Lindsell Train Investment Trust PLC

All data at 31 July 2017

Market Capitalisation
£161.0m

Share Price: £805.00

Net Asset Value: £680.03

Premium (Discount): 18.4%

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 (%)	*2012*	*2013*	*2014*	*2015*	*2016*
Lindsell Train Investment Trust NAV	+14.9	+25.9	+15.2	+23.0	+31.1
Lindsell Train Investment Trust Price	+28.0	+21.5	+8.7	+54.3	+61.9
MSCI World Index £	+10.7	+24.3	+11.5	+4.9	+28.2
Benchmark*	+4.0	+4.0	+4.3	+4.0	+4.0

Cumulative Performance (%) 31 July 2017	*Since Launch*	*5yr*	*3yr*	*1yr*	*YTD*	*3m*	*1m*
Lindsell Train Investment Trust NAV	+751.1	+203.4	+116.0	+33.6	+23.9	+12.5	+2.3
Lindsell Train Investment Trust Price	+903.0	+207.6	+133.1	+7.1	-11.8	+8.1	+8.2
MSCI World Index £	+142.7	+106.0	+55.3	+16.9	+6.2	+3.0	+0.9
Benchmark*	+108.0	+22.0	+12.6	+4.0	+2.3	+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)	37.9
Nintendo	7.8
Diageo	7.6
London Stock Exchange	6.8
Unilever	6.7
A G Barr	5.6
Heineken Holdings	4.0
RELX	3.9
LT Japanese Equity Fund	3.6
PayPal	3.3

Allocation (% NAV)	
Equities:	
Consumer Franchises	27.1
Financials	6.8
Media	17.9
Unlisted Securities	37.9
Funds	8.3
Cash & Equivalent	2.0
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	*Equity*	*Funds*	*Cash*	*Total*
UK	69.9	2.3	1.8	**74.0**
USA	7.2	-	-	**7.2**
Europe (ex UK)	4.9	-	0.2	**5.1**
Japan	7.7	3.6	-	**11.3**
Global	-	2.4	-	**2.4**
Total	**89.7**	**8.3**	**2.0**	**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

It was the turn of Diageo to contribute to the Trust's performance this month. Its share price was up 7.9% following good results and an expectation that the positive sales and profits trend would endure in the immediate future. Indeed the management's confidence was exemplified with an announcement of a share buyback of £1.5bn in addition to the 5% increase in the dividend. Diageo may own some of the best drinks brands in the world - Smirnoff vodka, Johnnie Walker Scotch whisky, Captain Morgan rum, Baileys liqueur, Gordon's gin and Guinness stout all dominate their categories – but sales for the company as a whole stagnated following recessions and currency devaluations in emerging countries in 2013. Profits, having fallen in the year to June 2014, have been on a recovering trend since but only this year has the company's sales performance exceeded previous highs. Sales grew in all regions with Scotch driving performance. All beverage categories grew except for vodka where volumes remain weak. To cap it all, operating profit margins edged up a little. The size of the holding in the Trust - second only to that of Lindsell Train Limited - reflects the durability of the business and its brands. Like Unilever the company has market positions around the world that would take many years to replicate if it was possible to do so at all. As you can imagine, when the company is on song, it churns out cash. We are very focussed on how the company allocates that cash to supporting existing brands, acquiring and developing new ones or to returning it to shareholders. The last time the company bought back shares significantly was in 2009. Why now, at record prices? Also, it's not clear how much value if any has been created from some of the company's recent acquisitions: Mey Içki raki in Turkey in 2011, Ypioca cachaca in Brazil in 2012, United Spirits in India in 2013 and Don Julio tequila in Mexico in 2015. What return does the company expect from Casamigos - the celebrity supported tequila bought recently at 20x sales - over the next five years? It may be too early to judge - especially with United Spirits - but it is important that the company's internal rates of return are enhanced with these and any future acquisitions.

PayPal may be a lesser holding but nonetheless a useful contributor to recent performance, with its share price up 9.1% in July alone. It produced another set of quarterly results that exceeded expectations and showed how the company's new partnership strategy is driving growth in active users - now at 210m with 17m merchants - and growth in total payments volume of 26% per annum. It just announced a deal with Baidu, China's largest search engine, to allow Chinese customers to use PayPal to pay for foreign currency purchases. PayPal now accounts for just under 20% of all global transactions online (ex China). It may have some way to go to genuinely claim to be the payments platform of choice on the internet, but its leading position, its growth and its innovations show that it is moving in the right direction.

Michael Lindsell, Lindsell Train Ltd