LINDSELL TRAIN INVESTMENT TRUST PLC

All data at 30 September 2019

Market Capitalisation
£275.0m

Share Price: £1,375.00

Net Asset Value: £1,075.23

Premium (Discount): 27.9%

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

Portfolio Manager

Nick Train

Fund Objective

To 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 (%)	*2014*	*2015*	*2016*	*2017*	*2018*
Lindsell Train Investment Trust NAV	+15.2	+23.0	+31.1	+37.6	+16.2
Lindsell Train Investment Trust Price	+8.7	+54.3	+61.9	-6.2	+46.6
MSCI World Index £	+11.5	+4.9	+28.2	+11.8	-3.0
Benchmark*	+4.3	+4.0	+4.0	+4.0	+4.0

Cumulative Performance (%) 30 September 2019	*Since Launch*	*5yr*	*3yr*	*1yr*	*YTD*	*3m*	*1m*
Lindsell Train Investment Trust NAV	+1352.9	+257.6	+114.2	+31.4	+32.3	+4.5	-0.6
Lindsell Train Investment Trust Price	+1717.0	+300.1	+76.1	+18.4	+16.2	-23.5	+7.4
MSCI World Index £	+201.1	+86.1	+41.1	+7.8	+21.6	+3.8	+0.9
Benchmark*	+126.6	+21.9	+12.6	+4.0	+3.0	+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)	51.0
London Stock Exchange	8.4
Diageo	6.5
Nintendo	5.7
Unilever	5.0
PayPal	3.9
A G Barr	3.4
Mondelez	3.4
Heineken	3.3
RELX	3.3

Allocation (% NAV)	
Equities:	
Consumer Franchises	22.7
Financials	8.4
Media	15.0
Unlisted Securities	51.0
Funds	4.2
Cash & Equivalent	-1.3
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	*Equity*	*Funds*	*Cash*	*Total*
UK	78.6	1.8	-1.3	**79.1**
USA	8.4	-	-	**8.4**
Europe (ex UK)	4.4	-	-	**4.4**
Japan	5.7	2.4	-	**8.1**
Total	**97.1**	**4.2**	**-1.3**	**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

Portfolio Manager's Comments

A recovery in Sterling promoted by expectations of a Brexit deal has hit the share prices of our major UK listed multinational consumer companies, Diageo (-5%) and Unilever (-6%). Coincidentally the share prices of our two technology companies, PayPal (-5%) and eBay (-3%), also fell to a similar degree after doing well so far this year. These moves conspired to make it a down month for the Trust's net asset value, mitigated to some extent by the continued rise in the share price of Lindsell Train Limited (+5%). It's notable that the holding now represents more than half net assets.

The worst performer however was Pearson, down 11% over the month in reaction to a profit warning. An 11% fall over a month is not a disaster but in the context of owning shares in the company since 2006, and its current value standing at a loss to its purchase value, it's perhaps worth reiterating our investment thesis for continuing to hold it.

Pearson was, and still is the biggest, best established and most trusted educational publisher in the world. They create *de facto* standard university texts, administer academic tests and certify professionals. America in particular learns with Pearson which claims a significant 40% share of the US higher educational courseware market - at least in terms of use; a level that (notwithstanding a percentage point drop over the past two months) has been edging up for years. But sadly the established model of integrating a core text into the body of a degree course and then charging students $100 or more per book is dying out. Students have found ever more inventive ways to get around the sticker fee and beg, borrow or steal second hand copies. Good for them: they still get to use Pearson's best in class materials for a fraction of the cover price (hence Pearson's share of *use* remains high). Bad for Pearson: who now only get paid for every second or third book sold (making their share of *spend* just 20%). September's warning announced a further 20% drop in print text book sales and the aforementioned correction to the share price.

So is there a rationale for still owning the shares? Well you could argue for a silver lining to this transition. Fewer physical books sold this year mean less stock in the system for rental or resale next year. Hence if professors keep their courses intact and if the students still want to pass them, then they'll probably have to pay for the content. Not only that but the digital option which Pearson is so keen to push is not only cheaper, but (by design) more effective, making it an increasingly attractive option. In fact, Pearson's higher education courseware business is now 65% digital. Ok, 35% is still a lot of print, but progress is being made. Having committed a great deal of time, money and effort, Pearson now has an integrated learning platform allowing it to develop and update digital content across the portfolio at a cost orders of magnitude less than their *ancien* infrastructure allowed. And despite all the talk of disruption there's still little sign of the threatened incursion from big tech, moving fast and breaking things. Even the MOOCs (massively open online courses; i.e. free learning materials) haven't made significant inroads - the quality of the content, curation and presentation isn't good enough for most time-poor professors to seriously commit to.

Why is it worth going through this discussion yet again? Well for one it mirrors the internal debate that we have constantly about this, and in truth every other stock we own. i.e. what is the potential for genuine disruption to permanently erode our companies' established moats? How valuable really is the core content/IP/brand/network and how much should we be prepared to pay to access it? Pearson is also as good an example as any of *how* we invest - the answer being (for better or worse), patiently. i.e. accepting that there will be bumps along the way, but looking ahead to the eventual prize (let's say dominance within a thriving digital US education market) to validate our assessment of the company's total value. Of course we could always be wrong. Steve Jobs' threat to disrupt education could eventually be carried out by one of his successors. Until then though, we remain holders of the shares.

Michael Lindsell, Lindsell Train Ltd

24 October 2019

Portfolio Manager's Comments

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

The top three contributors to the Fund's performance in September were Lindsell Train Ltd, London Stock Exchange and Japanese Equity Fund and the top three detractors were Diageo, Unilever and PayPal.