Lindsell Train Investment Trust

All data at 28 February 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	£85.7m
Share Price	£428.50
Net Asset Value	£369.95
Premium (Discount)	15.8%

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	11.5
Diageo	8.3
Unilever	6.2
LT Japanese Equity Fund	6.1
London Stock Exchange	5.3
Pearson	4.9
Heineken Holdings	4.4
Reed Elsevier	4.1
eBay	3.9

Allocation (% NAV)	
Equities:	
Consumer Franchises	34.4
Financials	5.3
Media	16.7
Unlisted Securities	25.0
Funds	12.1
Bonds	5.9
Futures	(3.6)
Cash & Equivalent	4.2
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	***Bonds***	***Equity***	***Funds***	***Futures***	***Cash***	***Total***
UK	5.9	65.3	3.3	-	(1.7)	**72.8**
USA	-	7.8	-	-	5.5	**13.3**
Europe (ex UK)	-	4.5	-	-	(1.1)	**3.4**
Japan	-	3.8	6.1	(3.6)	*1.5	**7.8**
Global	-	-	2.7	-	-	**2.7**
Total	**5.9**	**81.4**	**12.1**	**(3.6)**	**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 (%) 28 February 2015	***Since Launch***	***5yr***	***3yr***	***1yr***	***YTD***	***3m***	***1m***
Lindsell Train Investment Trust NAV	+347.5	+117.8	+70.9	+19.8	+5.0	+5.7	+0.1
Lindsell Train Investment Trust Price	+420.3	+160.3	+87.6	+25.3	+14.3	+13.1	+6.1
MSCI World Index £	+78.2	+71.2	+50.2	+17.0	+4.9	+3.6	+2.9
Index of annual average yield of 2½% Consols	+89.1	+23.5	+12.8	+4.2	+0.6	+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

Secretary: Phoenix Administration Services Limited

Lindsell Train Investment Trust

Fund Manager's Comments

All data at 28 February 2015

A recovery in energy prices in February prompted some profit taking in the companies we've argued are major beneficiaries of cheaper oil – namely the global branded consumer staples. Both Diageo and Unilever fell back slightly over the month, compared to the MSCI World Index up nearly 3%. This pair remain up 5% and 9% respectively in 2015. We won't attempt to predict oil – although we did note some recent Wood Mackenzie analysis that suggests the price would have to stay below $40 for some time for serious amounts of capacity to be taken out of the market. But the drop has been so material and so recent that it is almost certainly too soon for all the ramifying benefits to be seen.

Another weak performer in February was Reed, down over 3%. The company's final results were not perceived to offer enough to justify further share gains, after its 22% rise in 2014. For our part we found the results reassuring. Its business model – of acting as a "toll booth" for professionals in the scientific, legal, healthcare and insurance industries looks as secure as ever. Meanwhile, underlying revenue growth of 3-4% is generating earnings growth in high single digits (as margins lift on increasing digital sales). The final dividend rose 6% and the company has announced a further £500m buyback. As one positive broker put it – most investors will have many far more worrying situations in their portfolios than Reed. Is the valuation too high - at c18x? Some argue it is. But for us the inverse of 18x, or 5.5%, is still a very attractive return to stay locked into – given the predictability of Reed's business and, indeed, its considerable opportunities for future growth. We have been buying more.

We saw Heineken last month, after its results. The final dividend was up 40%. When asked why, the company spoke about improving cash flow and its desire to move its payout ratio more in line with peers. This may be so, but we are also sure that the shock of being approached by SAB Miller last year for a merger will have concentrated the minds of both Heineken's board and its major shareholders. The dividend increase is welcome, but so is the progress the company is making in its strategy – building shares for Tiger beyond Asia, cider (a big new opportunity)and, especially, the Heineken brand itself.

Nick Train, Lindsell Train Limited

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