LINDSELL TRAIN

The Lindsell Train Investment Trust (LTIT)

ALL DATA AS AT 31 AUGUST 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

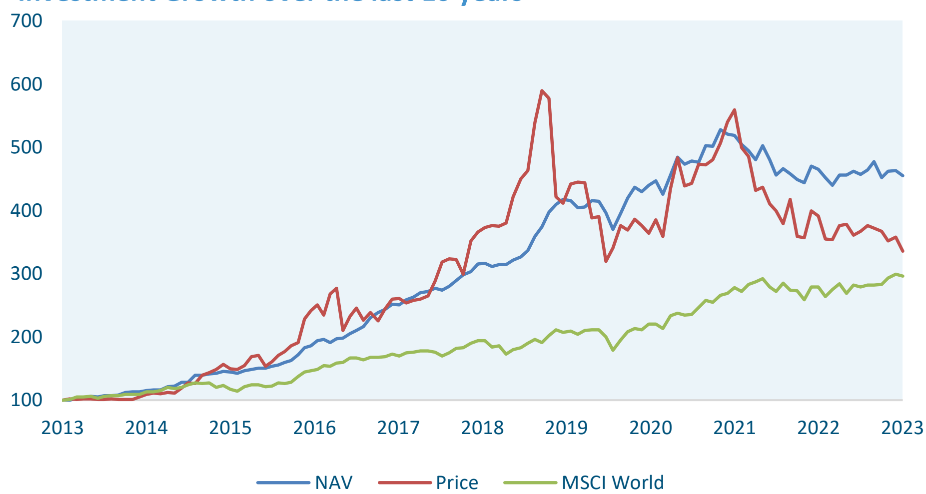
Total Return Performance to 31st August 2023 (%) £

					Annualised			
	1m	3m	YTD	1yr	3yr	5yr	10yr	Since Launch
LTIT NAV	-2.0	+0.5	-0.5	-2.5	+1.0	+7.6	+16.3	+13.0
LTIT Price	-5.1	-7.5	-10.3	-13.2	-2.3	-1.5	+13.0	+12.4
MSCI World Index £	-0.9	+4.6	+10.2	+6.2	+10.4	+8.9	+11.5	+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 31st August 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.

Market Capitalisation

£180m

Share Price

£900.00

Net Asset Value per share

£983.27

Premium (Discount)

(8.47)%

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

Current Net Yield

5.72%

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
Dividends Payable	September

*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	39.22
London Stock Exchange Group	9.77
LF Lindsell Train North American Equity Fund Acc	9.15
Nintendo	7.07
Diageo	6.94
RELX	4.76
Unilever	4.56
Mondelez	4.29
A.G. Barr	3.12
Heineken Holding	2.86

Holdings and allocation subject to change

Allocation (% NAV)

Equities:	
Consumer Franchises	23.8
Financials	9.8
Media	14.3
Unlisted Securities	39.2
Funds and Trusts	11.0
Cash & Equivalent	1.9
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure (% NAV)

	Equity	Funds* and Trusts	Cash	Total
UK	68.4	1.8	1.9	72.1
USA	6.7	9.1	-	15.8
Europe (ex UK)	4.9	-	-	4.9
Japan	7.1	-	-	7.1
Total	**87.1**	**10.9**	**1.9**	**100.0**

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

Fee Information

Annual Fee	Performance Fee
0.60% management fee of the lower of the company's market capitalisation or NAV calculated daily. Ongoing Charges Figure (OCF)* of 0.82%.	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.

*The OCF is a measure of the impact of the costs that are incurred each year for managing your investments and running the Company. The OCF excludes any portfolio transaction costs. It is published in the Key Investor Information Document (KIID) dated 01/02/2023, a copy of the KIID is available from wwww.ltit.co.uk.

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Please refer to Lindsell Train's Glossary of Investment terms here.

Portfolio Manager's Comments

Back in 2019/20 Diageo CEO Sir Ivan Menezes, very sadly no longer with us, told us he had set a stretch goal for the company, of taking its share of the global TBA (total beverage alcohol) market from 4% in 2020 to 6% in 2030. That would be a 50% increase in share in a growing industry and struck us as a worthwhile, if ambitious, target. Particularly if it could be achieved without impairing Diageo's existing high rates of return (ROC 17%, ROE 48%).

We were impressed, therefore, to hear from Ivan's successor, Debra Crew, that by the close of its fiscal year 2022/3, as announced in its annual results in August, its share of global TBA had increased from 4% to 4.7%; well on the way to achieving the 2030 objective.

It is, we think, well worth considering Debra Crew's comments about the objective and the resources Diageo can bring to bear in achieving it. "Even as the leading company in international spirits," she said, "we are a relatively small player with a diversified geographic footprint and advantaged portfolio in a very large and attractive industry." In other words, Diageo, with great brands, global distribution and a strong balance sheet, likely has a long growth runway ahead of it.

It is also worth considering some of the company-specific qualities of Diageo that make its blue-sky goals achievable. First, note its revenues in 2022/3 are 30% higher than in 2019. Covid really gave a boost to existing trends in global beverage consumption, notably consumption of premium spirits. Diageo's "premium" sales now stand at 63% of total, up 7% since 2019. And its three biggest categories, which amount to c.50% of net sales, continue to grow well. Scotch is the largest and up 30% since 2019. In 2022/3 scotch sales grew another 12%, led by Johnnie Walker, up 15% and further reinforcing its position as the world's number one international spirits brand. Next is beer, which grew at 9%, led by Guinness at 16%. Guinness has just reported the single best year in its history and its prospects look brighter than ever. Third is tequila, where revenues have quadrupled since 2019 and grew 19% in 2022/3. Key brands Don Julio and Casamigos were up 20% and 16%, respectively. Diageo is global number one in tequila, with those two brands in the top two positions. The growth in tequila has, so far, been largely a US phenomenon. We like Debra Crew's call to arms: "My ambition is simple. I want to take tequila around the world. We are the people who have done that successfully with so many brands… And there is no one better placed to do it." To give that ambition more credibility, she noted that net tequila sales in Europe doubled last year, albeit from low levels.

Given these trends and Diageo's competitive advantages, we think its capital allocation policy is sensible. Debt was up £2.5bn last year to £15.2bn – 20% higher than 2019, though still at the bottom end of Diageo's target debt/EBITDA range (earnings are up 30% since 2019). Uses for that additional capital include capex (£1.2bn), laying down more stocks of precious maturing liquid, and the continuing buyback of shares. Diageo retired £1.4bn of stock in 2022/3 and announced a further £800m buyback for 2024. Evidently Diageo is both investing into its clear growth opportunity and, at the same time, taking advantage of its anomalously low share price (at least low in our minds). On that point, we note Diageo's decision to change its currency of formal account, from sterling to US dollars. It is doing so because the US represents a growing proportion of both Diageo's revenues (it is its biggest market) and its shareholder register. Around 45% of shareholders are US and, apart from Lindsell Train, there is no other active UK investor in the top-10 holders. Within that top-10, both the Bill Gates Foundation and Berkshire Hathaway sit as reassuring long-term and growth-oriented investors.

Diageo shares closed down 5% in August and are down over 10% year-to-date in Sterling. Short-term disappointment, as Covid sales growth slows, but on Bloomberg's estimated 19x 2024 earnings, full of promise and value, we hope.

Nick Train, 11th September 2023

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

Note: All stock returns are total returns in local currency unless otherwise specified.

The top absolute contributors to the Fund's performance in August were A.G. Barr and LF Lindsell Train North American Equity Fund, and the top three absolute detractors were PayPal, Lindsell Train Limited and London Stock Exchange Group.

Important Information