

LINSELL TRAIN

The Lindsell Train Investment Trust (LTIT)

ALL DATA AS AT 31 MAY 2023

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

Calendar Year Total Return Performance (%) £

	2018	2019	2020	2021	2022
LTIT NAV	+16.2	+32.4	+16.5	+3.8	-9.4
LTIT Price	+46.6	+2.1	+24.6	-9.7	-13.4
MSCI World Index £	-3.0	+22.7	+12.3	+22.9	-7.8

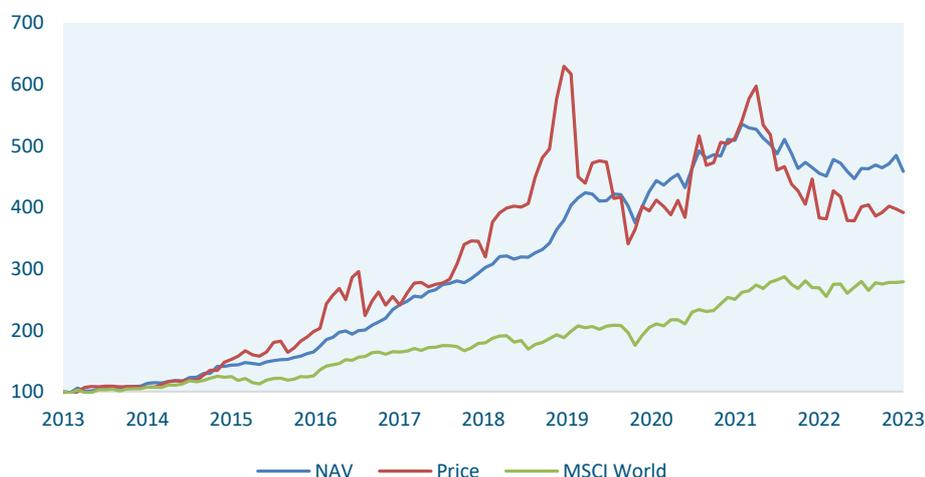
Total Return Performance to 31st May 2023 (%) £

	1m	3m	YTD	Annualised				
				1yr	3yr	5yr	10yr	Since Launch
LTIT NAV	-5.4	-1.3	-1.0	+0.6	+2.5	+9.4	+16.4	+13.1
LTIT Price	-1.4	0.0	-3.1	+2.3	-0.2	+2.6	+14.6	+12.9
MSCI World Index £	+0.4	+1.4	+5.3	+3.8	+10.9	+10.4	+10.8	+6.5

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 31st May 2023. Source: Lindsell Train, 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.

Market Capitalisation

£205m

Share Price

£1,025.00

Net Asset Value per share

£1,029.01

Premium (Discount)

(0.39)%

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

Current Net Yield

5.17%

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%.

Top 10 Holdings (% NAV)

Lindsell Train Limited	38.39
London Stock Exchange Group	9.76
LF Lindsell Train North American Equity Fund Acc	8.49
Diageo	6.84
Nintendo	6.82
RELX	4.43
Unilever	4.35
Mondelez	4.32
A.G. Barr	3.09
Heineken Holding	2.96

Allocation (% NAV)

Equities:	
Consumer Franchises	23.7
Financials	9.8
Media	13.6
Unlisted Securities	38.4
Funds and Trusts	10.3
Cash & Equivalent	4.2
Total	100.0

Lindsell Train sector definitions

Fund Exposure (% NAV)

	Equity	Funds* and Trusts	Cash	Total
UK	66.9	1.8	4.1	72.8
USA	6.7	8.5	-	15.2
Europe (ex UK)	5.2	-	-	5.2
Japan	6.8	-	0.1	6.9
Total	85.6	10.3	4.2	100.0

**Exposure of funds are assigned to their investment area*

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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Board of Directors

Julian Cazalet (Chairman of the Board and Management Engagement Committee)
Nicholas Allan (Chairman of the Nomination Committee)
Vivien Gould (Senior Independent Director)
Richard Hughes (Chairman of the Audit Committee)
Roger Lambert
Michael Lindsell
Helena Vinnicombe

Portfolio Manager's Comments

All the action in markets in May was confined to NASDAQ where companies with any association with Artificial Intelligence ('AI') helped the index put further clear water between it and other Global indices. For instance, in May NASDAQ was up 5.9% whilst the FTSE index was down 4.7%. That's quite a divergence. Drilling down further the best performance came from companies that produce the hardware to enable AI, namely the infrastructure and the chips. The Philadelphia Semiconductor index was up 16% in May and 37% so far this year. The Trust owns none of these companies so has been little affected by this euphoria.

However, in the fullness of time we expect all the Trust's companies to benefit from advances in AI to a greater or lesser extent as they facilitate the more efficient exploitation of data to deliver products and services of greater utility to their customers. Two of the Trust's companies, the London Stock Exchange and RELX, have built significant parts of their business around data. PayPal and Nintendo amass data thanks in part to the direct interaction with their customers and even for companies with less direct consumer interaction, such as the Trust's six consumer franchise holdings, access to data for them (from distributors and their increasing direct-to-consumer relationships) has also been instrumental in framing and determining business strategy.

As with so many of these themed advances, the effect the market is discounting is often a long way off. What is more immediate and what may have influenced the prices of the companies in the Trust during May, was the announcement of March quarter-end financial results.

PayPal admitted that its 2023 profit margins would not recover as much as some analysts had hoped. This, combined with lingering concerns that competition from Apple Pay in particular will restrain PayPal's growth, resulted in a share price decline of 18% over the month. Sentiment towards the company has also not been helped by a leadership transition at the top of the company which is yet to be resolved. We have always maintained that payments is such a big market that there is room for multiple competitors. PayPal accounts for c.20% of US e-commerce transactions so it is one of the few payment providers that has the critical mass of active customers and merchants, which is so hard to establish for putative potential competitors. Indeed, PayPal's important and loyal presence is based on the trust implicit in the service it offers, a wonderful characteristic to build brand loyalty. That trust is difficult to earn and is enduring, as is exemplified by the ongoing trend of rising transactions per active customer. Despite analyst concerns, we expect the company to grow revenues and profits this year and into the future, helped by the rising tide of e-commerce and non-cash payment functionality.

Nintendo reported year-end results. These were relatively well received but investors understandably continue to fret about the lifecycle of the Switch console, now into its seventh year since release. Somewhat akin to a drug patent cliff, concern centres on what will replace the highly successful console. Unsurprisingly, the company expects hardware shipments to modestly decline versus the last two fiscal years. Meanwhile though, the software side of the business continues to perform strongly. The eagerly anticipated Zelda sequel: 'The Legend of Zelda: Tears of the Kingdom' has got off to a flying start, selling more than 10 million units worldwide in its release weekend. For the Zelda franchise, this marks the biggest launch in its history, outselling the previous iteration by more than 2.5 times in its first week. This follows on from the box office success of the hit animated film 'The Super Mario Bros. Movie.' The movie could potentially contribute to company profits both directly as well as indirectly through increased sales of Mario related titles and other revenue streams that inevitably stand to benefit from the enhanced exposure to the IP. These recent successes have restored some zest in the share price, but the sentiment pendulum will likely continue to swing until a successor is announced for the maturing Switch.

Michael Lindsell, 26th June 2023

Source Data: Lindsell Train Ltd & Bloomberg; as of 31st May 2023.

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

The top three absolute contributors to the Fund's performance in April were London Stock Exchange Group, Nintendo and Laurent-Perrier and the top three absolute detractors were Lindsell Train Limited, Diageo and PayPal.

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