

TATTON ASSET MANAGEMENT

Preliminary Results for the twelve months ended 31 March
2019

INVESTOR AND ANALYST PRESENTATION
June 2019



Tatton

ASSET MANAGEMENT PLC

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AGENDA

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



INTRODUCTION TO THE TEAM

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Paul Hogarth, CEO



Lothar Mentel, CIO



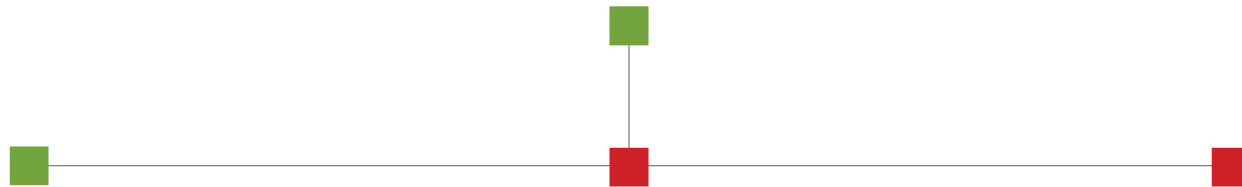
Paul Edwards, CFO

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

GROUP STRUCTURE



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



Tatton Investment Management ("Tatton" or "TIML")

Challenger model DFM

- On-platform only
- Low charges - MIFID II alignment
- Pure investment manager
- Complimentary, low cost multi-manager fund range



Paradigm Consulting ("Paradigm" or "PPC")

IFA support services

- Compliance services
- Technical support
- Business consultancy



Paradigm Mortgage Services ("PMS")

Adviser support services

- Mortgage aggregation
- Protection aggregation
- Other insurance aggregation



KEY HIGHLIGHTS

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Financial

- Tatton's assets under management ("AUM") increased 24.5% to £6.1bn (2018: £4.9bn)
- Average AUM inflows of over £90m per month maintained in difficult markets
- Group revenue increased 12.9% to £17.5m (2018: £15.5m)
- Adjusted operating profit* up 12.3% to £7.3m (2018: £6.5m)
- Adjusted operating profit* margin 41.7% (2018: 42.1%)
- Reported profit before tax increased to £6.1m (2018: £3.6m)
- Final dividend of 5.6p giving a full year dividend of 8.4p (2018: 6.6p)
- Adjusted F.Dil EPS** increased 9.9% to 10.0p (2018: 9.1p)
- Strong financial position, with net cash of £12.2m (2018: £10.6m)

*Operating profit before exceptional items and IFRS2 share-based costs

**Adjusted operating profit less cash interest, less tax on operating activities by the weighted average number of ordinary shares in issue during the year plus potentially dilutive ordinary shares.

KEY HIGHLIGHTS

Operational

- Tatton increased its member firms 30.5% to 445 (2018: 341) and the number of accounts increased 19.9% to 58.5k (2018: 48.8k)
- Tatton wins significant long-term investment mandate from Tenet, one of the UK's largest Adviser support Groups giving access to 474 additional IFA firms (293 AR / 181 DA)
- Tatton wins first outsource investment mandate with AIM listed financial services company Frenkel Topping, becoming the investment manager for Ascencia Investment Management
- Tatton launched its new inhouse administration portal ensuring scalability and supporting future growth enhancing IFAs digital engagement
- Tatton completed project to transfer the Authorised Corporate Director (ACD) providing efficiencies for the Group and decreased fund operating costs for end investors
- Paradigm Mortgages increased gross lending via its channels by 23.5% to £8.4bn (2018: £6.8bn)
- Paradigm Mortgages increased the number of member mortgage firms 14.1% to 1,392 (2018: 1,220)
- Paradigm Consulting increased new members 6.0% to 390 (2018: 368)



FINANCIAL PERFORMANCE

PROFIT & LOSS

£000's	2019	2018	Growth %
Revenue	17,518	15,507	12.9%
Admin expenses	(10,210)	(8,981)	
Adjusted Operating profit*	7,308	6,526	12.3%
Margin %*	41.7%	42.1%	
Share based payments (IFRS2)	(874)	(986)	
Exceptional charges	(509)	(1,964)	
Operating profit	5,925	3,576	
Finance Income / (costs)	187	(26)	
Profit before tax	6,112	3,550	
Corporation tax	(1,255)	(1,110)	
Basic earnings per share	8.69p	4.07p	
Adjusted F.Dil earnings per share**	10.02p	9.12p	9.9%

- Group revenue increased +12.9%
- Group adjusted operating profit* increased +12.3%
- Exceptional items ACD transfer and fund launch costs, 2018 IPO related
- Interest relates loan note redeemed in December 2018
- Corporation tax rate 20.5%
- Adjusted F.Dil EPS** increased 9.9%

* Adjusted for exceptional items and IFRS2 share-based costs

**Adjusted for exceptional items and IFRS2 share-based costs and potentially dilutive shares

BALANCE SHEET & CASH FLOW

BALANCE SHEET

	2019 £'000	2018 £'000
Goodwill	4,917	4,917
Fixed assets & deferred tax	676	104
Trade & other receivables	2,508	2,452
Cash	12,192	10,630
Trade & other payables	(4,521)	(3,922)
Tax	(484)	(620)
Net Assets	15,288	13,561

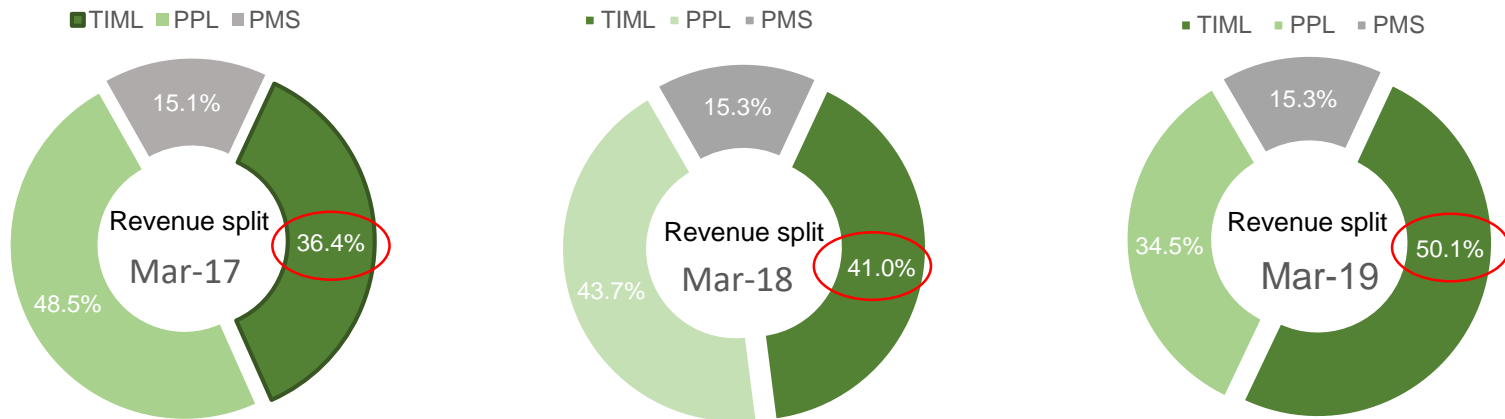
CASH FLOW

	2019 £'000	2018 £'000
Cash from operations before exceptional items	8,011	5,652
Exceptional	(509)	(1,964)
Cash from operations	7,502	3,688
Tax paid	(1,366)	(1,374)
Capital investment	(602)	(82)
Finance income / (cost)	53	(36)
Dividends	(4,025)	(1,556)
Proceeds from share issue	-	10,000
Net cash increase	1,562	10,640

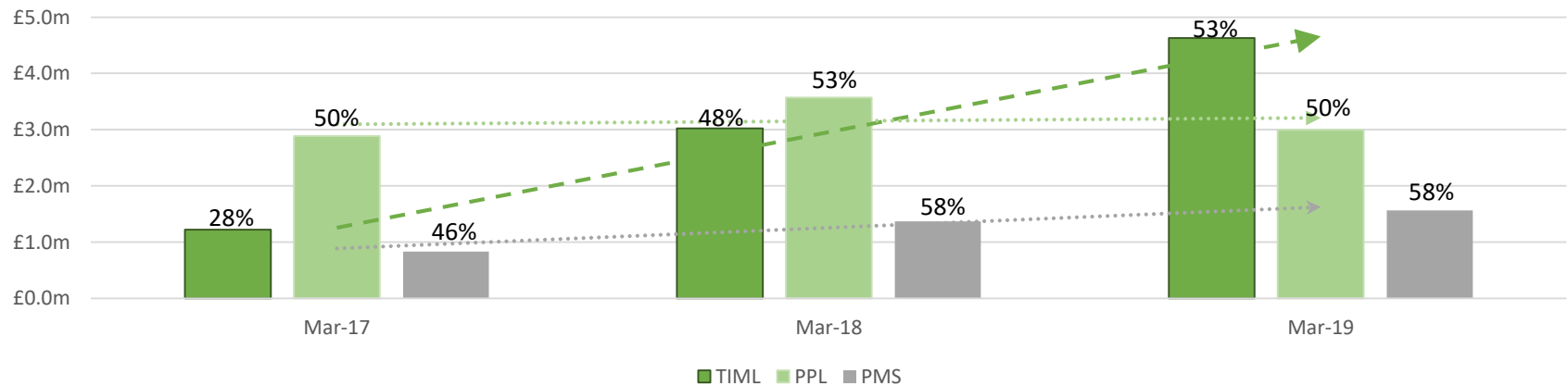
DIVISIONAL ANALYSIS

Performance				Commentary	Guidance
Tatton	Mar 2019	Mar 2018	%	<ul style="list-style-type: none"> Net AUM inflows £1.1bn or average +£90m pm New firms +30.5% to 445 Cost - investment in S&M £0.4m Capital - New Portal / Systems £0.2m Changed ACD driving improved efficiency & lower charges 	<ul style="list-style-type: none"> Net AUM inflow target at average +£90m pm Costs Investment (Bus Dev / Marketing & compliance resource) Capital Investment (Further investment in portal and systems, new offices) Strong drop through continued margin improvement anticipated
Revenue	£8.7m	£6.3m	+38.1%		
Contribution	£4.6m	£3.0m	+53.3%		
Margin	53.0%	47.8%	+5.2%		
Paradigm Consultancy	Mar 2019	Mar 2018	%	<ul style="list-style-type: none"> New member growth 6.0% to 390 Ad hoc consultancy returned to underlying activity Wrap asset decreased Q4 2018 	<ul style="list-style-type: none"> Membership price increase implemented March 2019 Wrap agreement under negotiation Not resource constrained, no significant investment in cost required Not a source of significant growth or margin improvement
Revenue	£6.0m	£6.8m	-11.8%		
Contribution	£3.0m	£3.6m	-16.7%		
Margin	49.5%	52.7%	-3.2%		
Mortgage Services	Mar 2019	Mar 2018	%	<ul style="list-style-type: none"> New member growth 14.1% to 1,392 Gross lending +23.5% to £8.4bn Brexit damaging confidence in mortgage market All income lines growing / resilient 	<ul style="list-style-type: none"> New members firms anticipated to grow Growing share of retention currently 28% Gross lending will react inline with the mortgage market Cost investment in resource to take advantage of opportunities Modest growth anticipated – cost investments will curb margin growth
Revenue	£2.7m	£2.4m	+12.5%		
Contribution	£1.6m	£1.4m	+14.3%		
Margin	58.2%	57.9%	+0.3%		

REVENUE PROGRESSION AND MARGIN GROWTH



Contribution £m / Margin %



DIVIDEND & CAPITAL ALLOCATION

Dividend

- Dividend policy remains c.70% of adjusted earnings
- Interim 1/3; Final 2/3
- 18/19 = Proposed final dividend of 5.6p totalling 8.4p for the year +27.3% increase YoY
 - ✓ 1/3 2/3 split
 - ✓ 76% of adjusted earnings
 - ✓ 1.3x cover
 - ✓ Yield 3.9%

Capital

- Capital light business model (ROCE 47.8%)
- Capital expenditure 18/19 (IT Portal £0.3m; F/F £0.2m)
- 19/20 ~ +/- IT infrastructure £0.2m, F/F £0.2m

Future acquisitions

- £10m additional capital remains in place
- All growth organic to date - we maintain a disciplined approach to acquisition strategy
- Future capital allocation will give priority to improving AUM

THE IFA MARKET

- Adviser platform market currently at £500 billion* estimated £1 trillion 2023**
- 1/3rd of the total in advisory model portfolios
- DFM MPS on platform £41.6 billion*
- MiFID II convincing IFA principals of need to outsource investment decisions
- Tatton continues to be the largest DFM, MPS player on platform

	Dec 2016	Dec 2017
Advisory Firm Numbers***	14,254	13,690
Registered Advisers***	25,611	26,311

- IFA Revenue up 22%***
- IFA Profit up 24%***

MiFID II – CONSEQUENCES AND IMPACT*

- Death knell of advisory model portfolios
- One Portfolio 20 funds. 2 switches per quarter & a quarterly rebalance
- 4 suitability reports +
- 4 cost/benefit analysis +
- 4 ex-ante costs & charges disclosures +
- 28 key investor information documents (kiids) +
- 4 contract notes +
- 4 ex-post cost & charges disclosure +
- 3 quarterly statements +
- = a total of 140+ pages.....



UK FUND DISTRIBUTION MODEL PORTFOLIOS ON PLATFORM – JULY 2018

Factors considered by IFAs when selecting a DFM

- Fees and charges – Tatton the least expensive and best value
- Investment performance – Good, consistent performance track record
- Service – Consistent high quality and knowledge based service

Blended OEIC range competing with multi manager funds, gaining traction beyond portfolio platforms at fee of 30bps, double DFM MPS, but less than platform charge

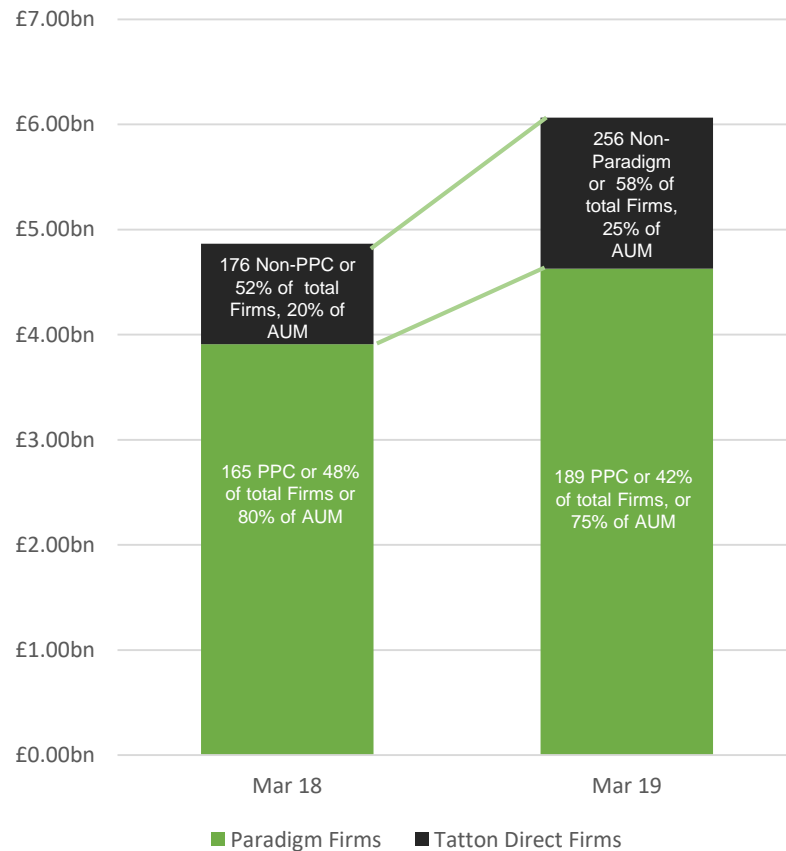
TATTON UNIVERSE (update)

Total number of IFA firms	13,690	Total FUM	£500 billion*
Tatton number of user firms	445	Tatton FUM	£6.1 billion

Each IFA firm has approximately £40m under control on platform

TIML - ASSET PIPE LINE UPDATE

Source of assets £bn



- £500bn Assets held on platform* and growing
- £41.6bn** Assets held in DFM and growing
- Tatton £6.1bn from 445 firms
- Paradigm firms = 189 or 42% firms = £4.6bn AUM or 76%
- Non-Paradigm firms = 256 or 58% firms = £1.5bn AUM or 24%
- Average firm has £40m on platform
 - Paradigm firms = Average £24.3m per firm
 - Non-Paradigm firms = Average £5.9m per firm
 - **Non-Paradigm opportunity = £18.4m x 256 = £4.7bn**
- **Tenet AR/DA's opportunity 474 firms = £?.?bn**
- **(293 AR's & 181 DA's)**

DEDICATED TATTON SALES TEAM

Justine Randall SALES DIRECTOR

Chartered financial planner with nearly 20 year's 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

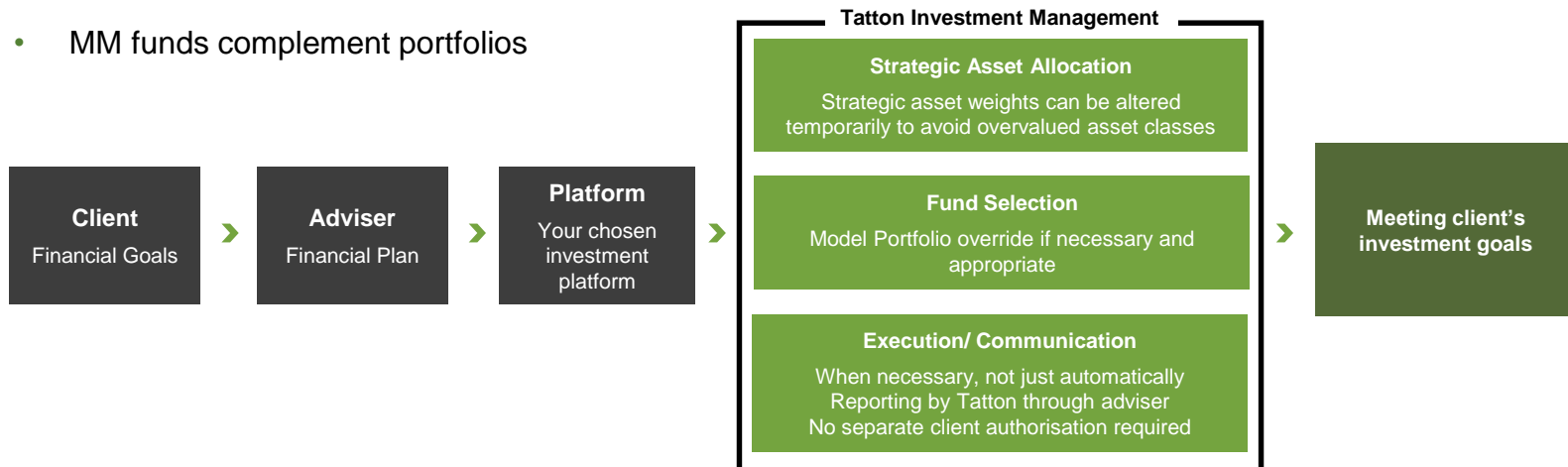
Scott is a chartered financial planner with +20 years experience. He joins Tatton from Rowan Dartington where he managed key national accounts. He is a fellow of the PFS and brings a wealth of experience to the Tatton team

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

TATTON INVESTMENT MANAGEMENT

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 11 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



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	YoY Change %
Tatton Managed/Active	1.4%	10.2%	21.2%	8.8%	2.4%	0.5%	44.5%	-7.5
Tatton Tracker	1.3%	5.1%	6.9%	2.0%	0.6%	0.1%	16.0%	+1.2
Tatton Hybrid/Blended	1.0%	9.2%	18.0%	6.8%	1.4%	0.3%	36.7%	+5.7
Tatton Income	0.0%	0.3%	0.7%	0.1%	0.0%	0.0%	1.2%	+0.1
Tatton Ethical	0.0%	0.2%	1.2%	0.1%	0.0%	0.0%	1.7%	+0.6
Total	3.6%	24.9%	48.1%	17.9%	4.5%	0.9%	100%	

- Increasing popularity of lower cost tracker and hybrid portfolio styles
- Ethical range more beneficial in business flow acquisition terms than from growth perspective

WHAT'S CHANGED? – NOT MUCH

Comparison of DFM (on-platform) charges	
DFM	Annual Fee % (inc vat)
Tatton Investment Management (on 11 UK adviser-led platforms)	0.15
AJ Bell (On AJ Bell platform only)	0.18
LGT Vestra	0.30
Momentum	0.30
Seven Investment Management	0.30
FE Invest	0.33
Bordier UK	0.36
Brewin Dolphin	0.36
Brooks Macdonald	0.36
Charles Stanley	0.36
Liontrust	0.36
Morningstar Investment Management	0.36
Tilney Investment Management	0.36
Waverton Investment Management	0.40
Portfolio Metrix	0.42
Wellian Investment Solutions	0.42
Albert E Sharp	0.60
Tavistock Wealth	0.75

Source: "UK Fund Distribution: Model Portfolios On Platform" - Platform Report June 2018

PLATFORM'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	0.15%	0.54%	0.74%	0.86%	0.69%	0.89%	1.01%
Albert E Sharp	0.60%	0.83%	0.88%	0.98%	1.43%	1.48%	1.58%
Bordier UK	0.36%	0.69%	0.77%	0.83%	1.05%	1.13%	1.19%
Brewin Dolphin	0.36%	0.53%	0.56%	0.61%	0.89%	0.92%	0.97%
Brooks Macdonald Asset Management	0.36%	0.56%	0.66%	0.71%	0.92%	1.02%	1.07%
Charles Stanley	0.36%	0.69%	0.81%	0.82%	1.05%	1.17%	1.18%
FE Invest	0.33%	0.58%	0.74%	0.85%	0.91%	1.07%	1.18%
LGT Vestra	0.30%	0.65%	0.71%	0.74%	0.95%	1.01%	1.04%
Liontrust	0.36%	0.56%	0.68%	0.73%	0.92%	1.04%	1.09%
Momentum	0.25%	0.54%	0.75%	0.80%	0.79%	1.00%	1.05%
Morningstar Investment Management Europe	0.36%	0.37%	0.51%	0.64%	0.73%	0.87%	1.00%
PortfolioMetrix	0.42%	0.61%	0.76%	0.86%	1.03%	1.18%	1.28%
Quilter Cheviot	0.36%	0.54%	0.63%	0.62%	0.90%	0.99%	0.98%
Seven Investment Management	0.36%	0.55%	0.65%	0.75%	0.91%	1.01%	1.11%
Tatton Investment Management	0.15%	0.43%	0.59%	0.75%	0.58%	0.74%	0.90%
Tavistock wealth	0.75%	0.35%	0.38%	0.44%	1.10%	1.13%	1.19%
Tilney Investment Management	0.36%	0.70%	0.84%	0.92%	1.06%	1.20%	1.28%
Waverton Investment Management	0.40%	0.45%	0.45%	0.44%	0.85%	0.85%	0.84%
Wellan Investment Solution	0.42%	0.70%	0.80%	0.82%	1.12%	1.22%	1.24%

GROWTH IN ASSETS UNDER MANAGEMENT

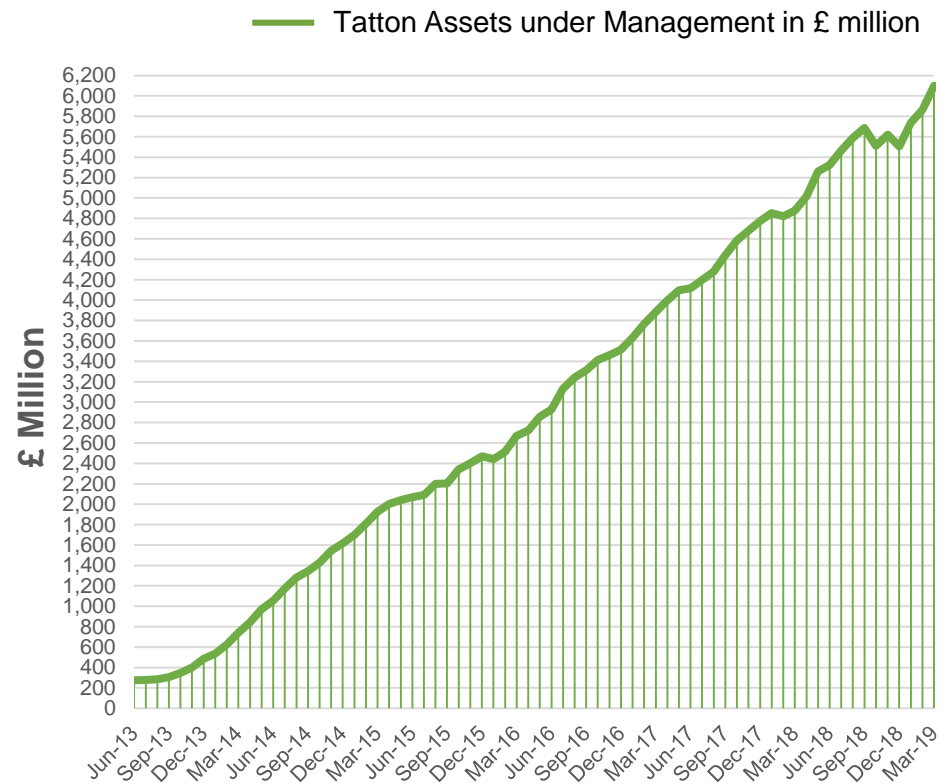
+£1.2bn over 12 months

Assets under management

Key AuM milestones

- By June 2014: £1 bn
- By June 2015: £2 bn
- By June 2016: £3 bn
- By May 2017: £4 bn
- By Apr 2018: £5 bn
- By Mar 2019: £6.1 bn

AuM increased by £1,200 million during the year
+£90 million in inflows per month (a 16% increase in
inflows over the previous year).



INVESTMENT PORTFOLIO RETURNS

Since launch 1/2013

TIML* Fund Performance (per cent.) - core produce set (1/1/2013 - 31/03/2019, annualised, after DFM charge and fund costs)				
	TIML Active	TIML Tracker	TIML Hybrid	IA Sector**
Defensive	4.8	5.1	5.0	4.0
Cautious	6.6	6.4	6.6	5.2
Balanced	7.8	7.6	7.8	6.2
Active	9.0	8.9	9.1	7.2
Aggressive	9.7	10.1	9.8	7.2

1 April 2018 – to 31 March 2019

TIML* Fund Performance (per cent.) - core produce set (1/4/2018 - 31/03/2019, after DFM charge and fund costs)					
	TIML Active	TIML Tracker	TIML Hybrid	TIML Ethical	IA Sector**
Defensive	2.4	3.0	2.7	3.6	2.4
Cautious	2.7	3.7	3.2	4.5	2.9
Balanced	2.6	4.0	3.3	5.2	3.7
Active	2.5	4.0	3.3	5.9	4.4
Aggressive	2.5	4.3	3.4	6.6	3.3
Global Eq.	4.8	7.4	6.1	7.0	3.3

- Anticipation of stronger US\$ and resulting pressure on EM valuations added value through EM and general equity underweight
- Actively stock picking fund managers very strong until Sep 2018, but poor thereafter across all regional equity markets
- Regional allocations would have benefitted from an overweight in US stocks, which despite their historically elevated valuation levels outperformed other regions over the year

* TIML – Tatton Investment Management Limited

** IA – Investment Association managed fund peer group with comparable asset allocation characteristics

INVESTMENT PORTFOLIO RETURNS

Since launch (28/01/2018 / 31/07/2017)

TIML* Fund Performance (per cent.) - ethical produce set, annualised, after DFM charge and fund costs)		
	TIML Ethical	IA Sector**
Defensive	2.2	0.2
Cautious	2.9	-0.5
Balanced (31/7/14)	7.1	5.4
Active	3.8	-0.3
Aggressive	4.3	-1.3
Global Equity	4.6	-1.3

1 April 2018 – to 31 March 2019

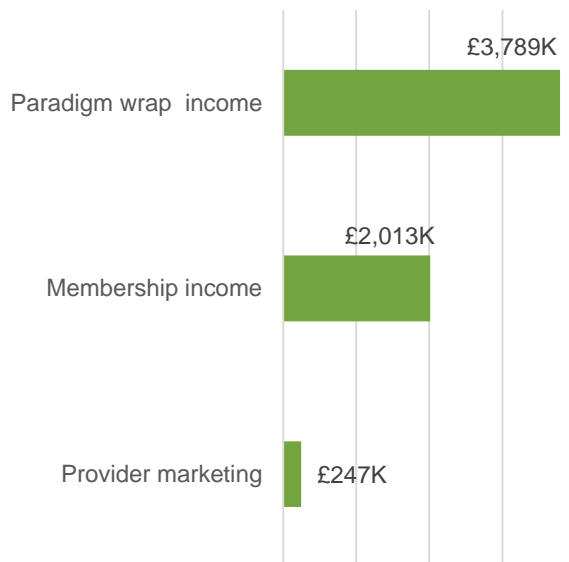
TIML* Fund Performance (per cent.) - ethical produce set (1/4/2018 - 31/03/2019, after DFM charge and fund costs)		
	TIML Ethical	IA Sector**
Defensive	3.6	2.4
Cautious	4.5	2.9
Balanced	5.2	3.7
Active	5.9	4.4
Aggressive	6.6	3.3
Global Eq.	7.0	3.3

- 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

* TIML – Tatton Investment Management Limited

** IA – Investment Association managed fund peer group with comparable asset allocation characteristics

Income analysis £000's

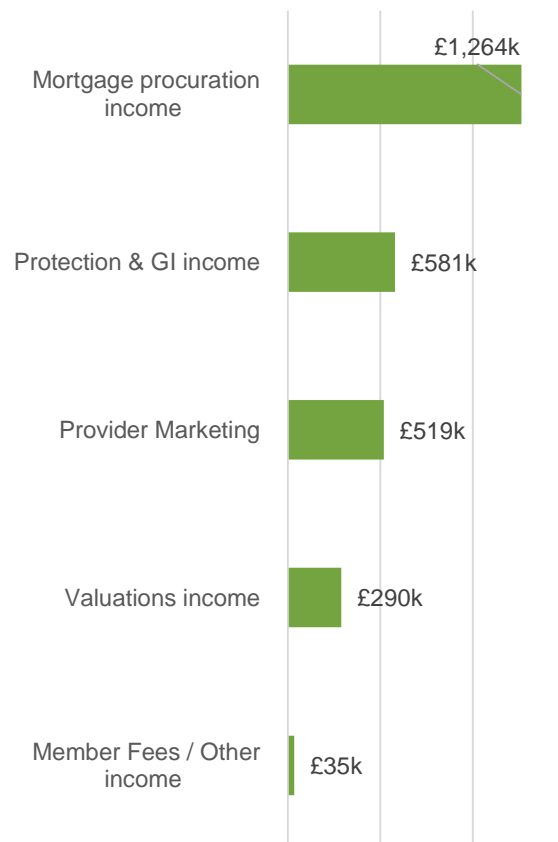


- New members increased 6.0% to 390 (2018: 368)
- Membership price increases implemented Q4 2018/19
- Negotiation of revised terms for the Paradigm wrap for £3.2bn of AUI
- New marketing firm appointed to drive awareness
- Enhance concentration on member growth and wrap take up
- Paradigm academy proposition in build
- IFA consolidation more evident
- Remains window to the IFA distribution

PARADIGM MORTGAGE SERVICES



Income Analysis £000's



- Gross lending £8.4bn +23.5%
- 1,392 members +14.1% - including 331 PPC firm cross sell
- Deliver aggregation services and compliance to Directly Authorised (DA) advisers only
- M&P and IFA's firms with high volume/value mortgage proposition, dominance in London and SE
- Diversified income stream
 - Procurement income < 50% of revenue driven by intermediary activity, 28% volume retention mortgages & growing
 - Protection GI / Valuation maintained but "opportunity"
 - Provider marketing income resilient
 - Valuation referral income resilient
- 80% of costs related personnel (headcount 15)
- Investment in new resource to increase capacity to deal with broad range of opportunities (50/50 business development / support)
- Brexit has/is impacting housing market creating uncertainty but well positioned to react



BUSINESS DEVELOPMENTS – DELIVERING AGAINST THE PLAN

- Pipeline developments
 - Tenet – strategic AR partner for legacy back book of assets
 - Appointed as MPS DFM by Frenkel Topping – first outsourced win
 - Other strategic partnerships in discussion
 - White label successes
 - AMFA £172m
 - Accord £90m
 - Prosper £17m
 - Others in discussion

Summary

Growing the IFA relationships to grow AUM

- Organic; signing up more new firms
- Continued back book migration
- More white labelling arrangements
- Strategic IFA partnerships
- Further broadening the asset management proposition
- Disciplined M & A activity to support AUM growth