

Company Number: 670489

# **LOWLAND INVESTMENT COMPANY PLC**

**HALF-YEAR REPORT  
(unaudited)  
for the half-year ended 31 March 2021**

# LOWLAND INVESTMENT COMPANY PLC

## Unaudited results for the half-year ended 31 March 2021

### Investment objective

The Company aims to give shareholders a higher than average return with growth of both capital and income over the medium to long-term, by investing in a broad spread of predominantly UK companies. The Company measures its performance against the FTSE All-Share Index Total Return.

### Investment policy

#### Asset Allocation

The Company will invest in a combination of large, medium and smaller companies listed in the UK. We are not constrained by the weightings of any index; we focus instead on controlling absolute risk by diversifying on the basis of underlying company characteristics such as size, industry, economic sensitivity, clients and management. In normal circumstances up to half the portfolio will be invested in FTSE 100 companies; the remainder will be divided between small- and medium-sized companies. On occasions the Manager will buy shares listed overseas. The Manager may also invest a maximum of 15% in other listed trusts.

#### Dividend

The Company aims to provide shareholders with better-than-average dividend growth.

#### Gearing

The Board believes that debt in a closed-end fund is a valuable source of long-term outperformance, and therefore the Company will usually be geared. At the point of drawing down debt, gearing will never exceed 29.99% of the portfolio valuation. Borrowing will be a mixture of short and long-dated debt, depending on relative attractiveness of rates.

### Key data for the six months to 31 March 2021

Net Asset Value ('NAV') Total Return	<b>33.0%</b>
Benchmark <sup>1</sup> Total Return	<b>18.5%</b>
Growth in dividend	<b>0%</b>
Dividend in respect of the period	<b>30.0p</b>

<sup>1</sup> FTSE All-Share Index

### Financial highlights

	Half-Year Ended 31 Mar 2021	Half-Year Ended 31 Mar 2020	Year Ended 30 Sept 2020
NAV per ordinary share <sup>1</sup>	1,350p	985p	1,031p
Share price <sup>2</sup>	1,235p	900p	914p
Market capitalisation	£334m	£243m	£247m
Dividend per share	30.0p	30.0p	60.0p
Ongoing charge including performance fee <sup>3</sup>	n/a	0.7%	0.7%
Ongoing charge excluding performance fee <sup>3</sup>	0.6%	0.7%	0.7%
Dividend yield <sup>4</sup>	4.9%	6.7%	6.6%
Gearing	13.0%	17.2%	15.0%
Discount	8.5%	8.6%	9.2%

<sup>1</sup> NAV with debt at par value

<sup>2</sup> Using mid-market closing price

<sup>3</sup> With effect from 1 October 2020 the performance fee has been removed

<sup>4</sup> Based on dividends paid and declared in respect of the previous twelve month period

## Total return performance (including dividends reinvested and excluding transaction costs)

	6 months %	1 year %	3 years %	5 years %	10 years %
Net Asset Value	33.0	47.2	-1.3	22.0	111.2
Share Price <sup>1</sup>	39.1	45.9	-4.1	18.1	114.8
Benchmark <sup>2</sup>	18.5	26.7	9.9	35.7	79.0

<sup>1</sup> Using mid-market closing price

<sup>2</sup> FTSE All-Share Index

Sources: Morningstar Direct, Funddata, Refinitiv Datastream and Janus Henderson

## Historical record – Year to 30 September

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	As at 31 Mar 2021 <sup>1</sup>
Net assets <sup>2</sup> (£m)	214	266	347	362	355	387	440	439	386	279	365
<b>Per ordinary share</b>											
NAV <sup>3</sup>	811p	1,008p	1,307p	1,346p	1,318p	1,432p	1,628p	1,625p	1,428p	1031p	1,350p
Share price	763p	992p	1,325p	1,355p	1,287p	1,337p	1,504p	1,515p	1,280p	914p	1,235p
Net revenue	28.8p	31.1p	36.7p	39.4p	46.4p	47.7p	49.1p	58.6p	68.0p	33.8p	12.8p
Net dividends paid	28.0p	30.5p	34.0p	37.0p	41.0p	45.0p	49.0p	54.0p	59.5p	60.0p	30.0p <sup>4</sup>

<sup>1</sup> Net revenue and net dividends paid are for the six month period ended 31 March 2021

<sup>2</sup> Attributable to ordinary shares

<sup>3</sup> NAV with debt at par value

<sup>4</sup> First interim dividend of 15.0p per ordinary share paid on 30 April 2021 and second interim dividend of 15.0p per ordinary share that will be paid on 30 July 2021

## INTERIM MANAGEMENT REPORT

### CHAIRMAN'S STATEMENT

#### Overview

It is a pleasure to report that, after a period of disappointing performance, the portfolio bounced back in the first half of the year, with NAV increasing by 33.0% against the benchmark's 18.5%. The previous financial year had started hopefully, only for those hopes to be dashed in March 2020 by the effects of the pandemic. The portfolio's focus on the UK, particularly the industrial and financial sectors, and its value bias, were particularly punished by the pandemic. It is these same characteristics which have led our recovery, as the likely benefits of the roll-out of vaccines became apparent. This trend has continued since the end of March, the NAV having increased by 7.9% compared to the benchmark's 5.1%.

#### Dividends

The timing of the pandemic was such that its full effect on the pattern of our dividend income was not felt in the six months ended 31 March 2020, in which earnings per share declined to 14.5p from 22.2p in the previous comparable period. The 12.8p recorded in the first half of 2021 therefore masks a recovery in the underlying pattern of dividend income, which the Fund Managers anticipate continuing, although not uniformly across all sectors. We expect income to be higher this year than last, and that the extent of recovery next year will depend on the vigour of the recovery of the domestic economy. Against this background the Board has today declared a second unchanged dividend of 15p, making 30p for the year to date. We will keep a weather eye on the prospects of a full and timely recovery of income, and judge accordingly on whether we can prudently continue to stand by our progressive dividend policy.

#### Gearing

Net debt increased from £42.6mn at year end to £46.1mn at the end of March, but the rise in asset values resulted in gearing reducing in percentage terms from 15.0% to 13.0%. Since the end of March net investment has resulted in gearing moving to £55.6m or 14.3%.

#### Share price discount

The discount on the Company's share price reduced marginally from 9.2% at financial year end to 8.5% as at 31st March and most recently 4.2%.

#### The Board

We recently announced that Helena Vinnicombe was appointed as a non-executive Director with effect from 1 May. We are delighted to welcome Helena to the Board, bringing as she does, deep experience of all aspects of investment management, in which industry she spent her executive career.

#### Outlook

Central bankers are convinced that the rise in inflation we are seeing is a transitory phenomenon and that expectations remain well anchored at lower levels. Our managers will remain alert to any complacency, since a sustained rise in inflation would lead to rising interest rates, which could undermine equity valuations. It is also possible that central bankers will resist upward pressure in rates and intervene to cap rates, which would accelerate an already dramatic recovery.

Our fortunes are more tied to the performance of the domestic economy than many of our peers, particularly as over half the portfolio is in small- and medium-sized companies. This domestic exposure has been a headwind to performance in recent years given the prolonged uncertainty caused by Brexit, the lack of consumer confidence, and latterly the pandemic. There are signs that these headwinds have largely reversed. The UK Government, having initially struggled more than most with the effects of the pandemic, seems to have done better than most in rolling out a comprehensive vaccination programme. There is scope for a marked recovery in the UK economy. The UK market as a whole looks undervalued compared with most other markets, and does not appear to have priced in the recovery in profitability which seems likely. Against this background, the Fund Managers are continuing to find good value across much of the UK equity market, particularly in areas that are most set to benefit from the re-opening of the economy.

**Robert Robertson**

**Chairman**

**25 May 2021**

## Equity allocation as at 31 March 2021

Sector Weightings	% as at 31 March 2021	
	Company	Benchmark <sup>1</sup>
Basic Materials	4.9	9.4
Consumer Discretionary	12.0	12.9
Consumer Staples	1.1	15.5
Energy	5.1	7.6
Financials	33.5	23.4
Health Care	4.5	8.4
Industrials	25.3	12.7
Real Estate	4.7	3.0
Technology	2.0	1.8
Telecommunications	2.7	2.3
Utilities	4.2	3.0
Total	100.0	100.0

## Equity allocation as at 30 September 2020

Sector Weightings	% as at 30 September 2020	
	Company	Benchmark <sup>1</sup>
Basic Materials	6.5	8.8
Consumer Goods	2.7	11.8
Consumer Services	11.2	12.6
Financials	35.0	24.9
Health Care	6.5	11.4
Industrials	23.5	13.1
Oil & Gas	5.3	6.6
Technology	0.8	1.2
Telecommunications	1.3	2.1
Tobacco	-	4.1
Utilities	7.2	3.4
Total	100.0	100.0

The inclusion of a separate table in this announcement for the year end comparison reflects the change of sectors seen between the 2020 and 2021 financial years, and the relevant data for a fuller comparison being unavailable.

## Market Cap Weightings (%)

	As at 31 Mar 2020	
	Company	Benchmark <sup>1</sup>
FTSE 100	43.6	78.7
FTSE 250	18.5	17.9
FTSE Small-Cap	14.6	3.4
FTSE AIM	16.5	-
FTSE Fledgling	1.6	-
Overseas	3.5	-
Other	1.7	-
Total	100.0	100.0

<sup>1</sup> FTSE All-Share Index

## FUND MANAGERS' STATEMENT

### Performance Review

The six months to the end of March saw a strong recovery in the portfolio reflecting the reaction to the successful development of several COVID-19 vaccines. During this period the net asset value grew 33.0%, while the FTSE All-Share rose 18.5% (both figures on a total return basis). The recovery was broadly led by the same stocks and sectors that had underperformed at the peak of the pandemic. Specifically, the comparatively large weighting in Industrials and Financials provided the main active contribution to relative performance, having been the largest detractor during the previous financial year. The underweight position in Consumer Staples also aided relative performance.

Within the Industrials sector performance was predominantly driven by stock selection, with the sector as a whole performing approximately in line with the UK market. This was a reversal of what happened in the first half of FY20, as a number of the Company's holdings exposed to civil aerospace (such as **Senior** and **Rolls-Royce**), recovered strongly. Within Financials, performance was driven fairly equally by stock selection and allocation to the sector. The sector outperformed as bank dividends were allowed to resume by the regulator. Balance sheets remained broadly well capitalised and a rise in bond yields from very low levels should benefit earnings in future years. Within the portfolio, insurer **Aviva** performed strongly as it continued to make good progress on disposals under a new Chief Executive. **International Personal Finance** was also a strong contributor following refinancing a bond ahead of its maturity in early 2021.

In terms of absolute performance, the top contributors are shown in the table below.

	Share price total return (%)	Contribution to return (%)
Ilika	119.7	1.6
K3 Capital	104.5	1.3
Royal Dutch Shell	47.4	1.2
Henderson Opportunities Trust	58.7	1.0
Prudential	39.6	1.0

Examining each in turn:

1. **Ilika** continued to make steady progress towards commercialisation of their solid state batteries.
2. **K3 Capital** successfully integrated two acquisitions funded via an equity placing last year (in which the Company participated).
3. **Royal Dutch Shell** benefitted from a rise in the oil price and a return to modest dividend growth following the rebasing last year.
4. **Henderson Opportunities Trust ('HOT')** performed well in net asset value terms and its discount to net asset value narrowed. The position was modestly reduced following strong performance but continues to be held within the portfolio, as it brings early stage company exposure while paying a growing dividend. Note the position in HOT is excluded when calculating the Company's management fee since it is also managed by Janus Henderson Investors.
5. **Prudential** performed well as it approaches the spin-out of its US business, which should allow investors to focus on the faster growing Asian business.

The top five detractors to absolute returns were:

	Share price total return (%)	Contribution to return (%)
GlaxoSmithKline	-8.6	-0.4
4D Pharma	-30.9	-0.4
SIMEC Atlantis Energy	-65.6	-0.3
Pennon Group	-15.0	-0.2
XP Power	-9.5	-0.1

Examining each in turn:

1. **GlaxoSmithKline** reported disappointing 2021 guidance, as one of its key products (a shingles vaccine) continues to see sales materially impacted by COVID-19.
2. **4D Pharma**, an early stage drug development company, agreed a merger with a special purpose acquisition company in order to further fund their research & development spend. The progress towards commercialising their pipeline of predominantly oncology products remains slower than originally anticipated.
3. **SIMEC Atlantis Energy** is aiming to convert a coal fired power plant in Wales to one that uses waste pellets (for example of non-recyclable plastics). This is an ambitious project that involves the drawing together of planning permissions, environmental permits, financing and offtake agreements. As a result of this complexity the timeline for reaching full commercialisation has been pushed back. The position is very small.
4. **Pennon Group** had outperformed during the previous financial year following the sale of its waste management business. In the current financial year it lagged a rising market as a result of its more defensive exposure. The position was sold in the first quarter of this calendar year as it reached what we saw as a fair valuation.
5. **XP Power** fell modestly having performed well since the position was purchased in early 2019. The position was sold in the fourth quarter of calendar 2020.

### Income review

Earnings per share were 12.8p during the first half, compared to 22.2p and 14.5p in the first half of 2019 and 2020 respectively. Earnings per share were down in the first half of the year relative to 2020 levels as the first approximately four months of the previous financial year were not impacted by the pandemic. We are expecting investment income for the full year to rise meaningfully as there are timing differences, with a number of the resumed final dividends becoming ex dividend in April (shortly after the Company's half year end).

The majority of companies that suspended their dividends in FY20, with the exception of the most affected areas such as leisure, physical retail and civil aerospace, have resumed dividend payments. This resumption has been most recent in the banks, following the announcement from the PRA in December that dividends were allowed to resume.

The magnitude of further dividend growth from these levels will be dependent on the shape of the earnings recovery. Given the Company's exposure to small- and medium-sized companies that are, on average, more domestically focused than larger companies, for this portfolio the determining factor in dividend growth will be the speed of the domestic recovery.

As we are still at a relatively early stage in the economic recovery, with a large amount of unknowns (such as whether consumers will choose to spend the excess savings built up over the past year), it remains difficult to forecast future investment income with any degree of precision. We do, however, expect further growth in income from these levels as the worst affected sectors are able to re-open, and sectors such as banks return to more normalised dividend pay-out ratios.

### Activity

During the period the exposure to companies that will benefit from the economy recovering was increased. The pick-up in activity could result in an increase in inflation over time as companies gain some pricing power. The evidence for inflation becoming a growing concern has been the recent weakness in the Gilt market. An increase in long term interest rates should help Banks with their lending margins. The positions in **Barclays**, **Lloyds**, **HSEB** and **Natwest** were increased as a result, while **Pennon** (a water utility) was sold as the valuation looked demanding given the rise in long term interest rates.

The position in **RSA** was increased early in the period because the valuation metrics suggested it was cheap even though there was no obvious short-term catalyst to inspire confidence on the trading front. However, because of the long-term value it offered it received an agreed offer from an insurance consortium at around a

40% premium to its undisturbed price. We subsequently sold the holding and some of the proceeds were used to buy **M&G** shares. It may become an increasing theme, if stock market investors do not look through short term issues and long-term value is evident, more companies will receive bid approaches from other companies in their industry.

On valuation grounds we sold the holding in **Croda** and started to build up one in **Vertu**, a motor vehicle distributor. The company has a highly respected management and should benefit from the economic recovery.

#### Environmental, social and governance (ESG) considerations

The core principles that are at the root of a sound approach to ESG matters have always formed an implicit part of Lowland's investment process. With the subject growing in prominence we are seeking to improve disclosure with shareholders, with further details to come in the annual report. These issues are important not only as a standalone objective (in order to allocate the capital of the Company to companies with the most responsible and sustainable practices), but it is also crucial for us as fund managers to identify the key opportunities and risks for any companies either held in or under consideration for the portfolio.

Our approach does not extend to the exclusion of specific sectors (such as fossil fuels). Some fossil fuel companies held (such as BP and Royal Dutch Shell) will form a necessary part of the energy transition and are spending material sums shifting their portfolios towards renewable energy. It continues to be our view that engagement is more conducive to change than exclusion.

#### Outlook

The economy is opening up, with consumer demand returning along with corporate capital spend projects that had been on hold now being actioned. This is happening after a period in which companies have been reducing their cost base and refocusing their business as a response to the uncertainties around the pandemic. The pick-up in sales on the reduced cost base will lead to an improvement in operating margins. The estimates investors have for many stocks may prove to be too low. It is better than expected earnings that is driving share prices upwards. Prices have made a good recovery from the levels to which they fell at the end of the first quarter last year. However, the portfolio remains reasonably geared as we do not believe that the market is fully pricing in the likely economic recovery and the much improved outlook for profits.

**James Henderson and Laura Foll**  
**Fund Managers**  
**25 May 2021**

### **Related party transactions**

The Company's current related parties are its Directors and Janus Henderson. There have been no material transactions between the Company and its Directors during the year and the only amounts paid to them were in respect of Directors' remuneration and expenses incurred on the Company's business, for which there were no outstanding amounts payable at the period end.

In relation to the provision of services by Janus Henderson, other than fees payable by the Company in the ordinary course of business and the provision of sales and marketing services, there have been no material transactions with Janus Henderson affecting the financial position of the Company during the year under review.

### **Principal risks and uncertainties**

The principal risks and uncertainties associated with the Company's business can be divided into various areas:

Global pandemic;  
Investment activity and strategy;  
Portfolio and market price;  
Dividend income;  
Financial;  
Gearing;  
Tax and regulatory; and  
Operational.

Information on these risks and how they are managed is given in the Annual Report for the year ended 30 September 2020. In the view of the Board, these principal risks and uncertainties are as applicable to the remaining six months of the financial year as they were to the six months under review.

### **Statement of Directors' Responsibilities**

The Directors confirm that, to the best of their knowledge:

- (a) the set of financial statements for the half-year to 31 March 2021 has been prepared in accordance with "FRS 104 Interim Financial Reporting";
- (b) the Interim Management Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) the Interim Management Report includes a fair review of the information required by the Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

**For and on behalf of the Board**

**Robert Robertson**

**Chairman**

**25 May 2021**

## PORTFOLIO INFORMATION

As at 31 March 2021

Company	Sector	Market value £'000	% of portfolio
Phoenix	Life Insurance	12,278	3.0
GlaxoSmithKline	Pharmaceuticals and Biotechnology	10,368	2.5
Prudential	Life Insurance	10,013	2.4
Royal Dutch Shell	Oil and Gas	9,641	2.3
Severn Trent	Gas Water and Multi-utilities	8,648	2.1
Ilika <sup>1</sup>	Electronic and Electrical Equipment	8,417	2.0
HSBC	Banks	8,168	2.0
Aviva	Life Insurance	8,164	2.0
Morgan Advanced Materials	Electronic and Electrical Equipment	7,398	1.8
Relx	Media	7,276	1.8
<b>10 Largest</b>		<b>90,371</b>	<b>21.9</b>
BP	Oil and Gas	7,219	1.8
K3 Capital <sup>1</sup>	Investment Banking and Brokerage Services	7,063	1.7
National Grid	Gas Water and Multi-utilities	7,056	1.7
M&G	Investment Banking and Brokerage Services	7,052	1.7
Irish Continental (Ireland)	Industrial Transportation	6,998	1.7
Rio Tinto	Industrial Metals and Mining	6,938	1.7
Vodafone	Telecommunications Service Providers	6,882	1.7
Standard Chartered	Banks	6,637	1.6
Direct Line	Non-life Insurance	6,579	1.6
Barclays	Banks	6,321	1.5
<b>20 Largest</b>		<b>159,116</b>	<b>38.6</b>
Standard Life Aberdeen	Investment Banking and Brokerage Services	6,062	1.5
Anglo American	Industrial Metals and Mining	5,969	1.5
Hiscox	Non-life Insurance	5,950	1.4
Somero Enterprises <sup>1</sup> (USA)	Industrial Engineering	5,812	1.4
Redde Northgate	Industrial Transportation	5,711	1.4
Natwest	Banks	5,691	1.4
Lloyds Banking	Banks	5,636	1.4
Mondi	General Industrials	5,550	1.3
Henderson Opportunities Trust	Closed End Investments – Investment Trust focusing primarily on UK smaller companies	5,460	1.3
Epwin <sup>1</sup>	Construction and Materials	5,349	1.3
<b>30 Largest</b>		<b>216,306</b>	<b>52.5</b>
Halfords	Retailers	5,320	1.3
Headlam	Household Goods and Home Construction	5,097	1.2
IP Group	Investment Banking and Brokerage Services	4,969	1.2
Land Securities	Real Estate Investment Trusts	4,831	1.2
TT Electronics	Technology Hardware and Equipment	4,804	1.2
DS Smith	General Industrials	4,744	1.2
Senior	Aerospace and Defence	4,652	1.1
Randall & Quilter <sup>1</sup>	Non-life Insurance	4,634	1.1
BAE Systems	Aerospace and Defence	4,545	1.1
Clarkson	Industrial Transportation	4,437	1.1
<b>40 Largest</b>		<b>264,339</b>	<b>64.2</b>
FBD (Ireland)	Non-life Insurance	4,434	1.1
Numis <sup>1</sup>	Investment Banking and Brokerage Services	4,430	1.1
IMI	Electronic and Electrical Equipment	4,383	1.0
Hill & Smith	Industrial Metals and Mining	4,300	1.0
Hipgnosis	Closed End Investments – Investment Trust investing in song back catalogues.	4,292	1.0
BT Group	Telecommunications Service Providers	4,180	1.0
Balfour Beatty	Construction and Materials	4,154	1.0
Marks & Spencer	Retailers	3,997	1.0
Studio Retail	Retailers	3,978	1.0
Castings	Industrial Engineering	3,954	1.0

<b>Company</b>	<b>Sector</b>	<b>Market value £'000</b>	<b>% of portfolio</b>
<b>50 Largest</b>		<b>306,441</b>	<b>74.4</b>
Bellway	Household Goods and Home Construction	3,914	0.9
Tesco	Personal Care, Drug and Grocery Stores	3,794	0.9
AstraZeneca	Pharmaceuticals and Biotechnology	3,732	0.9
STV	Media	3,663	0.9
St Modwen Properties	Real Estate Investment and Services	3,610	0.9
Anexo <sup>1</sup>	Industrial Support Services	3,380	0.8
International Personal Finance	Finance and Credit Services	3,316	0.8
Eleco <sup>1</sup>	Software and Computer Services	3,311	0.8
Hammerson	Real Estate Investment Trusts	3,233	0.8
Palace Capital	Real Estate Investment Trusts	3,195	0.8
<b>60 Largest</b>		<b>341,589</b>	<b>82.9</b>
Tyman	Construction and Materials	3,166	0.8
Ten Entertainment	Travel and Leisure	3,061	0.7
Chesnara	Life Insurance	3,013	0.7
H&T Group <sup>1</sup>	Finance and Credit Services	2,940	0.7
Vitec	Industrial Engineering	2,931	0.7
Elementis	Chemicals	2,761	0.7
Churchill China <sup>1</sup>	Household Goods and Home Construction	2,706	0.7
Helical	Real Estate Investment and Services	2,688	0.7
Euromoney	Industrial Support Services	2,624	0.6
Johnson Service <sup>1</sup>	Industrial Support Services	2,550	0.6
<b>70 Largest</b>		<b>370,029</b>	<b>89.8</b>
Rolls-Royce	Aerospace and Defence	2,510	0.6
Ibstock	Construction and Materials	2,484	0.6
Vertu Motors <sup>1</sup>	Retailers	2,430	0.6
Convatec	Medical Equipment and Services	2,353	0.6
Daily Mail & General Trust	Media	2,312	0.6
Ricardo	Construction and Materials	2,234	0.5
Reach	Media	2,155	0.5
Renold <sup>1</sup>	Industrial Engineering	2,145	0.5
Provident Financial	Finance and Credit Services	2,028	0.5
Secure Income REIT <sup>1</sup>	Real Estate Investment Trusts	1,977	0.5
<b>80 Largest</b>		<b>392,657</b>	<b>95.3</b>
Oxford Sciences Innovation <sup>2</sup>	Pharmaceuticals and Biotechnology	1,920	0.5
Alpha Financial Markets <sup>1</sup>	Industrial Support Services	1,890	0.5
Shoe Zone <sup>1</sup>	Retailers	1,496	0.4
Centrica	Gas Water and Multi-utilities	1,489	0.4
Appreciate <sup>1</sup>	Finance and Credit Services	1,473	0.3
Sabre Insurance	Non-life Insurance	1,324	0.3
Airea <sup>1</sup>	Household Goods and Home Construction	1,238	0.3
Carclo	General Industrials	1,067	0.3
Jadestone Energy <sup>1</sup>	Oil and Gas	1,018	0.2
Indus Gas <sup>1</sup>	Oil and Gas	981	0.2
<b>90 Largest</b>		<b>406,553</b>	<b>98.7</b>
Finsbury Food Group <sup>1</sup>	Food Producers	847	0.2
Esken	Industrial Transportation	804	0.2
Wadworth - Ordinary shares <sup>2</sup>	Travel and Leisure	743	0.2
Velocys <sup>1</sup>	Alternative Energy	594	0.1
Serica Energy <sup>1</sup>	Oil and Gas	563	0.1
SIMEC Atlantis Energy <sup>1</sup>	Alternative Energy	397	0.1
Severfield	Construction and Materials	350	0.1
Faron Pharmaceuticals <sup>1</sup> (Finland)	Pharmaceuticals and Biotechnology	335	0.1
Premier Oil	Oil and Gas	280	0.1
Wadworth - Preference shares <sup>2</sup>	Travel and Leisure	126	-
<b>100 Largest</b>		<b>411,592</b>	<b>99.9</b>

<sup>1</sup> AIM Stocks

<sup>2</sup> Unlisted Investments

Source: Janus Henderson

## CONDENSED INCOME STATEMENT

	(Unaudited) Half-year ended 31 March 2021			(Unaudited) Half-year ended 31 March 2020			(Audited) Year ended 30 September 2020		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	-	91,266	91,266	-	(114,880)	(114,880)	-	(98,742)	(98,742)
Income from investments	4,477	-	4,477	4,913	-	4,913	11,124	-	11,124
Other interest receivable and similar income	57	-	57	81	-	81	128	-	128
	-----	-----	-----	-----	-----	-----	-----	-----	-----
<b>Gross revenue and capital gains/(losses)</b>	<b>4,534</b>	<b>91,266</b>	<b>95,800</b>	4,994	(114,880)	(109,886)	11,252	(98,742)	(87,490)
Management fee and performance fee (note 2)	(409)	(409)	(818)	(433)	(432)	(865)	(835)	(836)	(1,671)
Other administrative expenses (note 2)	(378)	-	(378)	(259)	-	(259)	(547)	-	(547)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
<b>Net return/(loss) before finance costs and taxation</b>	<b>3,747</b>	<b>90,857</b>	<b>94,604</b>	4,302	(115,312)	(111,010)	9,870	(99,578)	(89,708)
Finance costs	(275)	(275)	(550)	(315)	(315)	(630)	(594)	(593)	(1,187)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
<b>Net return/(loss) before taxation</b>	<b>3,472</b>	<b>90,582</b>	<b>94,054</b>	3,987	(115,627)	(111,640)	9,276	(100,171)	(90,895)
Taxation on net return	(17)	-	(17)	(75)	-	(75)	(144)	-	(144)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
<b>Net return/(loss) after taxation</b>	<b>3,455</b>	<b>90,582</b>	<b>94,037</b>	3,912	(115,627)	(111,715)	9,132	(100,171)	(91,039)
	=====	=====	=====	=====	=====	=====	=====	=====	=====
<b>Return/(loss) per ordinary share – basic and diluted (note 3)</b>	<b>12.8p</b>	<b>335.3p</b>	<b>348.1p</b>	14.5p	(428.0p)	(413.5p)	33.8p	(370.7p)	(336.9p)
	=====	=====	=====	=====	=====	=====	=====	=====	=====

The total columns of this statement represent the Income Statement of the Company, prepared in accordance with FRS 104. The revenue and capital columns are supplementary to this and are published under guidance from the Association of Investment Companies.

The Company has no recognised gains or losses other than those disclosed in the Income Statement and Statement of Changes in Equity.

All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

The accompanying notes are an integral part of the condensed financial statements.

## CONDENSED STATEMENT OF CHANGES IN EQUITY

	(Unaudited) Half-year ended 31 March 2021					
	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 1 October 2020	6,755	61,619	1,007	197,968	11,304	278,653
Net return after taxation	-	-	-	90,582	3,455	94,037
Third interim dividend (15.0p) for the year ended 30 September 2020	-	-	-	-	(4,053)	(4,053)
Final dividend (15.0p) for the year ended 30 September 2020	-	-	-	-	(4,053)	(4,053)
Refund of unclaimed distributions	-	-	-	-	30	30
<b>At 31 March 2021</b>	<b>6,755</b>	<b>61,619</b>	<b>1,007</b>	<b>288,550</b>	<b>6,683</b>	<b>364,614</b>

	(Unaudited) Half-year ended 31 March 2020					
	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 1 October 2019	6,755	61,619	1,007	298,139	18,384	385,904
Net (loss)/return after taxation	-	-	-	(115,627)	3,912	(111,715)
Third interim dividend (15.0p) for the year ended 30 September 2019	-	-	-	-	(4,053)	(4,053)
Final dividend (15.0p) for the year ended 30 September 2019	-	-	-	-	(4,053)	(4,053)
<b>At 31 March 2020</b>	<b>6,755</b>	<b>61,619</b>	<b>1,007</b>	<b>182,512</b>	<b>14,190</b>	<b>266,083</b>

	(Audited) Year ended 30 September 2020					
	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 1 October 2019	6,755	61,619	1,007	298,139	18,384	385,904
Net (loss)/return after taxation	-	-	-	(100,171)	9,132	(91,039)
Third interim dividend (15.0p) for the year ended 30 September 2019	-	-	-	-	(4,053)	(4,053)
Final dividend (15.0p) for the year ended 30 September 2019	-	-	-	-	(4,053)	(4,053)
First interim dividend (15.0p) for the year ended 30 September 2020	-	-	-	-	(4,053)	(4,053)
Second interim dividend (15.0p) for the year ended 30 September 2020	-	-	-	-	(4,053)	(4,053)
<b>At 30 September 2020</b>	<b>6,755</b>	<b>61,619</b>	<b>1,007</b>	<b>197,968</b>	<b>11,304</b>	<b>278,653</b>

The accompanying notes form an integral part of these condensed financial statements.

## CONDENSED STATEMENT OF FINANCIAL POSITION

	(Unaudited) As at 31 March 2021 £'000	(Unaudited) As at 31 March 2020 £'000	(Audited) As at 30 September 2020 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss (note 4)	411,873	311,793	320,550
	-----	-----	-----
<b>Current assets</b>			
Debtors	1,931	4,039	2,424
Cash at bank	3,468	1,137	3,232
	-----	-----	-----
	5,399	5,176	5,656
<b>Creditors: amounts falling due within one year</b>	(22,872)	(21,112)	(17,772)
	-----	-----	-----
<b>Net current liabilities</b>	(17,473)	(15,936)	(12,116)
	-----	-----	-----
<b>Total assets less current liabilities</b>	394,400	295,857	308,434
	-----	-----	-----
<b>Creditors: amounts falling due after more than one year</b>	(29,786)	(29,774)	(29,781)
	-----	-----	-----
<b>Net assets</b>	364,614	266,083	278,653
	=====	=====	=====
<b>Capital and reserves</b>			
Called up share capital	6,755	6,755	6,755
Share premium account	61,619	61,619	61,619
Capital redemption reserve	1,007	1,007	1,007
Other capital reserves	288,550	182,512	197,968
Revenue reserve	6,683	14,190	11,304
	-----	-----	-----
<b>Total shareholders' funds</b>	364,614	266,083	278,653
	=====	=====	=====
<b>Net asset value per ordinary share – basic and diluted</b> (note 7)	1,349.5p	984.8p	1,031.3p
	=====	=====	=====

The accompanying notes form an integral part of these condensed financial statements.

## CONDENSED STATEMENT OF CASH FLOWS

	(Unaudited) Half-year ended 31 March 2021 £'000	(Unaudited) Half-year ended 31 March 2020 £'000	(Audited) Year ended 30 September 2020 £'000
<b>Cash flows from operating activities</b>			
Net gain/(loss) before taxation	94,054	(111,640)	(90,895)
Add back: finance costs	550	630	1,187
Add: (gains)/losses on investments held at fair value through profit or loss	(91,266)	114,880	98,742
Withholding tax on dividends deducted at source	(10)	(111)	(177)
(Increase)/decrease in debtors	(1,010)	791	814
Decrease in creditors	(81)	(609)	(784)
	-----	-----	-----
<b>Net cash inflow from operating activities</b>	<b>2,237</b>	<b>3,941</b>	<b>8,887</b>
	-----	-----	-----
<b>Cash flows from investing activities</b>			
Purchase of investments	(37,124)	(26,205)	(53,045)
Sale of investments	38,771	31,693	67,917
	-----	-----	-----
<b>Net cash inflow from investing activities</b>	<b>1,647</b>	<b>5,488</b>	<b>14,872</b>
<b>Cash flows from financing activities</b>			
Equity dividends paid (net of refund of unclaimed distributions and reclaimed distributions)	(8,076)	(8,106)	(16,212)
Net loans drawn down/(repaid)	4,992	(1,554)	(5,109)
Interest paid	(541)	(640)	(1,207)
	-----	-----	-----
<b>Net cash outflow from financing activities</b>	<b>(3,625)</b>	<b>(10,300)</b>	<b>(22,528)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
	<b>259</b>	<b>(871)</b>	<b>1,231</b>
Cash and cash equivalents at start of year	3,232	2,008	2,008
Effect of foreign exchange rates	(23)	-	(7)
	-----	-----	-----
<b>Cash and cash equivalents at end of year</b>	<b>3,468</b>	<b>1,137</b>	<b>3,232</b>
	=====	=====	=====
<b>Comprising:</b>			
Cash at bank	3,468	1,137	3,232
	=====	=====	=====

The accompanying notes are an integral part of these condensed financial statement.

## NOTES TO THE FINANCIAL STATEMENTS

The half-year financial statements cover the period from 1 October 2020 to 31 March 2021 and have not been audited or reviewed by the Company's auditors.

### 1. Accounting policies – basis of preparation

The condensed set of financial statements has been prepared in accordance with FRS 104, Interim Financial Reporting, FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Statement of Recommended Practice for "Financial Statements of Investment Trust Companies and Venture Capital Trusts" which was issued by the Association of Investment Companies in October 2019.

The accounting policies applied are consistent with those of the most recent annual financial statements for the year ended 30 September 2020.

### 2. Expenses

Management fees and finance costs are charged 50% to revenue and 50% to capital. All other administrative expenses are charged wholly to revenue. Performance fees were previously charged wholly to capital, but with effect from 1 October 2020 the performance fee was removed. There was no performance fee payable as at 31 March 2020 or 30 September 2020. Expenses which are incidental to the purchase or sale of an investment are included in the cost or deducted from the proceeds of sale of the investment.

### 3. Return per ordinary share – basic and diluted

	(Unaudited) Half-year ended 31 March 2021 £'000	(Unaudited) Half-year ended 31 March 2020 £'000	(Audited) Year ended 30 September 2020 £'000
The return/(loss) per ordinary share is based on the following figures:			
Net revenue return	3,455	3,912	9,132
Net capital return/(loss)	90,582	(115,627)	(100,171)
Net total return/(loss)	94,037	(111,715)	(91,039)
Weighted average number of ordinary shares in issue for each period	27,018,565	27,018,565	27,018,565
Revenue return per ordinary share	12.8p	14.5p	33.8p
Capital return/(loss) per ordinary share	335.3p	(428.0p)	(370.7p)
Total return/(loss) per ordinary share	348.1p	(413.5p)	(336.9p)

The Company does not have any dilutive securities; therefore, basic and diluted returns per share are the same.

### 4. Fair value of financial assets and liabilities

The table below analyses fair value measurements for investments held at fair value through profit or loss. These fair value measurements are categorised into different levels in the fair value hierarchy based on the valuation techniques used and are defined as follows:

Level 1: valued using quoted prices in active markets for identical assets

Level 2: valued by reference to valuation techniques using observable inputs other than quoted prices included in Level 1

Level 3: valued by reference to valuation techniques using inputs that are not based on observable market data

<b>Investments held at fair value through profit or loss at 31 March 2021 (unaudited)</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
<b>Investments</b>	<b>409,084</b>	<b>-</b>	<b>2,789</b>	<b>411,873</b>
Investments held at fair value through profit or loss at 31 March 2020 (unaudited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	309,385	-	2,408	311,793
Investments held at fair value through profit or loss at 30 September 2020 (audited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	318,055	-	2,495	320,550

A reconciliation of movements within Level 3 is set out below:

	<b>2020 £'000</b>
Opening balance	<b>2,495</b>
Disposal proceeds	-
Transfers in	-
Total gain/loss included in the Income Statement	-
– on investments written off	-
– on investments held	<b>294</b>
<b>Closing balance</b>	<b><u>2,789</u></b>

The valuation techniques used by the Company are explained in the accounting policies note in the Company's Annual Report for the year ended 30 September 2020.

The fair value of the senior unsecured loan notes at 31 March 2021 has been estimated to be £33,661,000 (31 March 2020: £36,221,000; 30 September 2020: £36,624,000). The fair value of the senior unsecured loan notes is calculated using a discount rate which reflects the yield on a UK Gilt of similar maturity plus a suitable credit spread.

The senior unsecured loan notes are categorised as level 3 in the fair value hierarchy.

## **5. Share Capital**

At 31 March 2021 there were 27,018,565, ordinary shares of 25p each in issue (31 March 2020: 27,018,565; 30 September 2020: 27,018,565). During the half-year ended 31 March 2021 no shares were issued or bought back (31 March 2020 and 30 September 2020: no shares were issued or bought back).

## **6. Transaction costs**

Purchase transaction costs for the half-year ended 31 March 2021 were £174,000 (31 March 2020: £135,000; 30 September 2020: £229,000). Sale transaction costs for the half-year ended 31 March

2021 were £15,000 (31 March 2020: £14,000; 30 September 2020: £29,000). These comprise mainly stamp duty and commission.

#### **7. Net asset value per ordinary share – basic and diluted**

The net asset value per ordinary share of 1,349.5p (31 March 2020: 984.8p; 30 September 2020: 1,031.3p) is based on the net assets attributable to the ordinary shares of £364,614,000 (31 March 2020: £266,083,000; 30 September 2020: £278,653,000) and on 27,018,565 ordinary shares (31 March 2020 and 30 September 2020: 27,018,565), being the number of ordinary shares in issue at the end of each period.

#### **8. Dividend**

On 30 April 2021, a first interim dividend of 15.0p (2020: 15.0p) per ordinary share was paid in respect of the year ending 30 September 2021. A second interim dividend of 15.0p per ordinary share has been declared and will be paid on 30 July 2021 to shareholders on the register of members at the close of business on 2 July 2021. The ex-dividend date will be 1 July 2021. Based on the number of shares in issue on 21 May 2021 of 27,018,565, the cost of the dividend will be £4,053,000 (second interim dividend for the year ended 30 September 2020: £4,053,000).

#### **9. Going concern**

The assets of the Company consist of securities that are readily realisable. The Directors have also considered the impact of COVID-19, including the impact of income and gearing, and believe that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Having assessed these factors and the principal risks, the Board has determined that it is appropriate for the financial statements to be prepared on a going concern basis.

#### **10. Comparative Information**

The financial information contained in this half-year report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the half-years ended 31 March 2021 and 31 March 2020 has not been audited nor reviewed by the Company's auditor.

The figures and financial information for the year ended 30 September 2020 are extracted from the latest published accounts and do not constitute the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the independent auditors, which was unqualified and did not include a statement under either section 498(2) or 498(3) of the Companies Act 2006.

A glossary of terms and details of alternative performance measures can be found in the Annual Report for the year ended 30 September 2020.

#### **11. Manager**

Henderson Investment Funds Limited ('HIFL') is appointed to act as the Company's Alternative Investment Fund Manager. HIFL delegates investment management services to Henderson Global Investors Limited. References to Janus Henderson within these results refer to the services provided by both entities.

#### **12. General information**

##### **Company Status**

The Company is a UK-domiciled investment trust company. The registered number is 670489.

The London Stock Exchange Daily Official List SEDOL number is 0536806

The ISIN number is GB0005368062.

The London Stock Exchange (TIDM) Code is LWI.

The Global Intermediary Identification Number (GIIN) is 2KBHLK.99999.SL.826.  
The Legal Entity Identifier Number (LEI) is 2138008RHG5363FEHV19

### **Directors**

The Directors of the Company are Robert Robertson (Chairman), Gaynor Coley (Audit Committee Chairman), Duncan Budge, Karl Sternberg, Helena Vinnicombe and Thomas Walker.

### **Corporate Secretary**

Henderson Secretarial Services Limited, represented by Helena Harvey ACG.  
Email: ITSecretariat@janushenderson.com

### **Registered Office**

201 Bishopsgate, London EC2M 3AE.

### **Website**

Details of the Company's share price and net asset value, together with general information about the Company, monthly factsheets and data, copies of announcements, reports and details of general meetings can be found at [www.lowlandinvestment.com](http://www.lowlandinvestment.com).

### **13. Half-year report**

The half-year report will shortly be available on the Company's website or in hard copy from the Company's registered office. An abbreviated version of the half-year report, the 'Update', will be posted to shareholders in June 2021. The Update will also be available on the Company's website, and hard copies will be available at the Company's registered office, 201 Bishopsgate, London EC2M 3AE.

For further information, please contact:

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***Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.***