Lindsell Train Investment Trust PLC

All data at 28 February 2018

Market Capitalisation
£186.8m

Share Price: £934.00

Net Asset Value: £755.31

Premium (Discount): 23.7%

Source: Lindsell Train Ltd/ Maitland Administration Services & Bloomberg. Share Price is based on closing mid price.

Portfolio Manager

Nick Train

Fund Objective

To maximise long-term total return subject to the avoidance of loss of absolute value and with a minimum objective to maintain the real purchasing power of Sterling capital, as measured by the annual average running yield on the longest-dated UK government fixed rate bond.

Fund Performance (GBP)

Calendar Year Performance (%)	*2013*	*2014*	*2015*	*2016*	*2017*
Lindsell Train Investment Trust NAV	+25.9	+15.2	+23.0	+31.1	+37.6
Lindsell Train Investment Trust Price	+21.5	+8.7	+54.3	+61.9	-6.2
MSCI World Index £	+24.3	+11.5	+4.9	+28.2	+11.8
Benchmark*	+4.0	+4.3	+4.0	+4.0	+4.0

Cumulative Performance (%) 28 February 2018	*Since Launch*	*5yr*	*3yr*	*1yr*	*YTD*	*3m*	*1m*
Lindsell Train Investment Trust NAV	+867.1	+201.6	+116.2	+34.8	+2.3	+5.4	+1.6
Lindsell Train Investment Trust Price	+1085.9	+217.1	+127.9	+24.3	+11.2	+12.1	+8.9
MSCI World Index £	+153.1	+83.1	+42.1	+6.0	-0.9	+0.5	-1.1
Benchmark*	+112.8	+22.2	+12.6	+4.0	+0.7	+1.0	+0.3

Source: Lindsell Train Ltd, Bloomberg and Morningstar Direct. Listed securities in the portfolio are valued at the closing bid price. GBP return net of fees and expenses. MSCI World Index is not the Trust's benchmark and is shown for comparative purposes only.

Benchmark*: Index of annual average running yield of the 2½% Consolidated Loan Stock until 31 March 2015 and then the Index of the annual average running yield on the longest-dated UK government fixed rate bond plus 0.5% with a minimum yield of 4%

Past performance is not a guide to future performance.

Strategy Profile

Top 10 Holdings (% NAV)	
Lindsell Train Limited (unlisted)	41.8
Nintendo	9.1
Diageo	6.8
London Stock Exchange	6.6
A G Barr	5.5
Unilever	5.2
PayPal	3.9
LT Japanese Equity Fund	3.8
Heineken Holdings	3.5
RELX	3.2

Allocation (% NAV)	
Equities:	
Consumer Franchises	24.1
Financials	6.6
Media	19.1
Unlisted Securities	41.8
Funds	8.3
Cash & Equivalent	0.1
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	*Equity*	*Funds*	*Cash*	*Total*
UK	70.5	2.1	-	**72.6**
USA	7.4	-	-	**7.4**
Europe (ex UK)	4.6	-	0.1	**4.7**
Japan	9.1	3.7	-	**12.8**
Global	-	2.5	-	**2.5**
Total	**91.6**	**8.3**	**0.1**	**100.0**

Fund Information

Listing: London Stock Exchange

Launch Date: 22 January 2001

Base Currency: GBP (£)

Year End: 31 March

Benchmark: The annual average running yield on the longest-dated UK government fixed rate bond plus 0.5% with a minimum yield of 4%

Management Fees

Annual Fee:

0.65% of the lower of the market cap or NAV

Performance Fee:

10% of annual increase in the lower of NAV or share price above the benchmark return and calculated with a high watermark

Bloomberg:

LTI LN

ISIN:

GB0031977944

The Board:

Julian Cazalet (Chairman)
Vivien Gould
Rory Landman
Michael Lindsell *
Michael Mackenzie

* non independent

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Portfolio Manager's Comments

Through to the end of February the company's NAV is up c2.3%. The MSCI World Equity Index, by contrast, was down. The NAV gain was boosted by the rise in the value of Lindsell Train Limited, which added c1.0% to portfolio value.

Nonetheless, the relative resilience of the NAV is noteworthy we think, because it is not supposed to be happening. What I mean by that is we are told that our investment approach of concentrating on "quality" and "long-duration" equity assets makes the strategy particularly vulnerable during periods of rising interest rates, rising inflation and accelerating economic growth. In this environment - again we are assured - we should expect "interest rate sensitive" stocks to sell off and for "value" and "cyclicals" to outperform.

But if we are to underperform it does not appear to have begun, at least not yet. Not only has Lindsell Train Investment Trust held up well so far in 2018, but all three LT strategies (Global, Japan and UK) are outperforming too. And this despite the fact that interest rates have gone up and commodity prices have been strong. Why is this?

First, it is too simple to say that if interest rates go up all so-called interest rate sensitive shares will fall. While it is true that Diageo and Unilever have fallen in 2018 – by up to 10%, it is also true that other consumer branded goods shares have done rather better. Within your portfolio Mondelez is up 3%, for instance, while Heineken is down by less than 1%. Meanwhile, Laurent Perrier is up 15%.

Next – and more important – it is wrong to categorise LT portfolios as full of bond proxies. We think it far more appropriate to think of them as collections of undervalued growth companies. LTIT's undervalued growth companies include eBay, up 13% in 2018, London Stock Exchange +6%, Nintendo +19% and PayPal +7%; even Pearson is today up 4.0%. These are just as much "Lindsell Train" investments as IRN-BRU and Dove Soap. But it is not obvious that the course of interest rates is relevant to how these companies perform as businesses or as share prices. In short, our portfolio is more diverse – despite the focus on a few themes – than we are sometimes given credit.

Finally – the continued outperformance of tech-related and growth stocks (note, NASDAQ is up over 5% in 2018 – there are not many cyclical value stocks in that index) – is confirmation of our view that the pertinent question for equity investors in 2018 is not "should I invest in either beer or coal" – as investment bank equity strategists imply , but, instead, "how can I find ways to participate in the bull market being driven by digital technology and how to avoid industries and companies being disintermediated by digital technology"? LT's performance (and that of everyone else) will be determined by how successful we are in this analysis, we think.

This is not to say that we are not due a period of underperformance. We do not think for a minute that we have constructed a portfolio that will outperform in all market conditions. But we do think it most likely that any possible underperformance will be the result of mistakes we make in assessing the earnings power of given businesses in the changing circumstances of the digital revolution in this second decade of the 21st century.

Nick Train, Lindsell Train Ltd