Lindsell Train Investment Trust PLC

All data at 31 January 2017

Market Capitalisation
£138.3m

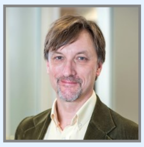
Share Price: £691.31

Net Asset Value: £552.17

Premium (Discount): 25.2%

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 January 2017	*Since Launch*	*5yr*	*3yr*	*1yr*	*YTD*	*3m*	*1m*
Lindsell Train Investment Trust NAV	+591.1	+167.8	+88.8	+31.2	+0.6	+0.9	+0.6
Lindsell Train Investment Trust Price	+761.4	+214.5	+107.2	+36.4	-24.2	-10.5	-24.2
MSCI World Index £	+129.8	+100.7	+55.4	+32.0	+0.6	+3.2	+0.6
Benchmark*	+103.9	+22.0	+12.8	+4.0	+0.3	+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)	38.2
Diageo	8.4
London Stock Exchange	7.1
LT Japanese Equity Fund	6.4
Unilever	6.1
Nintendo	6.1
A G Barr	5.7
RELX	4.2
Heineken Holdings	3.7
Mondelez	3.1

Allocation (% NAV)	
Equities:	
Consumer Franchises	27.0
Financials	7.1
Media	16.6
Unlisted Securities	38.2
Funds	11.3
Cash & Equivalent	-0.2
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	*Equity*	*Funds*	*Cash*	*Total*
UK	71.4	2.4	-0.2	**73.6**
USA	7.7	-	-	**7.7**
Europe (ex UK)	3.7	-	-	**3.7**
Japan	6.1	6.4	-	**12.5**
Global	-	2.5	-	**2.5**
Total	**88.9**	**11.3**	**-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

Corporate Secretary & Registered Office: Maitland Institutional Services Limited, Springfield Lodge, Colchester Road, ESSEX CM2 5PW
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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 are disappointed by Pearson's recent trading update. In it was revealed that the sales and underlying profits in its North American higher education business, its largest and most profitable, had fallen by more than expected and that this trend was likely to continue. In effect sales of high margin textbooks have contracted, reflecting lower student enrolments and recently a greater propensity for renting rather than buying books outright. Underlying this is an ongoing change in the way educational content is delivered to students. Increasingly students access courseware through digital packages and services based on a subscription model. Pearson is at the forefront of driving these changes. As a company it has sold more digital subscriptions than all other competitors combined. In amongst the disappointing sales for textbooks Pearson continues to grow its digital subscriptions which have risen from 42% to 50% of its US higher education sales over the year. Digital sales though are at a price point half as much as traditional textbooks and are sold directly, cutting out the university bookstore. This, together with competition from Amazon and growth in the rental market is creating financial challenges for bookstores, hitherto Pearson's largest direct customers. Keen to shed themselves of inventory, bookstores are increasing returns back to Pearson which is having the effect of restraining Pearson's net sales.

Our investment in Pearson is premised on the switch and adoption of digital courseware by faculties and students, Pearson's ultimate customer base. Pearson's core offering - authenticated proprietary educational content and support - is of immense value to exam-fearing students and time-poor professors alike. Digital delivery demonstrably enhances the utility and efficacy of this offering. We see this continuing and growing (the company expect 75% of US higher education sales from digital by the end of the decade) and believe this is a wonderful business opportunity for the company given its leading position in US higher education and English Language teaching worldwide. The weakness in book sales and the demise of the legacy model, while injurious for Pearson's short term business results, is in our view secondary to the prospects for its digital based business in the future.

Over the last four years Pearson has incurred restructuring costs of £529m and invested £840m in order to position itself for this new business opportunity. It has also raised £2bn from the sale of its non-educational assets. At the same time the company has paid out £1.5bn in dividends, choosing to maintain a dividend that has eaten through its £1.5bn of free cash flow. As a consequence balance sheet debt remains higher than we would like given the changes going on within the business, a point that we have made explicit both to Pearson's senior management and in our commentaries about the company over the last year. Now though, the company is to cut the dividend to a lower level. This together with the intended realisation of its last significant non-core asset, Penguin Random House, gives the company the chance to build a rock solid balance sheet to support its future growth strategy.

We are keen to maintain and add to our holding in the company to take advantage of the digital transformation of educational coursework and will do so more aggressively when we have more confidence that cash flows are building value and balance sheet strength to support these changes is no longer in any doubt.

Michael Lindsell, Lindsell Train Ltd