

D LawDebenture

December 2019

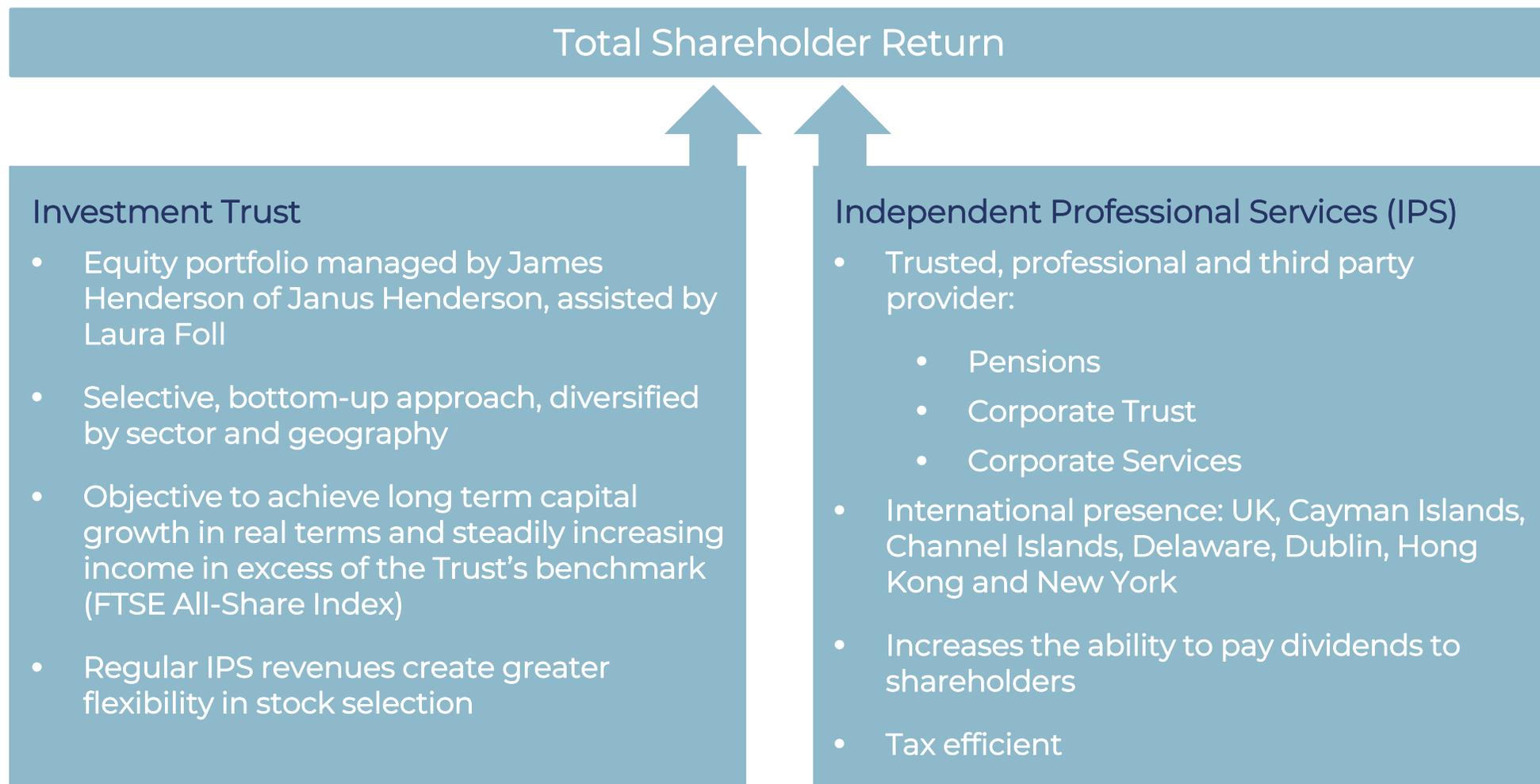


Agenda

1. The Law Debenture Model
2. Key Statistics
3. Investment Trust
4. Independent Professional Services
5. Conclusion



1. Law Debenture: A highly differentiated and unique business model





2. Key Statistics

- Trust has outperformed the benchmark by 42.2% over 10 years¹
- Low on-going charges rate of 0.43% compared to the industry average of 1.13%²
- Management fee of 30bps with no performance fee
- Focus on steadily increasing income:
 - 2018 dividend per share increased by 9.2% from 17.3 pence to 18.9 pence
 - 2019 Interim dividend of 6.6p per share (2018: 6.0p), a 10% increase
 - Strong performance from the Independent Professional Services (IPS) business continues to support dividend growth
- £10,000 invested in Law Debenture ten years ago would be worth £31,690 as at 30 November 2019¹

¹ Calculated on a total return basis assuming dividend re-investment between 30 November 2009 and 30 November 2019

² On-going charges are for the year ended 31 December 2018. Law Debenture on-going charges have been calculated based on data held by Law Debenture. Industry average data was sourced from The Association of Investment Companies industry (excluding 3i) as at 28 June 2019



2. Key Statistics – Performance Update to 30th November 2019

Consistently outperforming benchmark on three, five and ten year metrics

- NAV total return for the year to date was 11.7% with debt at fair value and 13.5% with debt at par. This compares to 15.3% returned by the benchmark FTSE All Share Index
- The trust has consistently outperformed its benchmark on longer term performance measures:

	Nov %	YTD %	1 year %	3 years %	5 years %	10 years %
NAV total return with debt at fair value	1.8	11.7	6.3	26.1	41.0	171.2
NAV total return with debt at PAR	1.6	13.5	8.8	27.1	44.6	182.7
FTSE Actuaries All-Share Index total return	2.2	15.3	11.0	24.0	37.0	120.4
Share price total return	2.7	16.9	11.9	28.8	36.0	216.9

- Law Debenture became a constituent of the FTSE-250 from 1 April 2019
- Effective 24th May, the trust moved from the Global AIC Sector to the UK Equity Income Sector, better reflecting its investment objective and portfolio construction

¹ NAV is calculated in accordance with AIC methodology, based on performance data held by Law Debenture including the value of the IPS business and long term borrowings
² Source: Bloomberg



3. Investment Portfolio – James Henderson, Janus Henderson



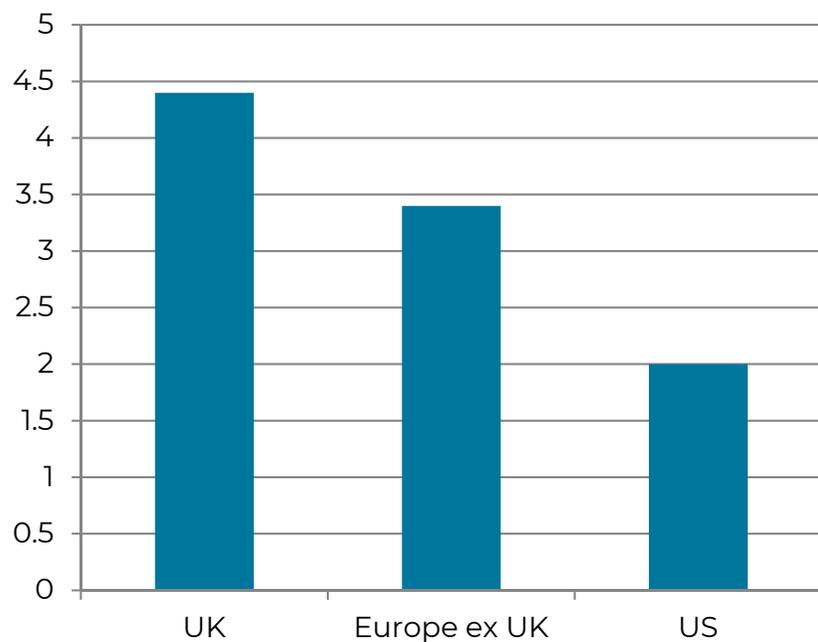
3. Investment Trust

- Aim to achieve a better return than the FTSE All Share with steadily increasing income
- Valuation based investment approach but with a focus on companies capable of growing sales and earnings over time
- UK centric portfolio supplemented by overseas holdings bringing exposure to opportunities that cannot be found in the UK stock market

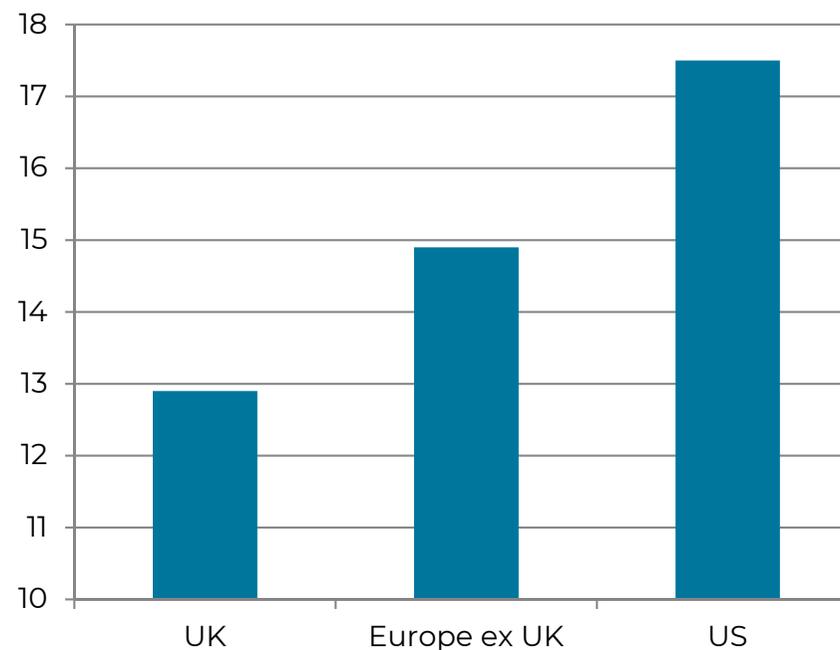


UK at a valuation discount versus other global markets

2020 dividend yield (%)



2020 P/E

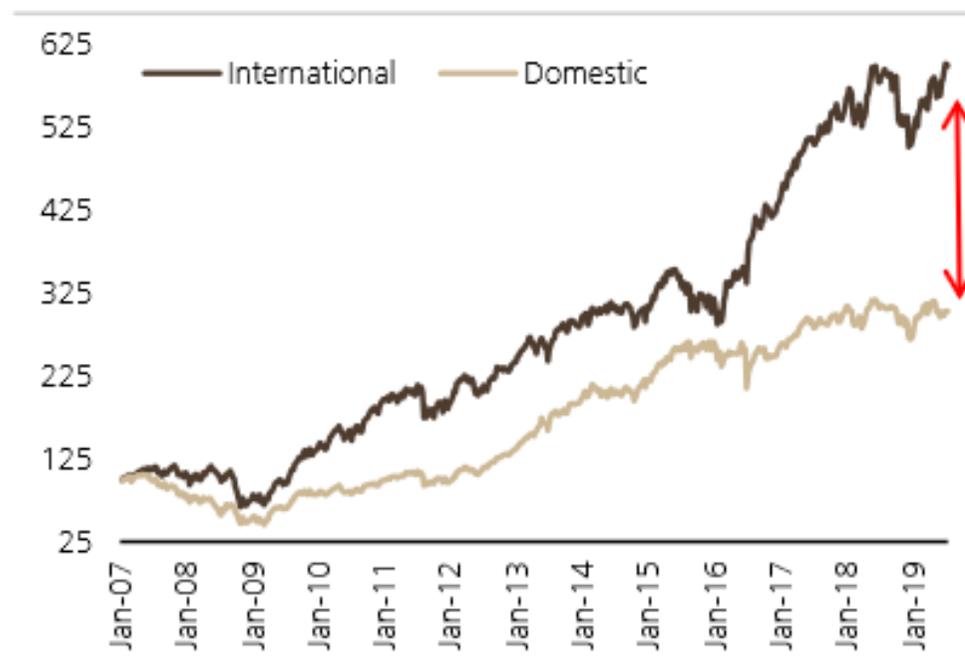


Source: Bloomberg as at 27th November 2019
UK – FTSE All-Share, Europe – MSCI Europe ex UK, US – S&P 500



UK domestics opportunity

Figure 9: UK FTSE 350 ex- Investment Trusts - International vs Domestic performance (non-sector adjusted)



Source: Thomson Datastream, UBS European Equity Strategy

Source: UBS, Datastream as at 17th October 2019

- Notable underperformance of domestic companies since the referendum
- UK economy has weakened but outlook improving (real wage growth picking up, PMIs showing signs of bottoming)
- Sterling weakness has driven upgrades for overseas earners
- Currency effect could reverse
- UK economy has pent up demand

We have been net investors in the UK year to date

£94.8m invested in to the UK year to date as at 30th November 2019:



Key purchases:

- RBS and Lloyds – potential for material returns to shareholders
- Severn Trent – best in class water utility
- GlaxoSmithKline – underappreciated pharmaceutical division
- Direct Line – attractive yield and underappreciated potential for growth
- Morgan Advanced Materials – excellent new management team
- Bristol-Myers Squibb – undervalued following Celgene acquisition

Key sales:

- Greene King – sold following takeover approach
- Becton Dickinson – sold on valuation grounds
- Stewart Investors Asia Pacific Leaders Fund, Baillie Gifford Overseas Growth Fund – sold following strong performance
- Lam Research – sold following strong performance

Law Debenture Portfolio: Using Overseas exposure where there is no UK equivalent



Largest overseas stocks held as at 30th November 2019:

1. Microsoft
2. Toyota
3. Cummins
4. Caterpillar
5. Gibson Energy



Law Debenture Portfolio

Investment trusts add exposure to areas outside of our expertise, provide income and add diversity

Key examples

- Technology – Herald Investment Trust
- Uncorrelated assets – Hipgnosis Songs Fund, Foresight Solar
- Property – Hammerson, Urban Logistics REIT, Grit Real Estate Income

Portfolio: Top 10 holdings at 30th November 2019



	Company	% of portfolio
1	Royal Dutch Shell	3.5
2	GlaxoSmithKline	3.4
3	Rio Tinto	2.0
4	BP	2.0
5	HSBC	1.9
6	Johnson Service Group	1.8
7	Relx	1.8
8	AstraZeneca	1.7
9	Prudential	1.6
10	National Grid	1.6



Investment outlook

- Uncertainties regarding Brexit and trade wars could clear
- Valuation of the portfolio is low and dividend yield is attractive
- The dividend can continue to grow from this level
- Law Debenture has distinct advantages for a manager over other Trusts



4. Independent Professional Services – Denis Jackson, Chief Executive Officer



4. Independent Professional Services (IPS) - Overview

Pensions

The longest established and largest provider of independent pension trustees in the UK

Corporate Trust

A leading independent corporate trustee across international capital markets

Corporate Services

Highly regarded range of outsourced solutions to corporates

- Trusted, professional and independent
- High quality reputation and brand strength in core markets
- Excellent record of customer retention
- Strong repeat revenues, two thirds from on-going contractual commitments
- Cost base kept under control
- Profits give a dividend stream which increases the ability to pay dividends to shareholders



4. Half Year Ended 30 June 2019 – Latest Published IPS Performance Information

Independent Professional Services:

- Strong performance from the business continues to support dividend growth
- Revenue increase of 6.9% (net of cost of sales) and profit after tax of 8.9% on prior period, reflecting consistent growth under new management team in the face of difficult financial market conditions
- Each of the three divisions continues to grow revenue, with particularly strong performance from the Pensions and Safecall

DIVISION	Revenue ¹ 30 June 2018 £000	Revenue ¹ 30 June 2019 £000	Growth 2018/2019 %
Pensions	4,663	5,098	9.3%
Corporate Trust	4,072	4,372	7.4%
Corporate Services	5,729	5,991	4.6%
Total	14,464	15,461	6.9%

Revenue shown is net of cost of sales



4. Half Year Ended 30 June 2019 – Latest Published IPS Performance Information

Independent Professional Services:

- Normalised earnings per share increased by 8.9% to 3.92p (2018: 3.60p)
- Increase in fair valuation of the IPS business of 10.7% in first half of 2019 to £115.6m

	30 June 2019 £000	30 June 2018 £000	31 December 2018 £000
EBITDA at a multiple of 9.2 (30 June 2018: 8.4; 31 December 2018: 8.4)	99,618	87,696	87,562
Surplus net assets	15,962	22,800	16,844
Fair value of IPS business	115,580	110,496	104,406

	30 June 2019	30 June 2018	31 December 2018
Contribution to NAV (pence) per share of IPS fair value	72.24	70.08	66.36



4. IPS Update by Business Area – Pensions

H1 highlights:

- Started to see returns from our accelerated investment in people, with top line revenues up 9.3% from £4.7m to £5.1m
- Significant wins of blue chip company pension scheme business in the period
- Following the launch of our outsourced administration service Pegasus in 2017, we have seen significant growth in the demand for these services

H2 update

- Recruitment continues for our Pegasus business with a view to significantly scaling over the next five years
- Currently act for 220 of the 5,500 DB schemes in the UK - strength of our brand and quality of our people provides a compelling opportunity to expand our offering
- Recruiting high quality individuals to support expansion, with a focus on diversity
- Continue to build referral partnerships, focussing on those that drive business growth
- Use technology to create smarter working practices and maximise revenue

NB: Percentages quoted throughout this section of the presentation are extracted from the 2018 Annual Report, and the 30 June half year report based on calculations in £000, some rounding differences to values quoted in £m may occur



4. IPS Update by Business Area – Corporate Trust

H1 highlights:

- Revenue grew by 7.4% from £4.1m to £4.4m
- Income is generated by a mixture of up-front acceptance fees on new business and long term, annual annuity fees on existing business
- More than 2/3rds of revenue contracted at start of 2019, with overall inflationary increase of ~1.5% on 2018 revenue

H2 update

- Positioning our offer around what customers want to buy rather than what we want to sell
- Deepening existing relationships with banks and law firms to better leverage our network
- Engaging with boutique players to expand our customer base
- Developing additional agency services in multiple locations , e.g. Hong Kong, with two senior hires now in role
- Expanding escrow offering to provide clients with a return on cash



4. IPS Update by Business Area – Corporate Services

H1 highlights:

- Revenue grew 4.6% to £5.7m from £6.0m
- Corporate Services revenue up 13.7%
- Safecall continued its strong growth trajectory, with revenue up 21.9%
- Significant new Safecall business continues to be driven by new website, which was re-launched in H1 2018,
- SOP revenue down 1.4% globally as a result of lower transaction volumes

H2 update:

- Smart use of technology to increase automation and improve efficiency
- Capitalise on regional offices and law firm relationships to grow presence in Latin America and Asia
- Better leverage group relationships
- Further development of Safecall's product offering (including online training courses and development of digital distribution channels)
- New Head of Business Development starting January 2020



4. Independent Professional Services – Outlook

- We are focusing on our strengths – the quality of our service, our people, our reputation and our clients – with increased and more proactive promotion of our businesses and a focus on new products
- We continue to strengthen our team to support our growth objectives, with an eye always to the bottom line
- In Q4 2018 we hired a new CTO David Williams (ex CTO of Marshall Wace LLP and Tibra Trading). We are investing in technology – enabling our people to do more, faster
- We will be pro-active in our engagement with our stakeholders, enhancing our communication and improving transparency to better tell the Law Debenture story
- Delivering on forecast revenue growth of mid to high single digits for 2019



5. Conclusion - Consistent Outperformance over 3, 5 and 10 years

- Unique model is a key value driver in achieving long-term capital growth and steadily increasing income – allows increased flexibility in portfolio construction
- Investment Manager has a proven track record of identifying quality companies at a favourable valuation at an opportune point in the cycle
- On-going charges remain low at 0.43% compared to a sector average of 1.21%
- Move to UK equity income AIC category from global sector classification, better reflecting portfolio construction
- IPS business grew well in 2018 – H1 performance has been strong with an ambition to achieve similar growth for the full year
- Confident we can grow IPS considerably over time, supporting both income and capital growth objectives

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