Lindsell Train Investment Trust

All data at 31 January 2016

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.

Market Capitalisation	£102.5m
Share Price	£512.50
Net Asset Value	£427.98
Premium (Discount)	19.7%

Source: Lindsell Train Ltd/ Phoenix Administrators & Bloomberg. Share Price is based on closing mid price.

Fund Profile

Top 10 Holdings (% NAV)	
Lindsell Train Limited (unlisted)	31.9
Diageo	9.1
A G Barr	7.8
Unilever	7.6
LT Japanese Equity Fund	6.0
Nintendo	4.6
RELX Group	4.6
Heineken Holdings	4.6
London Stock Exchange	4.6
Mondelez	3.4

Allocation (% NAV)	
Equities:	
Consumer Franchises	32.5
Financials	4.5
Media	16.5
Unlisted Securities	31.9
Funds	11.7
Cash & Equivalent	2.9
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	*Equity*	*Funds*	*Cash*	*Total*
UK	68.3	2.9	2.3	**73.5**
USA	7.9	-	0.5	**8.4**
Europe (ex UK)	4.6	-	-	**4.6**
Japan	4.6	6.0	0.1	**10.7**
Global	-	2.8	-	**2.8**
Total	**85.4**	**11.7**	**2.9**	**100.0**

Portfolio Manager:	**Nick Train**
Listing:	**London Stock Exchange**
Launch Date:	**22 Jan 2001**
Base Currency:	**Sterling**
Year End:	**31 March**
Management Fees:	
Annual Fee:	**0.65% of market cap**
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)** **Dominic Caldecott** **Vivien Gould** **Michael MacKenzie** **Rory Landman** **Michael Lindsell**
Secretary:	**Phoenix Administration Services Limited**

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 January 2016	*Since Launch*	*5yr*	*3yr*	*1yr*	*YTD*	*3m*	*1m*
Lindsell Train Investment Trust NAV	+426.6	+125.1	+68.8	+17.8	+0.5	+2.7	+0.5
Lindsell Train Investment Trust Price	+531.6	+141.3	+80.2	+28.8	-10.1	-0.3	-10.1
MSCI World Index £	+74.1	+49.7	+31.8	+0.5	-2.3	+0.1	-2.3
Benchmark*	+96.1	+22.8	+12.9	+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.

Past performance is not a guide to future performance.

*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%.

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Fund Manager's Comments

All data at 31 January 2016

With markets down in January from the off (with the MSCI World Index falling 2.3% by the end of the month) it was hardly a propitious start to the year. And the Trustôs NAV was not immune, although it managed to eke out a modest return of 0.5%, with stoic performance from our larger holdings - such as Unilever and Diageo - containing losses in general. It is interesting to note that these are the most exposed of any of our companies to emerging markets and yet in the face of notably weak economies and declining currencies they started the year well, following a more than acceptable 2015. It is because consumers in those markets continue to covet these companiesô brands, in preference to spending on other items, and those consumers are becoming ever more numerous as their populations swell. Also consumers loyalty to the brands allows our companies to adjust pricing to offset any local input inflation. Whether this situation can remain benign for our companies if economies worsen is debatable. Where it has deteriorated, notably in Venezuela, the currency has collapsed - wiping out revenues and assets in Sterling terms even if volume sales remain robust. Such is the store of value in some brands there (for instance Diageoôs Scotch whisky) that they themselves are traded as if a currency.

Our relative performance is flattered also by the 1% rise in LTLôs price. The company is only re-valued monthly so the impact of market movements on FUM is delayed and, by extension, so is its value. In fact, the combination of modest FUM inflows, generally strong foreign currencies and robust performance from our companies meant that LTLôs valuation in early February was actually up marginally rather than down as market movements might have implied. Indeed, in addition to the consumer franchises mentioned above, other sizeable positions such as RELX, PayPal and Pearson were all up on the month.

Pearsonôs performance (up 7%) has to be put into the context of a truly awful last six months of 2015, when the shares were down 39%. In their January trading statement the company announced further restructuring measures ï including a further 4,000 redundancies ï in order to accelerate the companyôs shift from analogue (textbooks) to digital (online courseware and services). This involves launching new products and rationalising existing businesses onto common platforms. Fragmented business units will be condensed onto a single integrated computer system. Profits and cash flows will fall before recovering in 2018. On the basis of this expectation the dividend, against our judgement, is to be maintained. Presumably net debt will rise again in the interim. But it is not clear how much of that recovery is dependent on a cyclical improvement in enrolments in US colleges, a recovery in emerging markets (Brazil and South Africa in particular) and resurgent demand for qualifications in the UK (e.g. BTEC and Edexcel). These are outside Pearsonôs direct control and, should recovery not materialise, we would not want the company to have to shore up its balance sheet with assets sales again in the future.

Michael Lindsell, Lindsell Train Limited

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Reports can be found on our website www.lindselltrain.com

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