

LINDSELL TRAIN

The Lindsell Train Investment Trust (LTIT)

ALL DATA AS OF 31 MAY 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.lt.it.co.uk

Calendar Year Total Return 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

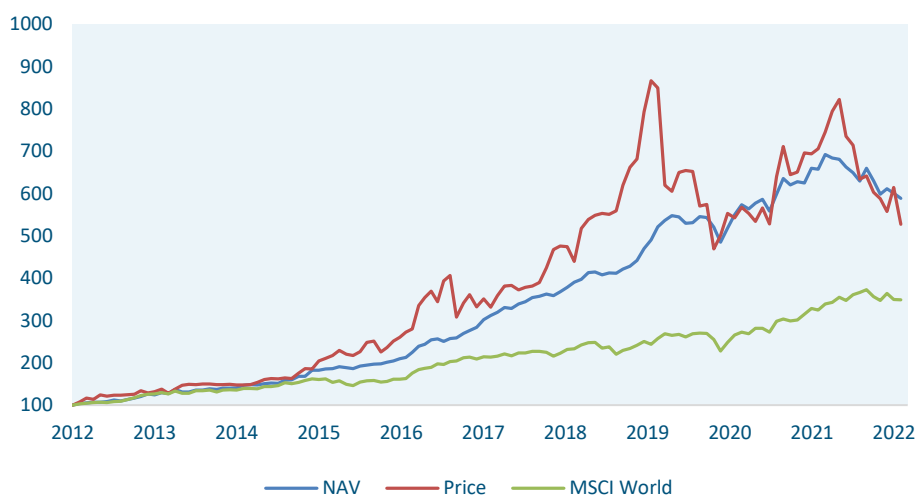
Total Return Performance to 31st May 2022 (%) £

	1m	3m	YTD	1yr	Annualised			
					3yr	5yr	10yr	Since Launch
LTIT NAV	-2.0	-1.7	-10.8	-10.5	+6.3	+14.3	+19.4	+13.7
LTIT Price	-14.2	-10.3	-17.9	-25.3	-15.3	+8.5	+18.1	+13.4
MSCI World Index £	-0.3	+0.4	-6.5	+7.4	+12.7	+10.3	+13.3	+6.6

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



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Market Capitalisation

£209m

Share Price

£1,045.00

Net Asset Value per share

£1,072.64

Premium (Discount)

(2.58)%

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

Current Net Yield

4.78%

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	43.75
London Stock Exchange Group	8.11
LF Lindsell Train North American Equity Fund Acc	7.72
Diageo	7.20
Nintendo	6.77
Unilever	3.96
RELX	3.85
Mondelez	3.52
A.G. Barr	3.14
PayPal	3.07

Allocation (%NAV)

Equities:	
Consumer Franchises	21.8
Financials	8.1
Media	13.7
Unlisted Securities	43.7
Funds	9.3
Cash & Equivalent	3.4
Total	100.0

*Lindsell Train sector definitions***Fund Exposure (% NAV)**

	Equity	Funds	Cash	Total
UK	70.0	9.3	3.2	82.5
USA	6.6	-	-	6.6
Europe (ex UK)	3.9	-	-	3.9
Japan	6.8	-	0.2	7.0
Total	87.3	9.3	3.4	100.0

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

Portfolio Manager's Comments

It has been almost five years since Dirk Van de Put took on the CEO role at Mondelez and changed the company's focus - which had been to prioritise its larger global brands (Cadbury, Toblerone, Oreo, Belvita, Ritz) and to achieve ever higher margins - to prioritizing sales growth, the expansion of market shares and the enabling of local management teams to take more responsibility for implementation. It led to a resurgence in important local brands to complement their core global offerings and has underpinned consistent organic net revenue growth since his tenure began, with revenues rising by 3.8% pa since 2017. That emphasis remains today in the face of 10-13% input cost inflation projected for this year and next and implies even stronger organic revenue growth in the future inflated by rising prices to offset this cost pressure. There could be some hit to margins as price hikes lag input costs, but gross dollar profits are expected to continue to grow.

Van de Put is also making incremental changes to reshape Mondelez's portfolio. He has added to the company's portfolio of snacking brands with his recent acquisition of the Mexican confectionery business Ricolino and last year's purchases of Chipita (croissants and baked snacks), Grenade (high protein nutrition bars) and Gourmet Food (premium biscuits and crackers). In all, there have been eight bolt-on acquisitions since 2018 and these have added over \$2bn (c.8%) to revenues. The company has recently announced its intent to sell the Hall confectionery brand and Mondelez's gum business in developed markets, with current revenues of just over \$900m. These transactions will increase Mondelez's current concentration of c.80% in chocolate and biscuits by revenues, with a long-term target of 90%. This should enhance sales growth at the margin as both categories have been growing at a 6% annual rate thanks to category growth and share gains. Importantly these are snack categories that are subject to less private label competition - 5% for chocolate and 10% for biscuits - that is anyway losing share versus branded competitors.

The company has always emphasised the white space opportunities in key markets. For instance, sales in India are c.80% focused on chocolate. On the other hand, in Southeast Asia c.70% of sales are biscuits. The company believes that not only are the boundaries between these categories blurring but also existing distribution provides a platform for the promotion of alternative brands. We would observe that these opportunities have existed for some years yet discernable progress on filling them is taking time.

Soon after Mondelez was spun out of Kraft in 2013 the company began to reorganize its substantial coffee assets. It began by ceding control in 2015 to JDE and over the years has reduced its interests further, choosing to reinvest proceeds in favoured snacking categories instead. Now it retains a 23% stake in the recently quoted JDE Peets and 5% in Keurig Dr Pepper (worth at current market prices \$3.2bn and \$2.8bn respectively), stakes which we expect will gradually reduce over time. We wonder if investors take full account of these important assets when valuing the company.

Mondelez has navigated the ups and downs of covid well, generating a steady 21% return since the end of 2019 and holding up well in difficult markets so far this year. Over five years the shares have compounded at 8.7%pa and over ten years at 12% pa, which is exactly the sort of incremental absolute performance we would expect from a company with such treasured brands and geographically diversified market positions.

Michael Lindsell, 9th June 2022

Source Data: Lindsell Train Ltd & Bloomberg; as of 31st May 2022.

Note: All stock returns are total returns in GBP.

The top three absolute contributors to the fund's performance in May were Lindsell Train Limited, Unilever, and Laurent-Perrier and the top three absolute detractors to the fund's performance were Diageo, London Stock Exchange Group and LF Lindsell Train North American Fund.

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