Lindsell Train Investment Trust PLC

All data at 31 May 2020

Market Capitalisation
£230m

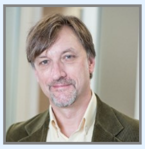
Share Price: £1147.50

Net Asset Value: £1085.95

Premium (Discount): 5.67 %

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 May 2020	*Since Launch*	*5yr*	*3yr*	*1yr*	*YTD*	*3m*	*1m*
Lindsell Train Investment Trust NAV	+1367.0	+196.5	+82.1	+12.3	+0.9	+5.7	+6.2
Lindsell Train Investment Trust Price	+1416.4	+158.0	+54.5	-37.4	-5.0	+15.6	-1.9
MSCI World Index £	+199.1	+64.0	+24.1	+8.9	-1.6	+4.2	+7.0
Benchmark*	+132.6	+21.9	+12.6	+4.0	+1.7	+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	48.66
London Stock Exchange	9.11
LF Lindsell Train North American Equity Fund	6.25
Nintendo	6.17
PayPal	5.83
Diageo	5.40
Unilever	4.43
Mondelez	3.14
Relx	3.13
A.G. Barr	2.82

Allocation (% NAV)	
Equities:	
Consumer Franchises	19.4
Financials	9.1
Media	15.8
Unlisted Securities	48.7
Funds	7.9
Cash & Equivalent	-0.9
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	*Equity*	*Funds*	*Cash*	*Total*
UK	74.2	7.9	-1.0	**81.1**
USA	8.9	-	0.0	**8.9**
Europe (ex UK)	3.7	-	0.0	**3.7**
Japan	6.2	-	0.1	**6.3**
Total	**93.0**	**7.9**	**-0.9**	**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

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

By the end of May the Trust's net asset value recovered to within a smidgeon of its all-time high (£1,087.4 on 9th August 2019). The 18% recovery in LTL's valuation from its low in March has of course helped but the recent recovery in the NAV was also aided by the standout performance from PayPal that has consequently grown to be 5.8% of the portfolio. The share price is up 43% year to date and 26% in May alone (in USD terms).

PayPal is proving to be a beneficiary of the coronavirus crisis. With shops closed, resulting in an associated acceleration in e-commerce, and with consumers fearful of handling cash people are being forced to resort to digital payments platforms to buy what they want or to exchange money with each other. It has turbo charged consumers' adoption of ecommerce and digital payments, condensing change which might have taken years into a matter of months. PayPal has become a default option for internet payments given the ubiquity and familiarity of its brands - PayPal, Venmo and recently purchased Honey- and its leading market position with c.20% of e-commerce online payments ex China.

The rate of increase in new users picked up markedly in April. Prior to the crisis PayPal might have hoped to add 4m new active users a quarter. In 2Q 2020, it's likely to be 15-20m. On top of that, engagement per user is increasing at a faster clip than the 10% it was growing at prior to the crisis. PayPal has c.300m active users on one side and c.25m merchants on the other, dwarfing the size of other online payment ecosystems. As PayPal grows, the barriers to entry for others escalate as network effects benefit the incumbent and the prospect of building a competing payment platform from scratch requires even more commitment in time and capital.

With shops closed merchants who have been reluctant to embrace omni-channel solutions (a combination of physical, online fulfilment and payment) are now investing in the required equipment and infrastructure as the demand for contactless payment grows. This is a trend made urgent by the crisis but one that is very likely to continue when it has passed. Indeed we expect to see PayPal encouraging merchants to adopt QR codes which have become ubiquitous in China. Coincidentally PayPal report that categories with low digital payment penetration of less than 10% - furniture, groceries, pharmacy goods and large consumer electronics - are now moving online in a meaningful way.

PayPal is used by c.50% of the US adult population. Two thirds of its revenues derive from the USA or UK and it deploys the full suite of its services in just ten developed countries. Thus there is much potential for it to expand its geographic footprint, especially in developing countries where its presence has only scratched the surface. We'd expect to see partnerships and/or acquisitions to accelerate penetration here. The company's latest acquisition of Honey - a platform offering rewards and coupons, that had 17m active users when it was bought at the beginning of the year - saw user growth in March/April at double the rate of January/February, and report engagement up 30-40% over the same period.

Just two months ago we were looking closely at PayPal's exposure to consumer credit to make sure that it didn't present an undiscounted risk. PayPal sold its US consumer credit portfolio to Synchrony in 2018 but still has a share in the profits/losses beyond certain thresholds. There remains another c.$4bn of credit receivables on the balance sheet - $1.3bn in international consumer credit and $2.6bn in merchant lending - which incurred increased provisions in the first quarter. We concluded then that the balance sheet was well able to absorb any losses that may result from the current crisis were they to arise. With the strong growth in sales and cashflows experienced recently we are even more reassured on that point and more confident that the company can in the future sustain its claim to be the payment platform of choice on the internet.

Michael Lindsell, Lindsell Train Ltd
10 June 2020

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

The top three contributors to the Trust's performance in May were PayPal, London Stock Exchange and Unilever and the top two detractors were Nintendo and AG Barr.