

Law Debenture

Presentation October 2015



1 October 2015

Presented by

Law Debenture

Henderson
GLOBAL INVESTORS

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On 25 September 2015, issued £75 million secured private placement for 30 years at 3.77%. Short term borrowings(c. £30 million) repaid. Additional £45 million available to invest in portfolio. If fully invested net gearing increases to 13% at 31 August 2015 values.

Long term debt £115 million in total with existing £40 million 6.125% 2034 debenture.

Average interest rate for long term debt 4.589% which after tax at 20% is 3.671%.

Financial Summary Half Year

	30 June 2015 Pence	30 June 2014 Pence	31 December 2014 Pence
Share price	510.50	518.50	530.00
NAV per share after proposed dividend	485.21	484.97	475.82
NAV per share after proposed dividend with debt at fair value	476.80	478.12	465.62
Revenue return per share			
• Investment Portfolio	7.49	6.08	10.08
• Independent fiduciary services	3.26	3.23	6.87
Group revenue return per share	10.75	9.31	16.95
Dividends per share	5.20	4.70	15.70

Revenue return per share overall increase of 15.5%

Investment trust

Increased by 23.2%

Due to significant increase in special dividends.

Independent fiduciary services

Increased by 0.9%.

Revenue, net of cost of sales, which represents legal costs recharged to clients increased by 1.4% over the same period in 2014. Costs have increased by 2.2% which included exit costs from our agency solution business.

After interest charges, profit before taxation fell 1.0%.

Half Year Report (continued)

Interim dividend increased by 10.6%. Final dividend will be at least maintained.

On going charges remain low at 0.46%

Net gearing at 30 June 4.9% (31 August 2015 5.0%)

Share premium at 30 June 5.9% (31 August 3.8%)

IFS Objectives

- To grow the business safely. Management look for opportunities to stretch the brand, but are risk averse.
- To help the investment trust grow earnings so that dividends to shareholders can increase.
- To maintain the tax efficiency of the group to enhance the returns to shareholders. After group relief from the investment trust effective tax rate for half year 9.7% (2014: 12.9%)

Corporate trust: UK, US, HK and Channel Is.

- Our income is generated by acceptance fees on new business, annual trustee fees and fees for post –issuance work which may arise from restructurings, ratings down grades and other actions required by the trust deed.
- Restructurings and post-issuance work continues to be busy.
- Escrow business continuing to develop along with roles in high yield bond market.
- Our role in the US, as separate trustee, continues to develop, however bankruptcy/successor trustee market remains at historic low levels.

- Levels of work have increased in spite of the challenging environment for final salary schemes.
- Increased focus on defined contribution schemes and continued growth of sole trustee business.
- New appointments in the FTSE 250 and investment trust sectors.
- Governance services continue to develop for pension funds and other providers of pension products with the regulators requirement for independent governance committees.

Corporate Services:

including agent for service of process UK, US, HK and Channel Islands

- Our agent for service of process is dependent upon the level of international trade and continues to show solid performance.
- The business is run as a global business with each office able to undertake the group's business, with overall management by the UK head.
- Corporate services which comprise the provision of corporate directors, company secretary and company administrators has seen a some good gains of new business.

- It is another good year for our external whistleblowing business with a further increase in the number of new appointments.
- Demand for whistleblowing continues to remain strong both in the UK and across Europe, particularly in the manufacturing sector.

Conclusion

- The markets in which we operate are generally quite active. However some areas remain below pre-recession levels.
- We continue to experience downward pressure on pricing as competition remains fierce.
- We remain committed to cost control and maintaining our professional standards.

Objective

Our objective is to achieve long term capital growth in real terms and steadily increase income. The aim is to achieve a higher rate of total return than the FTSE All-Share Index through investing in a portfolio diversified both geographically and by industry.

Key characteristics

- Unconstrained investment approach across market caps
- Diversification of underlying holdings
- Exposed to areas of strength in the UK – industrials, science

Investing the Debenture

- Be opportunistic:
 - Add to over-sold areas e.g. commodities/emerging markets
 - Add to diversified areas e.g. healthcare
 - Adding to smaller companies

Performance as at 31 August 2015

	1 year (%)	3 years (%)	5 years (%)
Net Asset Value	0.0	42.2	89.7
FTSE All-Share	(2.3)	28.1	51.4
Share Price	(5.9)	33.0	90.5

Source: Morningstar for the AIC, as at 31 August 2015

Note: Cumulative figures, total return, in GBP, based on debt at fair value

Discrete year performance

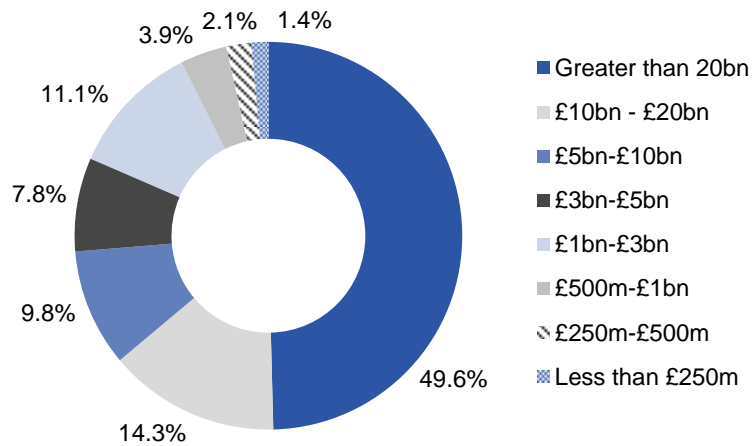
	8 months 2015	2014	2013	2012	2011	2010
Share price total return (1)	(6.1)	3.1	28.3	32.0	(2.9)	30.5
NAV total return (1)	1.2	2.6	28.6	19.7	(1.6)	24.8
FTSE Actuaries All-Share Index total return	(0.1)	1.2	20.8	12.3	(3.5)	14.5

(1) Source AIC, including reinvestment of dividends

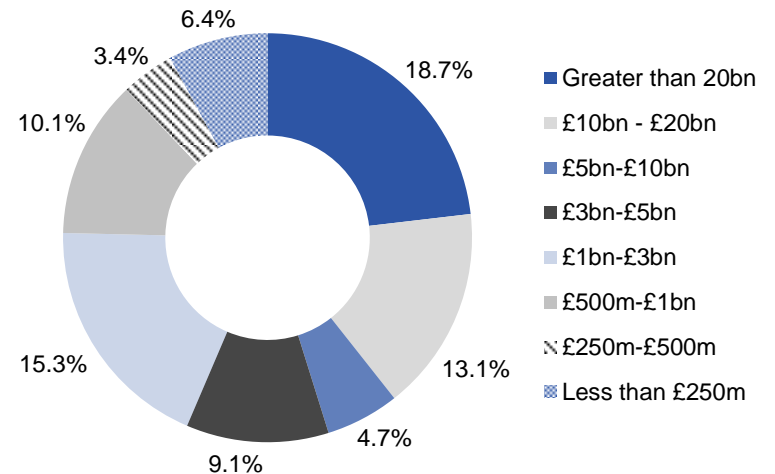
Market cap split at 31 August 2015

FTSE All-Share Index (%)

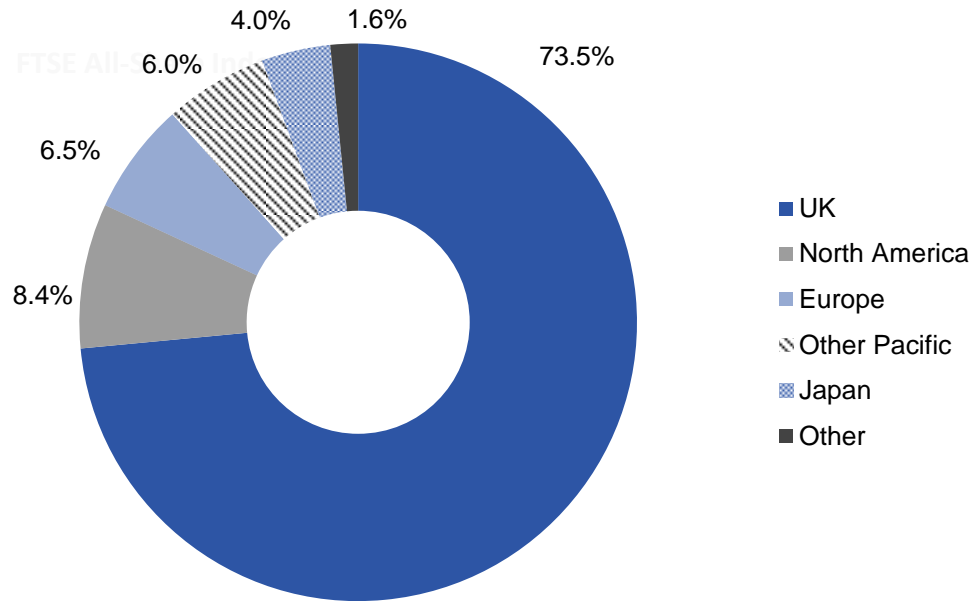
FTSE All-Share Index (%)



Law Debenture (%)



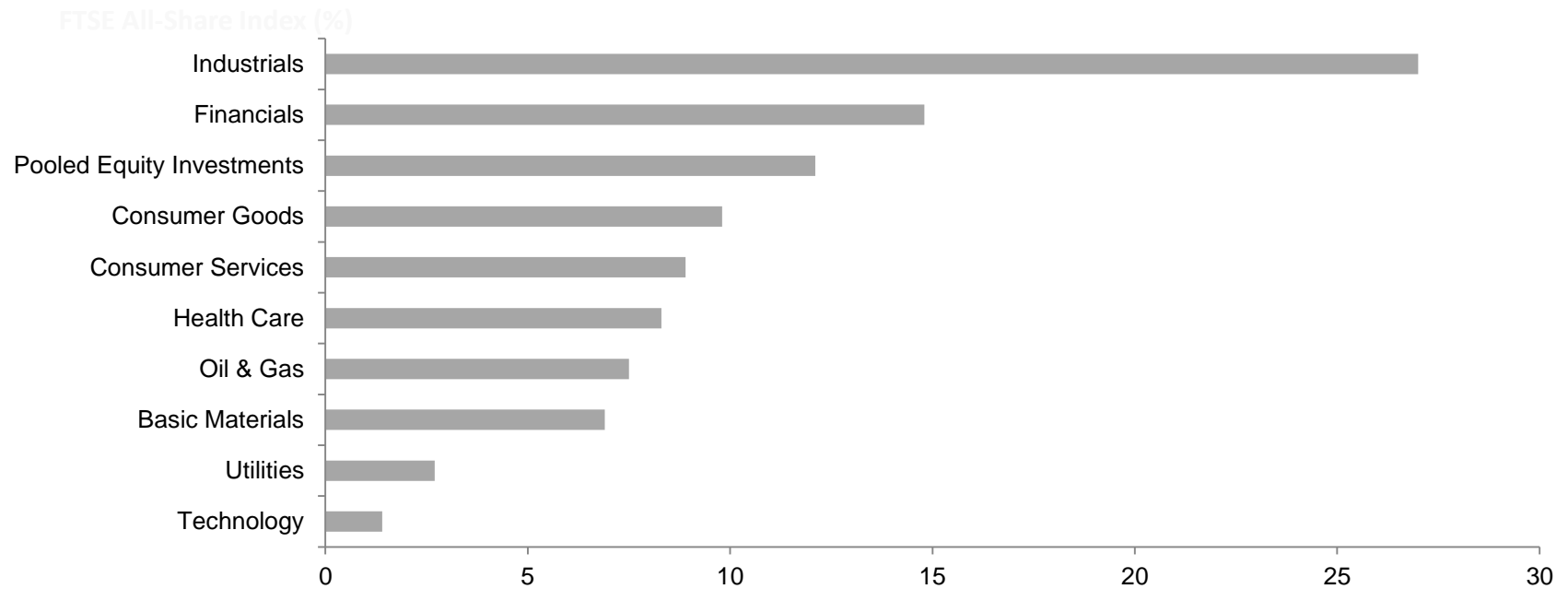
Geographic split at 31 August 2015



Source: Law Debenture, as at 31 August 2015

Investment equity portfolio

Asset breakdown at 31 August 2015



10 Major contributors to performance for 8 months 2015

Rank	Company	Increase in value £000	Portfolio valuation %
1	Redrow	4,065	1.70
2	Marshalls	3,271	1.79
3	Betfair	2,461	0.42
4	Bellway	2,306	1.49
5	Henderson Japan Capital Growth	2,295	2.89
6	Smith (DS)	2,030	1.86
7	Hill & Smith	1,963	1.77
8	Johnson Service	1,855	1.26
9	Mondi	1,708	1.01
10	Fresenius (Ger)	1,500	0.80

10 Major detractors to performance for 8 months 2015

Rank	Company	Decrease in value £000	Portfolio valuation %
1	Glencore	(3,791)	0.78
2	Velocys	(3,418)	0.84
3	Royal Dutch Shell	(3,159)	1.75
4	Applied Materials (USA)	(2,796)	0.89
5	Rio Tinto	(2,601)	1.73
6	Greenko	(2,473)	0.59
7	GKN	(2,366)	2.25
8	Templeton Emerging Markets Investment Trust	(2,013)	1.08
9	Gibson Energy (Can)	(1,815)	0.50
10	BP	(1,755)	2.15

Fifteen largest holdings at: 31 August 2015

		% of assets
1	Henderson Japan Opportunities	2.5
2	Senior	2.4
3	GKN	2.0
4	Amlin	1.9
5	BP	1.9
6	IP Group	1.8
7	Henderson Asia Pacific Capital Growth	1.8
8	Baillie Gifford Overseas Growth Funds	1.7
9	First State Asia Pacific Leaders	1.6
10	Smith (DS)	1.6
11	Marshalls	1.6
12	Hill & Smith	1.6
13	Royal Dutch Shell	1.5
14	Rio Tinto	1.5
15	GlaxoSmithKline	1.5

Source: Henderson Global Investors, as at 31 August 2015

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Risk characteristics as at 31 August 2015

No. of stocks (excluding holdings=0%)	132
Predicted 12 month tracking error	3.7
3 year annualised tracking error	5.0
Active risk*	76.2
Beta	0.85

Source: BARRA, Factset, as at 31 August 2015

*Active risk/stance = (sum of absolute deviation from benchmark)/2

Important information

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