

Lowland Investment Company

A solid start to the year

Lowland Investment Company (LWI) is a bottom-up managed, multi-cap income fund with the flexibility to seek income from investing among large and small companies alike. This differentiates it from most peers in the AIC UK Equity Income sector, offering investors broad market exposure outside the large, traditional 'income stocks'. Stock selection continues to drive performance, offsetting a drag from a below-average exposure to those larger companies that have continued to lead the market. Intriguingly for income investors, the yield on mid-cap stocks is now above that of the largest stocks, which in turn have a yield well below the 10-year average. The investment managers say there are plenty of small and mid-cap companies that are growing, market-leading businesses which trade on reasonable valuations and pay an attractive dividend yield.

LWI has just passed the mid-point of its FY26 financial year and will report interim results to 31 March 2026 (H126) during May. Despite the market setback in March as the war in the Middle East intensified, the H126 NAV total return (TR) was 7.2%. With the trend of larger company outperformance continuing, magnified by a March flight to safety, this is a highly creditable performance, albeit below the broad market benchmark return of 8.9%. The mid-cap TR was c -2%. Over one year, LWI's NAV TR of c 32% is c 11pp above benchmark, and over three years the NAV TR is c 52%, c 6% above benchmark.

LWI is typically weighted around 50% towards the largest 100 UK stocks, little more than half the benchmark weight, but holdings in large oil producers such as Shell and bp, large banks like HSBC and the pharmaceutical company GSK will have contributed to the strong H126 TR. The acquisitions of trust holdings in Senior and Schroders, at material premiums, will also have been beneficial. But what is clear is that the long, diversified list of smaller companies have in aggregate performed well versus their respective market-cap averages. Gearing has also been beneficial as the market has risen, and at end-February was 16%, one of the highest in LWI's peer group.

As of 9 April, LWI (+5.4%) and the broad market (+4.6%) have bounced strongly since end-March and while the uncertain impact of the war will be with us for some time, the recovery suggests solid underlying investor support for UK equities. It is also clear that the UK equity market is not a proxy for the economy, with the market rising strongly over the past two years despite any discernible let-up in scepticism around the UK's economic prospects. It is true that small and mid-cap companies are on average more exposed to the domestic economy, and this has hit sentiment. However, the investment managers make the point that with this underperformance, the average yield has widened whereas the converse is true for most large-cap companies. In late January, they estimated that the average yield of the largest 100 UK companies was almost 100bp below the 10-year average of c 4.3%, which, unusually, was below the mid-cap yield of c 4.6%.

LWI has a strong commitment to dividends, which have been maintained or increased each year since it was established in 1963. Total DPS declared in FY25 was 6.625p, up 3.1% versus FY24, and the current quarterly rate of DPS of 1.7p represents an annualised 6.8p.

Investment companies
UK equity income

10 April 2026

Price 166.00p
Market cap £365m
Total assets £410m

¹Source: Morningstar
NAV 186.5p
¹NAV at fair value cum income at 8 April 2026.
Discount to NAV 11.0%
Current yield 4.0%
Shares in issue 220.0m
Code/ISIN LWI/GB00BNXGHS27
Primary exchange LSE
AIC sector UK Equity Income
Financial year end 30 September
52-week high/low 184.1p 109.2p
Net gearing 16.0%

¹Net gearing at 28 February 2026

Fund objective

Lowland Investment Company (LWI) aims to give investors a higher-than-average return with growth in both capital and income over the medium to long term by investing in a broad spread of predominantly UK companies. LWI measures its performance against the total return of the broad UK stock market, although its portfolio is markedly different from that of its benchmark index.

Analyst

Martyn King +44 (0)20 3077 5700

investmenttrusts@edisongroup.com
[Edison profile page](#)

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