# LINDSELL TRAIN

# The Lindsell Train Investment Trust (LTIT)

ALL DATA AS OF 31 JULY 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

## 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 |

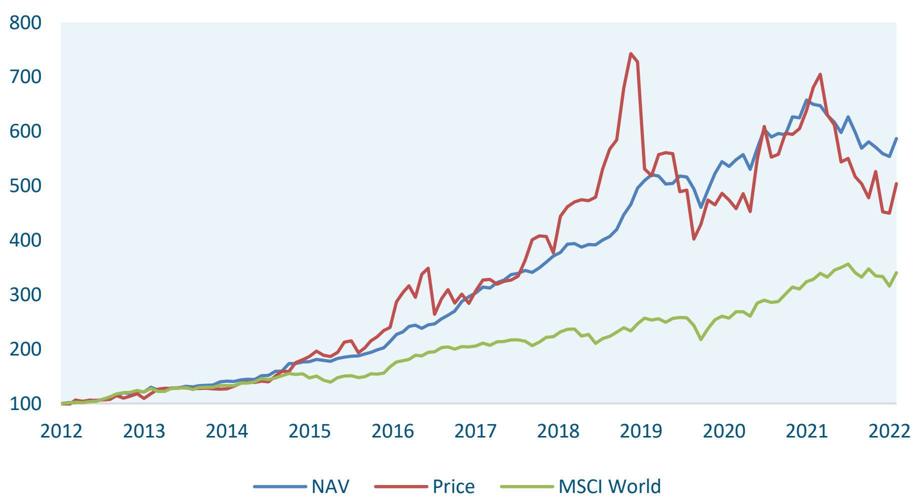
## Total Return Performance to 31st July 2022 (%) £

| | | | | | Annualised | | | |
|---|---|---|---|---|---|---|---|---|
| | 1m | 3m | YTD | 1yr | 3yr | 5yr | 10yr | Since Launch |
| LTIT NAV | +5.9 | +2.8 | -6.4 | -9.7 | +4.8 | +14.1 | +19.4 | +13.9 |
| LTIT Price | +12.0 | -4.3 | -8.4 | -26.0 | -1.7 | +10.4 | +17.6 | +13.9 |
| MSCI World Index £ | +7.7 | +1.8 | -4.5 | +3.8 | +9.8 | +10.6 | +13.0 | +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 July 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.**

## Market Capitalisation

£233m

## Share Price

£1,165.00

## Net Asset Value per share

£1,125.14

## Premium (Discount)

3.54%

**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%.

## Top 10 Holdings (% NAV)

| | |
|---|---|
| Lindsell Train Limited | 41.13 |
| London Stock Exchange Group | 8.35 |
| LF Lindsell Train North American Equity Fund Acc | 7.68 |
| Diageo | 7.25 |
| Nintendo | 6.68 |
| Unilever | 3.95 |
| RELX | 3.91 |
| Mondelez | 3.51 |
| PayPal | 3.08 |
| A.G. Barr | 3.04 |

## Allocation (% NAV)

| | |
|---|---|
| Equities: | |
| Consumer Franchises | 21.6 |
| Financials | 8.4 |
| Media | 13.7 |
| Unlisted Securities | 41.1 |
| Funds | 9.3 |
| Cash & Equivalent | 5.9 |
| **Total** | **100.0** |

*Lindsell Train sector definitions*

## Fund Exposure (% NAV)

| | Equity | Funds | Cash | Total |
|---|---|---|---|---|
| UK | 67.6 | 9.3 | 5.9 | **82.8** |
| USA | 6.6 | - | - | **6.6** |
| Europe (ex UK) | 3.9 | - | - | **3.9** |
| Japan | 6.7 | - | - | **6.7** |
| ***Total*** | **84.8** | **9.3** | **5.9** | **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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## Portfolio Manager's Comments

In March 2017 the Trust's holding in Heineken Holdings was 4.0% of its net asset value ('NAV'). Over the last five years we have continued to add to the holding, taking advantage of periods of weaker prices, to the extent that there has been a 19% increase in the number of shares the Trust owns. Despite that, today the holding represents just 2.6% of NAV. Covid hit its business hard and the Trust's other investments, not least the unquoted shareholding in Lindsell Train Limited, have in general done better over that period.

This relative performance has in no way diminished our enthusiasm for owning the company. Indeed the company's strategic actions over the past few years have, if anything, enhanced the investment case.

To remind you, Heineken is the second largest global brewer with the most ubiquitous international footprint. Over the last 25 years the company has expanded by acquiring storied local beer brands, improving their management and marketing and using their local distribution to sell premium branded Heineken. In this way Heineken has morphed from a European centric business to a global one, with representation in 190 countries worldwide. It sells most in Holland, Spain, UK and France in Europe; Mexico, Brazil and the USA in the Americas; Vietnam in Asia; and Nigeria in Africa. With such a broad footprint, other jurisdictions will likely drive sales in the future thanks in particular to investments in China with its 21% stake in China Resources Beer Holdings, India following its recent purchase of a majority share in the largest brewer, United Breweries (the owner of India's biggest beer brand Kingfisher that accounts for 48% of the market) and South Africa, with its as yet uncompleted acquisition of Distell. Emerging markets now make up c.45% sales and 60% of operating profits. We expect these shares to grow further.

This expansion has left the company with a portfolio of 300 brands, spanning mainstream and premium, with the Heineken brand sitting atop. The Heineken brand now accounts for 20% of total company volumes and is the biggest contributor to the 40% of sales in premium products. Recent Heineken brand sales have been helped by two important line extensions. Heineken 0.0 is the company's zero alcohol offering and Heineken Silver is a low alcohol version that is less bitter than the original and has proved particularly popular with Asian consumers. Heineken brand sales have, on an organic basis (excluding acquisitions), outgrown other brands and the market in aggregate and in every year during the past 10 years except for 2013, where the brand performed below expectations in the USA, Vietnam and France.

The company has faced unprecedented headwinds over the last few years. Lockdowns in Asia, bar closures in Europe and consumption bans in Mexico hit sales hard. Now though the company's mojo is returning with this year's first half organic sales and profits up 24%.

It's a big prize in an increasingly integrated world to become the leading and most recognisable global beer brand. The company's strategy of selling premium Heineken on the coat-tails of local distribution should continue to underpin growing sales, widen its penetration and market shares and concurrently raise the premium content of its overall sales.

Brewing and selling beer is a more capital intensive business than most of our other portfolio companies engage in. There are also material environmental issues to consider with water usage, packaging and carbon output and social issues around alcohol consumption. Under new management the company is on the front foot addressing and tackling these ESG concerns as it is also with optimising its cost structure and global procurement to make best use of its buying power and scale to defray costs. Notwithstanding these hurdles the considerable runway for growing the business under the current business strategy, when matched with the reassuring durability associated with a 150 year old brand, sustains a compelling investment proposition. Even better by investing alongside the family owning the less liquid Heineken Holdings shares, we access the equity at a current elevated c.20% discount to the main quote with a current P/E ratio of just 15x

***Michael Lindsell, 24th August 2022***

**Source Data:** Lindsell Train Ltd, Heineken & Bloomberg; as of 31st July 2022.
**Note:** All stock returns are total returns in GBP.

The top three absolute contributors to the fund's performance in July were Lindsell Train Limited, Diageo, and PayPal and the top absolute detractors to the fund's performance were Laurent-Perrier and Mondelez.

## Risk Warning

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Issued and approved by Lindsell Train Limited.

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