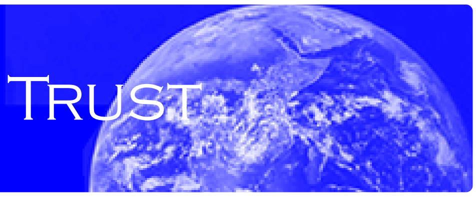
Lindsell Train Investment Trust



All data at 30 September 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	£98.7m
Share Price	£493.50
Net Asset Value	£404.40
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)	31.6
Diageo	8.9
A G Barr	8.2
Unilever	6.8
LT Japanese Equity Fund	6.0
Nintendo	5.6
London Stock Exchange	4.7
RELX Group	4.3
Heineken Holdings	4.2
Pearson	4.0

Allocation (% NAV)	
Equities:	
Consumer Franchises	31.4
Financials	4.7
Media	17.3
Unlisted Securities	31.6
Funds	11.7
Cash & Equivalent	3.3
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	*Equity*	*Funds*	*Cash*	*Total*
UK	68.5	2.9	2.0	**73.4**
USA	6.8	-	1.2	**8.0**
Europe (ex UK)	4.2	-	-	**4.2**
Japan	5.6	6.0	-	**11.6**
Global	-	2.8	-	**2.8**
Total	**85.1**	**11.7**	**3.2**	**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 (%) 30 September 2015	*Since Launch*	*5yr*	*3yr*	*1yr*	*YTD*	*3m*	*1m*
Lindsell Train Investment Trust NAV	+397.6	+118.7	+74.9	+22.5	+16.8	+0.2	-1.2
Lindsell Train Investment Trust Price	+508.2	+156.8	+74.9	+33.9	+33.6	+0.1	-1.1
MSCI World Index £	+64.3	+54.9	+36.5	+1.6	-3.3	-5.0	-2.2
Benchmark*	+93.0	+22.7	+12.5	+3.8	+2.8	+0.8	+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: **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 30 September 2015

This month AB InBev (ABI) announced it was preparing to make an offer for SAB Miller ('SAB'). If the companies combine they will have 30% of the world beer market and 50% of its profit pool. The huge advances in technology, information transfer, communications, cross border financing and data processing have broken down national barriers and brought best practice to the extremities of the world. In doing so, corporations can practically exploit economies of scale globally rather than just nationally making previously big concerns relative minnows in the global sphere. 3G partners, dominant owners of ABI, with their messianic focus on the benefits of scale and cost control, are at the forefront of this nascent opportunity, not only in beer but also in food and grocery with Kraft Heinz. We should expect more such super large combinations and there are big prizes for those who have the foresight to identify the industries where global scale is practicable and exploitable.

But equally such scale efficiencies are not the be all and end all. It's the quality of the brands that matters most as it is this that ultimately gives the corporation enduring durability. ABI has in its extensive portfolio some formidable brands, but none can claim, like Heineken can, to be truly global. Bud may sell more bottles than Heineken worldwide but those sales are in concentrated specific geographies – the USA and Latin America. Heineken though is dominant in Western Europe and well recognised as premium in the USA, much of Asia, Central and Eastern Europe and Africa. Indeed it has far the biggest market share in premium beer worldwide with a 20% share eclipsing Bud and Corona, another ABI brand, that both have a share of 10%. Of course ABI plan to use the combined companies' distribution as a platform to expand premium Bud and Corona sales, but Heineken has a big head start. Perhaps this explains why SAB was so keen to get together with Heineken earlier in the year.

What the acquisition does do is put a spotlight on a big valuation gap between SAB and Heineken itself. Today SAB's enterprise value is 4.5x its sales, yet Heineken's is just 2.7x. Admittedly SAB has better operating margins at 20% v 14% but ultimately we think Heineken's global brand differentiates it as a better business. There will have to be disposals in order for the SAB deal to pass the competition authorities, most obviously in the USA and China, which will give opportunities for others to extend their global reach and provide further price points as an indicator of value. It also increases the pressure on other local beer brands to consider their competitive position. I'm particularly thinking of the likes of Kirin Holdings that we hold in the Japan fund. It owns some good franchises – Kirin in Japan, Lion Nathan (half of the Australasian beer market), Shin in Brazil (less good, a 3rd ranking brand), half of San Miguel in the Philippines and just recently 55% of Myanmar's dominant brewer. But these have little fungibility and no global scale. In the past the company would have sheltered beneath the canopy of its home market but that is not as secure as it once was with pressure on profitability in its soft drinks subsidiary and declining market share in its domestic beer franchise. Will it instead, raise its head above the parapet and embrace the changes ongoing in the industry worldwide?

Michael Lindsell, Lindsell Train Limited

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

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