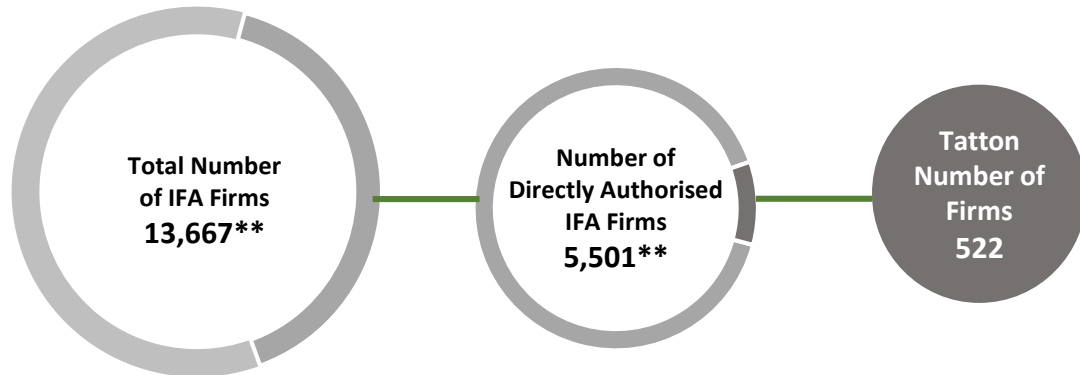
FRENKEL TOPPING

- Model portfolios in place and awaiting further third party platform developments

THE IFA MARKET



- Adviser platform market currently at £495.5 billion* estimated £1 trillion 2023
- 1/3rd of the total in advisory model portfolios
- Each IFA firm has approximately £40m under control
- MiFID II convincing IFA principals of need to outsource investment decisions
- Tatton continues to be the largest DFM, MPS player on platform



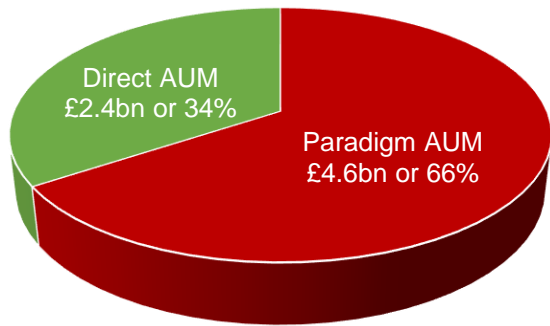
- IFA Revenue up 14%**
- IFA Profit up 25%**

Source: *UK Fund Distribution: DFM Distribution Dynamics, Platform, July 2019

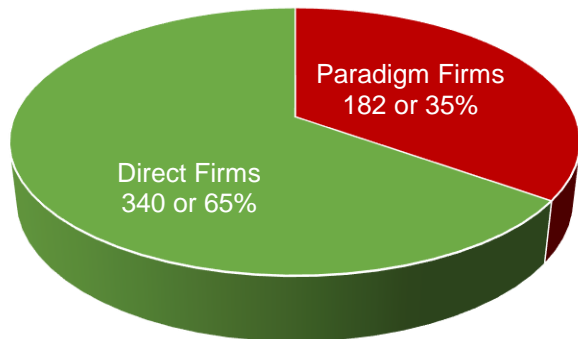
Source: ** 'The Financial Adviser Market: In Numbers', PIMFA, November 2019

TATTON – OPPORTUNITY UPDATE

Total AUM £7.0bn



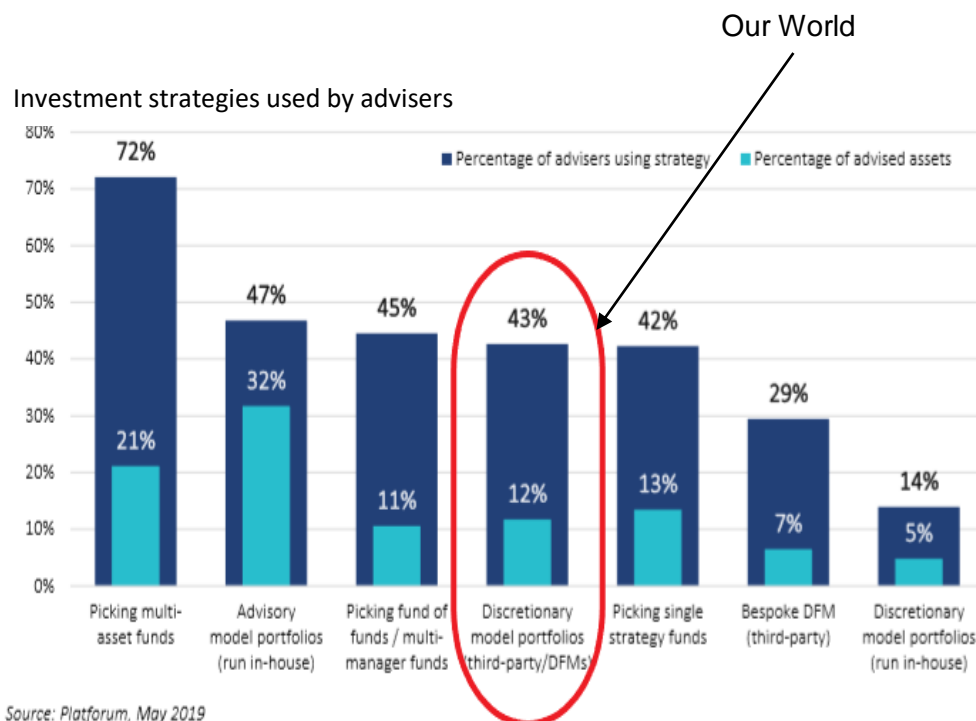
Total number of firms 522



- £495.5bn* Assets held on platform and growing
- £48.1bn* Assets held in DFM and growing
- Tatton £7.0bn from 522 firms
- Paradigm firms = 182 or 35% firms = £4.6bn AUM or 66%
- Non-Paradigm firms = 340 or 65% firms = £2.4bn AUM or 34%
- Average firm across the industry has approx. £40m on platform
 - Paradigm firms = Average £25.3m per firm
 - Non-Paradigm firms = Average £7.0m per firm (£5.9m Mar 19)
 - **Non-Paradigm opportunity = £18.3m x 340 = £6.2bn**
- Tenet AR/DAs opportunity 474 firms (293 ARs & 181 DAs) and c.£1.2bn AUI
- 40 of these firms have already come onto a Tatton service, with AUM reaching £24.5m
- White label and back book migration pipeline c.£400m

PLATFORM REPORT – DFM DISTRIBUTION DYNAMICS JULY 2019

- Adviser trends to outsourcing
- 51% of advisers outsource but only 12% of advised assets on platform
- 47% run their own in-house MPS = 32% of advised assets on platform
- 21% of assets in Multi-assets Funds



YEAR ON YEAR GROWTH OF DFMs ON PLATFORM*

Discretionary Fund Manager	Annual Fee % (inc VAT)	AUM on platform at 31 March 2018	AUM on platform at 31 March 2019	Year on year % growth in AUM
Tatton Investment Management	0.15	£5.00bn	£6.10bn ***	22.0%
LGT Vestra	0.30	£2.50bn	£3.40bn	36.0%
Brewin Dolphin	0.24 - 0.36**	£2.56bn	£3.20bn	25.1%
Fe Invest	0.33	£1.10bn	£1.96bn	77.9%
Quilter Cheviot	0.24 - 0.36**	£0.00bn	£1.49bn	-
Travistock Wealth	0.75	£0.84bn	£0.95bn	12.5%
Morningstar	0.25 - 0.36**	£0.74bn	£0.91bn	22.3%
Seven Investment Management	0.30 - 0.36**	£0.77bn	£0.75bn	(3.3%)
Brooks Macdonald	0.36	£0.59bn	£0.74bn	25.6%
Portfolio Metrix	0.42	£0.43bn	£0.70bn	62.7%
Charles Stanley	0.25 - 0.36**	£0.37bn	£0.50bn	36.8%
Liontrust	0.36	-	£0.47bn	-
Waverton Investment Management	0.40	£0.20bn	£0.31bn	55.0%
Tilney for Professionals	0.36	£0.20bn	£0.17bn	(14.5%)
Wellian Investment Solutions	0.30 - 0.42**	£0.15bn	£0.13bn	(11.6%)
Momentum	0.30	£0.11bn	£0.09bn	(17.4%)
AJ Bell Investments	0.18	£0.04bn	£0.08bn	87.5%
Albert E Sharp	0.60	£0.05bn	£0.07bn	32.1%
Cazenove Capital	0.36	-	£0.05bn	-

* Source: UK Fund Distribution: DFM Distribution Dynamics, Platforum, July 2019

** Range of AMC for passive to active portfolios

*** Tatton AUM £7.0bn as at September 2019

ADVISER FIRMS USING DFMs ON PLATFORM*

Discretionary fund manager	Adviser firms using portfolios at 31 March 2018	Adviser firms using portfolios at 31 March 2019	Year-on-year % growth in firms
Albert E Sharp	16	60	275.0%
AJ Bell Investments	72	132	83.3%
LGT Vestra	200	338	69.0%
Tatton Investment Management	300	460^{**}	53.3%
Brewin Dolphin	1150	1702	48.0%
FE Invest	171	239	39.8%
PortfolioMetrix	27	34	25.9%
Charles Stanley	177	205	15.8%
Wellian Investment Solutions	35	40	14.3%
Parmenion	1339	1467	9.6%
Brooks Macdonald	500	501	0.2%
Seven Investment Management	150	150	0.0%
Waverton Investment Management	50	50	0.0%
Bordier UK	58	56	(3.4%)
Momentum	144	131	(9.0%)
Quilter Cheviot	n/a	931	-
Morningstar	n/a	219	-
Liontrust	n/a	51	-
Cazenove Capital	n/a	36	-

* Source: UK Fund Distribution: DFM Distribution Dynamics, Platforum, July 2019

** Tatton firms 522 as at September 2019

INDUSTRY TRENDS

Market challenges and trends	Response / impact
IFA/client inertia due to political and macro economic environment	General impact across the market but the Group in a good position to continue to compete
Reduced net flows in the wider market	Slowdown in net flows but still remain healthy at £440m (7.2%) in H1. Recent activity shows signs of improvement
IFA consolidation	Consolidation set to continue. We are not immune, it impacts Paradigm, but this is also an opportunity for Tatton
Increased competition due to the trend towards the platform model and outsourced model portfolio solution	Tatton remain the lowest cost DFM provider, platform agnostic with a strong track record of performance. Our expanding range of propositions ensures we can meet the needs of IFAs and their clients
Increasing interest in passive / hybrid models	Tatton offers a full range of portfolios and funds to meet the shift in client preference. Active, Passive, Hybrid and Ethical
Increased regulatory pressures on wider market	Drive to outsource investment and compliance set to continue and well placed to meet the demand



INVESTMENT & FUND UPDATE

GROWTH IN ASSETS UNDER MANAGEMENT

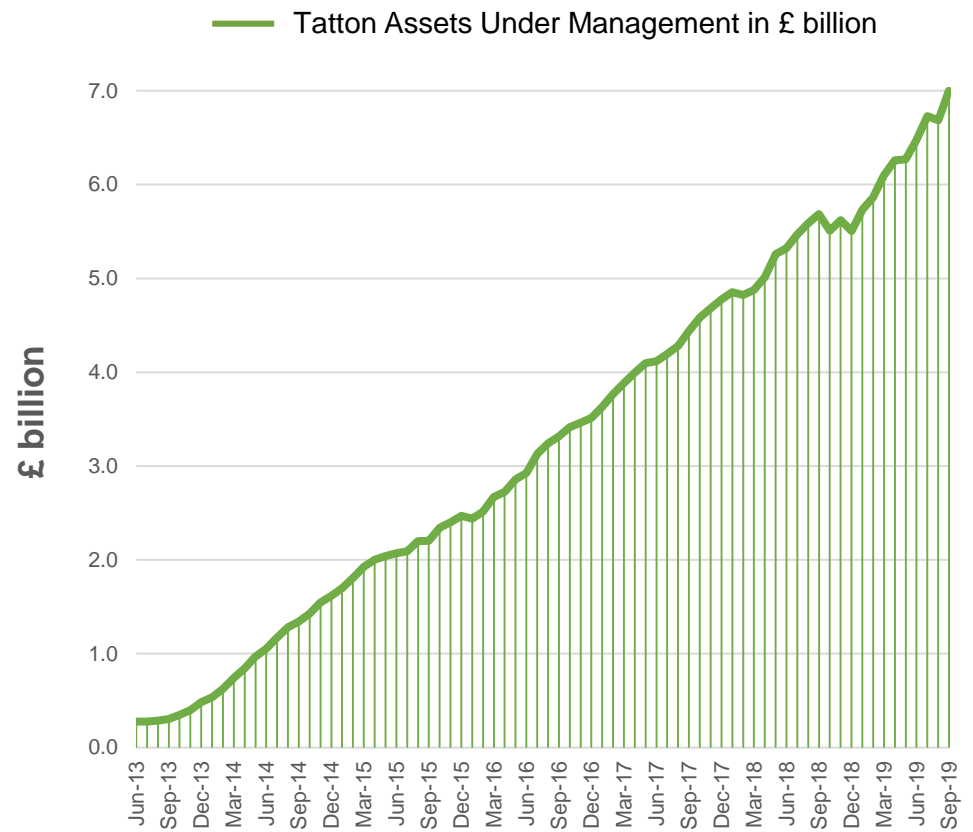
+£1.3bn over 12 months, Sep-18 to Sep-19

Assets under management

Key AUM milestones

- By June 2014: £1.0 bn
- By June 2015: £2.0 bn
- By June 2016: £3.0 bn
- By May 2017: £4.0 bn
- By Sept 2017: £4.4 bn
- By Mar 2018: £4.9 bn
- By Sept 2018: £5.7 bn
- By Mar 2019: £6.1 bn
- By Sept 2019: £7.0 bn

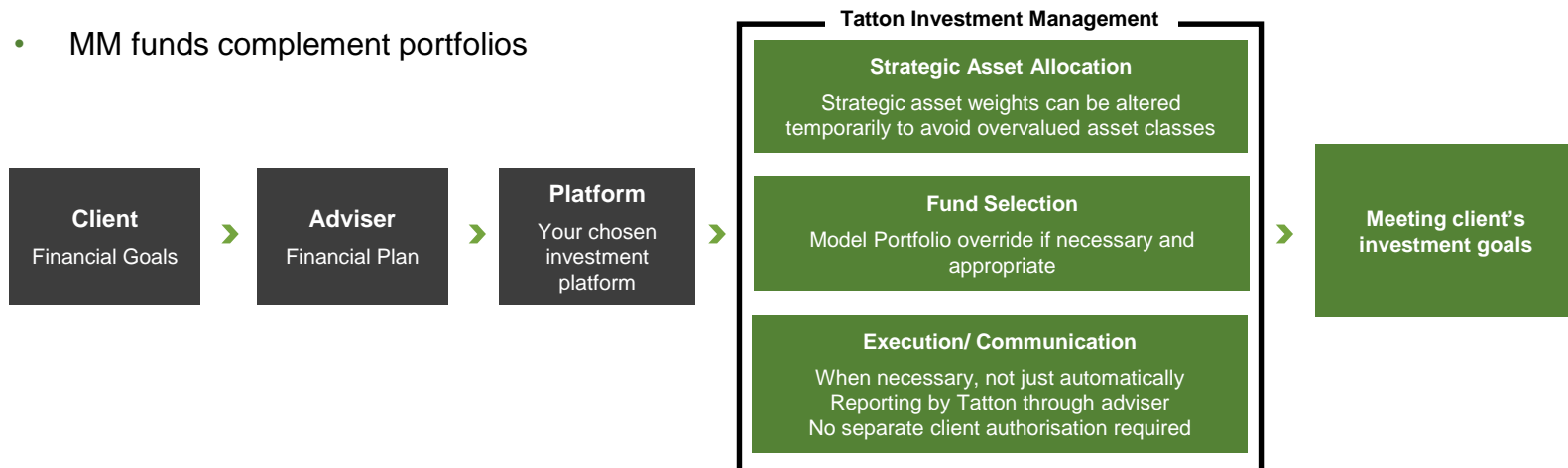
AUM increased by £1.3 billion during the year, an increase of 22.8%



TATTON

WHAT WE DO

- Discretionary investment management
 - Segregated, fund based, non-bespoke private investor portfolios (MPS based DFM)
 - Bespoke investment services, as long as using scalable building blocks + platform (BPS based DFM)
- Exclusively available on adviser platforms and only B2B through directly FCA authorised advisers
- Platform agnostic, now available on 12 platforms
- Avoidance of fixed cost overheads allows charging at marginal cost of 0.125% plus vat while benefitting from substantial scale benefits - no client relationship management and no inhouse back-office
- Pure investment manager – fully resourced investment team
- MM funds complement portfolios



TATTON – INVESTMENT PROPOSITION



Tatton Investment Evolved

Investment Management

- IFA only
- Platform only
- No direct clients



Largest

on-platform MPS provider in the UK

(Source – Platform, 2019)

£7bn AUM
as at 30 Sep 19



Accessible on
12 Platforms



5 risk profilers



SAVE 0.31%*
on average portfolio cost

* The diagram demonstrates the combined benefit of controlling portfolio costs and lowering discretionary fees to the client's cost of investing. Currently, Tatton saves clients 0.31% per annum in investment fees and charges than the industry average for medium risk actively managed portfolios and 0.14% for medium risk passive portfolios (Source: Platform, UK Fund Distribution, Model Portfolios on Platform, July 2019) Fees quoted are inclusive of VAT.

Market leading charge flow to client – clear benefits for Adviser and Investor

Tatton Managed Balanced



CLIENT COST OF INVESTING: 1.10%*

Industry average medium risk actively managed portfolio



CLIENT COST OF INVESTING: 1.41%

Portfolio Service – six risk profiles, 29 model portfolios



Tatton Managed Portfolios

The Tatton Managed Portfolios are constructed from actively managed funds. We select managers with strategies most aligned with our market view of the global economy that allow the potential for portfolio gains within a chosen level of risk.



Tatton Tracker Portfolios

The Tatton Tracker Portfolios are constructed from passive funds. The portfolios are managed in the same way as our other portfolios and following the same geographical and asset allocation strategies, with the exception of using passive rather than actively managed funds.



Tatton Core Portfolios

The Tatton Core Portfolios are a hybrid mix of passive and actively managed funds effectively blending returns from the two strategic approaches. This hybrid approach reduces the cost of investing through the use of passive funds.



Tatton Ethical Portfolios

The Tatton Ethical Portfolios that allow investors to have their entire portfolio managed under the ethical considerations that they care about. We combine negative and positive screening to give clients peace of mind that their investments not only align with their principles but also generate investment returns in line with their risk profiles.



Tatton Income Portfolios

The Tatton Income Portfolios seek to generate reliable income and capital growth to ensure asset values stay in line with inflation.

Tatton Risk categories available:



A dedicated business development team...



Justine Randall Sales Director
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Business Development Team



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PLATFORMUM'S OCF ANALYSIS – WELCOME ADDITION TO OUR SALES TOOL KIT

Table 4: DFM charges, OCF of underlying funds and total cost of models on platform – active models

DFM	AMC (incl. VAT)	OCF of underlying funds			Total DFM cost		
		Low risk	Medium risk	High risk	Low risk	Medium risk	High risk
AJ Bell Investments	0.18%	0.53%	0.68%	0.80%	0.71%	0.86%	0.98%
Albert E Sharp	0.60%	0.67%	0.64%	0.64%	1.27%	1.24%	1.24%
Bordier UK	0.36%	0.69%	0.74%	0.83%	1.05%	1.10%	1.19%
Brewin Dolphin	0.36%	0.49%	0.51%	0.53%	0.85%	0.87%	0.89%
Brooks Macdonald Asset Management	0.36%	0.61%	0.86%	1.01%	0.97%	1.22%	1.37%
Cazenove Capital	0.36%	0.49%	0.60%	0.72%	0.85%	0.96%	1.08%
Charles Stanley	0.36%	0.80%	1.07%	1.20%	1.16%	1.43%	1.56%
FE Invest	0.33%	0.62%	0.72%	0.89%	0.95%	1.05%	1.22%
LGT Vestra	0.30%	0.63%	0.67%	0.78%	0.93%	0.97%	1.08%
Liontrust	0.36%	0.52%	0.64%	0.69%	0.88%	1.00%	1.05%
Momentum	0.30%	0.54%	0.71%	0.78%	0.84%	1.01%	1.08%
Morningstar Investment Management Europe	0.36%	0.37%	0.52%	0.62%	0.73%	0.88%	0.98%
PortfolioMetrix	0.42%	0.59%	0.74%	0.84%	1.01%	1.16%	1.26%
Quilter Chevlot	0.36%	0.73%	0.77%	0.73%	1.09%	1.13%	1.09%
Parmenion	0.36%	0.54%	0.67%	0.80%	0.90%	1.03%	1.16%
Seven Investment Management	0.36%	0.55%	0.65%	0.75%	0.91%	1.01%	1.11%
Tatton Investment Management	0.15%	0.51%	0.62%	0.67%	0.66%	0.77%	0.82%
Tilney Investment Management	0.36%	0.51%	0.70%	0.74%	0.87%	1.06%	1.10%
Waverton Investment Management	0.40%	0.41%	0.40%	0.41%	0.81%	0.80%	0.81%
Wellan Investment Solution	0.42%	0.67%	0.76%	0.81%	1.09%	1.18%	1.23%

DISTRIBUTION OF AUM ACROSS PROPOSITION MATRIX

Globally diversified multi-asset portfolio choices that satisfy multi-manager, index tracker, income drawdown and ethical investment choices across 6 standard UK risk profiles (3 to 8 out of 1-10)

	Defensive (3) 25% Equity	Cautious (4) 45% Equity	Balanced (5) 60% Equity	Active (6) 75% Equity	Aggressive (7) 90% Equity	Global Eq. (8) 98% Equity	Total	6m Change %
Tatton Managed/Active	1.2%	9.6%	19.5%	8.4%	2.5%	0.9%	42.1%	+0.1%
Tatton Tracker	1.3%	5.1%	7.5%	2.4%	0.8%	0.1%	17.2%	±0.0%
Tatton Hybrid/Blended	1.0%	9.1%	18.6%	6.8%	1.3%	0.3%	37.0%	-0.3%
Tatton Income	0.0%	0.3%	0.8%	0.3%	-	-	1.4%	+0.1%
Tatton Ethical	0.1%	0.4%	1.6%	0.2%	0.1%	0.0%	2.3%	+0.2%
Total	3.6%	24.4%	47.8%	18.2%	4.6%	1.4%	100.0%	
6m Change %	+0.1%	-0.1%	-0.3%	+0.1%	+0.1%	+0.1%		

- There remains little change in the breakdown of the strategies and risk profiles in which our AUM is invested
- Ethical range more beneficial in business flow acquisition terms than from growth perspective

INVESTMENT PORTFOLIO RETURNS

Since launch 1 January 2013

Tatton Fund Performance (per cent.) - core produce set (1 Jan 2013 – 30 Sep 2019, annualised, after DFM charge and fund costs)				
	Active	Tracker	Hybrid	IA Sector*
Defensive	5.0	5.4	5.3	4.3
Cautious	6.8	6.7	6.9	5.5
Balanced	7.8	7.7	7.9	6.5
Active	8.8	9.0	9.0	7.5
Aggressive	9.5	10.0	9.7	7.5

1 April 2019 to 30 September 2019

Tatton Fund Performance (per cent.) - core produce set (1 Apr 2019 – 30 Sep 2019, after DFM charge and fund costs)					
	Active	Tracker	Hybrid	Ethical	IA Sector*
Defensive	4.8	5.0	4.9	5.7	4.4
Cautious	5.6	5.9	5.8	6.8	4.9
Balanced	5.8	6.3	6.1	7.4	5.7
Active	5.8	6.7	6.2	8.0	6.4
Aggressive	6.1	6.9	6.5	8.7	5.8
Global Eq.	8.5	9.2	8.9	9.1	5.8

- Overweight Europe position has assisted in outperformance for the period. Our more core holdings in the Tracker range have also been strong with September's value bounce back
- Regional allocations would have benefitted from an overweight in US stocks, which have continued to be very strong this year. Part of this strong US performance is visible in the Ethical model returns which have a more globally weighted allocation

ETHICAL INVESTMENT PORTFOLIO RETURNS

Since launch 28 January 2018

1 April 2019 to 30 September 2019

Tatton Fund Performance (per cent.) - ethical produce set, annualised, after DFM charge and fund costs)		
	Ethical	IA Sector*
Defensive	4.1	2.6
Cautious	4.8	2.4
Balanced	7.4	5.9
Active	5.4	3.3
Aggressive	5.8	2.3
Global Equity	6.0	2.3

Tatton Fund Performance (per cent.) - ethical produce set (1 Apr 2019 – 30 Sep 2019, after DFM charge and fund costs)		
	Ethical	IA Sector*
Defensive	5.7	4.4
Cautious	6.8	4.9
Balanced	7.4	5.7
Active	8.0	6.4
Aggressive	8.7	5.8
Global Eq.	9.1	5.8

- Structural overweight of the ESG investment universe to US and tech stocks accounts for much of the outperformance
- Fund manager selection strong performance contributor across regional equity markets

Summary

Growing the IFA relationships to grow AUM

- Organic; signing up more new firms
- More white labelling & back book migration arrangements
- Promote further strategic IFA partnerships
- Continue to broaden the asset management proposition, organically and by acquisition
- Paradigm amalgamation – Look to leverage closer co-operation
- Disciplined M&A activity to support AUM growth

APPENDICES

DEDICATED TATTON SALES TEAM

Justine Randall SALES DIRECTOR

Chartered financial planner with nearly 20 years' financial services experience, Justine joined Tatton from Retirement Advantage where she spent 8 years as Head of Sales and Strategic Partnerships

Ryan Seaton
BDD*

Simon Church
BDD*

Steve Martell
BDD*

Scott White
BDD*

Jack Bennett
BDM*

Ryan joined the financial services industry in 2012 as a graduate at WRAP platform Amber Financial and was formerly an investment development consultant at Paradigm Consulting

Simon previously worked at Quilter Cheviot, Charles Stanley and MetLife leading RDR initiatives to help support advisers to transition their businesses through the RDR

Steve brings over 3 decades of investment market experience, including 16 years in senior management positions for Just, Living Time, The Hartford and Prudential

Scott is a chartered financial planner with +20 years experience. He joins Tatton from Rowan Dartington where he managed key national accounts. He is a fellow of the PFS and brings a wealth of experience to the Tatton team

Jack was a financial coordinator for deVere and partners, and worked on GFI's south East Asia FX options desk

SINFONIA ACQUISITION

- On 30 September 2019 Tatton acquired the entire issued share capital of Sinfonia Asset Management Limited (SAM), a wholly owned subsidiary of the Tenet Group for a consideration of up to £2.7 million
- SAM comprises five risk-targeted funds with a total AUM of £135 million
- These five additional funds will complement Tatton's existing fund range and expand the access IFAs' clients have to a range of diversified investments portfolios on investment platforms that cannot yet accommodate discretionary portfolio services
- Acquisition-related costs of £102,000 have been recognised as exceptional items in the P&L

Consideration

- Of the consideration of up to £2.7 million, £2.0 million was payable on completion with the remaining balance of £0.7 million becoming payable in two equal instalments subject to meeting AUM of the funds remaining \geq £135m*
- The provisional amounts recognised in respect of the identifiable assets acquired and liabilities assumed upon acquisition are set out in the table

	£'000
Customer relationship intangible assets	1,469
Financial assets	51
Financial liabilities	(12)
Total identifiable assets	1,508
Goodwill	1,143
Total consideration	2,651
Satisfied by:	
Cash	1,961
Contingent consideration arrangement	690
Total consideration transferred	2,651

* Subject to a market movement mechanism in the last 30 day period prior to the anniversary of completion

PROFIT & LOSS

£000's	H1 2019	H1 2018	Growth %
Revenue	9,729	8,445	15.2%
Admin expenses	(5,603)	(5,095)	
Adjusted Operating profit*	4,126	3,350	23.2%
Margin %*	42.4%	39.7%	
Share based payments (IFRS2)	(413)	(365)	
Exceptional charges	(102)	(13)	
Operating profit	3,611	2,972	
Finance Income / (costs)	(1)	112	
Profit before tax	3,610	3,084	
Corporation tax	(667)	(681)	
Profit after tax	2,943	2,403	
Basic earnings per share	5.26p	4.30p	
Adjusted F.Dil earnings per share**	5.39p	4.57p	17.9%
Dividend	3.20p	2.80p	14.3%

* Adjusted for exceptional items and share-based payment costs

** Adjusted for exceptional items and share-based payment costs and potentially dilutive shares

CASH FLOW

	H1 2019 £'000	H1 2018 £'000
Cash from operations before exceptional items	3,892	4,291
Exceptional	(102)	(13)
Cash from operations	3,790	4,278
Tax paid	(1,396)	(687)
Capital investment	(2,277)	(251)
Finance income / (cost)	(4)	112
Dividends	(3,131)	(2,460)
Proceeds from share issue	-	-
Net cash increase / decrease	(3,018)	992
Cash and cash equivalents at beginning of period	12,192	10,630
Net Cash	9,174	11,622

RECONCILIATION OF TAX CHARGE

	H1 2019 £'000	H1 2018 £'000
Profit before tax	3,610	3,084
UK tax @ 19%	686	586
Expenses not deductible	37	115
Capital allowances	-	(20)
Adjustments in respect of previous years	(117)	-
Share-based payments	61	-
Tax charge for the period	667	681

RECONCILIATION OF EFFECTIVE TAX RATE

	H1 2019 £'000	H1 2018 £'000
Profit before tax	3,610	3,084
Tax charge	(667)	(684)
Headline effective tax rate	18.5%	22.2%
Trading profit	4,126	3,350
Cash interest	10	112
Adjusted PBT	4,136	3,462
Tax on operating activities	(813)	(684)
Underlying effective tax rate	19.7%	19.8%