Lindsell Train Investment Trust

All data at 31 January 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 yield on the 2.5% Consolidated Loan Stock.

Market Capitalisation	£80.8m
Share Price	£404.00
Net Asset Value	£369.73
Premium (Discount)	9.3%

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)	25.0
A G Barr	10.8
Diageo	8.5
Unilever	6.4
LT Japanese Equity Fund	6.0
London Stock Exchange	5.0
Pearson	4.7
Heineken Holdings	4.3
Reed Elsevier	4.3
2½% Consolidated Loan Stock	4.0

Allocation (% NAV)	
Equities:	
Consumer Franchises	33.9
Financials	5.0
Media	16.2
Unlisted Securities	25.0
Funds	12.0
Bonds	7.1
Futures	(3.4)
Cash & Equivalent	4.2
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	***Bonds***	***Equity***	***Funds***	***Futures***	***Cash***	***Total***
UK	7.1	64.6	3.3	-	(1.7)	**73.3**
USA	-	7.6	-	-	5.7	**13.3**
Europe (ex UK)	-	4.3	-	-	(1.1)	**3.2**
Japan	-	3.6	6.0	(3.4)	*1.3	**7.5**
Global	-	-	2.7	-	-	**2.7**
Total	**7.1**	**80.1**	**12.0**	**(3.4)**	**4.2**	**100.0**

** Adjusted to account for exposure through futures contracts*

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
Index of annual average yield of 2½% Consols	+4.7	+4.6	+4.0	+4.0	+4.3

Cumulative Performance (%) 31 January 2015	***Since Launch***	***5yr***	***3yr***	***1yr***	***YTD***	***3m***	***1m***
Lindsell Train Investment Trust NAV	+347.2	+125.5	+73.3	+22.2	+5.0	+10.5	+5.0
Lindsell Train Investment Trust Price	+390.6	+158.3	+79.1	+18.0	+7.7	+8.5	+7.7
MSCI World Index £	+73.2	+77.6	+51.3	+17.1	+1.9	+5.0	+1.9
Index of annual average yield of 2½% Consols	+88.5	+23.6	+12.8	+4.3	+0.3	+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.

Portfolio Manager: **Nick Train**

Listing: **London Stock Exchange**
Launch Date: **22 Jan 2001**
Base Currency: **Sterling**
Benchmark: **2½% Consolidated Loan Stock**
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 gross annual average yield of the 2½% Consolidated Loan Stock.**

Bloomberg: **LTI LN**
ISIN: **GB0031977944**

The Board: **Donald Adamson, Dominic Caldecott, Michael MacKenzie, Rory Landman, Michael Lindsell**

Secretary: **Phoenix Administration Services Limited**

Lindsell Train Investment Trust

Fund Manager's Comments

All data at 31 January 2015

Last year proved a good one for the US dollar – it rose 6% versus Sterling, 12% versus the Euro and 8% versus the Yen – and this year has begun with it rising further. The dollar was up 4% versus Sterling and 7% versus the Euro in January alone. Over the last year owning US dollar assets has been a great way to enhance returns for a UK investor.

In the Trust we have a relatively low direct exposure to US dollar assets at 16%, and nothing like as much exposure as the MSCI World Index, which at 62% is predominantly exposed to US companies. Mind you, what really matters in our view is how much exposure we have through our companies to US dollar sourced revenues and cash flows and that is certainly greater at, we estimate, c.30%. We don't know for certain how much the index is exposed to US dollar revenues but it is probably around 45-50%. So by any measure we are undoubtedly underweight US dollars. Does it matter?

It shouldn't. Although currency changes can materially affect returns in the short term, as is the case over the recent past, we expect compounded returns from any of our companies to dwarf the relative change in currencies over the long term. For instance over the last 15 years Diageo's price has risen fourfold yet over that period against Sterling the Euro has risen 20%, the US dollar by 7% and the Yen has fallen by 2%. For any of these currencies the biggest move from peak to trough during the 15 years was 50%. Thus our policy is to ignore currency when constructing a portfolio and instead concentrate on the quality and value of the assets we acquire.

In extremis currency changes can matter. For instance over the last 15 years the Venezuelan Bolivar has depreciated by 790% against Sterling. We have no direct investments in Venezuelan assets but Diageo does and has had to cope with periodic devaluations, most notably in 2010 and 2013. This is one reason why we prefer to invest in emerging markets indirectly through developed market listed companies rather than taking on the direct risk ourselves. Diageo has sales in over 180 countries worldwide and has had much experience in managing these risks over the years.

Late last year the strength of the dollar was instrumental in helping US dollar assets perform as evidenced by the performance of Kraft Foods (up 11% in the last quarter) - the company derives the lion's share of its revenue from the USA alone. In January, however, investors woke up to the positive effect a strong US dollar would have on companies listed elsewhere that derived a good chunk of their revenues from the USA. Our portfolio has a number of these candidates including Pearson (up 14%), Heineken Holdings (up 12%), Reed Elsevier (up 10%) and Unilever (up 11%). Performance from these big holdings helped the fund to advance 5.0%, well ahead of the 1.9% rise in the MSCI World Index in January.

Michael Lindsell, Lindsell Train Limited

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