Lindsell Train Investment Trust PLC

All data at 31 March 2017

Market Capitalisation
£162.0m

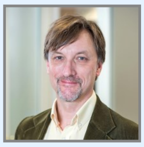
Share Price: £809.98

Net Asset Value: £587.78

Premium (Discount): 37.8%

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 March 2017	*Since Launch*	*5yr*	*3yr*	*1yr*	*YTD*	*3m*	*1m*
Lindsell Train Investment Trust NAV	+635.7	+178.8	+96.8	+35.1	+7.1	+7.1	+2.5
Lindsell Train Investment Trust Price	+909.2	+273.2	+141.6	+43.7	-11.2	-11.2	+5.7
MSCI World Index £	+140.2	+99.9	+56.6	+31.9	+5.1	+5.1	+0.6
Benchmark*	+105.3	+22.0	+12.8	+4.0	+1.0	+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)	37.3
Diageo	8.2
Unilever	7.0
London Stock Exchange	6.6
Nintendo	6.5
LT Japanese Equity Fund	6.4
A G Barr	6.2
RELX	4.3
Heineken Holdings	4.0
PayPal	3.0

Allocation (% NAV)	
Equities:	
Consumer Franchises	28.4
Financials	6.6
Media	17.2
Unlisted Securities	37.3
Funds	11.4
Cash & Equivalent	-0.9
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	*Equity*	*Funds*	*Cash*	*Total*
UK	71.4	2.5	-1.1	**72.8**
USA	7.5	-	-	**7.5**
Europe (ex UK)	4.1	-	0.1	**4.2**
Japan	6.5	6.4	0.1	**13.0**
Global	-	2.5	-	**2.5**
Total	**89.5**	**11.4**	**-0.9**	**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**
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

PayPal's shares are up 17% since spinning out from eBay in July 2015, which annualises at just under 10% (vs. 6.3% total return for the MSCI World) - a perfectly acceptable, albeit short-term record - especially from a non-dividend paying stock. This is a good example of a company with 'dividend paying potential', i.e. one with no distributions today, but with healthy and growing cash flows. Unlike many other 'growth' oriented stocks, PayPal claims a respectable 15% operating margin and, with sensible reinvestment of the cash this generates, has achieved 23% pa transaction revenue growth for the past five years.

Launched in 1998 (with the ever-important first mover advantage) PayPal functions as both a merchant acquirer (helping small sellers accept payments online) when supported by a credit/debit card issuer and network, and as a closed loop network (similar to American Express) when directly funded through consumer bank accounts. The former drives merchant and consumer adoption, the latter accelerates its monetisation. Hence as a payment *network*, PayPal has erected fantastic barriers to entry, all thanks to the wonders of the network effect - a critical factor in almost all the big success stories of today's 'winner takes all' digital world (think Facebook, YouTube, Uber, etc.). This sets up a beneficial 'chicken and egg' scenario for PayPal; it's extremely hard to get consumers to adopt a new payment method if no merchants yet accept it and just as hard to get merchants to invest in a new system if no consumers are actually using it. This is an attractive area (as evidenced by PayPal's growth and cash generation) but so far competitors have struggled. Recent stats compiled by Sanford Bernstein show just how commanding PayPal's lead really is. With 195m active members PayPal is far and away the leading digital payment wallet and is at least 10x larger than Visa's comparable online offering. 15m merchants (including 75 of the US top 100) offer PayPal, which again dwarfs the acceptance of the next biggest payment wallet (c.200-300k merchant acceptance for Visa Checkout or MasterCard's MasterPass). PayPal aspires of course towards global domination (of e-payments at any rate) and whilst China is still (and probably will continue to be) an obvious gap, it's made substantial progress in the western world. By some estimates over a third of the adult population of the US and UK now has a PayPal account. At $290bn of payment volume, PayPal is capturing c.70% of all digital wallet payment flows. Nevertheless, there is still a vast opportunity ahead - PayPal's online payment volumes are just 5% of Visa's (largely) offline.

Of course the company isn't perfect - perhaps none ever can be - and we have some reservations about the dilution caused by the level of stock based compensation issued (which now eats into more than 3% of the margin) - especially as it's excluded from reported results. eBay related business also still speaks for a third of company revenues, with the initial agreement put in place when the companies split set to expire in a few years' time. eBay was a critical part of PayPal's early success, with a vast cohort of underserved individual merchants and buyers keen to adopt a digital payment solution, helping PayPal overcome the above mentioned chicken and egg problem in the first place. Whilst we've little doubt a new mutually beneficial deal will be negotiated, it will be important to see more diversification in the future. Nevertheless, despite PayPal being one of our younger businesses (18 years old compared with our portfolio average of 117) the barriers to entry, economies of scale and market positions already established are enticing.

Michael Lindsell, Lindsell Train Ltd