

TATTON ASSET MANAGEMENT

**INVESTOR AND ANALYST PRESENTATION
June 2020**



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



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



Investment Management Division ("Tatton")

- *Tatton Investment Management offers on-platform only challenger model DFM MPS*
- *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

- Group revenue increased 22.0% to £21.369m (2019: £17.518m)
- Adjusted operating profit¹ up 24.2% to £9.076m (2019: £7.308m)
- Adjusted operating profit¹ margin 42.5% (2019: 41.7%)
- Reported profit before tax increased to £10.296m (2019: £6.112m)
- Adjusted fully diluted EPS² increased 19.8% to 12.00p (2019: 10.02p)
- Dividend of 6.4p increasing 14.3% (2019: 5.6p)
- Strong financial position, with net cash of £12.757m

1. Adjusted for exceptional items, share-based payment costs and amortisation

2. Adjusted for exceptional items, share-based payment costs, amortisation and potentially dilutive shares

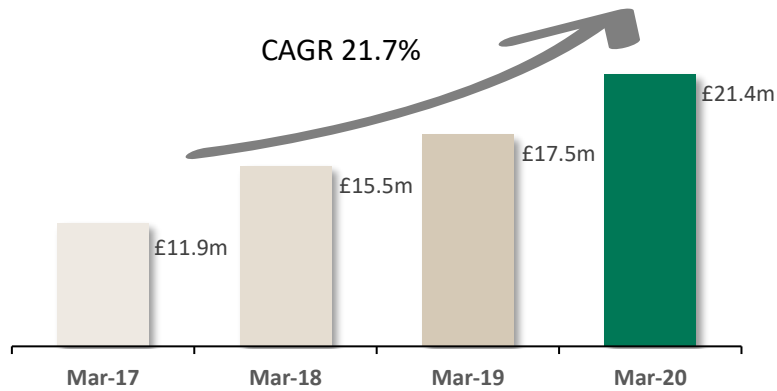
KEY HIGHLIGHTS

OPERATIONAL

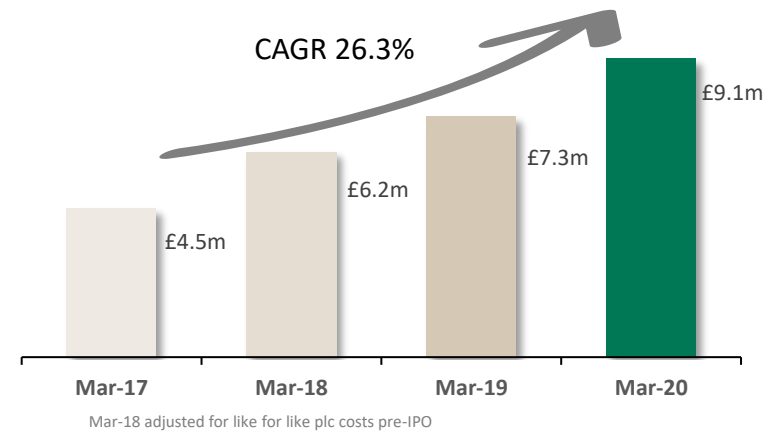
- Tatton's assets under management ("AUM") increased 9.6% to £6.7bn (2019: £6.1bn), current AUM recovered to £7.553bn in June 2020
- Average AUM net inflows of over £94.0m per month, current average net inflows £51.7m (Apr-May only experienced 1 negative week of flows throughout lockdown)
- Tatton increased the number of firms utilising its DFM services by 33.7% to 595 (2019: 445) and the number of accounts increased 13.0% to 66,100 (2019: 58,500)
- Tatton's long-term business partnership with Tenet is developing well with 81 new IFA firms and initial business activity has resulted in assets under management reaching £225.9m
- The Group made its first acquisition of Sinfonia on 30 September 2019 for a consideration of up to £2.7m, five risk-targeted funds that complement the current fund range proposition
- 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 facilitation via its channels by 17.5% to £9.86bn (2019: £8.39bn) and increased the number of firms by 10.9% to 1,544 (2019: 1,392)

FINANCIAL PROGRESS SINCE IPO

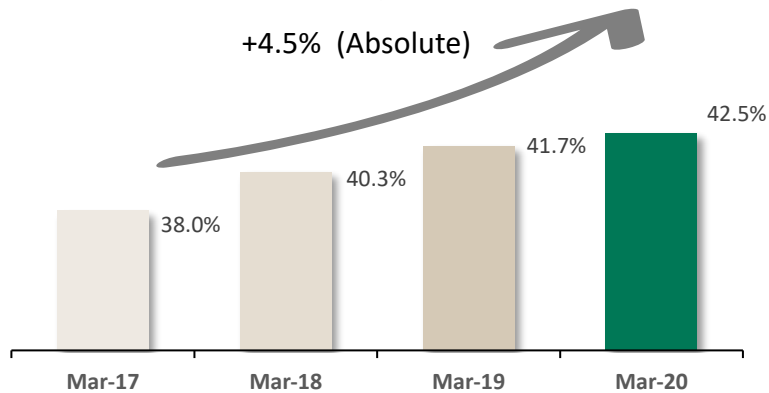
Revenue £m



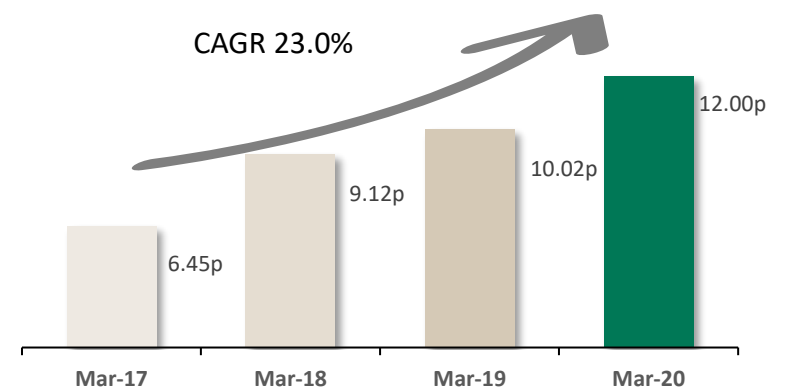
Adj Operating Profit¹ £m



Margin¹ %



Adjusted F.Dil EPS² (p)



1. Adjusted for exceptional items and share-based payment costs
 2. Adjusted for exceptional items and share-based payment costs and potentially dilutive shares

FINANCIAL PERFORMANCE

PROFIT & LOSS

	2020	2019	Increase
	£000's	£000's	%
LFL Underlying revenue	20,205	17,518	15.3%
FY20 additional income	1,164	-	
Revenue	21,369	17,518	22.0%
Other exceptional income	1,588	-	
Admin expenses	(12,655)	(11,593)	
Operating profit	10,302	5,925	
Share-based payments (IFRS2)	108	874	
Amortisation of acquired intangibles	60	-	
Exceptional items	(1,394)	509	
Adjusted Operating profit¹	9,076	7,308	24.2%
Margin % ¹	42.5%	41.7%	
Underlying Margin %²	44.9%	41.7%	
Finance (costs) / income	(6)	187	
Profit before tax	10,296	6,112	
Corporation tax	(1,933)	(1,255)	
Profit after tax	8,363	4,857	
Basic earnings per share	14.98p	8.69p	
Adjusted F.Dil EPS³	12.00p	10.02p	19.8%
Final dividend	6.40p	5.60p	14.3%

- Group revenue increased 22.0% to £21.4m
- Like for like underlying revenue increased 15.3% to £20.2m
- FY20 additional income and Other exceptional income relates to change in treatment of value added tax
- Investment in costs in Tatton (people: Investment, Ops & Dist, Tenet Marketing)
- Exceptional credit (exceptional income above plus other items)
- Group adjusted operating profit¹ increased +24.2%, increasing underlying margin² to 44.9%
- Effective tax rate 18.8%
- Adjusted F.Dil EPS³ increased 19.8% to 12.0p

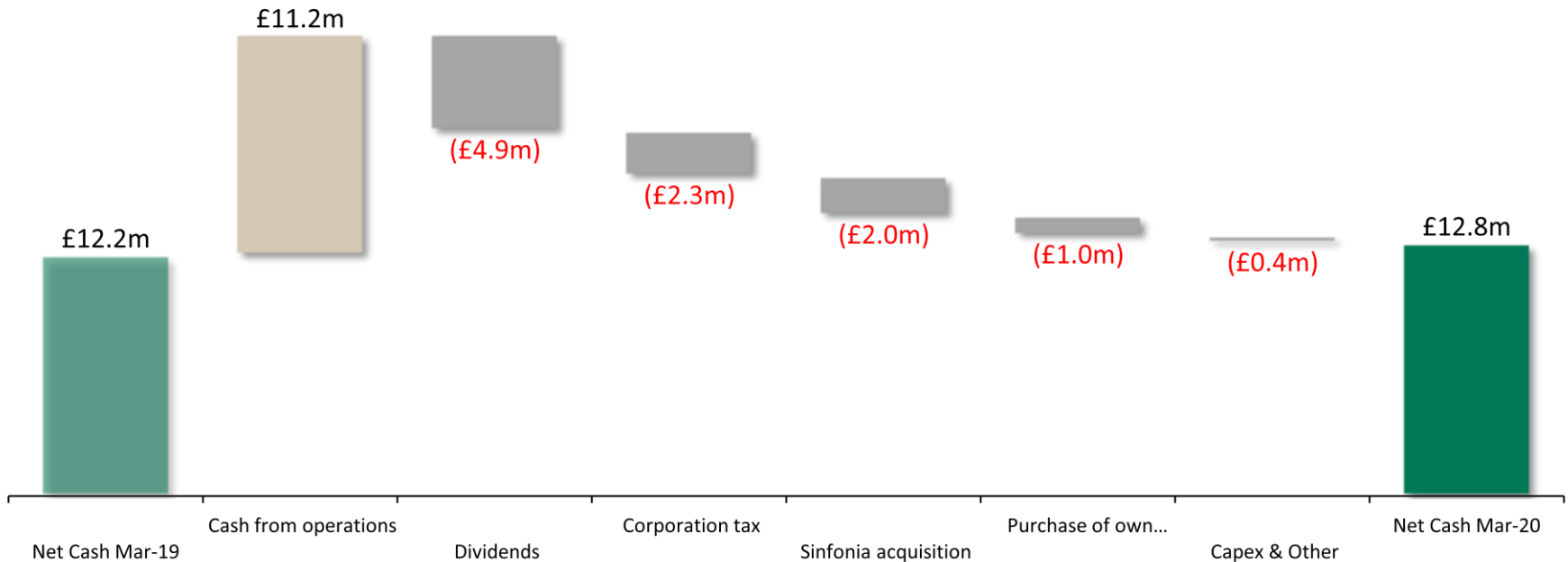
BALANCE SHEET HIGHLIGHTS

	Mar-20	Mar-19
	£000's	£000's
Goodwill & intangible assets	7,749	5,140
Tangible fixed assets	1,034	453
Trade & other receivables	3,431	2,508
Cash	12,757	12,192
Trade & other payables	(6,888)	(4,521)
Tax	(305)	(484)
Net Assets	17,778	15,288

- **Robust balance sheet**
 - Debt free, net cash £12.8m
 - Strong financial liquidity position
 - In discussions to increase existing facility
- **Goodwill & intangible assets**
 - £2.5m of the increase relates to the acquisition of Sinfonia including £1.2m of customer relationship intangible assets to be amortised over 10 years, as well as investment in Tatton portal/systems
- **Tangible fixed assets**
 - Recognition of £0.5m lease asset following adoption of IFRS 16 and investment in office fit-out
- **Trade & other receivables**
 - Movement is FY20 accrued income re further tax repayment
- **Trade & other payables**
 - IFRS16 lease liability, Sinfonia deferred payment & other accruals

CASH FLOW BRIDGE

- Cash generated from operations £11.2m, before exceptional items was £9.8m, 108% of adjusted operating profit
- Dividends paid include FY2019 final dividend of 5.6p plus FY2020 interim dividend of 3.2p
- Corporation tax now under “very large” company tax instalments
- Sinfonia acquisition £2.0m cash with future contingent consideration payable in two tranches
- £1.0m purchase of own shares through the EBT for utilisation against any future options
- Capex investment in Tatton portal / settlement systems and office fit-out



DIVISIONAL FINANCIAL PERFORMANCE

Performance				Commentary	COVID-19 Impacts
Tatton	Mar 2020	Mar 2019	Change %		
Revenue	£15.9m	£12.5m	27.2%	<ul style="list-style-type: none"> Net inflows £1,129m - average £94m per month Net inflows H1 £440m (39%) v H2 £689m (61%) New firms increased 33.7% to 595 Year end market movements reduced AUM from £7.8bn to £6.7bn, 14.3% fall Underlying margin increased to 60.0% after removing impact of VAT change in FY2020 	<ul style="list-style-type: none"> Markets have recovered some of the lost ground current AUM £7.6bn IFA Engagement impacted by lockdown Average net inflows in Apr – May £51.7m H2 flows expected to return to normal levels Recruitment freeze and pay freeze still in place. (Will still incur full year impact of FY20 additions) Remainder of the cost base largely unchanged (exceptions: IT cyber security/portal maintenance, one-off ACD transfer costs for Sinfonia)
Adj Operating profit ¹	£8.9m	£7.4m	20.9%		
Margin	55.9%	58.9%	(3.0)%		

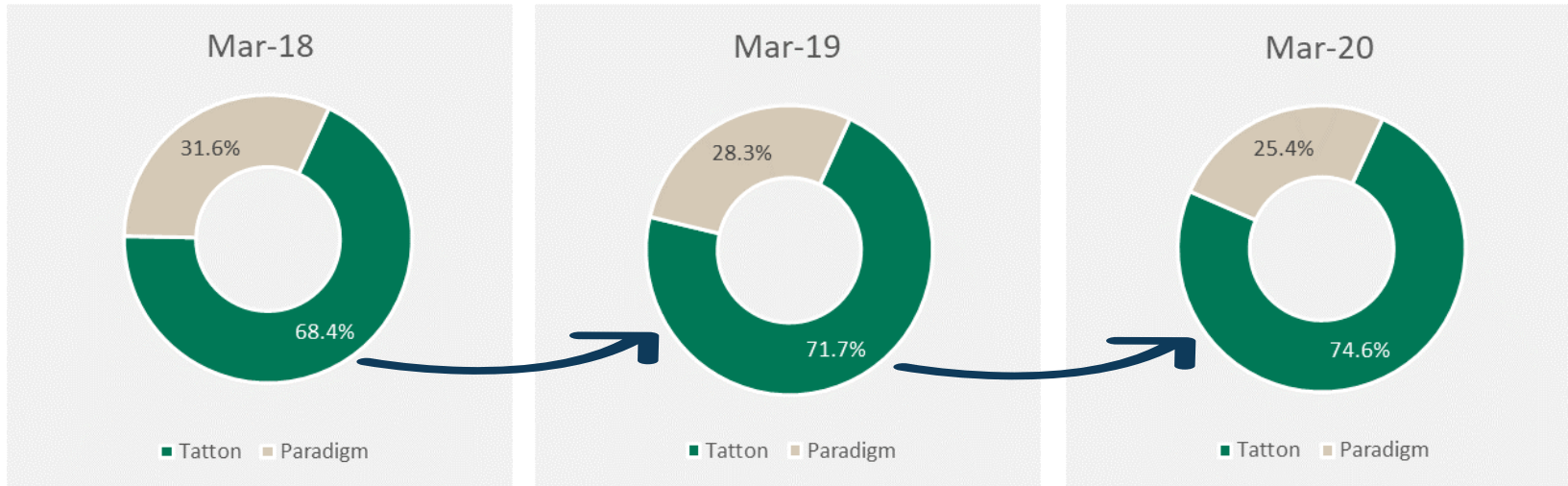
Paradigm				Commentary	COVID-19 Impacts
Paradigm	Mar 2020	Mar 2019	Change %		
Revenue	£5.4m	£4.9m	9.6%	<ul style="list-style-type: none"> All income streams have grown – Membership fees, Ad hoc Cons, Proc fees, Protection, Marketing & Valuation Mortgage member firms increased 10.9% to 1,544 Gross lending increased to 17.5% to £9.86bn Consulting members increased to 394 from 390, 2019 price increase at the beginning of the financial year was successfully implemented 	<ul style="list-style-type: none"> Consulting impact low, though Ad hoc consultancy in H1 will be impacted Mortgage market clearly impacted by COVID-19 Lender have reduced LTVs < 90% Gross Lending will be impacted up to 25% reduction Valuations significantly affected in H1 Protection expected to hold up New firms expected to increase
Adj Operating profit ¹	£2.1m	£1.8m	17.1%		
Margin	39.2%	36.7%	2.5%		

1. Adjusted for exceptional items, share-based payment costs and amortisation

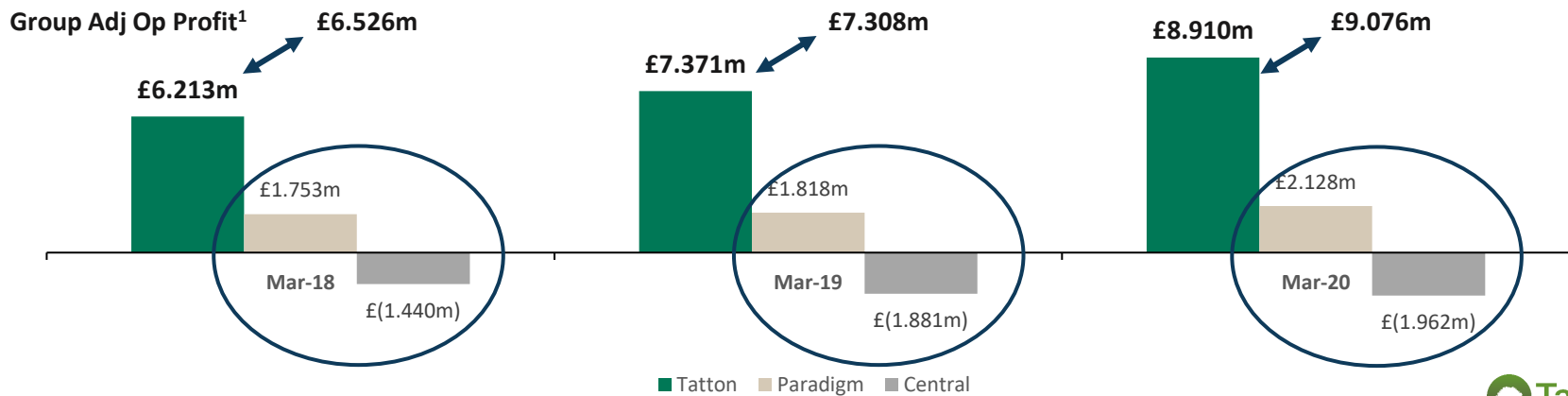
Note: Growth % calculated to three decimal places

DIVISIONAL DEVELOPMENT AND ANALYSIS

Revenue Split



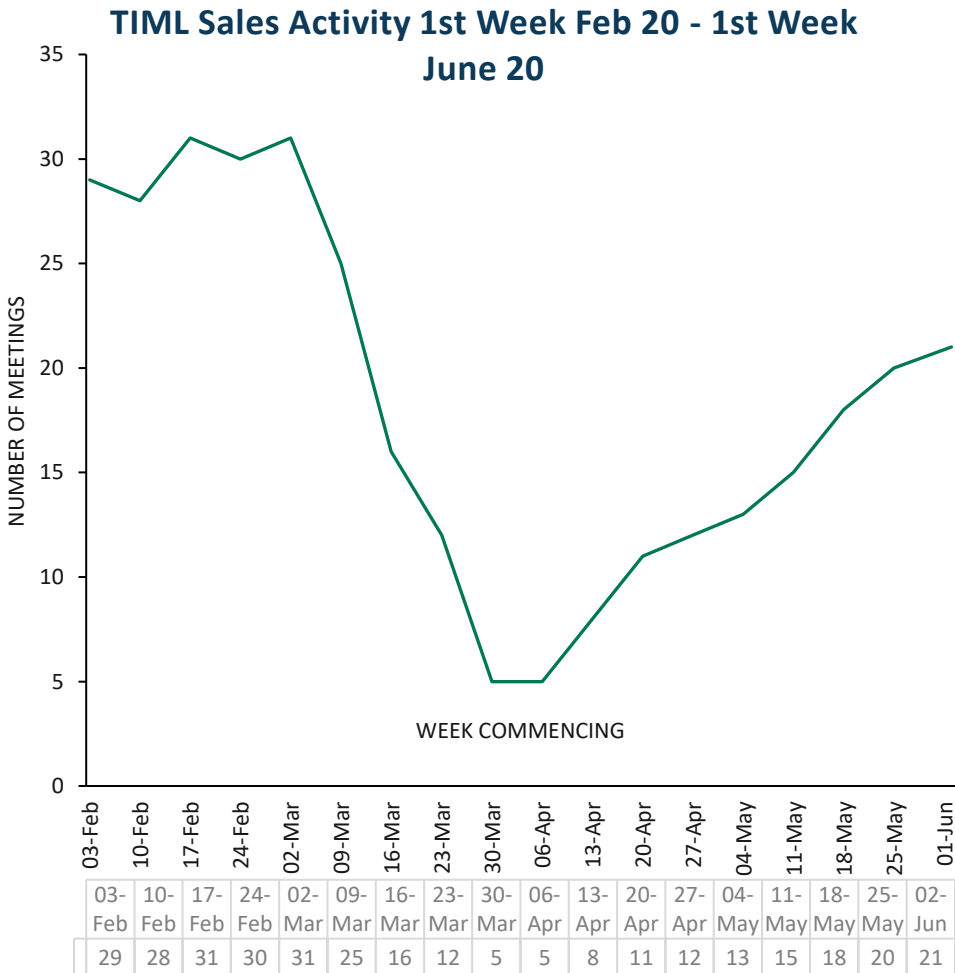
Adj Operating Profit¹ Split



1. Adjusted for exceptional items, share-based payment costs and amortisation

MARKET OVERVIEW

IFA ACTIVITY DURING LOCKDOWN



Areas of focus March

- Reassurance with firms
- Market commentary and Investment team Comms

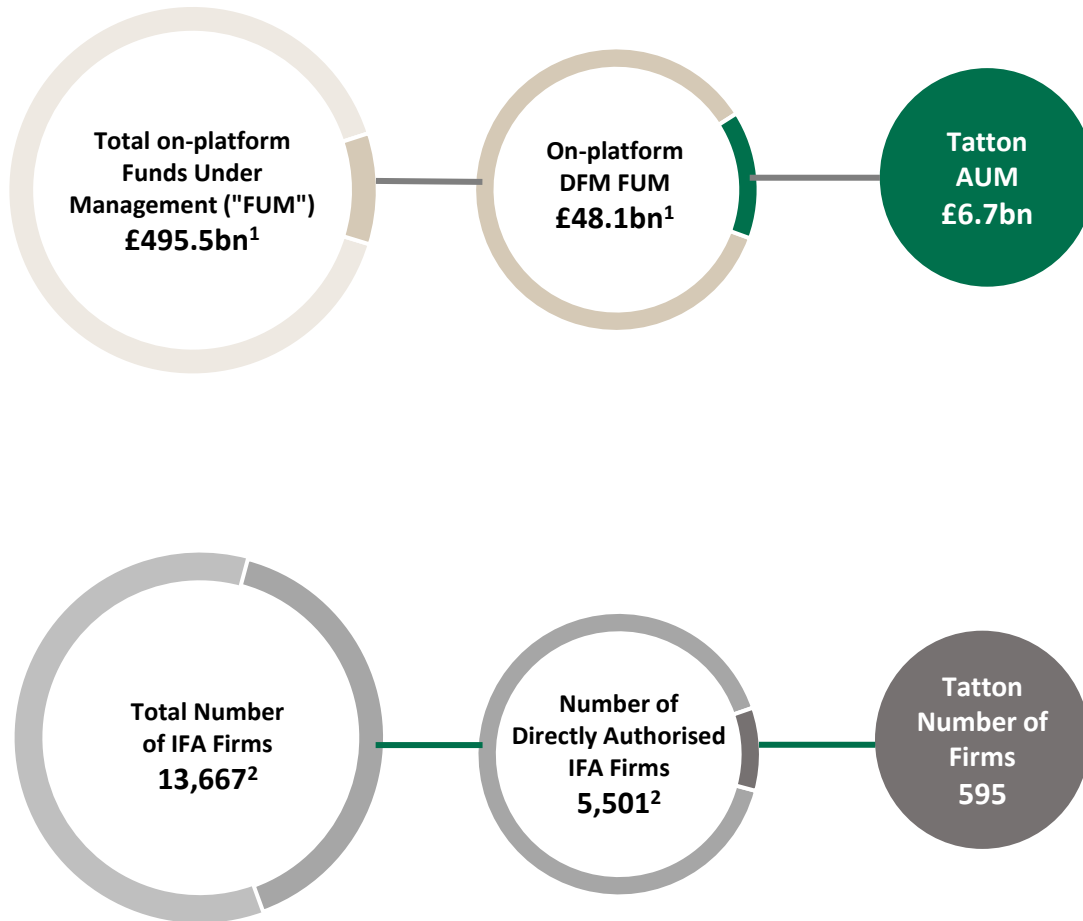
Areas of focus April

- BDM lead generation & IFA engagement
- Assist IFA in writing business remotely

Areas of focus May

- Aegon Cofunds platform launch
- Ethical Survey

THE IFA MARKET

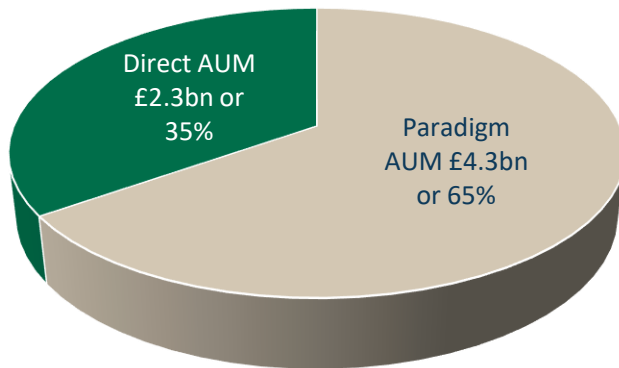


- Adviser platform market currently at £495.5 billion¹, estimated £1 trillion 2023
- Latest Forecast by Fundscape is £713.1bn Hardman May 2020
- 1/3rd of the total in advisory model portfolios
- Each IFA firm has approximately £40m under control
- MiFID II convincing IFA principals of need to outsource investment decisions
- Tatton continues to be the largest DFM MPS player on platform
- IFA Revenue up 14%²
- IFA Profit up 25%²

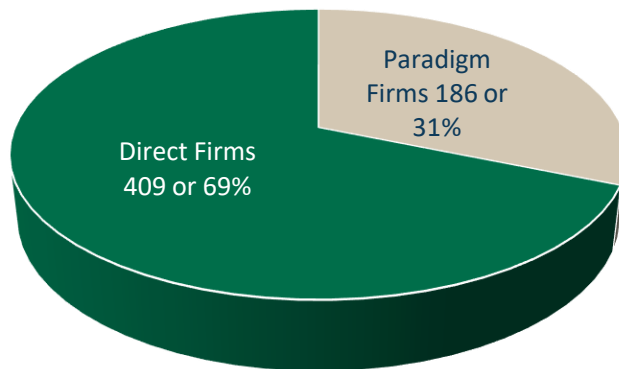
1. Source: 'UK Fund Distribution: DFM Distribution Dynamics', Platform, July 2019
 2. Source: 'The Financial Adviser Market: In Numbers', PIMFA, November 2019

TATTON – OPPORTUNITY UPDATE

Total AUM £6.7bn



Total number of firms 595



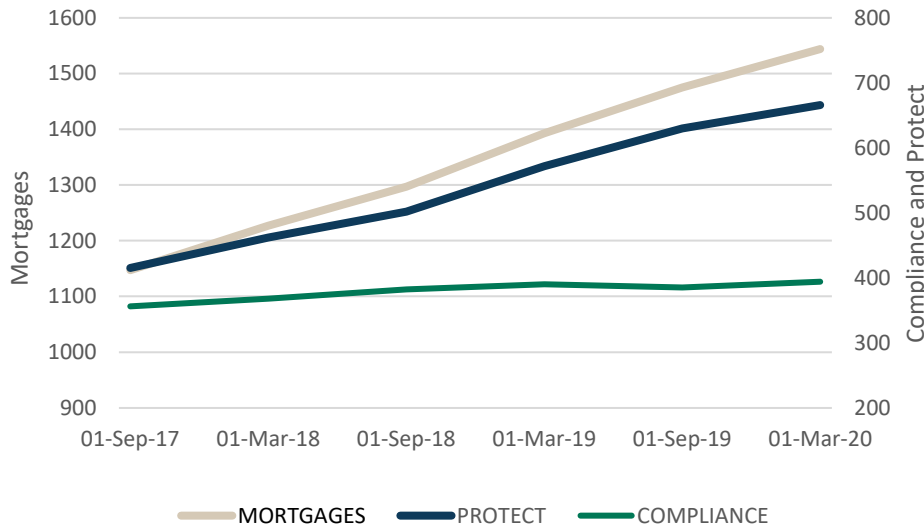
- £495.5bn¹ Assets held on platform and growing
- £48.1bn¹ Assets held in DFM and growing
- Tatton £6.7bn from 595 firms
- Paradigm firms = 186 or 31% firms = £4.3bn AUM or 65%
- Non-Paradigm firms = 409 or 69% firms = £2.3bn AUM or 35%
- Average firm across the industry has approx. £40m on platform
 - Paradigm firms = Average £23.3m per firm
 - Non-Paradigm firms = Average £5.7m per firm
 - **Non-Paradigm opportunity = £17.6m x 409 = £7.2bn**
- Tenet AR/DAs opportunity - 81 of 474 firms have placed assets with Tatton, AUM currently £225.9m, over £1bn opportunity
- White label and back book migration pipeline c.£300m

INDUSTRY TRENDS

Competitive challenges and trends	Response / impact
Environment becoming more competitive	Tatton remains 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.
Reduced net flows in the wider market related to COVID-19	April and May 2020 net inflows average £51.7m per month, lower than FY20 average net inflows of £94.1m per month. As IFA engagement returns to normal levels, we anticipate a return to normal level of flows.
IFA consolidation	Consolidation set to continue. We are not immune, it impacts Paradigm but this is also an opportunity for Tatton.
IFA demand for enhanced digital engagement	Tatton continues to invest in its IT infrastructure and IFA portal.
Increasing interest in passive / hybrid and ESG models	Tatton offers a full range of portfolios and funds to meet the shift in client preference. ESG, Active, Passive and Hybrid.
Increased regulatory pressures on wider market	Drive to outsource investment and compliance set to continue and well placed to meet the demand.

PARADIGM

Membership Growth 2017-20



Market factors

- Stable market with growing intermediary share. Advice is now more important than ever.
- IFA consolidation set to remain for the foreseeable future.

Current

- Mortgage: Up 10.9% to 1,544 (2019: 1,392)
- Consulting: Increased to 394 (Mar 2019: 390, Sept 2019: 385), 2.3% increase in 6 months
- Protect: Up 23.7% to 662 (2019: 535)

Targets for FY 20/21

- 12 Mortgage sign ups per month (net)
- 8 Protection sign ups per month (net)
- 2 Compliance contract sign ups per month (net)

Areas of focus

- Compliance initiative: unrivalled in the market and ties firms in to 2- or 3-year contract with annual increase
- Continued merging of Consulting and Mortgages to better meet the needs of IFAs
- Upselling additional services and ad hoc work inc. remote opportunities with existing membership
- Impact of new Business Development Consultant roles
- Sales team are engaging with firms on remote basis to achieve member growth

MORTGAGE MARKET: COVID-19 & BEYOND

What's happening?

- Estate agents have reopened and socially-distanced viewings are now taking place
- There has been a significant increase in activity on property portals such as Zoopla & Rightmove since the lockdown restrictions have been eased
- Valuers are facing a large backlog of cases that were placed on hold due to lockdown and needing to meet new social distancing requirements
- Most specialist lenders have returned to market in some capacity and are lending, albeit at lower levels and with restricted products, however some have been unable to return as yet
- Payment holidays placed a significant administrative burden on Lenders during initial lockdown period and may continue to be a strain as the FCA have extended the deadline to apply for a holiday until 31 October 2020
- Concerns exist around risk of lending at high LTVs and the prospect of whether this will really be affordable for clients in the future. This is exacerbated by the risk of house prices falling and creating negative equity if they over stretch on affordability
- A small number of Lenders are taking a different approach to risk and are subsequently being inundated with applications due to their higher LTVs
- Currently unknown impact of (potential) unemployment levels affecting confidence of homebuyers

INVESTMENT & FUND UPDATE

GROWTH IN ASSETS UNDER MANAGEMENT

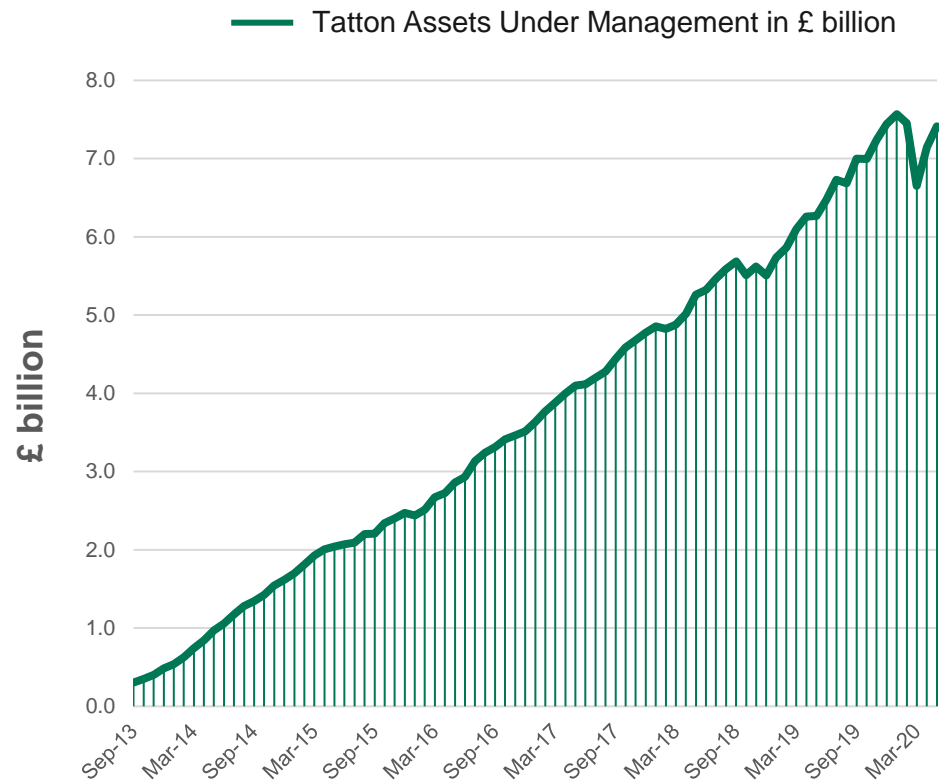
+£0.6bn over 12 months, Mar-19 to Mar-20

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
- By Feb 2020: £7.8 bn

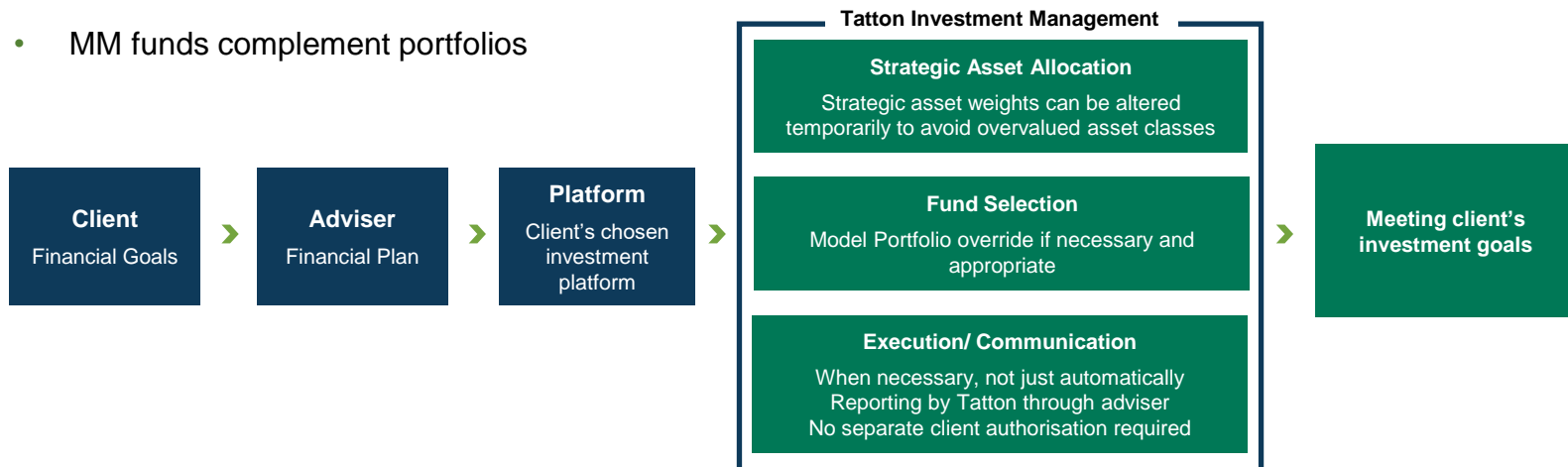
AUM increased by £0.6 billion during the year, an increase of 9.6% (Mar19 to Mar20).



TATTON

WHAT WE DO

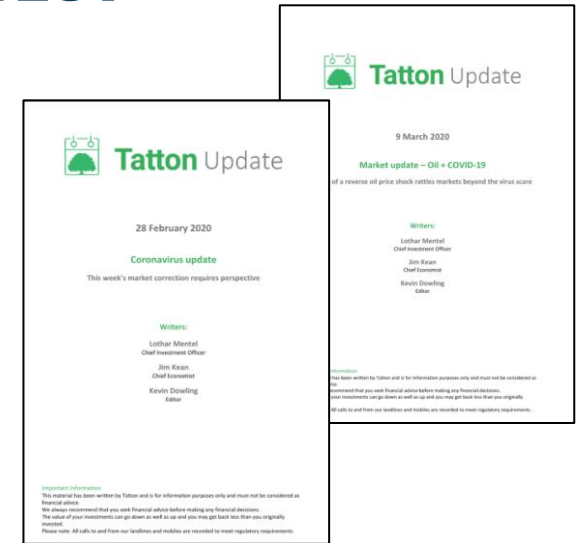
- Discretionary investment management
 - Segregated, fund based, non-bespoke private investor portfolios (MPS based DFM)
 - Bespoke investment services, as long as using scalable building blocks + platform (BPS based DFM)
- Exclusively available on adviser platforms and only B2B through directly FCA authorised advisers
- Platform agnostic, now available on 14 platforms
- Avoidance of fixed cost overheads allows charging at marginal cost of 0.15% 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'S COVID CLIENT RETENTION STRATEGY

RESPONSIVE AND RELEVANT COMMUNICATIONS

- Realtime market updates
- Bespoke video content for advisers
- Embedding Tatton in the minds of their clients
- Being visible and vocal during the period of maximum client stress
- Service phone lines immediately operational from lockdown



Tatton Market Updates

Market updates from Lothar Mentel, Chief Investment Officer and CEO, Tatton Investment Management

Is April's rally sustainable?



Stock markets between hope and despair – just like anyone else



Is now the time to invest?



Why have Capital Markets appeared to rally on lock down?



Confusion reigns in Capital Markets



From euphoric recovery to depressed tumble



- 34,000 new website users
- 13,000 views of the investment videos
- 1,000 new subscribers to the Tatton Weekly

TATTON

POST COVID-19 RELATED PROPOSITION DEVELOPMENT

Introducing global market capitalisation weighted portfolio and fund variants

- *Driver:*
Increasing interest in portfolio asset allocation regimes without UK home bias
- *Growing disparity of core beliefs:*
Western societies increasingly split whether they fundamentally believe the planet's future lies in 'de-globalization' or further global or regional integration – e.g. Brexit vs Remain and Trump's MAGA policy
- *COVID-19 catalyst:*
As the world exits the virus induced recession, 'global' versus 'local' polarization of fundamental beliefs is set to deepen – Tatton is ready to satisfy the emerging demand potential
- *Academic:*
Global cap. based weighting often seen as market efficiency expression in terms of 'wisdom of the masses', but for UK there is no meaningful empirical evidence for or against either regional asset allocation approach
- *Analogies:*
Active versus passive debate – single approach likely to leave either side dissatisfied
- *Track record:*
Tatton's Ethical range and the Global Equity portfolios (highest risk profile) follow Global AA
- *Scope:*
The UK home biased Tatton Active, Core and Tracker MPS ranges (Classic) are complemented by a global capitalization weighting based Global Active, Core and Tracker MPS range

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 (3-8 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	12m Change %
Tatton Managed/Active	1.1%	8.9%	17.2%	7.8%	2.2%	0.9%	38.0%	(6.50)%
Tatton Tracker	1.4%	5.2%	7.8%	2.7%	0.8%	0.2%	18.1%	2.10%
Tatton Hybrid/Blended	1.1%	9.2%	19.8%	7.5%	1.5%	0.4%	39.6%	2.90%
Tatton Ethical	0.1%	0.5%	2.0%	0.3%	0.1%	0.0%	3.0%	1.80%
Tatton Income	0.0%	0.2%	0.8%	0.2%	0.0%	0.0%	1.3%	(0.40)%
Total	3.8%	24.1%	47.5%	18.5%	4.6%	1.5%	100%	
6m Change %	0.2%	(0.3)%	(0.4)%	0.4%	0.0%	0.2%		

- There has been a shift from the Active range towards our Tracker and Hybrid strategies.
- Ethical has continued to attract new flows and continues to grow

INVESTMENT PORTFOLIO RETURNS

Since launch 1 January 2013

1 April 2019 to 31 March 2020

TIML¹ Portfolio Performance (per cent.) - core produce set annualised, after DFM charge and fund costs)

	TIML Active	TIML Tracker	TIML Hybrid	IA Sector ²
Defensive	4.3	4.6	4.4	3.5
Cautious	5.4	5.4	5.4	4.2
Balanced	6.1	6.1	6.2	5.1
Active	6.9	7.0	7.0	6.0
Aggressive	7.1	7.6	7.4	6.0



- Increased allocation to the US throughout 2019 benefitted as equity markets rallied
- Ethical strategy benefitted due to its skew to growth, technology and the US which proved more resilient during the Covid-19 selloff

- Peers:**
- Brewin Dolphin
 - 7IM
 - Brooks Macdonald
 - LGT Vestra
 - Quilter Cheviot

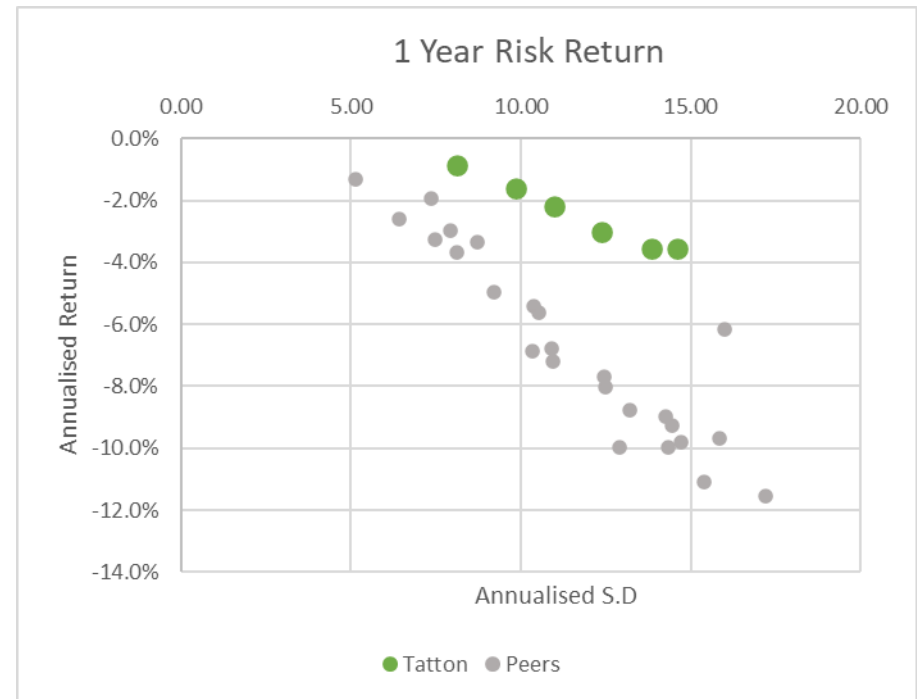
1. TIML – Tatton Investment Management Limited
 2. IA Sector – Investment Association managed fund peer group with comparable asset allocation characteristics

ETHICAL INVESTMENT PORTFOLIO RETURNS

Since launch 28 January 2018

1 April 2019 to 31 March 2020

Tatton Fund Performance (per cent.) - ethical produce set, annualised, after DFM charge and fund costs		
	Ethical	IA Sector ¹
Defensive	0.2	(1.5)
Cautious	(0.2)	(3.6)
Balanced*	5.0	3.0
Active	(0.9)	(3.8)
Aggressive	(1.1)	(4.5)
Global Eq.	(1.2)	(4.5)



* Balanced Ethical portfolios were launched in August 2014

- 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

- Peers:
- Brewin Dolphin
 - 7IM
 - Brooks Macdonald
 - LGT Vestra
 - Quilter Cheviot

Summary

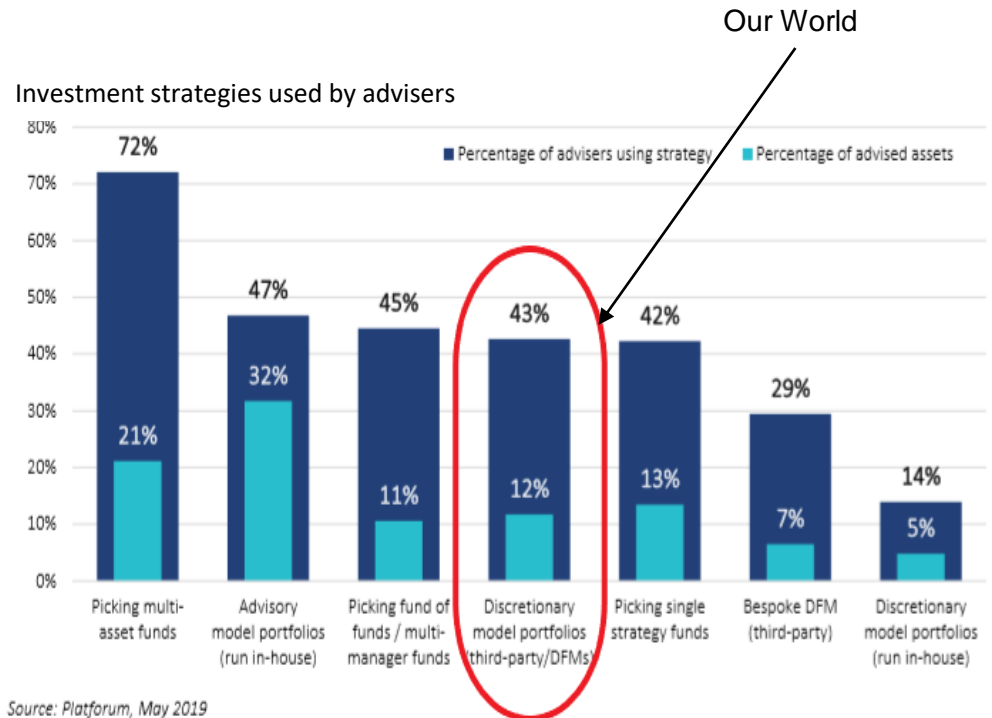
Growing the IFA relationships to grow AUM

- 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
- Disciplined M&A activity to support AUM growth

Appendix

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 PLATFORM¹

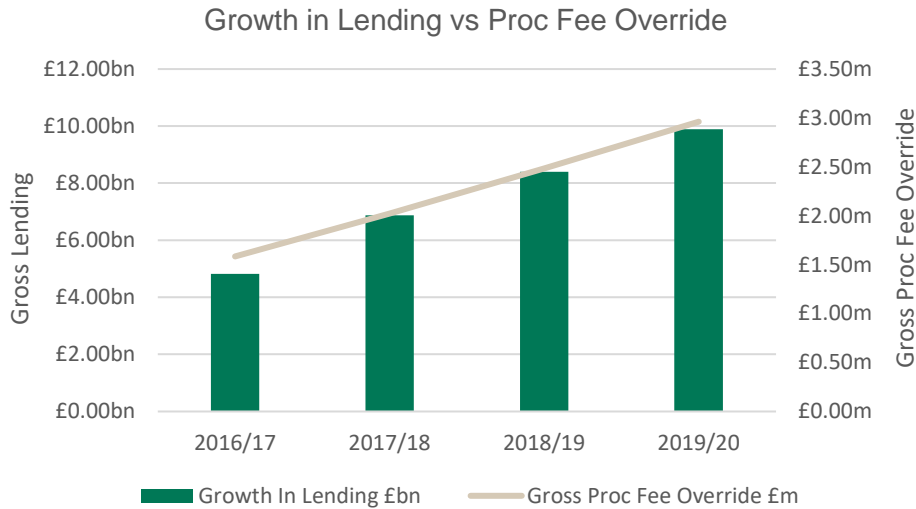
DFM	Annual Fee % (inc VAT)	AUM on platform at 31 March 2018	AUM on platform at 31 March 2019	Year on year % growth in AUM
Tatton Investment Management	0.15	£5.00bn	£6.10bn³	22.0%
LGT Vestra	0.30	£2.50bn	£3.40bn	36.0%
Brewin Dolphin ²	0.24 - 0.36	£2.56bn	£3.20bn	25.1%
Fe Invest	0.33	£1.10bn	£1.96bn	77.9%
Quilter Cheviot ²	0.24 - 0.36	-	£1.49bn	-
Travistock Wealth	0.75	£0.84bn	£0.95bn	12.5%
Morningstar ²	0.25 - 0.36	£0.74bn	£0.91bn	22.3%
Seven Investment Management ²	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 ²	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 ²	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	-

1. Source: UK Fund Distribution: DFM Distribution Dynamics, Platform, July 2019

2. Range of AMC for passive to active portfolios.

3. Tatton AUM £6.7bn as at March 2020

MORTGAGE HIGHLIGHTS

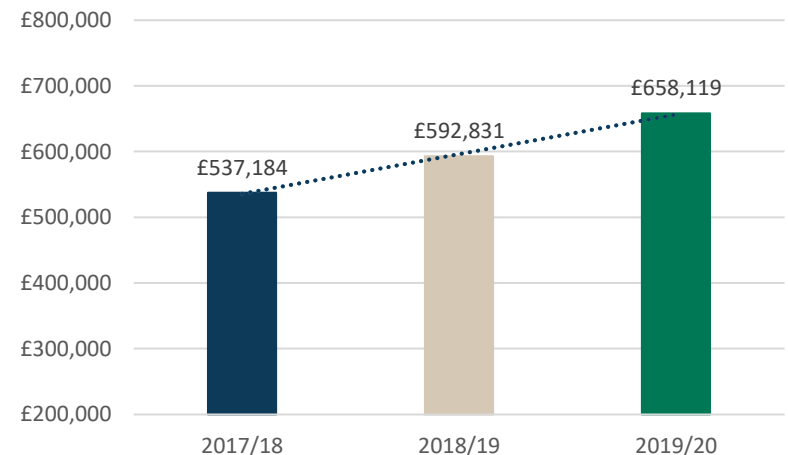


- Completions of £9.86bn (+17.5%) and applications of £10.89bn (+19.7%)
- Proc Fee Income up 19% and valuation income up 3%¹
- Market gradually improving – estate agents open, viewings and valuations taking place, LTVs increasing, criteria easing and builders back on new build sites.
- Self-employed & First Time Buyers likely to be hardest hit sectors for lending

PROTECTION HIGHLIGHTS

- £14.7m in Annual Premiums written, 22% up
- Total income generated Life and General Insurance £658k, 11% increase
- Policies written increased 36% on previous year² vs. protection market policy number growth of 5%³
- FY21 targets:
 - Maintain levels of recruitment
 - Phased increase in mortgage activity before year end

Life & GI Total Income



1. Reduced allocation in March 2020 due to COVID-19. 2. Data is available on Life Providers representing 80% of Paradigm Protect market share
 3. Protection market policy numbers grew by 5% Calendar Year 2019 (latest available statistics)