Lindsell Train Investment Trust PLC

All data at 31 December 2019

Market Capitalisation
£241.5m

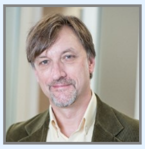
Share Price: £1,207.50

Net Asset Value: £1,076.06

Premium (Discount): 12.21%

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 (%)	*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 December 2019	*Since Launch*	*5yr*	*3yr*	*1yr*	*YTD*	*3m*	*1m*
Lindsell Train Investment Trust NAV	+1354.0	+241.3	+111.7	+32.4	+32.4	+0.1	+2.7
Lindsell Train Investment Trust Price	+1495.6	+250.4	+40.3	+2.1	+2.1	-12.2	-12.5
MSCI World Index £	+204.0	+79.0	+33.1	+22.7	+22.7	+1.0	+0.6
Benchmark*	+129.6	+21.8	+12.6	+4.0	+4.0	+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)	49.9
London Stock Exchange	8.8
Diageo	6.3
Nintendo	5.8
Unilever	4.5
PayPal	3.8
A G Barr	3.4
RELX	3.2
Mondelez	3.1
Heineken	3.0

Allocation (% NAV)	
Equities:	
Consumer Franchises	21.2
Financials	8.8
Media	14.7
Unlisted Securities	49.9
Funds	4.2
Cash & Equivalent	1.2
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	*Equity*	*Funds*	*Cash*	*Total*
UK	76.9	1.8	1.2	**79.9**
USA	7.9	-	-	**7.9**
Europe (ex UK)	4.0	-	-	**4.0**
Japan	5.8	2.4	-	**8.2**
Total	**94.6**	**4.2**	**1.2**	**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

On the face of it 2019 was a good year for your company. The NAV total return was over 32%, better than the MSCI World Index at c23% and way ahead of the formal benchmark, which was up 4%. The dividend was increased by 35%.

Yet your company's shares did not have a good year, delivering a total return of only 2%, having fallen steadily since the middle of the year and by 12.5% in December alone.

The reason for this is the changed perception some shareholders have about the prospects for the biggest investment in your company, which is, of course, the 24.2% holding in Lindsell Train Limited (LTL), your unquoted investment manager.

Again on the face of it LTL had a good year in 2019. Two of our three investment strategies outperformed their benchmarks – namely UK and Japan. Although the Global fund underperformed it still returned over 19% and can demonstrate a competitive long term track record. Meanwhile LTL's business grew again in 2019. Assets under management at the year-end were £21.9bn, up 41% on the close of 2018. We are particularly pleased by the growth of our Japanese portfolio assets, which have reached £815m (up over 70% in the year).

However, there were two factors in the second half of 2019 that militated to reduce confidence in LTL's future growth. First, there was a deterioration in our investment performance, with the exception of Japan. For instance, although the UK fund outperformed in 2019, it underperformed for each of the last 4 months of the year. Reasons for the underperformance are in part stock specific. For example, Unilever – an important holding in both the Global and UK strategies - was weak as it was forced to confirm that its revenue growth for 2019 would not meet its previous forecast (albeit the company is still growing at a moderate pace). Pearson too has continued to be a drag on our performance, as it struggles to deliver on the heavy investments it has made in digitising its business. But a more important explanation for our recent underperformance was a general sell-off during the fourth quarter in so-called "defensive" stocks around the world. Although we really dislike this label, we own a lot of businesses which others categorise in this way – including in your company, for instance, Barr, Diageo, Heineken, Laurent Perrier, Mondelez, RELX and Unilever and these had certainly all fallen from recent highs by the year-end. Perhaps this unhelpful trend (for us) will continue. And perhaps the recent weakness in your company's shares reflects investors' concerns about the possibility of continued underperformance.

Second, and of greater seriousness, there have undoubtedly been ramifications for LTL from the Woodford affair. Ramifications arising from the scrutiny that we and other fund management companies have understandably been subject to since that debacle. Below I repeat and expand on our previous comments on the issues that have been raised.

The shocking sight of a run on an open-ended fund demonstrates the bad things that can happen when investment managers take excessive risk with portfolio liquidity. We must acknowledge – as we have always sought to communicate to all our investors – that there certainly is risk inherent in the concentrated nature of LTL's portfolios and to an extent, therefore, with liquidity too. However, to be clear, we do not invest in unquoted shares in the open-ended funds. We only invest in long established, durable and substantive companies. The Global and UK funds are at least 98% invested in companies with market capitalisations of over £1bn.

As to liquidity – one of our clients put it well. "Your funds are illiquid only if everyone wants all their money back at the same time." We agree. Under almost any scenario we analyse (and regularly monitor) our funds are highly liquid – given the nature of the companies that make up the vast majority of the portfolios. Admittedly, It seems probable that if we were required to return a big proportion of the capital entrusted to us in short order – say 20% or more in a week - whilst we are confident we could do so, in order to raise cash we might have to take discounts on some of our holdings that would hit the value of fund units at least in the short term. Mike has written a more detailed note on these issues, which is available on our website and which we counsel all investors in our funds, or potential investors, to read.

In light of the above, Mike and I – with the agreement of the LTL board of directors - make the following observations:

We will not alter our investment style or process in response to the events of 2019 or the scale of our business. Our willingness to run concentrated portfolios, with a very long term time horizon, has allowed and encouraged us to take truly strategic views about the companies we invest in – it is central to our ability to capture returns.

We do not believe the size of our funds is close to compromising the potential to generate good returns into the future – although some rating agencies disagree. For as long as we believe this the open-ended funds will remain open to new investors.

We implemented a fee reduction on our funds in mid-2019 as a signifier that we are open for business, but also keen to share benefits of scale with our clients.

Continued...

Most importantly, we encourage individuals and institutions to consider whether the risks we take are acceptable to them.

In the circumstances we are not surprised by some of the commentary about LTL that has emerged in the second half of 2019. Clearly this has also been a factor behind the fall in your company's shares and has sharply reduced the premium to NAV at which the shares have traded (although a premium still persists, as I write this report).
It is not so clear that we can or even should attempt to reassure shareholders about the shorter term prospects for LTL – beyond laying out the facts of the case. But I will conclude by reiterating that Mike and I remain confident in LTL's investment philosophy. In addition, not only are we invested in all our funds - indeed we only invest in LTL funds - we have both added to our holdings in 2020. So the incentives for us to succeed with LTL, with your company and, most importantly, with all of our clients' portfolios remain very strong.

Nick Train, Lindsell Train Ltd

20 January 2020

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

The top three contributors to the Fund's performance in December were Lindsell Train Ltd, London Stock Exchange, and Nintendo and the top three detractors were Unilever, PayPal and A G Barr.