

# LINSELL TRAIN

## The Lindsell Train Investment Trust (LTIT)

ALL DATA AS OF 28 FEBRUARY 2022

MONTHLY REPORT | FACT SHEET

### Fund Objective & Policy

To maximise long-term total returns, with a minimum objective to maintain the real purchasing power of Sterling capital, by investing globally in a wide range of financial assets with no limitations on the markets and sectors in which investment may be made. There is likely to be a bias towards equities and Sterling assets, consistent with a Sterling-dominated investment objective. Included in the range of assets are Lindsell Train managed funds and the unlisted security Lindsell Train Limited. For further information please see [www.ltit.co.uk](http://www.ltit.co.uk)

### Market Capitalisation

£233m

### Share Price

£1,165.00

### Net Asset Value per share

£1,091.10

### Premium (Discount)

6.77%

Source: Lindsell Train Limited/ Frostrow Capital LLP & Bloomberg. Share Price is based on closing mid price.

### Current Net Yield

4.29%

Note: Calculation includes both ordinary and special dividend.

### Fund Profile

The portfolio is concentrated, with the number of equity investments averaging 15.

### Investment Manager

Nick Train

### Fund Information

Listing	LSE
Launch Date	22 January 2001
Base Currency	GBP (£)
Year End	31 March
Benchmark*	MSCI World Index (£)
ISIN	GB0031977944
Bloomberg	LTI LN
AIC Sector	Global

\*Prior to 1 April 2021, the benchmark was the annual average running yield of the longest-dated UK government fixed rate bond, plus a premium of 0.5%, subject to a minimum yield of 4%.

### Calendar Year Performance (%) £

	2017	2018	2019	2020	2021
LTIT NAV	+37.6	+16.2	+32.4	+16.5	+3.8
LTIT Price	-6.2	+46.6	+2.1	+24.6	-9.7
MSCI World Index £	+11.8	-3.0	+22.7	+12.3	+22.9

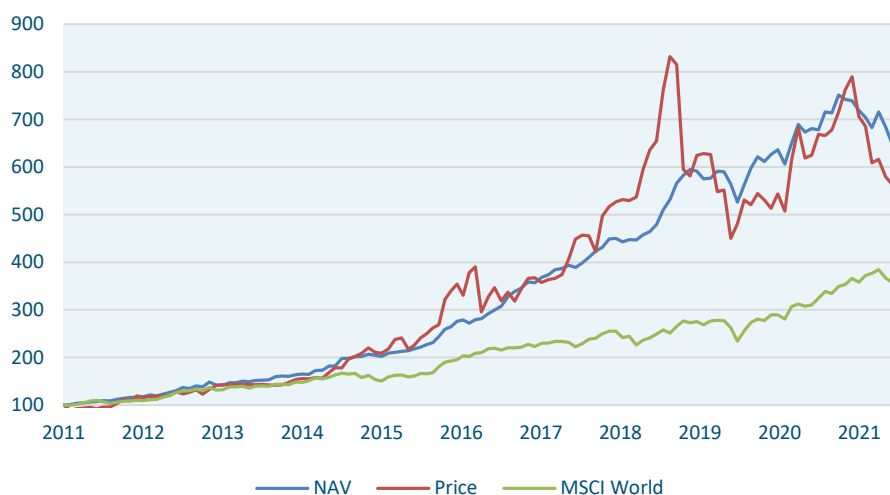
### Cumulative Performance (%) £

28 February 2022	1m	3m	YTD	1yr	3yr	5yr	10 yr	Since Launch
LTIT NAV	-5.0	-4.9	-5.8	-4.6	+11.8	+17.3	+19.8	+14.0
LTIT Price	-2.5	-7.4	-17.3	-9.7	-3.9	+11.5	+19.5	+14.2
MSCI World Index £	-2.5	-5.1	-6.8	+15.4	+14.1	+10.4	+12.7	+6.7

Source: Lindsell Train Limited, Bloomberg and Morningstar Direct. Listed securities in the portfolio are valued at the closing bid price. GBP return net of fees and expenses with dividends reinvested. For periods greater than one year, returns are shown annualised.

Past performance is not a guide to future performance.

### Investment Growth over the last 10 years



As of 28<sup>th</sup> February 2022. Source: Lindsell Train Limited, Bloomberg, Morningstar Direct. GBP total return net of fees and expenses with dividends reinvested. The graph shows NAV per share, Price and MSCI World performance per £100 invested.

Past performance is not a guide to future performance.

**Top 10 Holdings (%NAV)**

Lindsell Train Limited	44.68
LF Lindsell Train North American Equity Fund	7.73
Diageo	7.18
London Stock Exchange Group	7.08
Nintendo	7.07
Unilever	3.81
RELX	3.79
PayPal	3.73
Mondelez	3.36
A.G. Barr	2.98

**Allocation (%NAV)**

<b>Equities:</b>	
Consumer Franchises	21.1
Financials	7.1
Media	14.8
Unlisted Securities	44.7
Funds	9.3
Cash & Equivalent	3.0
<b>Total</b>	<b>100.0</b>

*Lindsell Train sector definitions*

**Fund Exposure (% NAV)**

	Equity	Funds	Cash	Total
UK	69.7	9.3	3.0	82.0
USA	7.1	-	-	7.1
Europe (ex UK)	3.8	-	-	3.8
Japan	7.1	-	-	7.1
<b>Total</b>	<b>87.7</b>	<b>9.3</b>	<b>3.0</b>	<b>100.0</b>

**Fee Information**

Annual Fee	Performance Fee
0.60% of the lower of the company's market capitalisation or NAV calculated daily.	10% of the value of any positive relative performance versus the benchmark in a financial year. Relative performance is measured by taking the lower of the NAV or Average Market Price (defined as the average price over the last month of the performance period), taking into account dividends, at the end of each financial year and comparing the percentage annual change with the total return of the benchmark. A performance fee will only be paid out if the annual change is both above the benchmark and is a positive figure. For further information, please contact Frostrow Capital LLP.

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Julian Cazalet (Chairman)  
Nicholas Allan  
Vivien Gould (Senior Independent Director)  
Richard Hughes (Chairman of Audit Committee)  
Michael Lindsell

## Portfolio Manager's Comments

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The biggest faller in the portfolio this month was PayPal, a company that in our view possesses significant structural advantages - as evidenced by the compounding of its cashflows at 18% p.a. since its 2015 separation from eBay. In the right place at the right time as the pandemic hit, PayPal's business caught a further break as the world shifted online, helping February-reported FY2021 volumes grow 33% to top a trillion dollars, whilst the user base hit 426 million. As tech-investors looked ahead to these fabulous figures, from Spring 2020 to Summer 2021 the shares trebled.

Yet if the business boost was real, investor confidence proven transient. Announcing the results earlier this month CFO John Rainey commented "We arguably just had one of the best years in our history when you examine our financial metrics, eclipsing \$25 billion in revenue and generating almost \$5.5 billion in free cash flow. By virtually any measure, we are a market leader in digital payments, and we'll continue to grow faster than the market. There are very few companies of our size with our global reach, with our growth rate, and cash generation." Yet the shares fell 26% in response.

So as other investors pull the plug, what do we think? Interrogating the fine print, PayPal's sin was signaling slower growth to come, guiding to a lower 15-20m net user adds in 2022 and 20%+ revenue growth into 2023, with a new focus on the retention of higher value users. But even post-pandemic, the broader ecommerce trends benefiting PayPal aren't going away, and as above there was a lot to like about the results. At a time when competition is front of mind (though when is it ever not?), not only is PayPal's acceptance (at 76% of the top 1,500 US/EU retailers) still almost three times that of their nearest rival, but it also gained 2% of share at the checkout. With pricing power topical in today's inflation-spooked environment, we note that PayPal raised merchant prices by over 50bps yet simultaneously signed up a further 5m. This doesn't mean competitive threats can be ignored, but the company clearly has a strong position to defend in a rapidly growing industry.

Even if PayPal is 'maturing' to the extent that 30%-plus rates moderate, that needn't spell disaster - eternal 30% growth was never part of our long-term thesis. And so, returning to the fundamentals of valuation - we'd argue that if top and bottom-line growth can be sustained at mid-to-low double digit rates for anything like the long-term, then today's generous free cashflow yield of over 4% represents extremely good value.

PayPal is a robust business and so are the other key holdings in your portfolio. Diageo, Heineken, LSE, Mondelez, Nintendo, RELX and Unilever will each be impacted by 2022 macro and geopolitical events, separately and differently, but we have no existential worries about their brands and franchises. Investors sometimes forget – survivability is a valuable characteristic.

### **Nick Train, 10th March 2022**

**Source Data:** Lindsell Train Ltd & Bloomberg; as of 28th February 2022.

**Note:** All stock returns are total returns in local currency.

The top three absolute contributors to the fund's performance in February were Nintendo, AG Barr, and Diageo and the top three absolute detractors to the fund's performance were Lindsell Train Limited, PayPal and London Stock Exchange Group.

## Risk Warning

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*10 March 2022 LTL 000-258-0 04/22 LTL 000-262-1*