

# Lowland Investment Company

## Finding value in out-of-favour UK stocks

Lowland Investment Company (LWI) invests mainly in UK companies that the managers, James Henderson and Laura Foll at Janus Henderson Investors, believe are undervalued in relation to their long-term growth prospects. The recent stock market volatility has seen P/E valuations fall across the board, and the current portfolio forward P/E multiple of c 11.5x represents a c 6% discount to the benchmark FTSE All-Share index. While LWI remains biased to the smaller end of the market cap spectrum (c 60% of the portfolio is outside the FTSE 100 index), the managers have recently been finding opportunities in some out-of-favour larger companies with attractive yields. LWI has a total return focus, currently yields 4.0% and has grown its total annual dividend at a compound rate of c 10% over the past five years, well ahead of the rate of inflation.

12 months ending	Share price (%)	NAV (%)	FTSE All-Share (%)	FTSE 350 HY (%)	FTSE 250 (%)	FTSE Small Cap (%)
31/12/14	(9.0)	(1.4)	1.2	0.5	3.7	(2.7)
31/12/15	10.5	3.8	1.0	(5.5)	11.2	13.0
31/12/16	2.5	13.5	16.8	25.2	6.7	12.5
31/12/17	16.5	16.1	13.1	10.4	17.8	15.6
31/12/18	(11.3)	(15.0)	(9.5)	(9.2)	(13.3)	(13.8)

Source: Thomson Datastream. Note: All % on a total return basis in pounds sterling.

## Investment strategy: Diversified, all-cap portfolio

LWI holds a diversified portfolio of 100+ mainly UK companies, spread across a broad range of sectors and encompassing large, mid-cap and smaller stocks. Fund managers Henderson and Foll seek well-managed businesses that have a competitive edge and real earnings and dividend growth potential. They prefer to buy when such companies are out of favour, leading to attractive valuations and recovery potential. By building and exiting positions slowly, the managers aim to reduce the impact of short-term share price moves.

## Market outlook: Valuations fairer after pullback

Last year proved markedly different from the financial markets in 2017, which had been characterised by synchronised global economic growth and a historically low level of volatility. Particularly in the last quarter of 2018, stock markets around the world fell sharply amid worries over an escalation of trade tensions, slowing growth in China, political risk in Italy and the UK's stalling Brexit negotiations. Although these risks remain, any positive news could lead to a 'relief rally' in stock markets. In the meantime, equity valuations look more attractive than they have done for some time.

## Valuation: Narrower-than-average discount

At 28 January 2019, LWI's shares traded at a 3.1% discount to cum-income NAV. This was towards the narrower end of the 12-month range (from a 1.5% to a 9.6% discount), and was also narrower than the average discounts over one, three, five and 10 years, which range from 3.8% to 6.1%. The current level of discount is broadly in line with the peer group average. LWI has a dividend yield of 4.0%.

## Investment trusts

29 January 2019

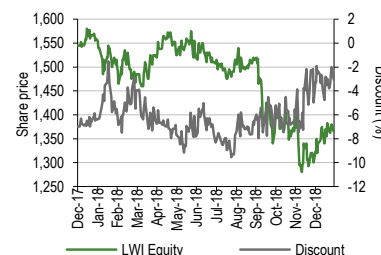
**Price** 1,365.0p  
**Market cap** £368.8m  
**AUM** £443.1m

NAV\* 1,397.1p  
Discount to NAV 2.3%  
NAV\*\* 1,408.3p  
Discount to NAV 3.1%

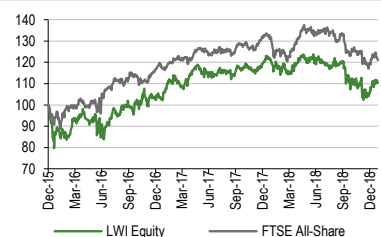
\*Excluding income, with debt at fair (market) value. \*\*Including income, with debt at fair (market) value. As at 25 January 2019.

Yield 4.0%  
Ordinary shares in issue 27.0m  
Code LWI  
Primary exchange LSE  
AIC sector UK Equity Income  
Benchmark FTSE All-Share index

## Share price/discount performance



## Three-year performance vs index



52-week high/low 1,575.0p 1,280.0p  
NAV\*\* high/low 1,700.4p 1,338.8p

\*\*Including income.

## Gearing

Net\* 12.0%

\*As at 31 December 2018.

## Analysts

Sarah Godfrey +44 (0)20 3681 2519  
Gavin Wood +44 (0)20 3681 2503

[investmenttrusts@edisongroup.com](mailto:investmenttrusts@edisongroup.com)

[Edison profile page](#)

**Lowland Investment Company is a research client of Edison Investment Research Limited**

## Exhibit 1: Trust at a glance

### Investment objective and fund background

Lowland Investment Company (LWI) aims to give investors a higher-than-average return with growth in both capital and income over the medium to long term by investing in a broad spread of predominantly UK companies. LWI measures its performance against the FTSE All-Share index total return.

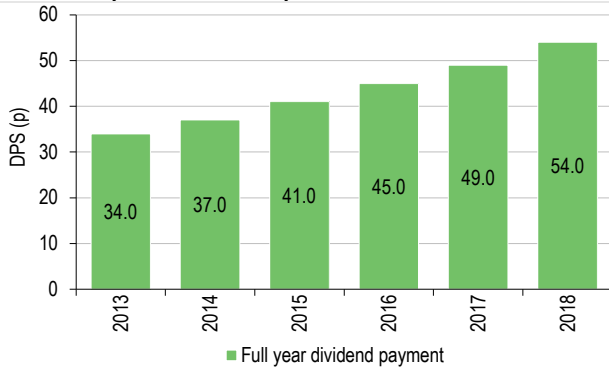
### Recent developments

- 14 December 2018: Annual results for the year ended 30 September. NAV TR +2.7% and share price TR +4.2% versus +5.9% for the FTSE All-Share index. Final dividend of 14p brings total for the year to 54.0p (FY17: 49.0p).
- 11 September 2018: Third interim dividend of 14.0p (16.6% higher than Q317) declared for the year ending 30 September, payable on 31 October 2018.
- 11 June 2018: Results for the half-year ended 31 March. NAV TR -3.6% and share price TR +0.4% versus -2.3% for the FTSE All-Share index.

Forthcoming		Capital structure		Fund details	
AGM	28 January 2019	Ongoing charges	0.57% (FY18)	Group	Janus Henderson Investors
Interim results	June 2019	Net gearing	12.0%	Managers	James Henderson, Laura Foll
Year end	30 September	Annual mgmt fee	Tiered (see page 7)	Address	201 Bishopgate, London, EC2M 3AE
Dividend paid	Quarterly	Performance fee	Yes (see page 7)	Phone	+44 (0) 20 7818 1818
Launch date	October 1963	Trust life	Indefinite	Website	<a href="http://www.lowlandinvestment.com">www.lowlandinvestment.com</a>
Continuation vote	None	Loan facilities	Up to £90m		

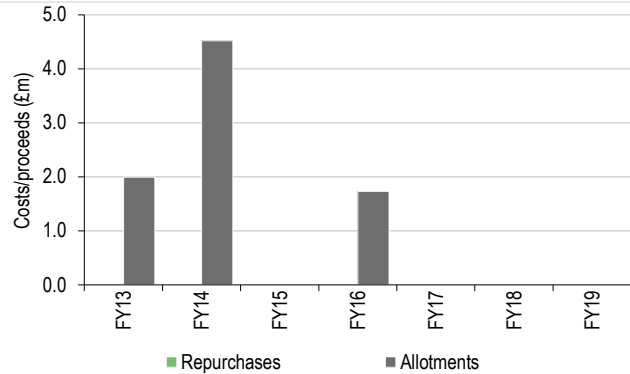
### Dividend policy and history (financial years)

Dividends are paid quarterly in April, July, October and January. LWI aims to achieve a growing income for investors and has maintained or increased its dividend each year for more than 40 years.

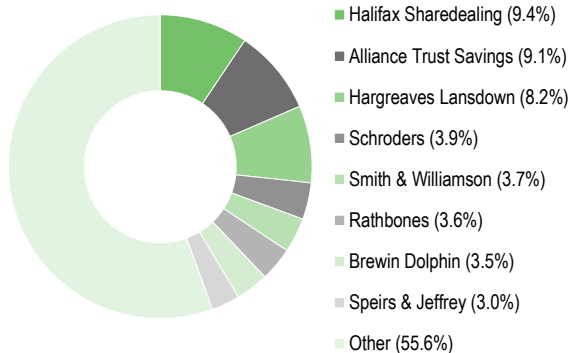


### Share buyback policy and history (financial years)

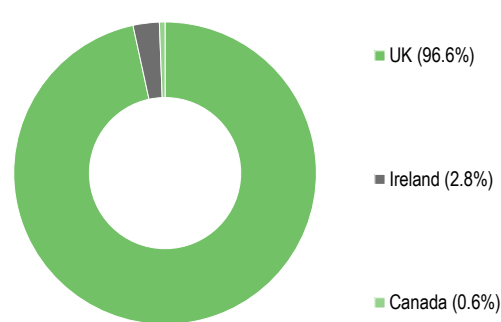
LWI has the authority to buy back up to 14.99% of shares, but in practice this is not used. It may also issue new shares at a premium to NAV in response to investor demand.



### Shareholder base (as at 9 September 2018)



### Portfolio exposure by geography (as at 31 December 2018)



### Top 10 holdings (as at 31 December 2018)

Company	Country	Sector	Portfolio weight %	
			31 December 2018	31 December 2017
Royal Dutch Shell	UK	Oil & gas	5.7	7.3
Hiscox	UK	Financials	3.0	3.4
HSBC	UK	Financials	3.0	3.7
Senior	UK	Industrials	2.3	2.9
Phoenix Group	UK	Financials	2.3	3.3
GlaxoSmithKline	UK	Healthcare	2.2	1.7
Prudential	UK	Financials	2.2	2.7
Standard Chartered	UK	Financials	1.9	2.1
RELX	UK	Media	1.8	2.1
BP	UK	Oil & gas	1.7	1.7
<b>Top 10 (% of holdings)</b>			<b>26.1</b>	<b>31.2</b>

Source: Lowland Investment Company, Edison Investment Research, Bloomberg, Morningstar

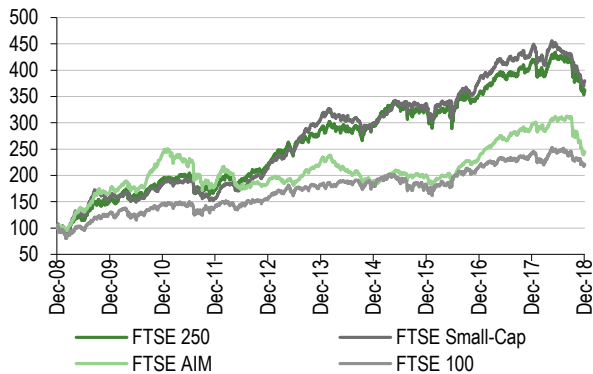
## Market outlook: Opportunities despite near-term threats

The last quarter of 2018 proved a torrid time for global equities, and the UK – facing significant headwinds as Brexit-related uncertainty persists – has been no exception. The FTSE All-Share index posted a decline of 9.5% for the calendar year, with mid-cap and smaller companies (see Exhibit 2, left-hand chart) falling furthest. While the blue-chip FTSE 100 index declined by 8.7% in total return terms during the year, the FTSE 250 and FTSE Small-Cap indices both fell by between 13% and 14%, and the FTSE AIM index saw the biggest decline, with a total return of -17.1%.

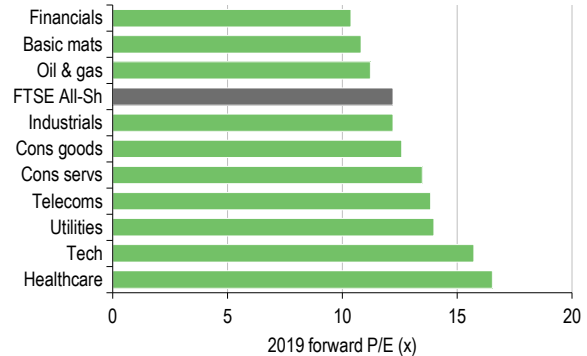
With global economic growth expected to slow in 2019 (to 3.5% from 3.7% in 2018, according to latest forecasts from the International Monetary Fund), stock markets may struggle to recapture the exuberance of 2017 in the year ahead. Macro and political worries include an escalation of trade tensions between the US and the rest of the world, a greater-than-envisaged economic slowdown in China, and the cliff-edge scenario of the UK leaving the European Union without a deal on 29 March. However, should any or all of these risks fail to materialise, there is potential for a significant ‘relief rally’ in stock markets. In the meantime, UK equity valuations (Exhibit 2, right-hand chart) look more attractive than they have been for some time, with the FTSE All-Share index trading on a 12-month forward P/E multiple of 12.2x. As long as corporate earnings growth remains intact, this could point to attractive long-term opportunities for investors who are prepared to look beyond the short-term volatility.

**Exhibit 2: Market performance and valuation**

**UK index total return performance over 10 years**



**Forward P/E valuations by FTSE All-Share index sector**



Source: Thomson Datastream, Edison Investment Research

## Fund profile: Finding value in unloved UK companies

Lowland Investment Company was launched in 1963 and aims to achieve above-average returns, with growth in both capital and income, by investing mainly in UK-listed companies. It has been managed since October 1990 by James Henderson at Janus Henderson Investors; Laura Foll, who has worked alongside Henderson on the fund since 2013, was appointed joint fund manager in 2016. LWI is a member of the Association of Investment Companies’ UK Equity Income sector, although its focus is on total returns rather than generating a high income. Income growth is seen mainly as an outcome of capital appreciation.

The managers focus on finding value and recovery situations across the market capitalisation spectrum, seeing a neutral allocation as roughly one-third each in large, medium-sized and smaller companies. Given that c 80% of the FTSE All-Share index market capitalisation is accounted for by the largest 100 companies, this means LWI has a significantly greater focus on mid-sized and smaller companies than its benchmark index. Partly because of this, the managers maintain a well-diversified portfolio (100+ companies) in order to limit stock-specific risk. The trust may invest

outside the benchmark, for example in companies listed on the Alternative Investment Market (AIM), and is permitted to hold up to 20% of its assets (currently 3.4%) outside the UK.

LWI is geared via £30m of 20-year loan notes, maturing in 2037, and also has a flexible short-term borrowing facility for up to £60m. Net gearing is currently fairly high at c 12%, as the managers see plenty of good-value opportunities in unloved UK companies following the recent market volatility.

## **The fund managers: James Henderson and Laura Foll**

---

### **The managers' view: Proceeding with caution**

After a period in which stock market valuations in aggregate had become quite high, Henderson and Foll observe much better-value opportunities following the market volatility of 2018. Foll says the average P/E multiple for stocks in the LWI portfolio is now 11.5x, a level that has historically pointed to strong longer-term returns. Henderson adds that with LWI's gearing currently at c 14%, the managers have been able to add to out-of-favour stocks at attractive valuations. However, while the trust remains more biased towards cyclical and smaller companies than the benchmark FTSE All-Share index, the managers have reduced this exposure somewhat in expectation of more challenging economic conditions, and say that the core of the LWI portfolio is in sound, growing companies that should increase their dividends.

Henderson and Foll note that the market has not rewarded value/recovery investors in recent years, as was evident in the generally high valuations of all the top contributors to LWI's FY18 performance versus the benchmark. While the managers' strategy is generally to trim highly valued holdings and add to those with underappreciated recovery potential, they are currently doing this slowly and with great care, in order to protect gains and limit short-term performance volatility.

Although Henderson expects a general economic slowdown in 2019, he says it is hard to take a top-down view of the global cycle when selecting stocks, as there are many smaller cycles in place below the surface. For example, aerospace (the largest element of LWI's industrials exposure, where favoured stocks include Senior and Rolls-Royce) is still enjoying a long cyclical upswing, while in automobiles, there is a downswing, which will affect other industrial companies. Some industrial stocks had enjoyed such a prolonged period of growth that newer investors may have failed to appreciate their cyclical nature. Henderson says these 'fair-weather friends' may have been a factor in recent share price volatility in holdings such as packaging firm DS Smith and crash barrier maker Hill & Smith, where mildly negative trading updates sparked large share price falls. 'These companies have had years and years of upgrades, but it does not mean they are not cyclical,' he adds. 'There is no new paradigm, but we are aware of that and can make use of it.'

## **Asset allocation**

---

### **Investment process: Unconstrained, long-term approach**

LWI has followed broadly the same investment process for the 55 years since its launch, built around four main pillars. It is founded on the belief that the UK is home to many world-class companies with sustainable long-term growth potential. Secondly, the best growth prospects tend to be in mid-cap and smaller companies, meaning that these make superior long-term investments. Third, capital growth and dividend growth go hand-in-hand as drivers of investment performance; and, finally, as long-term investment returns have tended to exceed the cost of borrowing, a geared investment strategy is an appropriate way of maximising returns.

Henderson and Foll have an investment universe of c 1,500 mainly UK companies, to which they apply a range of valuation criteria in order to identify companies that can generate both capital

appreciation and a growing income. The managers prefer companies that are undervalued because their potential to recover and grow is underappreciated by the wider market, and meet hundreds of companies each year in their search for businesses that have real potential for sales and earnings growth, as well as near-term prospects of paying a dividend if not doing so already. They seek companies with strong management teams, unique products or services and high barriers to entry.

Because of LWI's focus on out-of-favour stocks with recovery potential, and its overweight versus the FTSE All-Share index benchmark in smaller companies, Henderson and Foll maintain a diversified portfolio in order to limit stock-specific risk, building and exiting positions gradually to reduce the potential impact of short-term share price moves. New holdings tend to come into the portfolio at c 0.3% of the total, and there are few positions larger than 2.0%. Portfolio construction is unconstrained by the benchmark, with the managers aiming to hold companies of all sizes and from a broad range of sectors. Overseas stocks may be held in areas where there is no attractive UK-listed equivalent.

## Current portfolio positioning

At 31 December 2018, LWI's portfolio contained 125 holdings. The top 10 stocks made up 26.1% of the total, a decrease in concentration from 31.2% at 31 December 2017. Royal Dutch Shell remains the largest position, although it has been cut from over 7% of the portfolio to 5.3%. Currently the trust has a higher-than-average weighting towards larger companies, with c 39% in FTSE 100 stocks at 30 September 2018, compared with c 24% in the FTSE 250 (where higher valuations have meant the managers see fewer compelling investment opportunities) and c 30% in smaller companies (including AIM). The balance is in overseas and non-index stocks. The managers say the gentle rotation into larger companies has allowed them to benefit from better liquidity and attractive dividend yields, while boosting the defensive qualities of the portfolio.

<b>Exhibit 3: Portfolio sector exposure vs FTSE All-Share index (% unless stated)</b>						
	Portfolio end- December 2018	Portfolio end- December 2017	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/ index weight (x)
Financials	35.1	33.2	1.9	26.2	8.9	1.3
Industrials	23.9	27.8	(3.9)	10.9	13.0	2.2
Consumer services	10.2	10.2	0.0	11.5	(1.3)	0.9
Oil & gas	8.9	9.9	(1.0)	14.3	(5.4)	0.6
Healthcare	5.2	4.2	1.0	8.5	(3.3)	0.6
Utilities	5.1	1.3	3.8	2.8	2.3	1.8
Basic materials	4.9	5.7	(0.8)	7.8	(2.9)	0.6
Consumer goods	4.1	5.1	(1.0)	13.9	(9.8)	0.3
Telecommunications	2.2	2.4	(0.2)	3.1	(0.9)	0.7
Technology	0.5	0.3	0.2	1.0	(0.5)	0.5
	<b>100.0</b>	<b>100.0</b>		<b>100.0</b>		

Source: Lowland Investment Company, Edison Investment Research

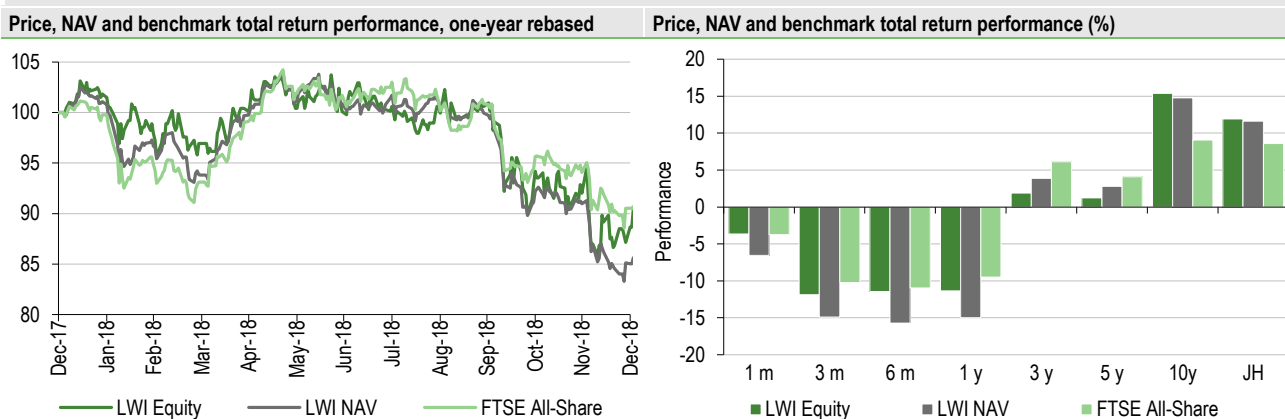
As shown in Exhibit 3, financials is currently the largest sector weighting, at more than one-third of the portfolio. Within this, there is relatively little exposure to banks (less than 5%) but more in insurance (14.2% at 30 September 2018). Exposure to industrials has fallen compared with 12 months ago, but remains the largest overweight versus the FTSE All-Share index. The largest underweight is in consumer goods, and what holdings LWI does have in this sector are arguably less directly consumer-focused – for example, Churchill China largely supplies the catering trade, and Headlam makes floor coverings for use in commercial as well as residential settings.

In terms of portfolio activity, Henderson and Foll have been slowly reducing holdings in companies where valuations have begun to look stretched as a result of strong share price performance (such as speciality chemicals firm Croda, insurance company Hiscox and paving supplier Marshalls). They have added to better-value opportunities such as Land Securities (trading at a 40% discount to NAV) and crash barrier maker Hill & Smith (formerly a top 20 stock before being trimmed on valuation grounds), whose share price fell by 40% between August and November 2018 but has since rebounded by more than a third.

As well as Land Securities, the managers have bought UK property companies Helical and Hammerson, also at attractive discounts to NAV. While Helical is focused on the London office market, which is perceived as being under threat if financial services companies leave the capital after Brexit, Foll comments that its tenants are more concentrated in technology and e-commerce companies. Land Securities has reduced its overall retail exposure in the face of challenging conditions on the high street, and is now focused on top-tier retail where trading remains strong. Meanwhile, the small position in private rented sector specialist PRS REIT has been exited at close to NAV, given the highly discounted opportunities elsewhere, and industrial and office property REIT A&J Mucklow was also reduced on valuation grounds.

## Performance: Recovery potential after perfect storm

**Exhibit 4: Investment trust performance to 31 December 2018**



Source: Thomson Datastream, Edison Investment Research. Note: Three-, five- and 10-year performance figures and performance under James Henderson (JH, since 30 October 1990) annualised.

**Exhibit 5: Share price and NAV total return performance, relative to indices (%)**

	One month	Three months	Six months	One year	Three years	Five years	10 years	JH*
Price relative to FTSE All-Share	0.1	(1.8)	(0.5)	(2.1)	(11.5)	(12.9)	75.7	134.0
NAV relative to FTSE All-Share	(2.9)	(5.2)	(5.3)	(6.1)	(6.2)	(6.1)	66.2	117.7
Price relative to FTSE 350 HY	0.1	(2.7)	(1.3)	(2.4)	(15.7)	(10.7)	102.4	93.7
NAV relative to FTSE 350 HY	(2.9)	(6.1)	(6.1)	(6.4)	(10.7)	(3.8)	91.5	80.2
Price relative to FTSE 250	1.6	1.7	4.0	2.2	(2.9)	(15.3)	15.8	15.8
NAV relative to FTSE 250	(1.5)	(1.8)	(1.0)	(2.0)	2.9	(8.6)	9.6	7.7
Price relative to FTSE Small Cap	(0.1)	0.2	2.9	2.9	(5.6)	(13.7)	10.8	179.6
NAV relative to FTSE Small Cap	(3.1)	(3.2)	(2.1)	(1.4)	(0.1)	(7.0)	4.8	160.1

Source: Thomson Datastream, Edison Investment Research. Note: \*JH is performance under James Henderson, since 30 October 1990. Data to end-December 2018. Geometric calculation.

The sharp sell-off in global asset markets in the last quarter of 2018 saw the FTSE All-Share index decline by c 10%. LWI's NAV total return underperformed the broad index (Exhibit 4), although it lagged the mid- and smaller-cap indices less markedly (Exhibit 5). Share price total returns over one, three, six and 12 months to 31 December 2018 were broadly in line with the FTSE All-Share, and outperformed the FTSE 250 and FTSE Small Cap over most of these periods. Factors contributing to the NAV underperformance include the effect of gearing in a falling market, the focus on trimming highly rated companies and buying those that are out of favour, and a bias towards more cyclical companies and those with a higher proportion of domestic versus overseas earnings.

There were significant share price declines at some of LWI's portfolio companies, such as fourth-largest holding (at 31 December) Senior (-40.6% in Q418), and top 30 stocks (at 30 September) Royal Mail (-42.9% in Q418) and DS Smith (-37.7%). Henderson says he and Foll, as long-term investors, are not overly worried about being more cyclically biased than the index; there will always be cyclicalities in sectors such as engineering and manufacturing, and the manager says what is

more important for medium-term returns is to remain focused on buying when valuations are low and selling when they are high. However, cyclical and smaller company exposure has been reduced recently to provide some protection in the event of a recession. The managers retain their geared position and have used the sell-off to top up favoured holdings at depressed prices.

While the underperformance in 2018 has dented LWI's track record over three and five years, longer-term performance remains robust, with annualised share price and NAV total returns of c 15% pa over 10 years and c 12% pa over Henderson's tenure (since October 1990), compared with FTSE All-Share index total returns of c 9% over both periods.

## Discount: Narrowing over past six months

At 28 January 2019, LWI's shares traded at a 3.1% discount to cum-income NAV. This was narrower than the average discounts over one, three, five and 10 years (6.1%, 5.7%, 3.8% and 3.9%, respectively), and followed a period in which the NAV underperformed the share price, thereby narrowing the discount. LWI's board has the authority to repurchase up to 14.99% of the shares each year in order to manage a discount, but has not done so in any of the last 10 years.

**Exhibit 6: Share price premium/discount to NAV (including income) over three years (%)**



Source: Thomson Datastream, Edison Investment Research

## Capital structure and fees

Structured as a conventional investment trust, LWI has one class of share, with 27.0m shares in issue at 28 January 2019. Gearing is available via a three-year, £40m loan facility with Scotiabank, expiring in October 2020, and with the option to increase to £60m, and £30m of 20-year loan notes, issued in 2017 with a coupon of 3.15%. This equates to maximum gearing of c 18% based on net assets at 28 January 2019 (c 24% including the extra £20m facility), versus a limit of 29.99% at the time of drawdown. Net gearing at 31 December 2018 was 12%, an increase from 10% at 31 January 2018.

LWI pays Janus Henderson Investors an annual management fee of 0.5% of the first £375m of net assets and 0.4% thereafter; with effect from 1 October 2018, costs are allocated 50% to capital and 50% to revenue (previously 100% to revenue except the performance fee). A performance fee, capped at 0.25% of net chargeable assets, may be paid if the NAV total return exceeds the FTSE All-Share index total return by more than 10%. This means fees are a maximum of 0.75% on assets up to £375m and 0.65% thereafter. No performance fee was paid for FY18, and ongoing charges were 0.57% (FY17: 0.58% excluding, or 0.68% including the performance fee).

## Dividend policy and record

LWI has paid dividends quarterly since 2013. Until FY18, dividend payments had followed a pattern whereby the first three interim dividends were paid at the same level as the previous year's final dividend, with the final dividend rising by 1p, meaning total dividends increased by 4p each year. In FY18 the increase was brought forward to the third quarter, meaning the first two interim dividends were 13p, and the third interim and the final dividend were 14p, giving a total dividend for the year of 54p, a 5p or 10.2% increase over FY17. The board has indicated it intends to follow the same pattern in FY19, which would lead to two dividends of 14p and two of 15p, or a total of 58p. Dividends have been maintained or increased every year since 1975, and compound annual growth over the past five years has been 9.7%, which compares favourably with a rate of c 8% for the FTSE 100 and is in line with LWI's aspiration of achieving above-average dividend growth. The FY18 dividend was more than covered by portfolio income (1.03x covered, or 1.09x including special dividends), and LWI had revenue reserves at 30 September 2018 (after deducting the final dividend) of 43.5p per share, or 0.81x the FY18 total dividend. A change in the allocation of costs with effect from 1 October 2018 (now split 50:50 between the capital and revenue accounts, rather than being wholly charged to income) will boost the revenue return by c 5–6p a year on a like-for-like basis, according to Henderson. Based on the FY18 dividend and the current share price, LWI has a dividend yield of 4.0%.

## Peer group comparison

LWI is a member of the Association of Investment Companies' UK Equity Income sector, one of the larger AIC equity sectors, with 24 constituents. Below we show the 12 largest peers, all with a market capitalisation of more than £300m. LWI has underperformed the group in NAV total return terms over one year, and is a little above average over three years, below average over five years, and well above average (ranking second, with a total return more than 100pp ahead of the third-placed fund) over 10 years. Ongoing charges are broadly average for what is a very competitively priced group of funds, although LWI is the only one to charge a performance fee. The discount to NAV is also broadly average (five of the peers trade at a small premium and the rest are on single-digit discounts), while gearing is joint third-highest in the group. It is no coincidence that the most highly geared funds have been among the worse performers over one year, given the sell-off in equity markets over recent months. LWI's dividend yield is a little below average for the peer group, which is in line with its emphasis on dividend growth rather than a high starting yield.

**Exhibit 7: AIC UK Equity Income investment trusts with market cap over £300m as at 23 January 2019\***

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Ongoing charge	Perf. fee	Discount (cum-fair)	Net gearing	Dividend yield
<b>Lowland Investment Company</b>	<b>368.1</b>	<b>(12.4)</b>	<b>28.0</b>	<b>18.1</b>	<b>358.0</b>	<b>0.6</b>	<b>Yes</b>	<b>(3.3)</b>	<b>113</b>	<b>4.0</b>
BMO Capital & Income	304.8	(7.1)	36.4	33.7	176.7	0.6	No	1.3	104	3.7
City of London	1,431.6	(7.4)	21.9	25.2	193.9	0.4	No	2.2	113	4.6
Diverse Income Trust	351.2	(7.3)	15.7	32.6		1.1	No	(2.4)	100	3.7
Dunedin Income Growth	352.9	(7.7)	30.3	18.1	178.2	0.6	No	(9.1)	114	5.6
Edinburgh Investment Trust	1,223.7	(7.8)	10.5	31.3	185.9	0.6	No	(7.5)	108	4.5
Finsbury Growth & Income	1,386.9	2.9	44.7	60.9	447.2	0.7	No	0.7	103	2.0
JPMorgan Claverhouse	390.1	(12.0)	24.8	22.9	194.2	0.8	No	3.8	111	4.0
Merchants Trust	508.8	(9.4)	27.7	15.3	177.9	0.6	No	0.8	120	5.5
Murray Income Trust	494.5	(5.7)	31.6	23.7	187.6	0.7	No	(5.2)	105	4.4
Perpetual Income & Growth	786.5	(8.9)	5.3	15.7	182.6	0.7	No	(9.5)	113	4.3
Temple Bar	823.9	(6.7)	33.1	20.3	237.0	0.5	No	(2.9)	100	3.5
<b>Peer group average</b>	<b>701.9</b>	<b>(7.5)</b>	<b>25.8</b>	<b>26.5</b>	<b>229.0</b>	<b>0.7</b>		<b>(2.6)</b>	<b>109</b>	<b>4.2</b>
<b>LWI rank in peer group (12 funds)</b>	<b>9</b>	<b>12</b>	<b>6</b>	<b>10</b>	<b>2</b>	<b>10</b>		<b>8</b>	<b>3=</b>	<b>8</b>

Source: Morningstar, Edison Investment Research. Note: \*Performance to 22 January 2019. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets (100 = ungeared).



## The board

There are currently five directors on LWI's board. All are non-executive and independent of the manager. Robert Robertson was appointed chairman in January 2017, having served on the board since 2011. Kevin Carter and Karl Sternberg were both appointed in 2009. Duncan Budge joined the board in July 2014, and Gaynor Coley (chairman of the audit committee) became a director in November 2016. Carter has indicated his intention to stand down during 2019. The directors have professional backgrounds in industry, investment management and accountancy.

### General disclaimer and copyright

This report has been commissioned by Lowland Investment Company and prepared and issued by Edison, in consideration of a fee payable by Lowland Investment Company. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

**Accuracy of content:** All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the Edison analyst at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

**Exclusion of Liability:** To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

**No personalised advice:** The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

**Investment in securities mentioned:** Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

**Copyright:** Copyright 2019 Edison Investment Research Limited (Edison). All rights reserved FTSE International Limited ("FTSE") © FTSE 2019. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

### Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd who holds an Australian Financial Services Licence (Number: 427484). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

### New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

### United Kingdom

Neither this document and associated email (together, the "Communication") constitutes or form part of any offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities, nor shall it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever. Any decision to purchase shares in the Company in the proposed placing should be made solely on the basis of the information to be contained in the admission document to be published in connection therewith.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document (nor will such persons be able to purchase shares in the placing).

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

### United States

The Investment Research is a publication distributed in the United States by Edison Investment Research, Inc. Edison Investment Research, Inc. is registered as an investment adviser with the Securities and Exchange Commission. Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a) (11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.