Lindsell Train Investment Trust PLC

All data at 31 August 2016

Market Capitalisation
£159.0m

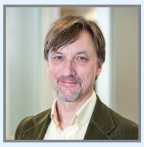
Share Price: £795.00

Net Asset Value: £519.26

Premium (Discount): 53.10%

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 (%)	*2011*	*2012*	*2013*	*2014*	*2015*
Lindsell Train Investment Trust NAV	+9.4	+14.9	+25.9	+15.2	+23.0
Lindsell Train Investment Trust Price	+7.0	+28.0	+21.5	+8.7	+54.3
MSCI World Index £	-4.8	+10.7	+24.3	+11.5	+4.9
Benchmark*	+4.6	+4.0	+4.0	+4.3	+4.0

Cumulative Performance (%) 31 August 2016	*Since Launch*	*5yr*	*3yr*	*1yr*	*YTD*	*3m*	*1m*
Lindsell Train Investment Trust NAV	+549.9	+169.8	+85.7	+29.1	+24.1	+14.4	+2.0
Lindsell Train Investment Trust Price	+890.6	+286.0	+140.9	+61.1	+41.0	+29.9	+5.8
MSCI World Index £	+110.5	+95.8	+46.3	+25.3	+18.2	+14.6	+1.5
Benchmark*	+100.7	+22.3	+13.0	+4.1	+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)	35.0
Diageo	8.5
Unilever	7.1
Nintendo	6.6
London Stock Exchange	6.5
LT Japanese Equity Fund	6.5
A G Barr	6.2
RELX	4.5
Heineken Holdings	4.3
Mondelez	3.2

Allocation (% NAV)	
Equities:	
Consumer Franchises	29.4
Financials	6.5
Media	18.1
Unlisted Securities	35.1
Funds	11.8
Cash & Equivalent	-0.9
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	*Equity*	*Funds*	*Cash*	*Total*
UK	70.4	2.6	-0.9	**72.1**
USA	7.8	-	-	**7.8**
Europe (ex UK)	4.3	-	-	**4.3**
Japan	6.6	6.5	-	**13.1**
Global	-	2.7	-	**2.7**
Total	**89.1**	**11.8**	**-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**
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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

A client recently sent us a piece of analysis about current US government monetary policy and how it might change in coming years – then asked our opinion. Here was my answer, slightly censored:

First, I have to say that I believe the author grossly overestimates the impact and efficacy of any and all monetary and fiscal policies on economic growth and general "progress". He says that monetary policy has evolved over time to deal with successive challenges and crises over the last 120 years. All one can say is that these policies have been signally unsuccessful over this period, as evidenced by the continual recurrence of such episodes throughout and through to today. Moreover, the type of debate he is encouraging monetary authorities to embark upon in this piece – more pump-priming, inflation targeting and so forth all seem wearily familiar – do they not? Tested and failed many times and in many polities over the decades. Some government funded infrastructure investment may be helpful, I acknowledge. But the billions spent by the EU on Spanish or Greek roads or the untold trillions by the Japanese do not appear to have kick-started any self-sustaining economic growth. Was it Friedman who described the idea of a Keynesian multiplier effect as about as credible a theory as the Tooth Fairy? Mind you, as investors in Pearson we do like his encouragement of more government spend on education.

Isn't it far clearer that over the last 200 years what has actually created the periods of real growth, productivity gain and moderate inflation that we all aspire to have been the propagation of new technologies and opening up of new markets and trade relationships? To me it's hard to see that monetary or fiscal policy has had anything to do with this extraordinary improvement in global living standards since 1800 – beyond establishing a basic framework of trust, where market participants can rely on stable purchasing power of even fiat money. But even here, central bankers have often failed to deliver.

If you look for answers in the wrong place you never find them.

Next – is the world really in such a parlous situation today? Inflation is unexpectedly low – because of unprecedented productivity efficiencies, benefitting consumers and companies in almost every sphere. Fracking through to comparison price-finding led by Amazon. This means two things. Growth is being underestimated, because conventional econometrics cannot account for hedonic improvements and for the number of goods and services that are becoming free. For instance, John Kay estimated in an FT article this year that if activity associated with Airbnb was included in UK statistics (and it is not) this alone would add 0.7% to UK GDP growth. Second, in a period of deflation or very low inflation all nominal growth is "real" growth. We suspect even today's official growth in the UK, for instance, but rates in many other places too, are not far off historic levels adjusted for inflation. And this ignores the unmeasured but actual growth being delivered by, for instance, the collapse toward zero of the cost of telephony or photography.

In support of that last proposition – look at the higher P/E ratios being accorded to companies delivering what would historically be regarded as very modest rates of nominal revenue and earnings growth. Investors, perhaps unconsciously, are intuiting that today's revenue growth of 3% is actually 3% real, which is very acceptable by historic standards.

Another point here is that current low rates of short term and government interest may not, as he suggests, be evidence of some worrying lack of demand in the economy or a lack of animal spirits in the corporate sector. Instead it may be signalling that the best investment opportunities in the world today depend on investment in intellectual capital, not physical. The five biggest companies in the world are all US technology giants. And they need little or no physical capital. Their growth is expensive – but it is all charged through the P&L on software development and hiring smart people. Low rates are, therefore, a sign of the factors of production shifting, not of some secular economic stagnation.

Finally, whether he is right or not, we operate on the assumption that his sort of macro theorising and macro demand management is not really relevant for our investment approach. And that if we modified what we do to take account of it we would do a worse job for our clients. Because let's be clear what paying attention to this stuff means in actual portfolio management terms. It means shifting in and out of equities on the basis of necessarily tendentious analysis of opaque macro-economic statistics. It can also mean switching away from "good" companies into, well, less good ones on the same, to us, flimsy pretexts.

Don't misunderstand. There's plenty to worry about for equity investors today and we do worry. Less about valuations, I must admit. But absolutely about the threat of technology change on the companies and industries we favour. But there are also incredible opportunities as real earnings growth for some companies accelerates to levels not seen since the last long period of productivity-driven low inflation – the 19th century.

Nick Train, Lindsell Train Ltd