KEY INVESTOR INFORMATION

# Lowland Investment Company plc

ISIN: GB0005368062 (as at 30 September 2016)

**This Key Investor Information Document ("KIID") provides you with information about this Company. The information provided will help you understand the nature and risks of investing in this Company. You are advised to read it so you make an informed decision about whether to invest.**

## 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 through 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 all sizes of companies. It is not hindered by the weightings of an index but rather seeks value in a diversified range of companies with normally not more than half by value coming from the largest 100 UK companies and the balance from small and medium sized companies.

The Company aims to provide shareholders with dividend growth. This will be achieved by investing in shares that usually have a reasonable dividend yield and prospects for dividend growth some time in the future.

**Gearing**
The Company will at times borrow money both short and longer term in order to enhance performance. The gearing will not exceed 29.9% of equity shareholders' funds other than in exceptional circumstances, nor will equities represent less than 70% of the Company's net asset value.

**General**
It is the stated investment policy of the Company to invest no more than 15% of its gross assets in other listed investment companies (including listed investment trusts).

## Risk ratings

**Numis risk rating: Average**
(Source: Numis, June 2017).

The basis of Numis' risk rating is that the UK equity market is considered average risk for a UK based investor. Trusts are classified into one of six categories depending on their risk characteristics relative to a broad index of the UK equity market. It should be noted that all funds carry a degree of risk, and "Below Average" funds may still fall in value and you may not get back the amount originally invested.

## Investment risks

Some of the investments in this portfolio are in smaller companies shares. They may be more difficult to buy and sell and their share price may fluctuate more than that of larger companies.

Please remember that past performance is not a guide to future performance. The value of investments and the income from them can fall as well as rise and you may not get back the amount originally invested.

Further details on the risks relevant to this Company are set out in the Company's Annual Report and Financial Statements which is available at www.lowlandinvestment.com and in the supplemental information to this KIID.

## Investment charges

The costs of running the Company, including the costs of managing and distributing it, are indirectly passed onto investors and are known collectively as 'ongoing charges'. These charges are incurred by the Company and therefore reduce the potential growth of your investment.

When investing through a third party provider such as a share dealing service, you are advised to consult them as to any charges they make, for example a transaction charge when purchasing shares, or an account administration fee. These charges can differ between providers.

When buying shares in a UK listed company, the Government also charges Stamp Duty. This may be payable by you on purchases of this investment trust's shares.

**Management fee**
The management fee is charged at 0.5% per annum of Net Chargeable Assets will up to the first £375m of Net Chargeable Assets. With effect from 1 July 2017, a reduced management fee of 0.4% per annum on Net Chargeable Assets above £375m will apply.

**Performance fee**
The performance fee will be 15% of any outperformance on a total return basis of Lowland's benchmark (currently the FTSE All Share Index, total return) by more than 10% (the 'hurdle rate') over the average of the last three years. The performance fee, plus the management fee described above, will be capped at 0.25% per annum of average Net Chargeable Assets in any one year. The maximum of fees payable will therefore be 0.75% per annum on the first £375m of Net Chargeable Assets and 0.65% per annum in excess thereof.

Net Chargeable Assets for the purpose of the fee arrangements should reflect the unsecured loan note at fair value.

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The Company defines Net Chargeable Assets as total assets less current liabilities and without any limitation any borrowings for investment purposes but excluding the value of any investment in funds managed by Henderson and any investment in Henderson Group plc.

Any performance fee paid is charged to the capital return column of the Income Statement whereas the management fee is charged to the revenue return column. No performance fee will be payable if the net asset value per share on the last day of the relevant calculation period is lower than the net asset value per share on the first day of that calculation period.

## Ongoing charge

The Company's ongoing charge (excluding the performance fee) for the year ended 30 September 2016 was 0.63% (2015:0.60%) and including the performance fee was 0.63% (2015: 0.85%).

The ongoing charge reflects those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the Company as a collective fund, excluding the cost of acquisition or disposal of investments, financing costs and gains or losses arising on investments. The ongoing charge is based on actual costs incurred in the year as being the best estimate of future costs, excluding any performance fees, in accordance with the AIC methodology prescribed by the AIC and is the annualised ongoing charge expressed as a percentage of the average aggregate NAV in the period.

## Key terms

**Gearing:** The gearing percentage reflects the amount of borrowings (i.e. bank loans) the Company has used to invest in the market. In a falling market, the gearing effect could have a negative contribution to performance, whereas in a rising market it will have a positive contribution.

**Net Asset Value ('NAV') per ordinary share:** The value of the Company's assets (e.g. investments and cash held) less any liabilities (e.g. bank loans) for which the Company is responsible, divided by the number of shares in issue. The aggregate NAV is also referred to as shareholders' funds on the Balance Sheet. The NAV is published daily.

**Share price:** Closing mid-market share price at month end.

**Discount/premium:** The amount by which the price per share of an investment trust is either lower (at a discount) or higher (at a premium) than the net asset value per share (cum income), expressed as a percentage of the net asset value per share.

## Past performance

Up to date performance information is available on the website www.lowlandinvestment.com, together with the latest net asset value per share and share price information.

**Annual performance (cum income) (%)**

| Discrete year performance % change | Share price | NAV |
|---|---|---|
| 30/09/2015 to 30/09/2016 | 7.4 | 12.2 |
| 30/09/2014 to 30/09/2015 | -2.2 | 0.8 |
| 30/09/2013 to 30/09/2014 | 4.9 | 5.7 |
| 30/09/2012 to 30/09/2013 | 37.6 | 33.4 |
| 30/09/2011 to 30/09/2012 | 35.3 | 29.1 |
| 30/09/2010 to 30/09/2011 | 12.8 | 8.8 |

Source: Morningstar.

**Please remember that past performance is not a guide to future performance.**

## Practical information

**www.lowlandinvestment.com**
0800 832 832

## How to invest

The Company is listed on the London Stock Exchange and shares can be purchased or sold via a stockbroker, bank or other agent authorised to act in this regard. Investing is easy with our partners. Choose which account is right for you and then simply give your trading instructions online or by phone. These are:

- ATS
- Barclays Stockbrokers (www.barclaysstockbrokers.co.uk)
- Halifax Share Dealing (www.halifax.co.uk/sharedealing)
- Hargreaves Lansdown (www.hl.co.uk/shares/share-dealing)
- Interactive Investor (www.iii.co.uk/investing)
- Selftrade (www.selftrade.co.uk)
- TD Direct

A number of other providers can be found at **www.thewma.co.uk;** each provider will charge fees according to their terms and conditions.

Investors should also consider the supplementary information contained in this KIID.

Before investing in an investment trust referred to in this document, you should satisfy yourself as to its suitability and risks involved, you may wish to consult a financial adviser.

Contact us
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Website: **lowlandinvestment.com**

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SUPPLEMENTARY INFORMATION

# Lowland Investment Company plc

ISIN: GB0005368062

**Potential investors should consider the Key Investor Information Document ("KIID") and this supplementary information before making an investment. The information provided accords with the requirements of the Financial Conduct Authority ("FCA") Rules implementing the Alternative Investment Fund Managers Directive ("AIFMD") in the United Kingdom.**

**Investors should also consider the Company's latest Annual Report and Financial Statements and/or half year results which are available on the website www.lowlandinvestment.com.**

## Status

The Company, registered in England and Wales, is an investment company as defined in the Companies Act 2006 and operates as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010. It is subject to the UK Listing Authority's Listing Rules, the Disclosure, Guidance and Transparency Rules and the UK Corporate Governance Code and is subject to English law on the recognition and enforcement of judgements.

The Company is governed by its Articles of Association, the provisions of which are binding on the Company and its shareholders. They set out the respective rights and restrictions attaching to the Company's shares. Under English law, the following types of claim may in certain circumstances be brought against a company by its shareholders: contractual claims under its Articles of Association; claims in misrepresentation in respect of statements made in its prospectus and other marketing documents; unfair prejudice claims, and derivative actions. In the event that a shareholder considers that it may have a claim against the Company in connection with such investment in the Company, such shareholder should consult its own legal advisers. The Company is an Alternative Investment Fund (**"AIF"**) for the purposes of the AIFMD.

## Shareholders rights

All shareholders have equal rights and do not have the right to have their shares redeemed or purchased by the Company. Subject to shareholder approval the Company has authority to issue new shares or sell shares from treasury to satisfy demand from shareholders without rights of pre-emption applying; this authority is limited to 10% of the shares in issue. The legal and regulatory regime to which the Company and the Directors are subject ensures the fair treatment of investors. The Listing Rules require that the Company treats all shareholders of the same class of shares equally. In particular, as Directors of a company incorporated in the United Kingdom, the Directors have certain statutory duties under the Companies Act 2006 with which they must comply. These include a duty upon each Director to act in the way she or he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. No investor has a right to obtain preferential treatment in relation to their investment in the Company and the Company does not give preferential treatment to any investors.

Purchase of shares in the Company by an investor does not give rise to any contractual relationship between the investor and the Company. While investors acquire an interest in the Company when purchasing shares, the Company is the sole legal and/or beneficial owner of its investments. The liability of shareholders for the debts and other obligations of the Company is limited to the amount unpaid, if any, on the shares held by them.

Shareholders who are "Eligible Complainants" for the purposes of the FCA "Dispute Resolutions Complaints" rules (natural persons, micro-enterprises and certain charities or trustees of a trust) are able to refer any complaints against the Manager to the Financial Ombudsman Service (**"FOS"**) (further details of which are available at www.financial-ombudsman.org.uk). Additionally, shareholders may be eligible for compensation under the Financial Services Compensation Scheme (**"FSCS"**) if they have claims against an FCA authorised service provider (including the Manager) which is in default. There are limits on the amount of compensation available. Further information about the FSCS is at www.fscs.org.uk. To determine eligibility in relation to either the FOS or the FSCS, shareholders should consult the respective websites and speak to their legal advisers.

## Investment restrictions and guidelines

The way in which the Company's portfolio is managed by its Alternative Investment Fund Manager (**"AIFM"**) is governed by its investment objective and policy (as set out in the KIID) and other rules set from time to time by the Board. Material changes to the investment objective and policy can only be made with the approval of shareholders.

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## Administration and management of the Company

**Alternative Investment Fund Manager ("AIFM" or "Manager"): Henderson Investment Funds Limited ("HIFL")**
The service provided by HIFL, which is authorised and regulated by the FCA, is governed by an investment management agreement effective from 22 July 2014, and includes investment and risk management (which is delegated to Henderson Global Investors Limited), and accounting and administration. The management fee charged by HIFL is detailed in the KIID.

Although conflicts of interest could arise from the AIFM and its delegate being members of the same group it is not currently considered that there are material existing conflicts of interest between the AIFM and its delegate. There are policies and procedures in place to monitor the conflicts of interests that may arise in the context of the delegation of certain of the AIFM's functions and should any arise they will be managed to seek to minimise the impact on the investment performance of the Company.

The AIFM holds sufficient professional indemnity cover to meet its obligations under the FCA Rules.

**Company Secretary: Henderson Secretarial Services Limited**
Company secretarial services are provided in accordance with the investment management agreement with HIFL. There are no additional costs to the Company in relation to these services.

**Independent Auditor: Ernst & Young LLP**
The Auditor has a statutory responsibility to report to the members of the Company as a whole in relation to the Company's financial statements, and in particular that they give a true and fair view of the state of the Company's affairs, the profit and cash flows are accurate, and that the financial statements have been properly prepared in accordance with the law and regulations. The Auditor also reviews whether the accounting policies used are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates and the overall presentation of the financial statements.

The fee to be paid to the Auditor is agreed by the Board in advance and is related to the time expected to be spent on each year's audit. Where non-audit services are provided, the fees will be charged on a time spent basis. Details of the fees charged each year are included in the Company's Annual Report and Financial Statements.

**Depositary and Custodian: HSBC Bank plc ("HSBC")**
The Depositary is responsible for providing an independent monitoring role to ensure the Company complies with the requirements brought about by the AIFMD. HSBC delegates the safe-keeping of certain non-UK investments to agents where the jurisdiction of the investment necessitates this. It has not entered into any arrangement to contractually discharge itself of liability in relation to the Company's assets, including those assets in the safe-custody of its agents. Shareholders would be notified of any change in this status via a Regulatory Information Service.

The fee paid to the Depositary is agreed by the Board and contains a fixed and variable element dependent on the size of the Company's assets. The fee charged by the Depositary each year is disclosed in the Company's Annual Report and Financial Statements. The Depositary appoints a custodian; a custody fee is charged at agreed rates dependent on the domicile of the Company's investments.

**Stockbrokers: JP Morgan Cazenove**
JP Morgan Cazenove provides corporate broking services and advice to the Company. There is no annual fee charged for this service.

**Registrar: Computershare Investors Services PLC**
The registrar maintains the Company's register of members and undertakes related services. The fee for the provision of services is agreed by the Board in advance and is based on both fixed and variable cost rates depending on the type of service provided. Details of the fees charged each year are included in the Company's Annual Report and Financial Statements.

## Valuation policy

Actively traded investments are valued using stock exchange prices provided by third party pricing vendors. Investments that are unlisted or not actively traded are valued using a variety of techniques to determine their fair value; all such valuations are reviewed by both the AIFM's fair value pricing committee and by the Directors.

## Key risks

There are certain key risks which may arise from investment in the Company which include:

**Market risk:** The potential for change in market value to which the Company is exposed through movements in market prices as a result of change in conditions applicable to the whole market or individual investment and as regards derivatives, through movements in markets for derivatives or the underlying asset, currency, reference rate or index to which a derivative relates. This includes imperfect correlation between movements in the securities or currency on which a futures or options contract is based and movements in the securities or currencies in the Company.

**Credit/counterparty risk:** The risk of loss to which the Company could be exposed if a counterparty to a transaction fails to perform its contractual obligations. Such risk may be specific to a particular transaction or a more general default.

**Liquidity risk:** The risk to which the Company is exposed if either it has insufficient cash available to meet financial obligations resulting from its investment activities, or there is an inability to trade a particular position at the desired price which arises from the absence of a liquid market for a specific instrument at a particular time due to a lack of market depth or occurrence of a market disruption event.occurrence of a market disruption event.

**Operational risk:** The risk of direct or indirect losses resulting from inadequate or failed internal processes, people and systems and from external events.

The risk management process for the Company is designed to satisfy at least the minimum requirements of the AIFMD; associated European Securities and Market Authority (**"ESMA"**) regulatory technical standards and guidelines; and relevant FCA regulations.

For a fuller explanation of the risks involved in investing in the Company and the risk management systems employed reference should be made to the Company's latest Annual Report and Financial Statements. If applicable, details of assets subject to special arrangements arising from their illiquid nature and any new arrangements for managing liquidity would be disclosed in that document. Investors are recommended to discuss all potential conflicts of interest and risks with their financial and legal advisors.

# AIFMD periodic disclosures

The AIFM and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ('AIFMD'). Those disclosures that are required to be made pre-investment are included within a Key Investor Information Document (**"KIID"**) which can be found on the Company's website www.lowlandinvestment.com. There have been no material changes to the disclosures contained within the KIID since publication in July 2014, other than the inclusion of the remuneration disclosure.

The periodic disclosures to investors are made below:

- information on the investment strategy, geographic and sector investment focus and principal stock exposures is included in the Annual Report. A full list of portfolio holdings is included on pages 14 to 16;
- none of the Company's assets are subject to special arrangements arising from their illiquid nature;
- the Annual Report and note 14 to the accounts set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected;
- there are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by the AIFM.

**Leverage**

In accordance with the AIFM Directive, the Company is required to make available to investors information in relation to its leverage. Leverage is considered in terms of the Company's overall exposure to financial or synthetic gearing and includes any method by which its exposure is increased whether through borrowing of cash or securities, foreign currency holdings, leverage embedded in derivative positions or by any other means. The use of leverage may significantly increase the market and counterparty risk of the Company through non-fully funded exposure to underlying markets or securities.

It is expressed as the ratio between the total exposure of the Company and its net asset value such that if its exposure was equal to its net asset value, leverage would be disclosed as 100%; a calculated value above 100% means that the Company has leverage equal to the percentage amount above 100%. Exposure values are calculated by two methods, gross and commitment, as defined within the AIFMD. Exposure under the gross method represents the aggregate of all the Company's exposures other than cash balances held in base currency; the commitment method takes into account the effect of different treatment of certain cash and cash equivalent items and of offsetting instruments between eligible assets to reflect netting and hedging arrangements in line with regulatory requirements.

Maximum leverage levels have been set by Henderson as the AIFM and approved by the board and are in accordance with the maximum gearing allowed by the Company's Articles of Association.

The table below sets out the current maximum permitted limit and actual level of leverage for the Company as a percentage of its net asset value (as at 30 September 2016):

| Leverage | Gross method | Commitment method |
|---|---|---|
| Maximum limit | 300% | 300% |
| Actual level | 107% | 107% |

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There is no right of re-use of collateral or any guarantees granted under the leveraging arrangement.

Changes to the information contained either within the Annual Report or this KIID in relation to any special arrangements in place, the maximum level of leverage which Henderson may employ on behalf of the Company; the right of use of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

**AIFM Remuneration**

The AIFMD Remuneration Code requires Henderson Group plc, in its oversight of HIFL, to make relevant remuneration disclosures no later than six months following the end of each AIF's financial year. The disclosures must split remuneration between fixed and variable remuneration and must break down remuneration for categories of AIFMD Code Staff (defined as all staff whose professional activities have a material impact on the risk profiles of the AIFM or the AIFs it manages). The Henderson Group PLC Remuneration Committee approves the list of AIFMD Code Staff annually. In addition, identified AIFMD Code Staff are notified of their status and the associated implications annually.

**Remuneration policy**

The Remuneration Committee of Henderson Group plc has established a remuneration policy, one of the guiding principles of which is to ensure that the remuneration of its employees is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of each AIFM and the AIFs they manage. This policy applies to both HIFL and the Company. Further information on the Henderson Group plc remuneration policy is available in the Henderson Group PLC annual report and accounts and in the Henderson Group plc regulatory Pillar III disclosures which can be found on www.henderson.com.

The aggregate total remuneration of the 804 employees either partly or fully involved in the activities of the Company for the year to 30 September 2016 was £864,000, of which £396,000 was fixed remuneration and £468,000 was variable remuneration. Remuneration has been apportioned between the provision of services to the Company and to other entities in the Henderson Group.

The remuneration disclosed is only in respect of the provision of services to the Company for the year, rather than the total remuneration for the year – for this purpose, remuneration has been apportioned between the provision of services to the Company and to other entities in the Henderson Group, as follows:

- in respect of performance fee incentives, 100% of any direct allocations of performance fees generated within the Company;
- in respect of fixed pay and annual/long term incentive bonuses:

- where fixed pay is directly attributable to the Company (for example, fees for Board members), 100% of those fees;
- for fund managers, pro-rated using the average AUM of the Company managed by the relevant fund manager (as a proportion of the total AUM managed by that individual) as a proxy.
- for other individuals, pro-rated using the average AUM of the Company (as a proportion of the aggregate average AUM of Henderson Group plc) as a proxy.

No attempt has been made to apportion time spent by individuals in support of the Company.

There are 37 AIFMD Code staff identified; 29 Senior Management and 8 Other Code staff. The aggregate total remuneration paid to the AIFMD Code staff of Henderson for the Company's related activities was £611,000 of which £255,000 was paid to Senior Management (which includes the Henderson Executive Committee, other Group Board members and the Company's Board of Directors), and £356,000 was paid to other AIFMD Code staff (which includes Fund Managers).

The table below provides an overview of the size and composition of the funds managed by HIFL, including the Company. This shows the total number of funds managed and the split between the proportions of AIFs, UCITs and other funds.

| | Average 2015-16 | Average 2015-16 |
|---|---|---|
| | Number of funds | AUM £m |
| **HIFL** | **89** | **28,332** |
| of which | | |
| AIFs | 37 | 11,631 |
| UCITS funds | 52 | 16,701 |
| Other funds | - | - |
| **Lowland Investment Company plc** | **1** | **388** |

Please note that on 30 May 2017 the merger between Henderson Group plc and Janus Capital Inc completed and became Janus Henderson Group plc.

Contact us
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Website: **lowlandinvestment.com**

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