Lindsell Train Investment Trust PLC

All data at 31 December 2016

Market Capitalisation
£182.5m

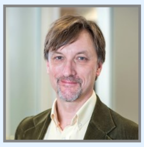
Share Price: £912.50

Net Asset Value: £548.79

Premium (Discount): 66.3%

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 December 2016	*Since Launch*	*5yr*	*3yr*	*1yr*	*YTD*	*3m*	*1m*
Lindsell Train Investment Trust NAV	+586.9	+168.6	+85.7	+31.1	+31.1	+1.3	+2.8
Lindsell Train Investment Trust Price	+1037.0	+322.2	+171.4	+61.9	+61.9	+10.2	+3.3
MSCI World Index £	+128.5	+106.4	+49.9	+28.2	+28.2	+7.1	+3.5
Benchmark*	+103.2	+22.1	+12.8	+4.0	+4.0	+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)	37.9
Diageo	8.1
London Stock Exchange	6.5
Nintendo	6.4
Unilever	6.3
LT Japanese Equity Fund	6.2
A G Barr	5.7
RELX	4.3
Heineken Holdings	3.8
Mondelez	3.2

Allocation (% NAV)	
Equities:	
Consumer Franchises	27.0
Financials	6.5
Media	17.4
Unlisted Securities	37.9
Funds	11.2
Cash & Equivalent	0.0
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	*Equity*	*Funds*	*Cash*	*Total*
UK	70.9	2.5	0.0	**73.4**
USA	7.7	-	-	**7.7**
Europe (ex UK)	3.8	-	-	**3.8**
Japan	6.4	6.2	-	**12.6**
Global	-	2.5	-	**2.5**
Total	**88.8**	**11.2**	**0.0**	**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

On the face of it your Company (LTIT) had a great year in 2016. The NAV was up 31% and the shares up an astonishing 60% or more. This compared to our benchmark, calculated in reference to long-dated UK Government Bond yields, of 4% and the MSCI World Equity Index up 28%. Meanwhile the dividend was increased by 24%.

And of course we are pleased by the value created. However, we urge shareholders to think hard about the sources of 2016's performance. The biggest contribution by far was yet another uplift in the value of the just over 24% stake the Company holds in Lindsell Train Limited (LTL), our investment management company. LTL is unquoted and its value, as carried in your Company's NAV, is calculated monthly according to a valuation formula agreed by LTIT's non-executive directors. The value of the holding in LTL rose over 50% in 2016, from c£27m to £41.5m. That gain represents over £70 per share of LTIT NAV. If this gain was excluded the remaining assets in the Company would only have generated a c12% return in 2016 – a far cry from the 31% reported above.

Note, we are not saying that your NAV is incorrect. We are not saying that it didn't really go up by 31%. What we are saying, though, is that the performance of a single holding – LTL – made a huge difference to the outcome.

Now, if you want to understand why the value of the stake in LTL rose so much in 2016 the short answer can be found in the growth of assets under management for the company (and a concurrent increase in profits, cash flow and dividends). LTL AUM started 2016 at £6.2bn and ended the year at £8.9bn – a 43% increase. Asset growth of that magnitude does assuredly create value for shareholders – not least in the form of growing dividends.

And why were LTL's assets up so much last year? That must be, to a significant extent, because investment performance across LTL's client base and fund range has been competitive for a number of years, with cumulative long-term performance ahead of respective benchmarks, often delivered with surprising consistency over a number of calendar years.

While our long term track records remain strong, however, we must report that two of our three core strategies underperformed in 2016. The Japan Fund did outperform last year, by 2.6% and, to Mike's credit, in a volatile market. However, LTL's two biggest strategies – UK and Global – ended the year adrift of their 12-month benchmarks. The UK lagged by 5.5% and Global 4.4%.

In large part this underperformance arose during the final quarter of 2016 and particularly after the US election result. This occasioned a big rally in parts of the world's equity markets that we do not invest in – namely Oil, Mining and Cyclicals. At the same time there was a sell-off in sectors where we have been and remain heavily invested, notably consumer branded goods. To be fair the Commodity sectors had been depressed for several years, while "our" sectors had done well for comparably long. This set up the circumstances for a sharp reversal against us.

Here is not the place for a lengthy recapitulation about why we prefer to keep our portfolios (and hence our own savings) invested in quality "growth" stocks rather than cyclical. But it is the place to remind LTIT shareholders that just as the performance delivered by our investment approach cannot be guaranteed to outperform every year, so there is no law that says LTL's business must keep growing every year either. The implications for LTIT shares, still trading at a meaningful premium to the NAV, are clear.

I have deliberately adopted a sober tone for this report, because with 37% of LTIT accounted for by its holding in LTL all this is material for LTIT shareholders. However, I would like to conclude by assuring you that we remain optimistic for global stock markets, optimistic that our investments will generate competitive returns over time and optimistic, therefore about the long term prospects of both LTL and LTIT. All of us at Lindsell Train Limited remain fully engaged in our work to capture the opportunities we see ahead for all our clients and shareholders.

Nick Train, Lindsell Train Ltd