

The Law Debenture Corporation

Outperforming with consistency

The Law Debenture Corporation (LWDB) has published 2025 results, a year in which it built on its long-term record of outperformance versus its broad UK equity market benchmark and peers. We believe LWDB's unique combination of a UK investment trust and a cash-generative professional services operating business (IPS) are core to this performance. In 2025, portfolio returns were driven by strong stock selection across the range of market capitalisations, with investment flexibility supported by the earnings and cash flow of IPS. With debt and IPS at fair value, NAV total return of 28% was 4.4pp ahead of the benchmark and DPS increased by 6.0%.

LWDB has generated significant outperformance over multiple periods versus its broad UK equity market benchmark and peers in the AIC UK Equity Income sector. On a fair value basis to end-2025, NAV total return is 60% over three years, 97% over five years and 201% over 10 years, 13pp, 23pp and 77pp ahead of the benchmark, respectively. The proposed Q425 DPS of 10.375p takes the total DPS for the year to 35.5p (2024: 33.5p), the 47th year in which it has been held or increased. 2025 DPS was 1.05x covered by revenue earnings per share of 37.26p (2024: 33.48p), which, along with a higher starting asset base, bodes well for further growth.

IPS accounts for 16% of NAV but its strong cash generation has funded c 30% of the trust's dividends over the past 10 years. This provides the portfolio managers with greater freedom to balance the requirements for immediate income with the goal of growing capital values over time. They can avoid higher-yielding stocks they deem unattractive and invest in attractive lower- or non-yielding stocks, with greater growth potential or significant, identifiable recovery potential.

IPS delivered a solid performance in 2025, broadly spread across its range of businesses. Revenue increased 7.5% versus 2024 and underlying profit before interest and tax was up by 6.1%, the eighth successive year of mid- to high-single-digit growth. The end-2025 fair value, newly published, increased 7.3% to £209m, driven by growth in cash earnings and reflecting an unchanged earnings multiple.

The investment portfolio continues to be driven by flexible stock selection across the range of large- (c 50%), small- and mid-cap stocks. UK equities (90% of the LWDB portfolio) have performed strongly but valuations remain moderate in historical terms and below global averages. The forward P/E on LWDB's portfolio is 12.3x, compared with the benchmark's 13.1x. Attractive valuations continue to be reflected in corporate activity, including several companies in LWDB's portfolio. The investment managers see strong opportunities across the market and stress the importance of focusing on companies rather than the economy.

The valuation of UK equities and a more defensive, value-oriented sector mix among large caps compared to overseas markets should provide a defence against heightened global uncertainty. IPS is a well-diversified, resilient and growing business with elements of counter-cyclical and it is relatively insensitive to short-term economic and market fluctuations. LWDB's consistent performance has been reflected in an average premium to par value NAV of 3% over the past five years.

Investment companies
UK equity income

12 March 2026

Price 1,126.00p
Market cap £1,508m
Total assets £1,504m

¹Total assets at 31 January 2026.
NAV 1,118.9p
¹NAV published 10 March 2026 with debt and IPS at its 31 December 2025 fair value..
Discount to NAV (0.1%)
¹Premium to NAV as at date of publication.
Current yield 3.2%
Shares in issue 133.9m
Code/ISIN LWDB/GB0031429219
Primary exchange LSE
AIC sector UK Equity Income
Financial year end 31 December
52-week high/low 1,202.0p 737.2p
Net gearing 12.1%

¹Net gearing at 31 December 2025.

Fund objective

The Law Debenture Corporation's investment objective is to achieve long-term capital growth in real terms and steadily increasing income. The aim is to achieve a higher rate of total return than the broad UK stock market through investing in a diversified portfolio of mainly UK equities with some international holdings. The IPS business provides a regular flow of income, which augments the dividend income from the equity portfolio.

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