

LINDSELL TRAIN

The Lindsell Train Investment Trust (LTIT)

ALL DATA AS OF 31 DECEMBER 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 (%) £

	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

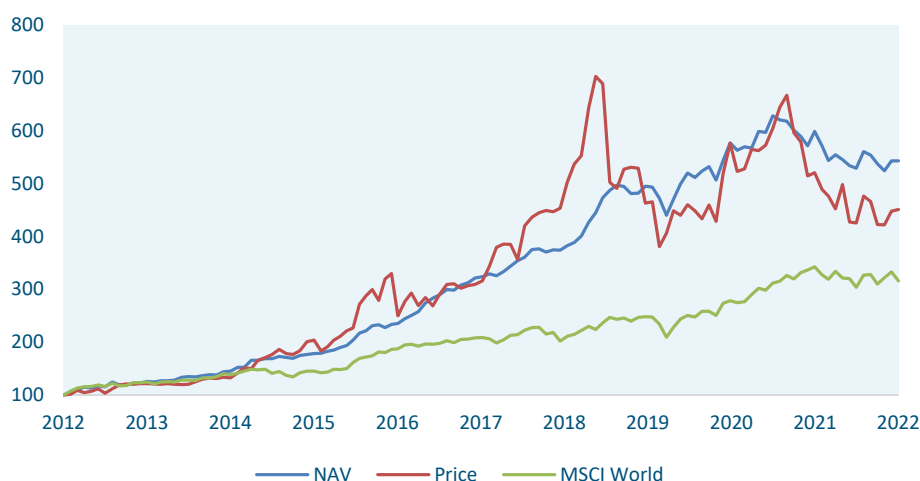
Total Return Performance to 31st December 2022 (%) £

	1m	3m	YTD	1yr	Annualised			
					3yr	5yr	10yr	Since Launch
LTIT NAV	-0.1	+0.9	-9.4	-9.4	+3.1	+11.0	+18.4	+13.4
LTIT Price	+0.7	+6.7	-13.4	-13.4	-0.9	+7.8	+16.3	+13.3
MSCI World Index £	-5.2	+1.9	-7.8	-7.8	+8.4	+8.7	+12.2	+6.4

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



Past performance is not a guide to future performance.

Market Capitalisation

£212m

Share Price

£1,057.50

Net Asset Value per share

£1,038.98

Premium (Discount)

1.78%

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

Current Net Yield

5.01%

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	40.47
LF Lindsell Train North American Equity Fund Acc	8.11
London Stock Exchange Group	8.07
Diageo	7.39
Nintendo	6.88
Unilever	4.47
Mondelez	4.00
RELX	4.00
A.G. Barr	3.24
PayPal	2.78

Allocation (% NAV)

Equities:	
Consumer Franchises	24.0
Financials	8.1
Media	13.6
Unlisted Securities	40.5
Funds and Trusts	9.8
Cash & Equivalent	4.0
Total	100.0

Lindsell Train sector definitions

Fund Exposure (% NAV)

	Equity	Funds* and Trusts	Cash	Total
UK	67.6	1.7	3.9	73.2
USA	6.8	8.1	0.1	15.0
Europe (ex UK)	4.9	-	-	4.9
Japan	6.9	-	-	6.9
Total	86.2	9.8	4.0	100.0

**Exposure of funds are assigned to its 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.

Corporate Secretary & Registered Office	Registrar	Board of Directors
Frostrow Capital LLP 25 Southampton Buildings, London, WC2A 1AL Tel: +44 20 3008 4910 www.frostrow.com Email: info@frostrow.com <i>Authorised & Regulated by the FCA</i>	Link Group, 10th Floor Central Square 29 Wellington Street Leeds LS1 4DL Tel: +44 (0) 371 664 0300 www.linkgroup.eu Email: enquiries@linkgroup.co.uk	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

I hope you won't regard it as lazy, but I want the bulk of this monthly report to be made up of the text written by James Bullock, co-manager of LTL's Global Equity Fund, for that fund's year-end review. I do so because I think James' piece deserves to be widely read. His report is not only informative about how markets performed in 2022 and how LTL's biggest fund fared through the challenges of the year. Much more important, though, he shares a discussion about the strategic dilemmas confronting all investors. Specifically, how to deal with the near certainty that Technology will create wealth for investors over the next decade, but, at the same time, the near certainty that Technology will destroy wealth too and not only in "historic" sectors. Some previously successful 21st century technology companies are also acutely vulnerable to technological change.

Last year was a bumpy one, with markets dominated by sector, country, and currency swings. An 85% spread separated index segments (MSCI World Coms Services fell 37% vs. Energy up 48%!), whilst the dollar gained 12% on the pound. There were also dramatic reversals of fortune: Tesla for example, up 8.5-fold in 2020 and a further 50% in 2021, fell 65% in 2022, providing a great return (64% annualised!) for those who held on throughout, but a traumatic experience for later joiners. As for us, divergence within the Global Equity Fund was similarly fierce. Our best performing stocks, WWE and new-this-year-FICO, both rose more than 35%, whilst our worst, Disney and PayPal, fell 44% and 62% respectively. Note though, the analysis-confounding presence of US-listed, majority dollar-earning, media and software companies at both ends of our performance spectrum.

Overall, the Lindsell Train Global Equity Fund declined 4.4% in GBP terms this year, which given the inflationary environment may be viewed as disappointing. It does however mark a return to relative outperformance, with the MSCI World falling a steeper 7.8%. For those with shorter time horizons, the fourth quarter was also volatile, with FICO and Shiseido (up 45% and 29% - the latter as China relaxed Covid controls) the best performers, and PayPal (down 17%) still the biggest faller.

Facing near-term challenges, both PayPal and Disney now trade at or near decade-low valuation multiples of under 3x EV/sales. The iPhone's NFT chip allows Apple Pay users to transact seamlessly offline, overcoming a barrier that PayPal is yet to fully surmount. Similarly, the internet-enabled rise of D2C media has prompted Disney to expand its own distribution capabilities, building a platform that's lost money since launch. But the brands, networks and IP that differentiate both companies remain undiminished. These are unusually resonant, self-supporting, and not

easily replicated - and should, as before, help them navigate underlying technology shifts. Where possible we have added to both.

There will be more disruption to come. Some we can already glimpse; others, the unknown unknowns, we are yet to imagine. Artificial Intelligence has advanced dramatically over the past few years and empowered by its own positive feedback loop, is unlikely to abate. Prompting headlines since its November launch, Open AI's ChatGPT engine, makes a giant leap in natural language processing, fluently answering almost any conceivable query. For example, I asked it to 'describe Lindsell Train's investment approach and discuss the characteristics of Disney that would match it'. Seconds later I received the following (very lightly edited) response:

"Lindsell Train is a UK-based investment management firm that focuses on long-term, value-oriented investing. It is known for its high-conviction approach and typically holds a concentrated portfolio of high-quality companies. They tend to invest in companies with strong franchises, durable competitive advantages, and good management teams. In terms of specific characteristics, the firm focuses on companies with strong business models and balance sheets, the ability to generate consistent cash flow over time, and the potential for long-term growth.

Disney could be a good fit for Lindsell Train's investment style, as the company has several characteristics that align with the focus on high-quality, long-term investments. It has a strong reputation and brand recognition, which could be considered a durable competitive advantage, with several successful and long-running franchises, such as 'Disney Princess', 'Star Wars', and the 'Marvel Cinematic Universe'. It also has a track record of strong financial performance, delivering consistent revenue and profit growth over time. Overall, Disney has numerous characteristics that align with Lindsell Train's focus on high-quality, long-term investments, including a strong brand and franchises, a diverse and resilient business model, and strong financial performance."

Not bad right? And this is far from all it can do. If asked nicely, ChatGPT can write essays, play games, answer exam questions and code computer programs. Many tasks will be disintermediated as these capabilities develop, some menial, some less so. For long-term investors, the already murky art of future-gazing has become even more opaque. It was perhaps once enough to avoid hardware producers as 'in the long run, everything is a toaster', but I don't think it's so simple anymore. There are fortunes to be made in tech, and the stock market owes much of its long-term upwards progression to humankind's ability to do more with what we have. But it's a gruelling sector to get right, and worse, the faster things move, the more adjacent business models risk breaking.

Continued...

Portfolio Manager's Comments

In 2011, tech entrepreneur-investor Marc Andreessen wrote an influential article for the Wall Street Journal, declaring that software, due to advances in digital infrastructure, was finally eating the world. A decade on it would be foolish to argue his point; almost every business on the planet relies on software powered connectivity and analytics. However, knowing this in advance doesn't guarantee investment success. In his commentary Andreessen discussed 17 then-or-since listed digital disruptors, more than a third of which have subsequently declined in market value; some calamitously so (Andreessen was an enthusiastic backer of Groupon pre-IPO, but as a public company it's fallen 98%). In contrast, he also referenced 10 old-economy laggards, all of which have delivered positive real returns.

Our attitude is this. Don't ignore tech as there are some wonderful business models hiding in this ill-defined sector, software included. But our end objective is durability built on differentiation. Seek out the few franchises, brands and content properties that are distinguished enough to survive, paying particular attention to those also aligned to self-reinforcing positive feedback loops. For it is these, experience tells us, that have truly conquered the world.

James Bullock, 10th January 2023

In response to the issues raised by James, I'd note your Company's equity portfolio is in part made up of holdings in businesses which we believe to be well-placed to exploit or participate in technology change – specifically London Stock Exchange Group (LSEG), Nintendo, PayPal and RELX. And on that proposition, we thought the announcement of a joint venture between LSEG and Microsoft in December, involving Microsoft taking a c4% stake in LSEG and putting one of its executives on the LSEG board as a non-executive, was very significant. LSEG is the biggest direct equity holding in your Company and one of the biggest holdings we have at Lindsell Train. The alliance is an endorsement of both the calibre of LSEG's assets and its strategy of becoming a global leader in the provision of financial data and analytics.

We have committed the balance of your portfolio to companies that own consumer brands which we expect will stay relevant to consumers, thus ensuring pricing power for the brand and thereby, protection against monetary inflation. In addition, we believe that key brands within the portfolio are still "young", relative to their global opportunities. Diageo, Heineken, Laurent-Perrier, Mondelez and Unilever's personal care brands are great examples, with decades of growth ahead of them.

But the key for improved performance for your Company will be whether we can restore LTL itself to growth and that, in turn, will be dependent on continuing improved investment performance from our funds (the UK Fund outperformed in the second half of 2022, while Global and Japan more commendably outperformed over the full year). Our long-term track records remain competitive, despite disappointing recent returns, particularly in 2021. A more sustained turnaround in performance would serve to improve our precious longer-term records further and vindicate the investment approach we have adhered to since the establishment of LTL in 2000.

In summary, all LTL's portfolios are concentrated ones and by and large they are concentrated on the shares of strong companies, with secular growth opportunities. There is every reason to expect things to work out just fine.

Nick Train, 17th January 2023

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

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

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

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