LINDSELL TRAIN INVESTMENT TRUST PLC

All data at 30 September 2017

Market Capitalisation
£168.5m

Share Price: £842.50

Net Asset Value: £684.26

Premium (Discount): 23.1%

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 (%) 30 September 2017	*Since Launch*	*5yr*	*3yr*	*1yr*	*YTD*	*3m*	*1m*
Lindsell Train Investment Trust NAV	+776.1	+207.9	+115.6	+29.2	+27.6	+5.3	-0.6
Lindsell Train Investment Trust Price	+969.7	+207.7	+135.5	+3.7	-5.9	+15.4	+0.4
MSCI World Index £	+144.1	+102.7	+50.9	+14.4	+6.9	+1.5	-1.8
Benchmark*	+109.4	+22.1	+12.6	+4.0	+3.0	+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)	39.8
Nintendo	8.2
Diageo	7.5
London Stock Exchange	6.9
Unilever	6.6
A G Barr	5.7
RELX	3.9
Heineken Holdings	3.7
LT Japanese Equity Fund	3.6
PayPal	3.5

Allocation (% NAV)	
Equities:	
Consumer Franchises	26.7
Financials	6.9
Media	18.5
Unlisted Securities	39.8
Funds	8.3
Cash & Equivalent	-0.2
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	*Equity*	*Funds*	*Cash*	*Total*
UK	71.8	2.3	-0.4	**73.7**
USA	7.2	-	-	**7.2**
Europe (ex UK)	4.7	-	0.2	**4.9**
Japan	8.2	3.6	-	**11.8**
Global	-	2.4	-	**2.4**
Total	**91.9**	**8.3**	**-0.2**	**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

Nintendo's price strides along. The shares are up 72% this year, 13% in September alone. The position in the Trust has risen to 8.2% of net assets and is now definitively the largest quoted holding it owns, having vied with Diageo for most of the year. We await the crucial year end selling season when typically 40% of Nintendo's annual revenues are achieved. The market hopes that the company has succeeded in boosting the supply of the new Switch console from c.1m units per month to 2m and, in doing so, has produced enough to satisfy pent up customer demand. Scarcity is good up to a point but Nintendo absolutely needs to capture consumers' interest whilst it is there. Moreover the company needs to ensure that there is sufficient hardware out there for customers to be able to enjoy the marquee games releases. With the previous console, the Wii-U, there was plentiful supply of the hardware but huge gaps in software releases. The situation today is the opposite. There have been carefully choreographed releases of well received software titles but the hardware is in short supply! Perhaps this is less concerning as it is software that drives hardware sales but it would be nice to think that there will be enough consoles to ensure the success of the soon-to-be launched Super Mario Odyssey.

Just as important is the need to build up the installed base of consoles as quickly as possible to persuade third party supporters of the platform to commit to creating unique content. Looking at past releases, the Wii and Sony's Playstation 4 topped sales of 13m units in the first year and both went on to have prodigious third party support. Indeed 93% of the Wii's games were from third parties over its lifetime. This compared to just 67% for the Wii-U that sold only 4m units in the first year. Nintendo expect the Switch to sell 10m units in its first year but if production has increased this might reach 13-15m units if analysts are to be believed. Even without first year data to hand, commitments of third party support are encouraging. Tencent is adapting its hugely popular 'Honor of Kings' game for a launch this winter under the title of 'Arena of Valor' and Electronic Arts is launching its Soccer franchise on Switch with a version of FIFA 18.

We think there is much to look forward to with the Switch but the company needs to demonstrate skill in execution and building interest in the product. We note that behind this endeavour there are now over 5,000 employees, up 70% on the number employed when the Wii was launched. Coordinating releases in multiple jurisdictions in many different languages at the same time requires an infrastructure that was not there ten years ago but we hope is there now.

Share prices rise most in expectation and this is exactly the position we are in now. Analysts' estimates of future earnings have been increasing for some months. They point to portability as a particular appeal of the Switch which could mean that more than one is owned per household and might ensure sales ultimately exceed the installed base of Wiis at 102m units.

To put the current situation into perspective Nintendo's enterprise value (market capitalisation plus net debt) is now Y4.3T, up from under Y1T in 2013 and around half the Y7.9T it reached in 2007 at the peak of the Wii boom. In that year the Nintendo DS was also selling well but today sales of its successor, the 3DS, are diminishing as the console is in its eighth year. It raises a question about the future of the hand held console. Is its appeal to a younger demographic enough? Does it have less relevance in the age of smartphone gaming and will it cannibalise sales from the Switch? To add to the mix Nintendo is still in the foothills of its Smartphone app strategy with further promising releases this winter and has yet to earn revenues from licensing its IP. As we have always thought - Nintendo, with the quality and resonance of its IP, has plenty of optionality but further share price gains will need some evidence of increased cash generation rather than just expectation.

Michael Lindsell, Lindsell Train Ltd