Lindsell Train Investment Trust PLC

All data at 31 August 2017

Market Capitalisation
£167.9m

Share Price: £839.50

Net Asset Value: £688.07

Premium (Discount): 22.0%

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 August 2017	*Since Launch*	*5yr*	*3yr*	*1yr*	*YTD*	*3m*	*1m*
Lindsell Train Investment Trust NAV	+781.0	+209.2	+119.1	+35.6	+28.3	+9.3	+3.5
Lindsell Train Investment Trust Price	+965.9	+236.6	+137.6	+7.6	-6.3	+8.6	+6.3
MSCI World Index £	+148.6	+108.7	+53.2	+18.1	+8.8	+3.1	+2.5
Benchmark*	+108.7	+22.0	+12.6	+4.0	+2.7	+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)	39.1
Diageo	7.9
Nintendo	7.7
London Stock Exchange	7.1
Unilever	6.9
A G Barr	5.8
Heineken Holdings	4.1
RELX	4.0
LT Japanese Equity Fund	3.7
PayPal	3.5

Allocation (% NAV)	
Equities:	
Consumer Franchises	27.8
Financials	7.1
Media	18.1
Unlisted Securities	39.1
Funds	8.4
Cash & Equivalent	-0.5
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	*Equity*	*Funds*	*Cash*	*Total*
UK	72.1	2.3	-0.7	**73.7**
USA	7.3	-	-	**7.3**
Europe (ex UK)	5.0	-	0.2	**5.2**
Japan	7.7	3.7	-	**11.4**
Global	-	2.4	-	**2.4**
Total	**92.1**	**8.4**	**-0.5**	**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 started a new holding for your company earlier this year – namely Laurent Perrier (LP), one of the very few quoted champagne houses.

The reason will not be a surprise to shareholders. At LT we love investing in booze of all denominations. We note that great beverage brands exhibit longevity and protection against the effects of monetary inflation. And as a result great fortunes have been built around such brands and sustained for generation after generation. We are particularly interested in family-owned drinks brands and are delighted to add Laurent Perrier to other of our holdings of these held across our portfolios – AG Barr, Brown Forman, Heineken, Ito En, Remy.

Next we are also interested in premium or luxury beverage brands, because it is an observed phenomenon that their consumption is a good proxy for global wealth creation. As more people get wealthier in more geographies more cognac, malt whisky or more champagne gets drunk. Back in 1970 the Champagne region shipped c100m bottles. Last year it was over 300m. Now that is a compounded growth rate of only c3.0%, but when you add the inflation proofing on top and the efficiencies the houses have been able to bring to production over those near 50 years – you can see why that is an attractive trend for an investor to lock into.

Meanwhile LP is a very nice asset, in our opinion. The company is the fourth largest house in terms of sales, but claims to have the highest proportion of revenues accounted for by premium champagne (notably its famous and delicious rosé). It also exports more of its sales than rivals, c70%, meaning it has global recognition.

Although the secular trend in champagne shipments is up it is a fact that they remain below their peak year of 2007, which was 339m bottles. Indeed shipments fell last year, 2016, as the largest export market for champagne, which remains the UK, slowed with its political uncertainty. However, LP's share price mirrors that volatility. They hit a high of Euro 120 back in 2007 (all those private equity deal-closure celebrations) and have drifted since then. Earlier this year we were able to buy enough stock under Euro 70 to build up a c1% holding for your company. Since then we have stepped back as the price spiked to Euro 78, but will hope to add more in due course. On a P/E on our purchase price of c16x and selling for less than 2.0x annual sales we think the shares look fine. Especially if like us you are optimistic about global growth over the next five years and hence bullish for champagne consumption too.

Nick Train, Lindsell Train Ltd

Research payments

With the introduction of the MiFID II rules by the European Commission/FCA from January 2018, fund managers will be required either to pay for external research themselves or to be more explicit in how clients pay for research through commissions paid to brokers.

We are sympathetic to the objectives of MiFID II in seeking to improve transparency and value for underlying investors. Having conducted meetings with our major counterparties over the last few months, we are pleased to confirm that from next year we will be covering the costs of external research ourselves.

Although we do not rely on sell-side research for our investment decisions, we do sometimes find third party research helpful in adding to our understanding of a particular sector or industry. We can assure all investors that we intend to maintain equivalent access to these inputs by budgeting for the cost of research appropriately.

We will also continue to monitor carefully the dealing costs (i.e. the commissions paid to a counterparty), in line with our best execution obligations.