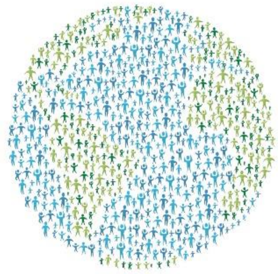
LINDSELL TRAIN



The Lindsell Train Investment Trust PLC (LTIT)

ALL DATA AT 28 FEBRUARY 2021

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, with no limitations on the markets and sectors in which investment may be made, in a wide range of financial assets including equities, Lindsell Train managed funds and in the unlisted security Lindsell Train Limited. For further information please see www.lindselltrain.com.

Calendar Year Performance (%) £

	2016	2017	2018	2019	2020
LTIT NAV	+31.1	+37.6	+16.2	+32.4	+16.5
LTIT Price	+61.9	-6.2	+46.6	+2.1	+24.6
MSCI World Index £	+28.2	+11.8	-3.0	+22.7	+12.3
Benchmark*	+4.0	+4.0	+4.0	+4.0	+4.0

Cumulative Performance (%) £

28 February 2021	1m	YTD	1yr	3yr	5yr	Since Launch
LTIT NAV	+1.2	-1.2	+20.6	+73.1	+212.1	+1,573.7
LTIT Price	+1.0	-8.4	+38.7	+53.4	+176.0	+1,719.5
MSCI World Index £	+0.7	-0.7	+18.2	+33.9	+92.8	+239.0
Benchmark*	+0.3	+0.7	+4.0	+12.6	+21.9	+139.6

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. MSCI World Index is not the Trust's benchmark and is shown for comparative purposes only. *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% (prior to 31 March 2015, the annual average running yield of the 2½% Consolidated Loan Stock).
Past performance is not a guide to future performance.

Fund Information

Listing	London Stock Exchange
Launch Date	22 January 2001
Base Currency	GBP (£)
Year End	31 March
Benchmark	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%
ISIN	GB0031977944
Bloomberg	LTI LN
AIC Sector	Global

Market Capitalisation

£266m

Share Price

£1,327.50

Net Asset Value per share

£1,189.88

Premium (Discount)

11.57%

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

Fund Profile

The portfolio is concentrated, with the number of equity investments averaging 15.

Investment Manager

Nick Train

Investment Manager & Promoter

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Top 10 Holdings (%NAV)

Lindsell Train Limited	47.63
London Stock Exchange	9.50
PayPal	7.61
Nintendo	7.49
LF Lindsell Train North American Equity Fund Acc	6.35
Diageo	4.97
Unilever	3.48
A.G. Barr	2.65
RELX	2.58
Mondelez	2.40

Allocation (%NAV)

Equities:	
Consumer Franchises	16.6
Financials	9.5
Media	18.5
Unlisted Securities	47.6
Funds	7.8
Cash & Equivalent	0.0
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure (% NAV)

	Equity	Funds	Cash	Total
UK	71.6	7.8	0.0	**79.4**
USA	10.0	-	0.0	**10.0**
Europe (ex UK)	3.1	-	0.0	**3.1**
Japan	7.5	-	0.0	**7.5**
Total	**92.2**	**7.8**	**0.0**	**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 difference between: a) the lower of the Company's adjusted market capitalisation per ordinary share or the adjusted NAV per ordinary share, and b) the performance hurdle, if positive in each performance period. The performance fee when aggregated with the investment management fee over any performance period, shall not be equal to or greater than 5% of the lower of the market capitalisation or NAV of the company (save that any excess Performance Fee may be carried forward to the next performance period).

Corporate Secretary & Registered Office

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Board of Directors
Julian Cazalet (Chairman)
Nicholas Allan
Vivien Gould
Richard Hughes
Michael Lindsell

Portfolio Manager's Comments

Unilever's share price fell by 11% in February, after its full year results early in the month. We understand why. Although its business performance can fairly be described as resilient in 2020, nonetheless Unilever was a net loser from COVID. Laundry, ice-cream and, in particular, its food service business suffered. The latter cost the company 1.6% of lost revenue growth in 2020 – meaningful against a 3-5% growth target. What is more, Unilever's overweighting to Emerging Markets – compared to its peers - also hurt, with revenues in South East Asia hit by lockdowns. Adjusted for currency, which was also unhelpful last year, revenues and earnings fell for Unilever in 2020, by c5%.

What is worse, though, is that the company is hampered by its reputation (and in some cases, the reality) of operating in low-growth categories and being too big and bureaucratic for any innovation or acquisition to move the dial. It is hard to think of many less appealing companies from the perspective of a Robinhood trader in a Tech and Bitcoin bull market!

We have never expected Unilever to be a rapidly growing or fashionable company. But we know what its long-term returns have been, and we know that for decades investors have rehearsed the same concerns – that it is too boring. Looking to the bright side, Unilever's 2020 was another year when its ROIC was 18%. In a year when admittedly capital investment and marketing expenditure was lower than usual, the company generated over £6bn of free cash – making for a cash earnings yield of over 6%. Debt to EBITDA is below 1.8x – granting meaningful strategic flexibility. The final dividend was increased by 8% - after three unchanged quarters. The company justified the increase by noting an acceleration in Q4 sales growth in India and China.

At its month end closing price, Unilever had a market capitalisation of £98bn, making it, I suppose, a mid-cap in global terms these days. As with all our holdings we ask ourselves what margin of safety, or what potential upside is offered to a patient investor from that level. Can we convince ourselves Unilever is worth notably more than this £98bn? One way to consider that margin of safety is to ascribe credible revenue multiples to each of Unilever's three divisions, sum these, subtract the debt and see what the resultant value amounts to.

The three divisions are:

Beauty and Personal Care – 2020 revenues £18.3bn

Home Care - £9bn

Food/Refreshment - £16.6bn

Debt - £18.3bn.

The great Beauty and Personal Care companies, Estee Lauder and L'Oréal, trade between 6.5-7.5x annual revenues. I grant a more modest 4x to Unilever's business – which admittedly is more "masstige", than prestige, but still acknowledging the high strategic value of the Dove brand and Unilever's #1 global deodorant franchise within this division.

Home Care comparators, such as Clorox and Henkel stand on lower multiples, 2-3x. I choose 2.5x for Unilever, though wonder if the increased premium consumers place on trusted hygiene products after last year's experience makes that too conservative.

For Food we note Kraft Heinz has recently disposed of its Planters nut business for 3x revenues and I'll take this as a working base case for a Unilever's collection of food brands, which include billion Euro selling products as strong as Heart-brand ice-cream, Hellman's, Knorr, Liptons and Magnum.

Summing the three divisions gets to £145 billion of value, from which we must subtract current debt, to leave £127 billion (versus, to repeat, a market capitalisation at month end of £98bn). A sanity check is to contrast Unilever with P&G, which is currently valued on over 4.5x its annual sales. If Unilever too could rerate to 4.5x revenues, its debt-adjusted warranted value would actually be £180 billion. The prospects for such a rerating hang on the pace of wealth creation in the Emerging Markets, we expect.

This analysis is evidently rough and ready, and I table it simply to consider a range of possible values for Unilever's business. It seems to us, though, that we own an asset with qualities similar to an index-linked, global government bond. In that it offers the prospect of protection against inflation from an exceptionally geographically diverse business. 2.5 billion people around the planet use one of its products every day. Yet, this formidable asset is valued at a huge discount to any kind of government bond.

Continued…

Portfolio Manager's Comments

I have always thought Jeremy Siegel's (author of "Stocks for the Long Run") proposal that steadily growing, reliable businesses are worth 30x earnings or more, is a good, if top-end, valuation target for many of our portfolio holdings. Putting Unilever's Bloomberg consensus 2021 earnings of £2.49 on 30x gets to a share price of £75 – compared to February's close at just over £37.

Unilever CEO, Alan Jope, told us at our recent meeting: "Unilever is growing in the markets of the future and has an enormous opportunity for increased penetration and per capita consumption as well as premiumisation in core categories and geographies." None of the above means Unilever is about to go up a lot, but we can see how it might continue to outperform low expectations – as it has done for many decades.

Nick Train, 16th March 2021

Source Data: Lindsell Train Ltd & Bloomberg; as of 28th February 2021.
Note: All stock returns are total returns in local currency

The top three absolute contributors to the Fund's performance in February were London Stock Exchange, PayPal and Lindsell Train Limited and the top three absolute detractors were Unilever, Diageo and RELX.

Risk Warning

17 March 2021 LTL 000-247-0