Lindsell Train Investment Trust PLC

All data at 31 March 2020

Market Capitalisation
£212m

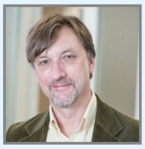
Share Price: £1060.00

Net Asset Value: £956.65

Premium (Discount): 10.80 %

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 March 2020	*Since Launch*	*5yr*	*3yr*	*1yr*	*YTD*	*3m*	*1m*
Lindsell Train Investment Trust NAV	+1192.7	+165.5	+75.7	+9.7	-11.1	-11.1	-6.9
Lindsell Train Investment Trust Price	+1300.7	+170.5	+38.8	-26.5	-12.2	-12.2	+6.8
MSCI World Index £	+156.4	+40.4	+6.8	-5.8	-15.7	-15.7	-10.6
Benchmark*	+131.1	+21.9	+12.6	+4.0	+1.0	+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 (unlisted)	46.77
London Stock Exchange	9.37
Nintendo	6.64
Diageo	5.68
Unilever	4.72
PayPal	4.07
Mondelez	3.41
RELX	3.29
A G Barr	3.17
Heineken	2.87

Allocation (% NAV)	
Equities:	
Consumer Franchises	20.8
Financials	9.4
Media	15.8
Unlisted Securities	46.8
Funds	4.3
Cash & Equivalent	2.9
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	*Equity*	*Funds*	*Cash*	*Total*
UK	73.9	1.7	2.8	**78.4**
USA	8.4	-	0.0	**8.4**
Europe (ex UK)	3.8	-	-	**3.8**
Japan	6.7	2.6	0.1	**9.4**
Total	**92.8**	**4.3**	**2.9**	**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
Rory Landman
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**

The Trust's NAV fell 6.9%, hit particularly by the fall in value of Lindsell Train Limited ('LTL'). This month the Board felt it appropriate to modify the earnings component of its valuation formula to fully capture the fall in LTL's funds under management to £18.2bn at the end of March and its effect on earnings. The decision also reflected the sharp fall in the values of most quoted fund management companies. We hope it is some reassurance for shareholders (both direct and indirect) in LTL that the company's biggest cost, salaries, automatically falls as revenues decline due to the salary and bonus cap. As fixed costs are only c.5% of revenues, when revenues fall profit margins hold up despite falls in FUM. It's also a reassurance that LTL is so well capitalised. The company currently has substantial net cash on its balance sheet.

Our quoted companies have fared well relative to the performance of markets but none will be immune from the economic fallout. The unprecedented nature of the disruption and the lack of any template to work from in recent history makes the ultimate effect difficult to predict. All we can say is that our investment approach steers us away from capital intensive manufacturing businesses, those reliant on commodity prices to sustain revenues and those dependent on high operational leverage. Some of our companies have super strong balance sheets with no net debt and almost all others sustain prudent levels of debt matched by strong cash flows.It may be helpful to summarise our current views below and comment on all the holdings focusing particularly on key areas of risk at this time.

Diageo, **Heineken and Laurent-Perrier** will all suffer from the fall in sales in on-premise locations offset to some extent by increasing off-premise sales. All have a proportion of sales that are premium products (the Heineken brand internationally and reserve brands within Diageo - which represent 20% of total sales) and given constraints on consumer incomes and the negative wealth effect from declining markets, premium sales might suffer more than more mainstream products. Arguably this will be particularly the case for Laurent-Perrier's champagne but we wouldn't mind betting that there may be some extraordinary celebrations boosting sales once all this is over.

eBay's on line site should benefit from increased activity with physical retailers closed. On the other hand the proposed repositioning of the business, including the sale of the classifieds business, might be delayed and its value impaired. We also worry about the health of the small business sellers that are core to the site. Finally, it is concerning that there is no permanent CEO yet at a time when the company requires clear direction.

Mondelez, Unilever and AG Barr all sell everyday goods to a wide range of consumers. Normal distribution channels have been disrupted which will mean the companies could be more affected as compared to past recessions. In-home consumption is up, out of home down. It's good for snacks, chocolate and cookies but bad for gum and neutral for drinks perhaps. For Mondelez and Unilever, emerging markets pose particular issues given their generally poorer infrastructure. Online sales are booming but even so still represent a low proportion of sales for these companies, aside from geographies such as China where the proportion is 15-20%. Both also carry debt that is at least backed by substantial cash flows.

PayPal seems relatively immune from events other than a slowdown in transactions and payment volumes. Our only real concern is the company's book of loans and consumer credit. It sold its c.$6bn book of domestic consumer credit to Synchrony in 2016 but retains an interest in the profits and potentially the losses should they occur. The existing book of international consumer credit and domestic loans and working capital finance is c.$4bn and is obviously vulnerable to deterioration in the ongoing economic crisis. We expect to see provisions increase which could in extremis be an embarrassment for the company but not a critical one in our view as PayPal has net cash on its balance sheet and shareholders' equity of $17bn.

Pearson will lose revenue from the closure of it VUE testing and certification centres and from US state testing contracts now that exams have been cancelled. More online engagement and learning should lead to a greater take up of online courseware which is where the company has invested in the last three years. If new products and services pass muster, sales here should grow. The company cancelled its share buyback and we would be happy if the dividend was cut to prioritise a super strong balance sheet and investment in new digital product.

RELX's exhibition business will suffer but the key businesses of scientific and legal publications and risk products rely in the main on repeatable subscription revenues that should hold up. We rather wish there was less debt but given the predictability of the cash flows it should not present a problem.

Of all our companies **Nintendo** is uniquely positioned to take advantage of the necessity to remain at home given the focus on home entertainment. Nintendo particularly specialises in multi-player family based games. The recent release of its popular 'Animal Crossing: New Horizon' game has coincided with the confinement of families in much of the developed world. This would be a positive for the company if only they could supply enough of the Switch hardware but supply issues with components for the console while China was in lockdown last month has led to new Switch models remaining in short supply today.

It is important to highlight the risks our quoted companies are currently facing but it is equally important to remind you that these are companies that on average have endured the vicissitudes of life – wars, economic depressions and other threats at least as bad as today's - for more than 130 years. And it's in those difficult times when endurance counts and weaker competitors falter or fail. On that basis, we believe our companies have every chance of coming out of this crisis stronger than ever.

Michael Lindsell, Lindsell Train Ltd

8 April 2020

Source of Data: Maitland Administration Services, Lindsell Train Ltd and Morningstar.

The top two contributors to the Fund's performance in March were Nintendo and Pearson and the top three detractors were Diageo, London Stock Exchange and PayPal.