Lindsell Train Investment Trust PLC

All data at 31 October 2016

Market Capitalisation
£154.5m

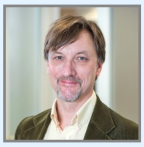
Share Price: £772.50

Net Asset Value: £547.30

Premium (Discount): 41.1%

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 (%)	*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 October 2016	*Since Launch*	*5yr*	*3yr*	*1yr*	*YTD*	*3m*	*1m*
Lindsell Train Investment Trust NAV	+585.0	+178.7	+89.9	+33.6	+30.8	+7.5	+1.0
Lindsell Train Investment Trust Price	+862.5	+230.6	+131.7	+52.0	+37.0	+2.8	-6.7
MSCI World Index £	+122.6	+103.7	+47.3	+28.0	+25.0	+7.3	+4.3
Benchmark*	+102.0	+22.2	+13.0	+4.1	+3.4	+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)	36.6
Diageo	8.4
Nintendo	7.4
LT Japanese Equity Fund	6.8
Unilever	6.6
London Stock Exchange	6.3
A G Barr	5.4
RELX	4.3
Heineken Holdings	4.2
Mondelez	3.2

Allocation (% NAV)	
Equities:	
Consumer Franchises	27.8
Financials	6.3
Media	18.6
Unlisted Securities	36.6
Funds	12.1
Cash & Equivalent	-1.4
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	*Equity*	*Funds*	*Cash*	*Total*
UK	69.7	2.5	-1.4	**70.8**
USA	8.0	-	-	**8.0**
Europe (ex UK)	4.2	-	-	**4.2**
Japan	7.4	6.8	-	**14.2**
Global	-	2.8	-	**2.8**
Total	**89.3**	**12.1**	**-1.4**	**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

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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

According to the Bloomberg M&A ticker October saw 3,246 global corporate transactions, amounting to an aggregate value of $595bn. The deals were done at an average premium to market of 19%. That deal value makes October the 4th biggest month for M&A in history. Exceeded only by April 2015's $598bn and the two blow-out months of the private equity boom that ended in 2007 – April and May 2007, with the former's $696bn the busiest ever.

So far in 2016 global deals are running at a value of $4.1trn, a rate which if maintained to the year-end, would leave this year's M&A activity 10% lower than 2015's. Putting that drop in context though, 2015 was by some margin the biggest year ever for M&A – its $5.6trn taking out 2007's previous top of $4.9trn. So if 2016 ends up at 90% of the total of the record year that's still quite something. And again, for more perspective on an extraordinary month for deals, consider that October's $595bn is on its own as much as 25% of the value of all the M&A in the whole of 2012.

We think the above evidence means it's safe to assert that we are still in the midst of a fecund period for global deal-making, with companies choosing this means to respond to the threats and opportunities presented to them by globalisation and technological change. Acquisition and consolidation bring geographic expansion, technology transfer and economies of scale. We expect 2015's all-time record to be surpassed in years to come, as these incentives to do deals look set to persist. It is also worth noting that the average premium above market price on 2016's deals year-to-date stands at 24% - implying that companies still see significant strategic value available in stock markets. That it is cheaper to buy undervalued quoted assets than it is to build them ab initio.

A review of October's standout transactions reveals what companies think is important in this period of financial history.

In consumer the BAT $58bn bid for Reynolds is a classic consolidation of two brand-rich businesses, with profuse cash flows, but limited opportunity for secular growth. It is of a piece with the AB/SAB and Kraft/Heinz deals of recent months and will not be the last transaction of this type.

In telecommunications and tech there were a couple of multi-billion dollar deals. The $46bn merger of Qualcomm and NXP is apparently the biggest chip transaction yet. NXP is the #1 supplier of chips to the global automobile industry and a prime mover in the development of driverless cars. Qualcomm is looking to guarantee its participation in a new and enormous opportunity. Meanwhile, CenturyLink is buying Level 3 Communications for $24bn, to expand joint fibre-optic networks and high speed data services for corporate clients.

An obvious target for the new CenturyLink/Level 3 combination to shoot at is the giant incumbent, AT&T and therefore it is of little surprise to us to see AT&T itself kicking off the biggest deal of both this October and, indeed, 2016 so far – the proposed $85bn combination with Time Warner. Struck at a 35% premium to Time Warner's undisturbed price, by the way.

This last transaction is probably the one of most relevance to Lindsell Train's investment strategies. We continue to believe that the result of the creation of ever bigger and ambitious media distribution platforms (and let's be clear, that includes Amazon, Apple, Facebook and Google, as well as the fixed and mobile telephone networks) is that the value of truly unique media content carries on going up. And we look to own as much of that type of unique content as we can find.

Although not a change of control and hence not included in October's deal statistics, we were keenly interested by another strategic announcement this month. This was IBM's decision to enter into a joint venture with Pearson. IBM's Watson computing system is to be combined with Pearson's education courseware to increase efficacy of teaching and learning across both science and humanities subjects. Watson's cognitive and Natural Language Processing capabilities will increase the engagement between a student and his/her learning materials. The result should be both improved outcomes for the student, but also the generation of big data on education outcomes, which will help Pearson create ever more useful materials. We think it is significant that IBM chose to partner with Pearson, rather than offer Watson direct to educational institutions. Clearly IBM needs the credibility of partnering with Pearson, already the biggest supplier of digital education products to US universities. The JV will be a cost for Pearson in its current financial year, adding further pressure to its short term earnings. It may well be that investors choose to further penalise the company for this short term earnings weakness. We continue to hope that by investing $1bn a year into digital products and services - more than any of its competitors – Pearson is creating a new stream of growing and cash generative software revenues that will, in due course, be very highly valued.

Nick Train, Lindsell Train Ltd