

LINDSELL TRAIN INVESTMENT TRUST

All data at 29 February 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	£107.0m
Share Price	£535.00
Net Asset Value	£435.91
Premium (Discount)	22.7%

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)	32.2
Diageo	8.9
A G Barr	7.5
Unilever	7.4
LT Japanese Equity Fund	6.4
London Stock Exchange	4.8
Nintendo	4.7
RELX Group	4.6
Heineken Holdings	4.4
Mondelez	3.2

Allocation (% NAV)

Equities:	
Consumer Franchises	31.3
Financials	4.8
Media	17.0
Unlisted Securities	32.2
Funds	11.9
Cash & Equivalent	2.8
Total	100.0

Lindsell Train sector definitions

Fund Exposure %	Equity	Funds	Cash	Total
UK	68.4	2.8	2.2	73.4
USA	7.9	-	0.5	8.4
Europe (ex UK)	4.3	-	-	4.3
Japan	4.7	6.4	0.1	11.2
Global	-	2.7	-	2.7
Total	85.3	11.9	2.8	100.0

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 (%) 29 February 2016	Since Launch	5yr	3yr	1yr	YTD	3m	1m
Lindsell Train Investment Trust NAV	+436.4	+129.8	+67.3	+19.9	+2.4	+3.3	+1.9
Lindsell Train Investment Trust Price	+559.3	+158.6	+76.3	+26.7	-6.1	-4.9	+4.4
MSCI World Index £	+75.8	+48.4	+27.2	-1.3	-1.3	-1.0	+1.0
Benchmark*	+96.7	+22.7	+12.9	+4.1	+0.7	+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.

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%.

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

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Fund Manager's Comments

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With deflation becoming entrenched in many industry sectors and, even more malign, the price of some goods and services heading toward zero – even moderate nominal growth rates, delivered by those companies that can, look attractive, both in relative and even more so in real terms. As a general rule I've started to add 3% to every reported nominal growth rate I see – for companies or economies – to compensate for these deflationary pressures. Even no growth is real growth today and likely valuable for investors, given how low yields are on competing “no-growth” assets like government bonds. The robust relative performance of Reed (RELX Group) in 2016 is an example of this effect at work. Underlying revenue growth for the company remains “stuck” at around 3%. Some investors question the P/E multiple of 19x that Reed commands, for such apparently pedestrian growth. But add my notional 3% deflation buffer and you're looking at 6% real revenue growth, that is driving nominal earnings of over 7% and over 10% real. This is rare amongst major UK companies and you can understand why investors bid its price higher – to a recent all-time peak. Unilever too is flirting with its highs, despite its well-known exposure to unfashionable emerging markets. It's a cheap shot and unsustainable as a piece of investment valuation analysis, but I can't help noting that in a week when European interest rates have been cut to negative 0.4% it's not so hard to understand why investors warm to the 3% dividend yield on Unilever stock, growing at 6% nominal – and more, adjusted for deflation.

M&A remains robust worldwide in 2016, with the run-rate so far 26% higher than for the comparable two months of 2015 – itself the record year for global M&A, you may recall. Perhaps not such a surprise that corporations are looking to combine, when nominal growth is so hard to come by. With LSE our portfolios have benefited from one of the eye-catching proposed deals of the year to date. We will report further once formal terms are tabled, but in the meantime are far more inclined to add to than sell our stake. LSE shares today are barely 4% higher than end December 2015, despite all the confirmed interest.

Nick Train, Lindsell Train Limited

Corporate Secretary & Registered Office

Phoenix Administration Services Limited
Springfield Lodge
Colchester Road
ESSEX CM2 5PW
Phone: 01245 398950

Investment Manager

Lindsell Train Limited
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

Auditor

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

**Lindsell Train is authorised and regulated
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**Phone: +44 20 7808 1210
info@LindsellTrain.com**

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

Risk Warning

Past performance is not a guide or guarantee to future performance. Investments carry a degree of risk and the value of investments and income from them as a result of market or currency fluctuations may go down as well as up and you may not get back the amount you originally invested.

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