Lindsell Train Investment Trust

All data at 31 December 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	£114.0m
Share Price	£570.00
Net Asset Value	£425.77
Premium (Discount)	33.9%

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	7.9
Unilever	7.0
LT Japanese Equity Fund	6.3
London Stock Exchange	5.1
Nintendo	4.6
Heineken Holdings	4.5
RELX Group	4.3
Mondelez	3.5

Allocation (% NAV)	
Equities:	
Consumer Franchises	31.7
Financials	5.1
Media	15.8
Unlisted Securities	31.6
Funds	12.0
Cash & Equivalent	3.8
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	*Equity*	*Funds*	*Cash*	*Total*
UK	67.2	2.9	3.2	**73.3**
USA	7.9	-	0.6	**8.5**
Europe (ex UK)	4.5	-	-	**4.5**
Japan	4.6	6.3	-	**10.9**
Global	-	2.8	-	**2.8**
Total	**84.2**	**12.0**	**3.8**	**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 (%) 31 December 2015	*Since Launch*	*5yr*	*3yr*	*1yr*	*YTD*	*3m*	*1m*
Lindsell Train Investment Trust NAV	+423.9	+124.0	+78.3	+23.0	+23.0	+5.3	+0.9
Lindsell Train Investment Trust Price	+602.5	+179.2	+103.8	+54.3	+54.3	+15.5	+1.3
MSCI World Index £	+78.2	+53.2	+45.3	+4.9	+4.9	+8.4	+0.3
Benchmark*	+95.4	+22.8	+12.9	+4.0	+4.0	+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.

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

Lindsell Train Investment Trust

Fund Manager's Comments

All data at 31 December 2015

The NAV and share price both had exceptional years in 2015. We won't reheat the topic yet again in this report, but Mike and I continue to worry that those respective returns were +23% and +54%. In other words, your company's share price ran far ahead of the gains in the NAV. And this despite the fact that the NAV itself was significantly boosted by the increase in value of its holding in the unquoted Lindsell Train Limited (LTL).

It is true that LTL enjoyed a satisfactory year in 2015. The business grew, closing the year with assets of £6.2bn, compared to £4.7bn 12 months ago. More important, investment performance remained competitive for the year, with the three core funds outperforming their respective benchmarks by: Global 14.6%, UK 10.5% and Japan 12.1%. But we're sure that the only way to justify the share price of your company is to assume that LTL's investment and business performance continue to do well. Of course we hope that will be so, but you won't need reminding how fickle markets can be.

We have only to consider the ghastly performance of one of our highest conviction investments in 2015 – Pearson – to remind ourselves that we can be fallible and the world is inscrutable. As to Pearson, we have continued to add to the holding into its price weakness. This is in part on the grounds that we refuse to accept the concept of a "hold", so far as an active investment manager is concerned. Everything must be either a "buy" or a "sell". And we have not, yet, got to the point where we regard Pearson as a sell. Therefore it must be a buy. With £4.5bn of global education revenues, reaching 100 million users of its products annually, Pearson has a scale way ahead of rivals and has invested heavily in digital services. There is optionality in this – despite all the ifs and buts. We meet with the new chairman later this month, which will be instructive.

To conclude; no predictions, but some thought-provoking quotes from my holiday reading.

"Models are only as good as their inputs and you only ever have two choices; past results or hypothetical assumptions. Neither predicts the future." Fisher, Beat the Crowd.

"Contemporary economic theory and policy are based on outdated models that emphasise energy costs, commodity prices and capital investment…as the key driving factors, while largely overlooking computational capacity, memory bandwidth, the size of technology, intellectual property, knowledge…that are driving the economy" Kurzweil, The Singularity is Near.

"I find it hard to think of any businesses that have done more over the years to alienate their customer base than the big banks and insurance companies." Dampier, Effective Investing.

"When you analyse what happened the big money's been made in the quality businesses." Griffin, Munger: The Complete Investor.

And I've got to believe in this:

"Investment is one of the few areas in professional life where you can clearly say that the best get better with age." Dampier, Effective Investment

Nick Train, Lindsell Train Limited

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

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