Lindsell Train Investment Trust PLC

All data at 31 March 2018

Market Capitalisation
£206.0m

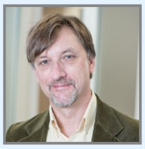
Share Price: £1,030.00

Net Asset Value: £746.99

Premium (Discount): 37.9%

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 (%) 31 March 2018	*Since Launch*	*5yr*	*3yr*	*1yr*	*YTD*	*3m*	*1m*
Lindsell Train Investment Trust NAV	+856.4	+184.0	+96.4	+30.0	+1.2	+1.2	-1.1
Lindsell Train Investment Trust Price	+1207.8	+263.9	+152.5	+29.6	+22.6	+22.6	+10.3
MSCI World Index £	+143.2	+72.0	+33.2	+1.3	-4.8	-4.8	-3.9
Benchmark*	+113.5	+22.2	+12.6	+4.0	+1.0	+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)	41.7
Nintendo	8.6
London Stock Exchange	6.8
Diageo	6.8
Unilever	5.6
AG Barr	5.6
LT Japanese Equity Fund	3.7
PayPal	3.7
Heineken Holdings	3.6
RELX	3.2

Allocation (% NAV)	
Equities:	
Consumer Franchises	24.5
Financials	6.8
Media	18.4
Unlisted Securities	41.7
Funds	8.3
Cash & Equivalent	0.3
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	*Equity*	*Funds*	*Cash*	*Total*
UK	71.1	2.1	0.1	**73.3**
USA	7.0	-	-	**7.0**
Europe (ex UK)	4.7	-	0.2	**4.9**
Japan	8.6	3.8	-	**12.4**
Global	-	2.4	-	**2.4**
Total	**91.4**	**8.3**	**0.3**	**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

Corporate Secretary & Registered Office: **Maitland Institutional Services Limited, Springfield Lodge, Colchester Road, ESSEX CM2 5PW**
Phone: 01245 398950

Investment Manager & Promoter: **Lindsell Train Ltd, 66 Buckingham Gate, London, SW1E 6AU**
Phone: +44 20 7808 1210 / info@lindselltrain.com

Registrars: **Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU**

Portfolio Manager's Comments

We don't tend to invest in technology companies. Most of them have not been around long enough for us to work out whether their business models or brands will prove as impregnable as other companies we own, such as Unilever or Diageo. That is perhaps a reflection on our limitations. If we had perfect foresight and knew ten years ago how robust and dominant modern platform companies such as Google, Amazon or Facebook were to become we may well have owned them. But we didn't have that nous or imagination. Instead we have doggedly stuck to our policy of investing in companies owning valuable and unique intellectual property whether it be brands, content or marketplaces. But far from missing out on the transformative changes in technology, it has turned out that we own a number of companies whose fortunes could be or have been transformed by applying new technologies to their businesses. Leading the way is RELX which over the last 15 years has almost fully digitalised its business and in doing so raised the barrier to entry to competitors. Also, Nintendo has always been employing new technologies to make its user interface more entertaining and now its software is delivered digitally both on mobile phones and increasingly on its latest console, the Switch. We hope Pearson is following in the footsteps of RELX by successfully digitalising its courseware content (although so far it is taking longer and is costing more than anticipated). The London Stock Exchange ("LSE") is a big user of new technology in all aspects of its business - indices, trading and clearing.

Of all the companies we own it is eBay that has the claim to be the purest tech company. What we originally saw in it though was a marketplace. It dominated internet auctions in the USA, UK, Germany and in other distinct geographies. We know from experience that it is difficult to compete with dominant incumbents as customers are naturally drawn towards the better choice, higher volume and the keener price offered by larger liquid marketplaces. This is why we like investing in stock exchanges such as the LSE. Knowing this allowed us to take a risk with eBay, a young company back in 2006. Our thesis though has only been proved half right. Today eBay remains a thriving marketplace connecting a wide range of sellers with 170m worldwide active buyers but mainly through fixed price offerings not auctions. Amazon has vastly outgrown it. For now this probably does not matter because with online trading growing exponentially, taking share from offline, there is room for more than one online marketplace - with eBay's site forging a niche appealing to smaller merchants and specialist buyers.

What we did not know when we bought eBay was that it would spawn a much larger, now independently listed, tech company - PayPal. eBay bought PayPal in 2002 to facilitate payments between buyers and sellers on its site. Soon it became the dominant payment provider for eBay users accounting for the lion's share of total payment volumes. But PayPal had wider ambitions to become the payment platform of choice for the whole internet, not just eBay users. Steadily PayPal built trust with other internet users, helped by the endorsement from satisfied eBay customers. The combination of being the first mover in internet payments, the leg up provided by eBay, growing trust and a widely recognised brand meant that by 2015 PayPal's non eBay business was growing faster and becoming more dominant than that from eBay. Separating the company from eBay at that time gave it a further lease of life. Growth in new customers is actually accelerating, as network effects kick in and as the company forges partnerships with banks, card companies and other marketplaces. On one side active users now amount to 227m worldwide and on the other PayPal is offered as a payment option by 18m merchants. Bolt on acquisitions have given it exposure to a wider customer base. As well as an increasing number of users, the average user is also growing transactions by 8% pa, helping to drive total payment volumes up more than 25% pa overall. It helps also that it is easier and more intuitive to use as although the number of users has expanded 60% since 2014, the volume of calls to the company's call centres is unchanged.

These developments have helped the PayPal holding to deliver more than double the return as compared to the eBay holding since the split in 2015. This performance together with some additional purchases in 2015 means the holding in the Trust is now more than double the size of eBay's. The continued growth prospects today look enticing to say the least. The main opportunity remains taking share from cash payments – as it is for the card companies. Global payments is such a big potential market it not surprisingly attracts many internet payment competitors but few have gained any traction, which proves the extent of the barriers to entry and helps to reinforce the uniqueness of PayPal's market position. PayPal is the biggest online payments platform out there (ex China) with a market share which now accounts for as much as 20% of all US e-commerce.

Michael Lindsell, Lindsell Train Ltd