Lindsell Train Investment Trust

All data at 31 October 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	£102.8m
Share Price	£514.00
Net Asset Value	£416.75
Premium (Discount)	23.3%

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)	31.7
Diageo	9.1
A G Barr	8.0
Unilever	7.1
LT Japanese Equity Fund	6.3
Nintendo	5.1
London Stock Exchange	4.8
Heineken Holdings	4.6
RELX Group	4.3
Mondelez	3.5

Allocation (% NAV)	
Equities:	
Consumer Franchises	32.3
Financials	4.8
Media	16.7
Unlisted Securities	31.7
Funds	11.8
Cash & Equivalent	2.7
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	***Equity***	***Funds***	***Cash***	***Total***
UK	68.0	2.9	2.0	**72.9**
USA	7.8	-	0.7	**8.5**
Europe (ex UK)	4.6	-	-	**4.6**
Japan	5.1	6.3	-	**11.4**
Global	-	2.6	-	**2.6**
Total	**85.5**	**11.8**	**2.7**	**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 October 2015	***Since Launch***	***5yr***	***3yr***	***1yr***	***YTD***	***3m***	***1m***
Lindsell Train Investment Trust NAV	+412.8	+124.2	+77.8	+26.7	+20.4	+0.8	+3.1
Lindsell Train Investment Trust Price	+533.4	+160.0	+86.9	+40.0	+39.1	-1.2	+4.2
MSCI World Index £	+73.9	+60.4	+45.1	+5.4	+2.4	-1.9	+5.9
Benchmark*	+94.1	+22.9	+12.8	+4.0	+3.3	+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%.

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**

Secretary: **Phoenix Administration Services Limited**

Lindsell Train Investment Trust

Fund Manager's Comments

All data at 31 October 2015

Pearson's share price is not where we want or expected it to be.

As with all our holdings we continually reassess our investment thesis and engage with management when business performance or strategy decisions surprise us.

We have had more such engagement with Pearson over the last few years than any other holding – up to and including a conference call with the CEO and CFO last month to discuss the most recent earnings shortfall.

It would be wrong to say that this call or indeed previous meetings have given us complete confidence about the validity of the Pearson investment idea; although there are few absolute certainties in any business. However, we continue to think the company offers a unique opportunity to participate in what should be a rewarding theme. In summary of our aspirations I quote below a paragraph from an analyst report on Pearson published 22/10/15; the day after the profit downgrade; a report which otherwise is in no way overoptimistic.

"In the long run, educational outcomes still matter and governments will continue to be under pressure to raise student and school performance. . .technology represents the only tool for governments to improve these outcomes. Also, as technology plays a larger role, the education publishing business, which historically reached scale economies at national levels, will become more and more global. Pearson's larger size and investment in technology should lead to gaining share and becoming increasingly profitable."

We are invested in a number of companies which own or create what we analyse to be rare or "must-have" Intellectual Property. And we have deliberately looked for those with, in addition, an opportunity to use digital technology to extend the reach of their IP and its utility for customers. Some of these ideas have already been successful for our clients – for instance Disney, Intuit, Reed and Sage. Pearson seems to us to still fit these criteria.

We understand and share the frustration of investors that Pearson's 2016 earnings per share are likely to be closer to 65p than the £1.20 that was hoped for a couple of years ago. But we also want to remember that sentiment and stock market ratings can change quickly. Let's say – wholly for the sake of argument (no one is predicting this, definitely not us) - that Pearson earnings bottom at 60p in two years time, after more P&L investment in technology. But that those 60p of earnings have become high margin, cash generative Edtech profits, offering secular, not cyclical, growth well in excess of GDP. Those earnings might command a 25x P/E and support a share price of £15. This is not far-fetched: secular growth is rare in world stock markets today and very highly valued where it is recognised.

We will hunker down with our holding in Pearson. Look out for opportunities to add when it appears sensible. And keep testing the thesis.

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 by the Financial Conduct Authority
Pone: +44 20 7808 1210
info@LindsellTrain.com

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

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