



Law Debenture

Law Debenture – Analyst presentation

25 April 2018

Law Debenture

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Chairman

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Chief Executive Officer

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— INVESTORS —

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Investment Manager

Business Model

The Law Debenture Investment Trust Business Model

The business model provides business advantages over other investment trusts

Total shareholder return

INDEPENDENT PROFESSIONAL SERVICES

- High quality, diversified, repeatable revenues
- Consistent strong margins
- Excellent and trusted brand
- Solid foundation for growth
- Its profits give a dividend stream which increases the ability of its parent, the investment trust, to pay dividends
- Tax efficient

INVESTMENT PORTFOLIO

- Invests in diverse equity portfolio
- Varied geographically and by industry
- Earns capital returns and dividends
- Low on-going charges of 0.43% (specifically Janus Henderson at 0.3% vs 0.75% for similar Open Ended products)

Highlights

Our primary shareholder return objective is to achieve long term capital growth in real terms and steadily increasing income

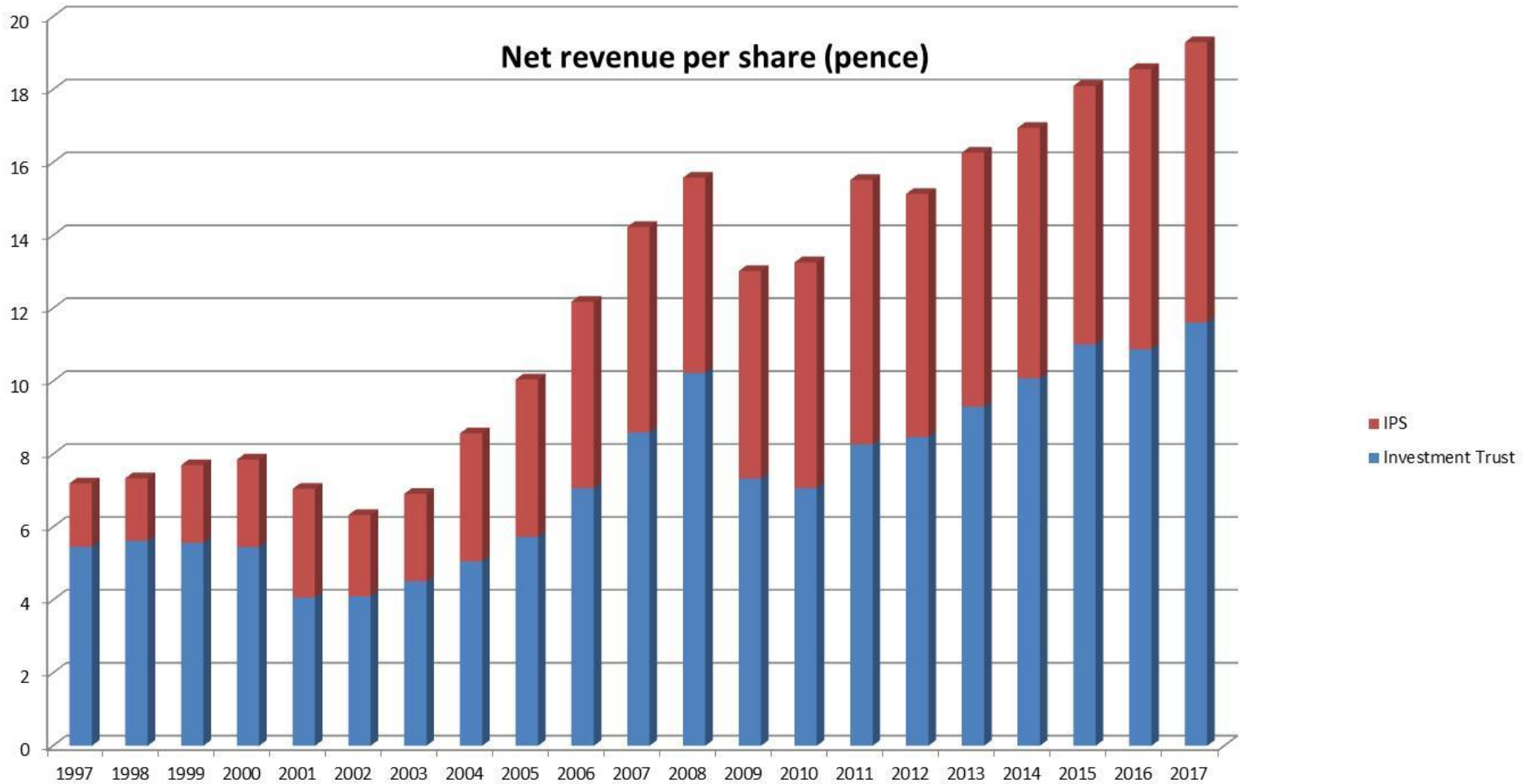


Notes:

* Benchmark is FTSE Actuaries All-Share Index total return

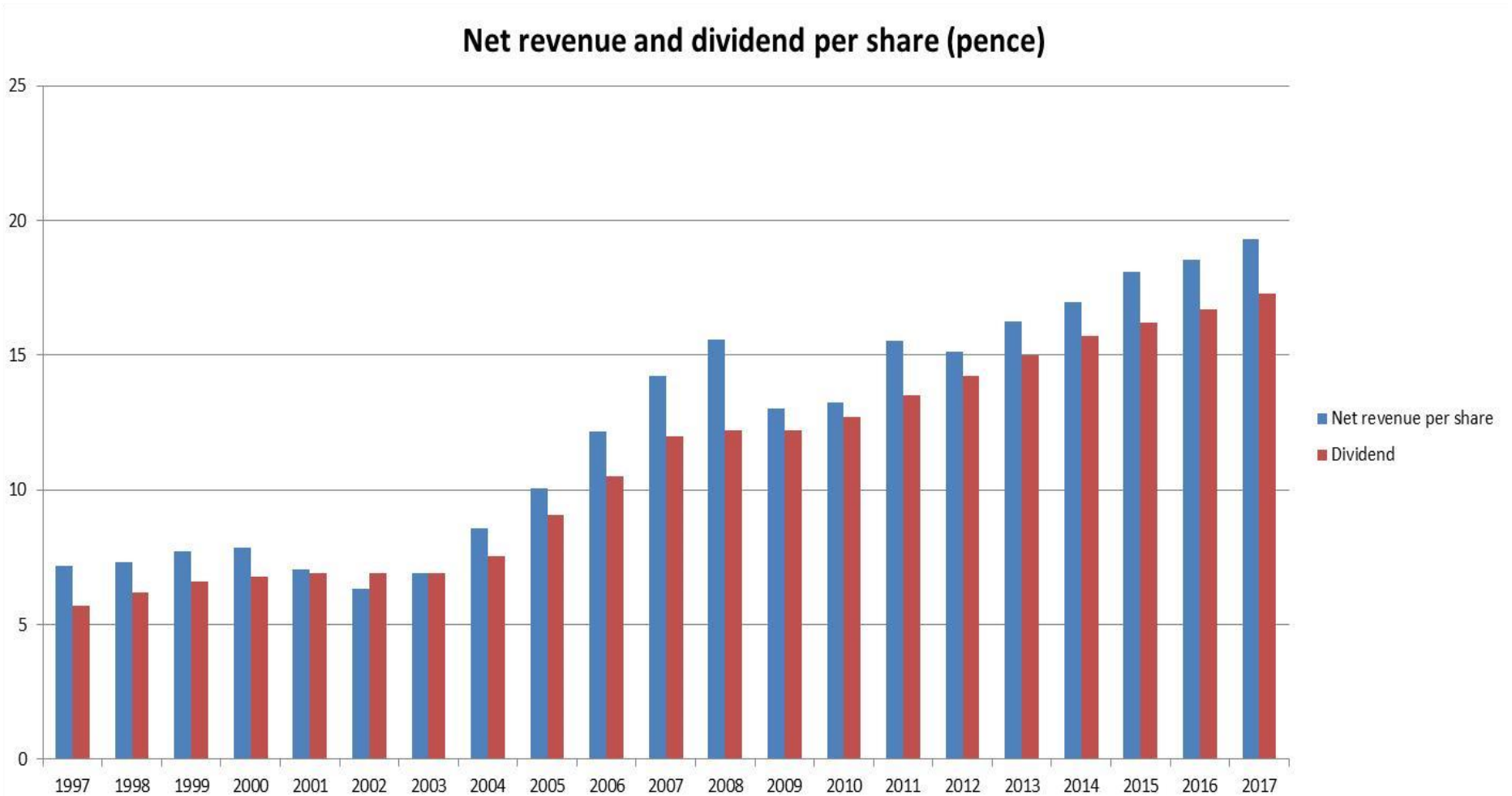
** Normalised excluding exceptional items (2.4p investment gain in 2017 : -2.6p provision in 2016)

Long Term Performance – Return per share



* Normalised excluding exceptional items (2.4p investment gain in 2017 : -2.6p provision in 2016)

Return and dividend per share



* Normalised excluding exceptional items (2.4p investment gain in 2017 : -2.6p provision in 2016)

Long Term Performance

	1 year	3 years	5 years	10 years
	%	%	%	%
NAV total return (1)	16.6	35.9	83.6	132.4
FTSE Actuaries All-share index total return (1)	13.1	33.3	63.0	84.5
Share price total return (1)	22.2	30.6	72.7	154.3
Change in retail price index (1)	2.2	6.0	10.6	29.4
Investment trusts (Global) (1) NAV total return	22.2	58.3	112.6	137.3
Investment trusts (All conventional companies) (1) NAV total return	20.7	52.2	95.0	128.5

(1) Source AIC

IPS Overview

- Very strong brand in the traditional markets where we choose to operate. High quality services. High level of client satisfaction.
- Extremely well known in traditional markets, but relatively unknown in emerging sectors.
- Looking to extend the client base, extend the range of services and extend the range of jurisdictions being provided.
- 2017 opened a new office in Dublin, good opportunities, access to new services and a way of keeping a foot in the EU.
- Strong repeat revenues with approximately two thirds of IPS revenues from on-going contractual commitments, combined with excellent record of customer retention.
- Focus is clearly on organic growth and relationship management, but will consider acquisitions where they make sense.

Overarching goal:

Drive steady growth in IPS net earnings following seven years of broadly flat returns, while maintaining the quality of product and client outcomes.

IPS: 2017 Results – A year in transition

- Underlying income increased 1.2%.
- Costs maintained at same level as 2016.
- Underlying profit before tax up 2.8% from 2016.
- Underlying revenue per share flat compared to 2016 (7.69p in 2017 excluding the exceptional investment gain vs. 7.68p in 2016).

Corporate Trust and Agency

The Corporate Trust team act as the bridge between the borrower/issuer and the lender/note holders of a loan or bond and protects the interests of the lender/note holders.

Our income is generated by a mixture of up-front acceptance fees on new business and long term, annual annuity fees on existing business.

We also earn significant special fees for subsequent issues with transactions, such as restructurings, ratings down-grades and other actions required by the trust deed.

We see opportunities in developing additional agency services in multiple locations.

Growth initiatives:

- New leadership
- Incremental sales resource
- Mining existing relationships
- Establishing relationships with non traditional buyers
- New services (e.g. loan agency)
- Optimising existing Law Debenture global network

Corporate Services

The Corporate Services teams help clients establish and maintain legal entities through the provision of company secretarial, governance, accounting and administrative services.

Our service of process business is a single global business based in London, Jersey, Dublin, New York, Delaware and Hong Kong.

Growth initiatives:

- New leadership
- Incremental sales resource
- Mining existing relationships
- Establishing relationships with non traditional buyers
- Solving for evolving client/product need (e.g. aircraft and real estate)

Pension trustee and governance services

The Pension Trustee team is the longest established and largest provider of independent pension trustees in the UK.

Our clients pension schemes have over 2 million members with over £250 billion of assets invested on their behalf.

Our traditional market has been large, defined benefit schemes.

We charge fees by the hour.

Growth initiatives:

- DC (e.g. independent governance committees)
- Sole trustee
- Scheme secretarial
- Incremental revenue generating resource
- Referral partnerships

Safecall

Safecall helps international companies create a culture of integrity and openness by providing ethics telephone hotlines and online reporting systems.

Notable appointments in 2017 included Euroclear, Hays, Kier, Laing O'Rourke and NATS.

We see opportunity in organic growth and are targeting multiple client segments.

Growth initiatives:

- Incremental sales resource
- New web site
- Upgrade of web portal and client reporting functionality/management information
- Mining of existing relationships
- Leveraging relationships across Law Debenture group.

IPS: Focus for the future

- The focus on growth will take some time and investment.
- We are focusing on our strengths – 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 are focusing on growth by refreshing and expanding our team to focus each business on safe and controlled growth.
- We are focusing on our clients and contacts by expanding our relationship management and cross referral programs.
- Technology:
 - Changing from cost centre to revenue driver
 - Enhanced control
 - Increased efficiency = Increased capacity = Ability to scale
 - Preference for small investments with frequent ability to validate progress with clients

Investment trust

	2017 £000	2016 £000	Change %
Revenue			
UK dividends	17,760	17,299	2.7
Overseas dividends	3,703	3,178	16.5
Other	95	74	
	21,558	20,551	
Expenses	(3,274)	(2,739)	19.5
	18,284	17,812	
Interest	(415)	(165)	
Debt interest	(5,277)	(5,277)	
Utilisation of onerous provision	1,131	-	
Inter-company interest	-	478	
	13,723	12,848	
Tax	-	-	
Total	13,723	12,848	6.8
Return per ordinary share	11.61p	10.88p	6.7

Investment portfolio

- Aim to achieve a better return than the FTSE All Share.
- Stock picking valuation based approach.
- Overseas holdings bring exposure to opportunities that cannot be found in the UK stock market.
- The equity portfolio is expected to provide good dividend growth over long term.
- Gearing 1% at 31 December 2017 (31 Dec 2016, 8%).

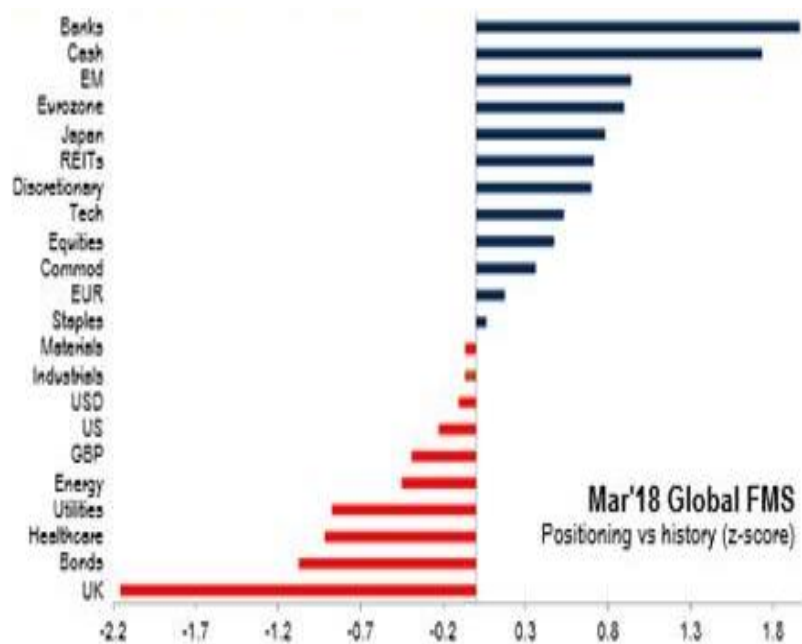
2017 geographic allocation as at 31 December

	Asset breakdown (%)	Portfolio return (%)	Local index return (%)	Over/Under performance (%)
UK	72.4	12.4	13.1	(0.7)
North America	9.4	22.7	11.3	11.4
Europe	8.3	18.2	17.5	0.7
Japan	2.1	10.3	14.4	(4.1)
Pacific	5.4	26.0	20.3	5.7
Other	2.4	25.6	25.8	(0.2)
Total	100.0	14.8	13.9	0.9

Net Gearing 1.0

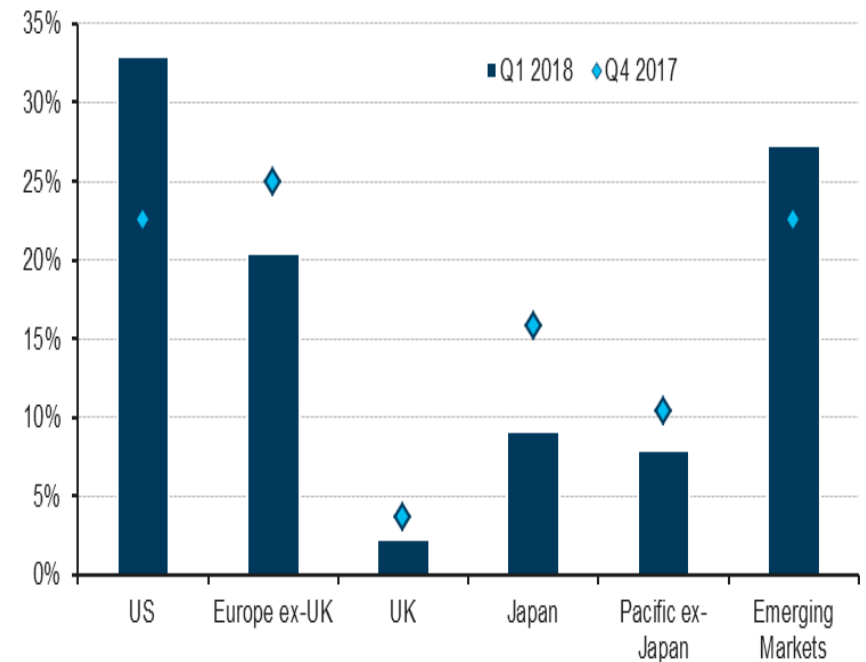
The UK has become a consensus 'avoid'

Global fund manager positioning vs history



Source: BoA Merrill Lynch Global Fund Manager Survey, as at 31 March 2018
Data goes back to 2006 for commodities & real estate, since 2001 for everything else

What equity region will outperform over the next 3 months?



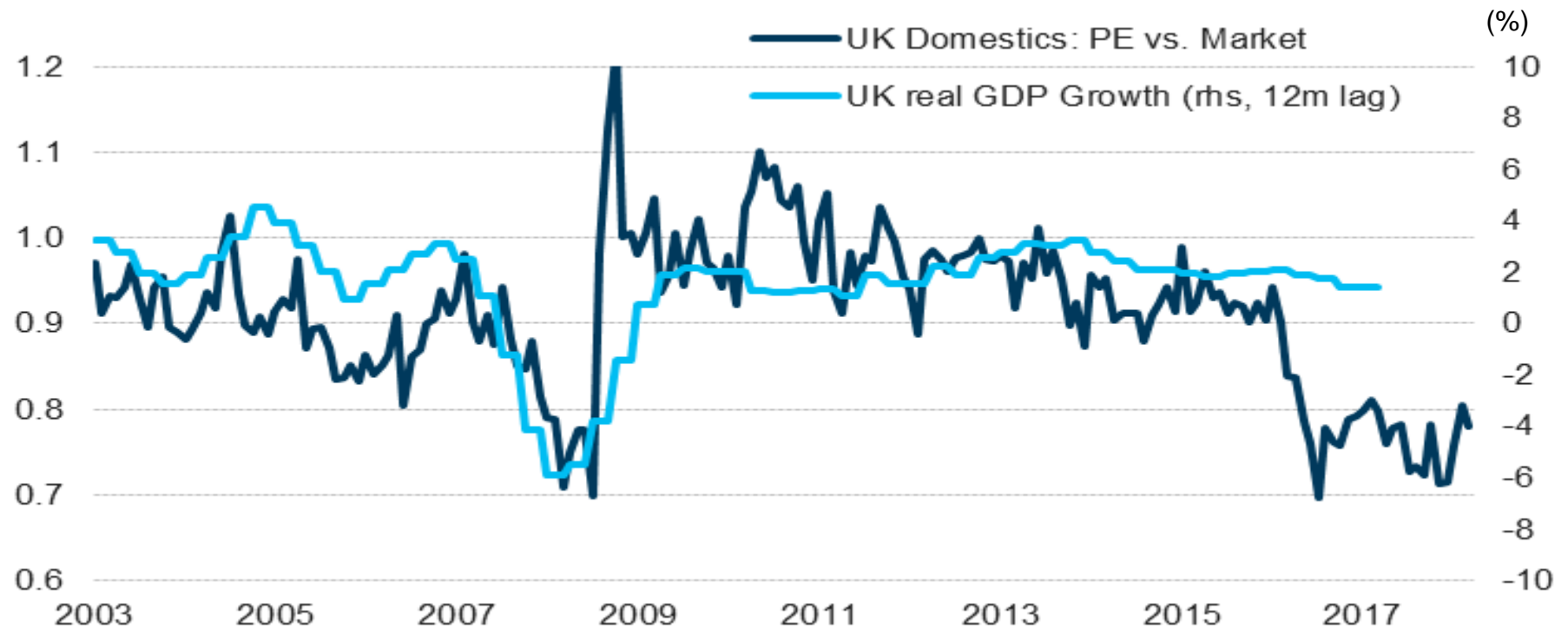
Source: Barclays Research, from GMS, as at 9 April 2018

Domestic stocks have performed poorly – with no sign of catch up



Source: Graph is from Liberum, as at 5 April 2018

Domestics are now trading at a discount to the market not seen since the crisis



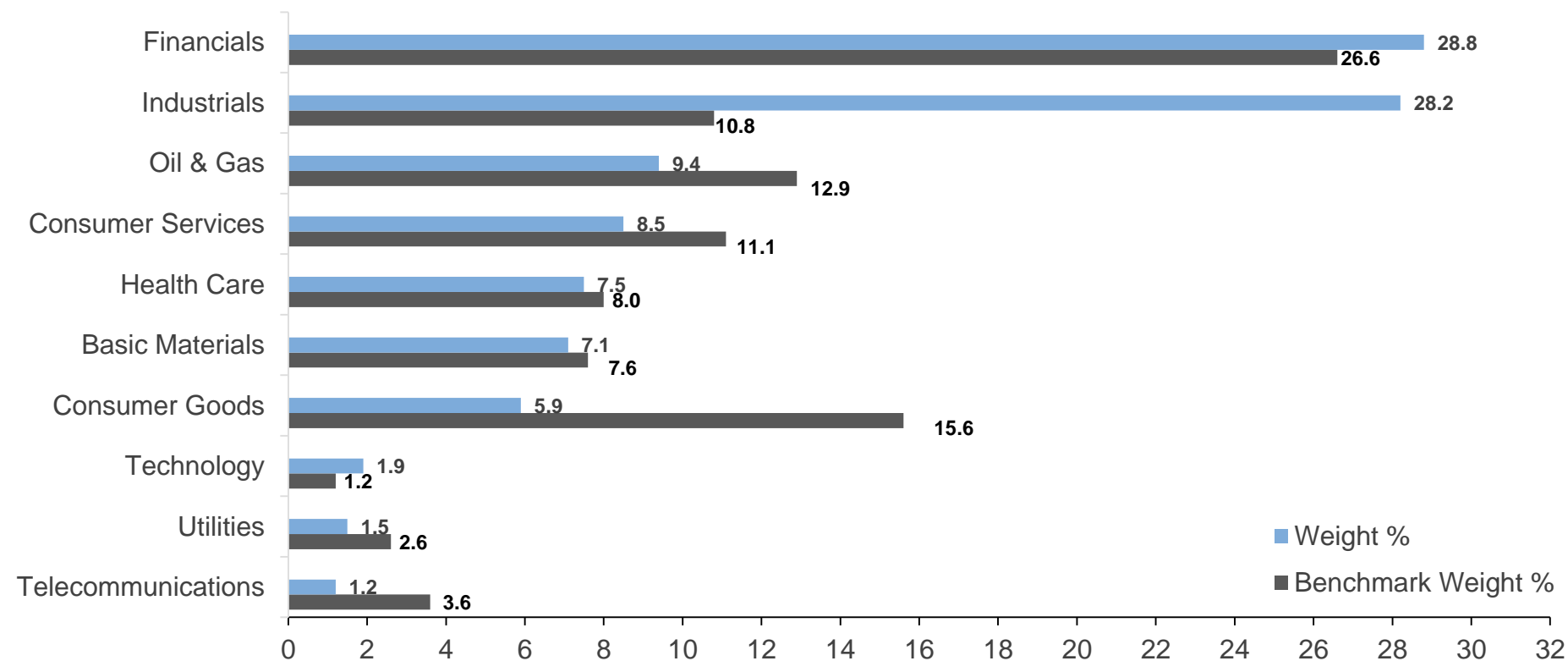
Source: Graph is from Barclays, as at 13 April 2018

Global Champions



Portfolio Sector breakdown at: 31 December 2017

Sector weightings (%)

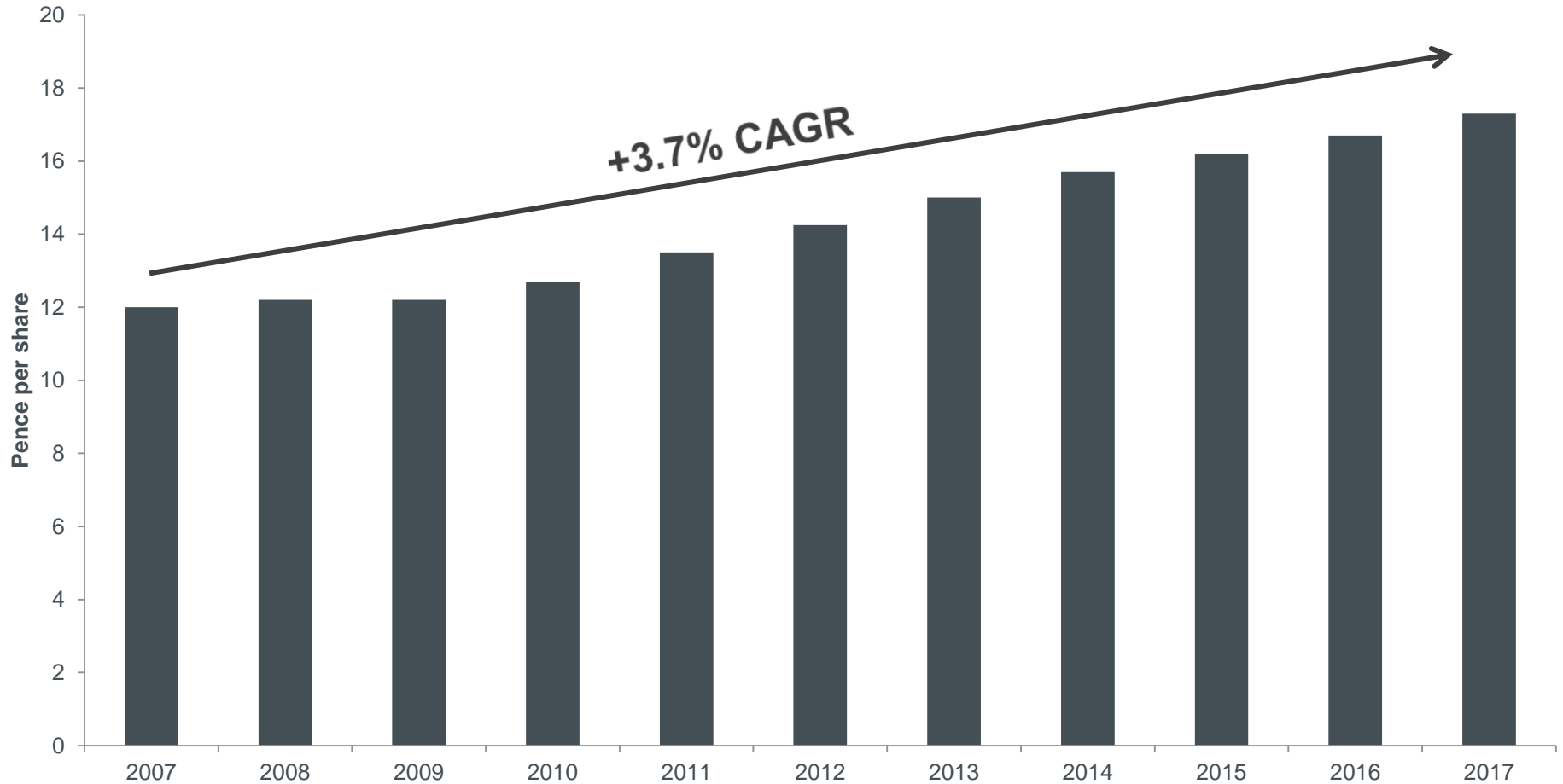


Source: Janus Henderson Investors, as at 31 December 2017

Note: Figures exclude cash

Law Debenture dividend yield 2.7% vs. global trust sector of 1.4%

Law Debenture Dividend per Share – 10 years



Portfolio

Top 15 holdings at: 31 December 2017

		%
1	Royal Dutch Shell	4.3
2	HSBC	2.7
3	BP	2.3
4	Senior	2.0
5	Rio Tinto	2.0
6	GKN	2.0
7	Rolls Royce	1.9
8	Prudential	1.9
9	GlaxoSmithKline	1.9
10	Relx	1.8
11	Johnson Service	1.8
12	Hiscox	1.6
13	Smith (DS)	1.6
14	Spectris	1.4
15	BAE Systems	1.4

Investment outlook

- The UK is generally out of favour. This will lead to opportunities
- Dividend growth is coming through from a good starting level
- Law Debenture has distinct advantages for a manager over other Trusts

Summary

Heritage and track record

- From its origins in 1889, Law Debenture has diversified to become a group with a unique range of activities in the financial and professional services sectors.
- Strong track record of dividend growth, underpinned by highly profitable IPS business.

Independent Professional Services

- Leading provider of independent professional services with overarching goal to drive steady growth in IPS net earnings following seven years of broadly flat returns, while maintaining the quality of product and client outcomes.

Investment Trust

- A global investment trust with an objective to achieve long term capital growth in real terms and steadily increasing income.
- NAV total returns outperformed FTSE Actuaries All-Share Index benchmark over 1, 3, 5 and 10 year time horizon.
- Dividend yield 2.7% (2017) vs. global trust sector of 1.4%

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