# Lindsell Train Investment Trust PLC

*All data at 31 August 2020*

**Market Capitalisation**
£218m

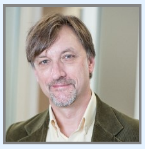
**Share Price: £1090.00**

**Net Asset Value: £1093.80**

**Premium (Discount): (0.35) %**

Source: Lindsell Train Ltd/ Maitland Administration Services & Bloomberg. Share Price is based on closing mid price.

## Portfolio Manager



Nick Train

## Fund Objective

The objective of the Company is to maximise long-term total returns with a minimum objective to maintain the real purchasing power of Sterling capital.

## Fund Performance (GBP)

| *Calendar Year Performance (%)* | *2015* | *2016* | *2017* | *2018* | *2019* |
|---|---|---|---|---|---|
| Lindsell Train Investment Trust NAV | +23.0 | +31.1 | +37.6 | +16.2 | +32.4 |
| Lindsell Train Investment Trust Price | +54.3 | +61.9 | -6.2 | +46.6 | +2.1 |
| MSCI World Index £ | +4.9 | +28.2 | +11.8 | -3.0 | +22.7 |
| Benchmark* | +4.0 | +4.0 | +4.0 | +4.0 | +4.0 |

| *Cumulative Performance (%) 31 August 2020* | *Since Launch* | *5yr* | *3yr* | *1yr* | *YTD* | *3m* | *1m* |
|---|---|---|---|---|---|---|---|
| Lindsell Train Investment Trust NAV | +1378.0 | +193.6 | +67.8 | +1.2 | +1.6 | +0.7 | -1.6 |
| Lindsell Train Investment Trust Price | +1340.4 | +134.2 | +35.1 | -14.8 | -9.7 | -5.0 | -6.8 |
| MSCI World Index £ | +216.8 | +88.6 | +27.4 | +6.2 | +4.2 | +5.9 | +4.6 |
| Benchmark* | +134.9 | +21.9 | +12.6 | +4.0 | +2.7 | +1.0 | +0.3 |

Source: Lindsell Train Ltd, Bloomberg and Morningstar Direct. Listed securities in the portfolio are valued at the closing bid price. GBP return net of fees and expenses. MSCI World Index is not the Trust's benchmark and is shown for comparative purposes only.

Benchmark*: Index of annual average running yield of the 2½% Consolidated Loan Stock until 31 March 2015 and then the Index of the annual average running yield on the longest-dated UK government fixed rate bond plus 0.5% with a minimum yield of 4%

Past performance is not a guide to future performance.

## Strategy Profile

| *Top 10 Holdings (% NAV)* | |
|---|---|
| Lindsell Train Limited | 48.10 |
| London Stock Exchange | 9.45 |
| Nintendo | 7.46 |
| PayPal | 6.79 |
| LF Lindsell Train North American Equity Fund | 6.51 |
| Diageo | 4.82 |
| Unilever | 4.53 |
| Mondelez | 2.99 |
| RELX | 2.83 |
| Heineken | 2.49 |

| *Allocation (% NAV)* | |
|---|---|
| Equities: | |
| Consumer Franchises | 18.1 |
| Financials | 9.5 |
| Media | 17.7 |
| Unlisted Securities | 48.1 |
| Funds | 8.1 |
| Cash & Equivalent | -1.5 |
| **Total** | **100.0** |

*Lindsell Train sector definitions*

| *Fund Exposure %* | *Equity* | *Funds* | *Cash* | *Total* |
|---|---|---|---|---|
| UK | 72.8 | 8.1 | -1.5 | **79.4** |
| USA | 9.8 | - | 0.0 | **9.8** |
| Europe (ex UK) | 3.3 | - | 0.0 | **3.3** |
| Japan | 7.5 | - | 0.0 | **7.5** |
| **Total** | **93.4** | **8.1** | **-1.5** | **100.0** |

## Fund Information

**Listing: London Stock Exchange**

**Launch Date: 22 January 2001**

**Base Currency: GBP (£)**

**Year End: 31 March**

**Benchmark: The annual average running yield on the longest-dated UK government fixed rate bond plus 0.5% with a minimum yield of 4%**

## Management Fees

**Annual Fee:**

**0.60% of the lower of the market cap or NAV**

**Performance Fee :**

**10% of annual increase in the lower of NAV or share price above the benchmark return and calculated with a high watermark**

**Bloomberg:**

**LTI LN**

**ISIN : GB0031977944**

**The Board:**

**Julian Cazalet (Chairman)**
**Nicholas Allan**
**Vivien Gould**
**Richard Hughes**
**Michael Lindsell ***

* non independent

**Corporate Secretary & Registered Office: Maitland Administration Services Limited, Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY**
**Phone: 01245 398950**

**Investment Manager & Promoter: Lindsell Train Ltd, 66 Buckingham Gate, London, SW1E 6AU**
**Phone: +44 20 7808 1210 / info@lindselltrain.com**

**Registrars: Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU**

## Portfolio Manager's Comments

Of our 12 quoted investee companies (including Finsbury Growth) 5 are showing share price gains in calendar 2020, through to the end of August. The gainers are led by PayPal, up 89%, with double digit gains too for Nintendo and LSE. Meanwhile, Mondelez and Unilever are up single digits.

Of the 7 fallers the worst is AG Barr, down 27%, with Diageo down 22%, Heineken 17% and Laurent-Perrier 16%. Pearson down 12%, RELX 11% and Finsbury 8% round out this sorry list.

What conclusions can be drawn from these price moves? Clearly, those companies with a digital growth story that can demonstrate that the pandemic has positively acted as an accelerant for their business have done best. COVID has actually helped PayPal and Nintendo. We have been fortunate that investors perceive the LSE as belonging to this favoured category. We agree by the way.

RELX and Pearson also have digital growth stories, a credible one in the case of RELX. It is a measure of UK investors' hunger for digital growth that they have allowed Pearson to outperform the All-Share so far in 2020, despite struggling to demonstrate it can be a winner as well as loser from digital change. Unfortunately for investors in RELX – at least in 2020 – the company's digital progress has been overshadowed by the obliteration of profits in its Exhibitions Division.

Elsewhere, perhaps it is no surprise that the chocolate and biscuits of Mondelez and the cleaning and hygiene products of Unilever have allowed both companies to deliver business progress in 2020. Perhaps it is also relevant that both Mondelez and Unilever have been able to respond to changing consumer shopping habits in lockdown. Unilever's e-commerce sales were up 62% in H1 2020 and now represent 8% of group total (12% of North American sales). This is not to argue that Unilever is turning into an Internet company, but it is demonstrating that a channel shift is not necessarily damaging to the owners of trusted or beloved brands. And without any doubt Cadbury, Oreos, Dove, Domestos and Knorr have shown their continuing relevance through this extraordinary year.

What is more of a surprise to us and an unpleasant one is that none of our beverage companies has been able to grow in 2020, or to protect short term stock market value. In previous recessions or financial shocks drinks companies have earned a reputation for being "defensive" and I had incorrectly expected the same this time round. Of course, what I missed was the malign impact of an enforced channel shift in booze, or a shift in where it is actually purchased or consumed. Beer is predominantly consumed in pubs and clubs and their shuttering has hurt Heineken and Diageo's Guinness. IRN-BRU too is often consumed in clubs or purchased in corner or sandwich shops by people out and about. Diageo's US spirits business has proven resilient, as Americans experiment with at-home cocktail mixing. But not enough to offset the hits to, say, Johnnie Walker and Laurent-Perrier, from the cessation of travel, restaurant dining and party celebrations.

A common denominator in our share price fallers is their reliance on face-to-face human sociability. Its absence or at least marked reduction, has hurt them all. Will business people return to RELX' exhibitions to cement deals? Will US students sign up for academic courses that may not permit attendance in the company of peers in class-rooms or lecture halls? Will rugby crowds ever return to Lansdowne Road – with all the implications that has for sales of Guinness?

I want to answer – yes. Tourism, live sport, festivals, pubs; when you get down to it: Cities. All of these answer basic human needs and I expect will come roaring back. But when?

All equity investors, including us, face a challenge into the second half of 2020. Do we have enough exposure to the bull market stocks of the pandemic – the digital winners? I'm sure that most professional investors running general equity funds wish they had more. Contrarily, should we tough out the earnings hiatus for those companies that rely on human interaction? The pinch of that investment challenge can be felt when you think about PayPal; frankly its share price must have incorporated a great deal of optimism. But the challenge is also felt when you consider our depressed investment in Heineken. Recovery for its European and Latin American on-trade business is possibly still remote.

All we can say is that with current short and long term interest rates so low the warranted value of even just steadily profitable companies, so long as they offer long term inflation protection, is very high.

***Nick Train, Lindsell Train Ltd***

Note: All individual stocks returns are price returns in local currency.
Source of Data: Maitland Administration Services, Lindsell Train Ltd and Morningstar.

The top three contributors to the Trust's performance in August were Nintendo, London Stock Exchange and LF Lindsell Train North American Equity Fund and the top three detractors were Diageo, Heineken and Unilever.

.