Lindsell Train Investment Trust PLC

All data at 31 October 2017

Market Capitalisation
£164.0m

Share Price: £820.00

Net Asset Value: £706.83

Premium (Discount): 16.0%

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 October 2017	*Since Launch*	*5yr*	*3yr*	*1yr*	*YTD*	*3m*	*1m*
Lindsell Train Investment Trust NAV	+805.0	+213.8	+123.6	+32.1	+31.8	+6.3	+3.3
Lindsell Train Investment Trust Price	+941.1	+207.2	+130.2	+8.2	-8.4	+3.8	-2.7
MSCI World Index £	+151.3	+109.6	+52.3	+12.9	+10.0	+3.6	+2.9
Benchmark*	+110.1	+22.1	+12.6	+4.0	+3.3	+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)	40.6
Nintendo	8.4
Diageo	7.6
London Stock Exchange	6.6
Unilever	6.3
A G Barr	5.6
RELX	4.0
PayPal	3.9
Heineken Holdings	3.6
LT Japanese Equity Fund	3.5

Allocation (% NAV)	
Equities:	
Consumer Franchises	26.2
Financials	6.6
Media	19.3
Unlisted Securities	40.6
Funds	8.1
Cash & Equivalent	-0.8
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	*Equity*	*Funds*	*Cash*	*Total*
UK	72.2	2.2	-1.0	**73.4**
USA	7.5	-	-	**7.5**
Europe (ex UK)	4.6	-	0.2	**4.8**
Japan	8.4	3.5	-	**11.9**
Global	-	2.4	-	**2.4**
Total	**92.7**	**8.1**	**-0.8**	**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

The NAV was up 3.3% in October, but the share price down another 2.7%. This means year-to-date the NAV is up 31%, but the shares are down 8.4%. This is what can happen when an investment trust premium gets excessive. As this note is written the premium of the shares above the NAV has fallen to 8% - the lowest for many months. This is healthy!

Meanwhile, Unilever ended the month down 1.1%, but it felt worse, because on the 18th October the shares had hit an all-time high of £45.48 and the fall over the next 10 days was 6% from there. Even after that drop the shares remain up 29% year-to-date, so perhaps there is little surprise that some investors should be looking for an excuse to take profits.

That excuse was the company's Q3 trading statement, which was disappointing, purportedly. Without disentangling a single quarter's results in excessive detail what was revealed was that Unilever's developed market business shrank by 2.3%, while its emerging market business grew at over 6% to get to a group growth rate of 2.6%. This divergence between developed and developing markets has been a feature for some time and must be tending, as it progresses, to tilt the group ever more towards "where all the people are" – as Paul Polman has said.

Already Unilever has the joint second highest revenue exposure to emerging markets amongst its peers, according to Morgan Stanley. ABI comes first, at 60%, with Unilever and, significantly for us, Heineken both at 58%. Amongst other of our holdings in the list Diageo at 40% and Mondelez at 35% are advantageously positioned toward emerging markets too. Without getting starry-eyed about it – because the last few years have proven again how volatile emerging economies can be – we're sure that these exposures will be at least a mitigating factor for the companies as consumer brands work out how to readjust to the 21st century. We look at the share price return on Hindustan Unilever (HUVR) – its 67% owned Indian subsidiary – as indicative of the excitement that investors may come again to feel about the shares of the parent. HUVR's shares hit an all time high in the first week of November 2017, up 56% so far in 2017 and properly performing for the first time since early 2015. Over the last decade HUVR's shares have more than sextupled. This is both a nice reminder of the rewards for patient investing into emerging markets, but also of how important an asset it has become for the overall valuation of Unilever. The stake in the Indian subsidiary is now worth over £20bn, or c16% of Unilever's market capitalisation. Given HUVR trades on over 50x prospective earnings, the "look through" P/E of the rest of the group is lower than the headline – about 18.5x, compared to 21x.

Elsewhere dogged work will be required to pick up the pace of Unilever's overall, global growth. But we are encouraged by the dogged progress. It is significant that Food, which represented 33% of group revenues in 2009, has now declined to 24% of the mix, because packaged food products are probably most vulnerable to the 21st century. Meanwhile, as a result of acquisition and growth, Unilever's Personal Care sales have increased from 30% to 38% of the whole - for choice offering better prospects than food.

A near 3% dividend yield, with a dividend that has grown at nearly 10% pa over the last decade is no reason to argue that Unilever is cheap – we long ago realised that yield alone has no predictive value for total share returns. But I still find it reassuring.

Nick Train, Lindsell Train Ltd