Lindsell Train Investment Trust

All data at 31 August 2015

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	£99.8m
Share Price	£499.00
Net Asset Value	£409.16
Premium (Discount)	22.0%

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)	30.5
A G Barr	8.7
Diageo	8.6
Nintendo	6.7
Unilever	6.3
LT Japanese Equity Fund	6.2
London Stock Exchange	4.9
Heineken Holdings	4.0
Pearson	3.9
RELX Group	3.9

Allocation (% NAV)	
Equities:	
Consumer Franchises	30.8
Financials	4.8
Media	18.4
Unlisted Securities	30.5
Funds	11.9
Cash & Equivalent	3.6
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	***Equity***	***Funds***	***Cash***	***Total***
UK	66.7	2.9	2.4	**72.0**
USA	7.0	-	1.2	**8.2**
Europe (ex UK)	4.0	-	-	**4.0**
Japan	6.7	6.2	-	**12.9**
Global	-	2.9	-	**2.9**
Total	**84.4**	**12.0**	**3.6**	**100.0**

Fund Performance (GBP)

Calendar Year Performance (%)	***2010***	***2011***	***2012***	***2013***	***2014***
Lindsell Train Investment Trust NAV	+18.0	+9.4	+14.9	+25.9	+15.2
Lindsell Train Investment Trust Price	+30.9	+7.0	+28.0	+21.5	+8.7
MSCI World Index £	+15.3	-4.8	+10.7	+24.3	+11.5
Benchmark*	+4.7	+4.6	+4.0	+4.0	+4.3

Cumulative Performance (%) 31 August 2015	***Since Launch***	***5yr***	***3yr***	***1yr***	***YTD***	***3m***	***1m***
Lindsell Train Investment Trust NAV	+403.4	+121.1	+76.7	+25.2	+18.2	+1.7	-1.0
Lindsell Train Investment Trust Price	+515.0	+167.3	+94.2	+37.1	+35.1	+4.6	-4.1
MSCI World Index £	+68.0	+68.9	+41.0	+3.5	-1.1	-7.9	-5.3
Benchmark*	+92.6	+22.9	+12.6	+3.9	+2.5	+0.9	+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: Donald Adamson, Dominic Caldecott, Julian Cazalet, Vivien Gould, Michael MacKenzie, Rory Landman, Michael Lindsell

Secretary: Phoenix Administration Services Limited

Lindsell Train Investment Trust

Fund Manager's Comments

All data at 31 August 2015

A grotty August, with further alarms into September. The S&P 500 – probably still the world's bellwether market – is now down 9% from its all-time high, set in May of this year. So, still just about in "correction" mode, rather than full-blown, unequivocal bear market. I won't say - "nothing, therefore, to worry about", because I haven't the faintest idea what happens next.

However there are a few aspects of the current scene I find mysterious. First, the assumption that falling commodity prices are bad news. Every morning London and European traders appear to check the CRB Commodities Index, particularly oil and copper and decide whether to mark stock prices up or down in accordance. Of course I understand commodity prices matter for BHP or Shell. But, to me, the sight of such socially critical commodities as Wheat, down 35% over the year or Oil, halving over that period – that sight makes me feel profoundly bullish. I'm reluctant to get too grandiose with you – but surely the history of capitalism has been about the benefits of improved crop yields and extraction techniques leading to ever falling real prices for commodities, which in turn have driven population growth and increased consumer spend, in the furtherance of better quality of life? And isn't the current commodity bear market easily explicable in terms of a supply shock, rather than a demand shortfall? There are just more of those commodities around because we've got better at accessing them.

I'm a chronically predictable "cup half full" character. But I'd be amazed if – at some stage – further price falls in commodities aren't being hailed as the guarantor of the next leg of global growth. By the way, Japan was always analysed as inversely correlated to commodity prices, because it is famously short of its own. Maybe no surprise, then, that it is the best performing major market, currency adjusted, in 2015.

Next, I normally associate takeover booms with investor euphoria. There is unquestionably a takeover boom underway worldwide right now, but investors are far from euphoric. I'm not saying investors are wrong. I am saying, though, that corporations are clearly more relaxed about current macroeconomic worries than their owners. Because those corporations can see both opportunity to effect value-creating deals and combinations and cheap enough values in stock markets to make those deals work.

Finally, note that the world's truest "growth" index – the NASDAQ – is down less than 1% in 2015. Investors are reluctant to get too pessimistic about the sort of secular growth represented by the average NASDAQ constituent. And rightly so – in a deflationary world nominal growth is accelerating and deserving of ever higher valuations.

Nick Train, Lindsell Train Limited

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