Lindsell Train Investment Trust PLC

All data at 30 June 2016

Market Capitalisation
£127.0m

Share Price: £635.00

Net Asset Value: £487.47

Premium (Discount): 30.26%

Source: Lindsell Train Ltd/ Maitland Administrators & 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 (%) 30 June 2016	*Since Launch*	*5yr*	*3yr*	*1yr*	*YTD*	*3m*	*1m*
Lindsell Train Investment Trust NAV	+499.8	+141.6	+76.6	+20.8	+14.5	+10.1	+5.6
Lindsell Train Investment Trust Price	+682.6	+190.1	+119.2	+28.8	+11.4	+11.4	+2.6
MSCI World Index £	+97.7	+65.5	+38.8	+14.4	+11.0	+8.6	+7.7
Benchmark*	+99.4	+22.5	+13.0	+4.1	+2.0	+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)	33.1
Diageo	9.0
Unilever	7.7
LT Japanese Equity Fund	6.5
London Stock Exchange	6.4
A G Barr	6.3
RELX	4.6
Heineken Holdings	4.6
Nintendo	4.5
Mondelez	3.4

Allocation (% NAV)	
Equities:	
Consumer Franchises	30.9
Financials	6.4
Media	16.2
Unlisted Securities	33.1
Funds	11.8
Cash & Equivalent	1.6
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	*Equity*	*Funds*	*Cash*	*Total*
UK	70.0	2.6	1.1	**73.7**
USA	7.6	-	0.5	**8.1**
Europe (ex UK)	4.5	-	-	**4.5**
Japan	4.5	6.5	-	**11.0**
Global	-	2.7	-	**2.7**
Total	**86.6**	**11.8**	**1.6**	**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

The "defensive" nature of much of your portfolio was manifest this month, with double digit gains in big positions such as Unilever, Diageo, RELX and Mondelez in Sterling terms. Heineken was up 8% too. However, A. G Barr was the significant loser, down 10% - despite it's likely highly resilient business in almost any economic conditions.

But the move that interested us most was that of Pearson, up 15% on the month and now over 30% in 2016 to date. Of course Pearson is a big Dollar earner and the weakness of Sterling brings a significant translation boost for its earnings. But is this enough to explain the gain? After all, the other winners all have this defensive, consumer staple quality. And defensive is certainly not the adjective that springs to mind as regards Pearson. The company has delivered a series of profit warnings in recent years as it tackles a downturn in its US education business; a downturn moreover that coincides with a technology-driven change in the provision of education services in the US that threatens Pearson's textbook business.

What accounts for Pearson's share strength, we think, is increasing confidence among investors – admittedly from a low level – that its investments into digital products and software services can compensate for the loss of part of its traditional revenues and, perhaps, eventually restore the company to growth. Pearson already has more digital education revenues than any of its competitors and continues to invest c£700m pa into the area, which we expect is unmatched too. At its recent investor day, devoted to its US Higher Education business, Pearson was able to claim that it has more paid for student registrations to its digital products, c13m, than the rest of its rivals combined. Meanwhile, Pearson's market share in higher education has risen to 40% from 30% 10 years ago, partly as a result of this success with digital services. The division, which is growing, represents over 40% of group profits.

For us the real lesson here is not so much the eventual success or failure of our longstanding investment in Pearson. Rather the share price gains reinforce to us just how important and valuable successful digital strategies are in the eyes of investors today and rightly so. The Internet/Digital is crunching many companies and industries at the moment – unravelling many supposed reliable business models, but also throwing up new, sometimes enormous, opportunities. For instance, we look to the success of Nintendo's introduction of Pokemon to smart-phones as a pivotal moment for that company, as it seeks to expand its customer base.

In our opinion these tech-driven forces are far more important for wealth preservation and creation in Equity assets over the next 5 years and beyond than are the political or macro implications of Brexit. As citizens we must pay close attention to the politics, but as investors these industry trends will outweigh.

Nick Train, Lindsell Train Ltd