Lindsell Train Investment Trust PLC

All data at 28 February 2019

Market Capitalisation
£286.5m

Share Price: £1,432.50

Net Asset Value: £868.54

Premium (Discount): 64.9%

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

Portfolio Manager

Nick Train

Fund Objective

To maximise long-term total return subject to the avoidance of loss of absolute value and with a minimum objective to maintain the real purchasing power of Sterling capital, as measured by the annual average running yield on the longest-dated UK government fixed rate bond.

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 (%) 28 February 2019	*Since Launch*	*5yr*	*3yr*	*1yr*	*YTD*	*3m*	*1m*
Lindsell Train Investment Trust NAV	+1041.8	+205.6	+112.9	+18.1	+4.0	+3.8	+1.6
Lindsell Train Investment Trust Price	+1751.0	+345.6	+180.7	+56.1	+18.4	+20.1	+6.9
MSCI World Index £	+163.3	+72.9	+49.7	+4.0	+6.3	-1.6	+1.9
Benchmark*	+121.4	+22.1	+12.6	+4.0	+0.7	+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 (unlisted)	46.9
Diageo	7.1
London Stock Exchange	6.4
AG Barr	5.6
Unilever	5.1
Nintendo	4.8
PayPal	4.3
Heineken Holdings	3.7
RELX	3.6
Mondelez	3.3

Allocation (% NAV)	
Equities:	
Consumer Franchises	25.7
Financials	6.4
Media	15.4
Unlisted Securities	46.9
Funds	4.5
Cash & Equivalent	1.1
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	*Equity*	*Funds*	*Cash*	*Total*
UK	76.1	1.9	1.1	**79.1**
USA	8.8	-	-	**8.8**
Europe (ex UK)	4.7	-	-	**4.7**
Japan	4.8	2.6	-	**7.4**
Total	**94.4**	**4.5**	**1.1**	**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:

0.65% 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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Portfolio Manager's Comments

We know some shareholders are concerned about the possibility of a period of underperformance from LT's strategy – an underperformance to be driven by one particular part of the portfolio. Specifically they expect a downturn in the share prices of our global consumer companies - that downturn to be caused either by the possible overvaluation of such companies or by deterioration in their business performance, or both. In particular cautious investors are looking for evidence that changes in consumer tastes or digital disruption in the 21st century are impairing the growth and value of big consumer brands.

Of course we give consideration to this possibility and, to be clear, will sell out of any company where we are concerned that long term brand equity is being lost. And practically what we do is continually monitor the performance of the businesses we are invested in and be alert to warning signals.

So far as LT is concerned the signals delivered in 2019 by the consumer companies we're invested in are encouraging, we think, although we acknowledge share price responses have varied.

For instance, year to end February, Unilever's shares are down 2.5% - unfavourable, of course, compared to the gains by other global equity markets. Other consumer holdings - held across all LT accounts, not just in your portfolio - have done rather better. Brown Forman up 4%, Burberry 9%, Diageo 4.5%, Heineken 16%, Kao 3.3%, Mondelez 18%, Pepsi 5%, Remy Cointreau 16% and Shiseido 7%.

Of this group Unilever is undoubtedly the one most challenged by changes in consumer tastes because it has the most mass or mid-market brands. And one might indeed be cautious about the outlook over the next 25 years for the brand power of its packaged foods and washing powder assets. Nonetheless it is hard to be anything but impressed by the mitigations Unilever has been able to present against these trends and concerns. For instance, the biggest single brand in Unilever is Dove – at about 9% of total group revenues. This global property – it is available in more than 170 countries – "delivered another year of broad based growth" in 2018, actually just under 8%. Dove's revenues are up 84% over the last decade – that's over 6% CAGR and that rate has accelerated over the last 7 years. This does not indicate a moribund, irrelevant 20th century brand. In fact, Dove, established in 1957, sells more and is almost certainly more valuable as we get toward the end of the second decade of the 21st century than any other time in its history. It is an example of the advantages that can accrue from scale for truly global brands, delivered by truly global companies. Another consolation for investors in Unilever is that surely it is right to be optimistic about increasing wealth around the world? And it is indisputable that Unilever is a beneficiary of increasing wealth. Its sales in Asia – 44% of the total – grew by more than 6% last year. Consumers in Europe may be blasé about soap powder, but sales at Unilever's Home Care division were up over 4% last year, led by Sunlight (a 19th century brand) in India and China. Finally, Unilever has the benefit of owning and learning from its own digital disruptor, Dollar Shave, which grew at double digits again last year. Even if the performance of Dollar Shave is no more than a useful memento mori for management – reminding them of how quickly the world can change.
This phenomenon of truly global brands increasing in value in 2018 – even as local/regional brands without the same economies of scale struggle – can be seen in other key properties owned by companies in LTIT. For instance, Diageo's Tanqueray grew over 20% last year, as the global gin boom rolls on. Johnnie Walker net sales were up 10% over the same period too. Heineken's eponymous brand – still the biggest earner in the group – grew by 7.7% last year, its best rate for a decade. Mondelez' Oreo biscuits – the world's #1 brand – grew high single digits in the US, its biggest market and mid single digits in its second biggest market, which is China. Meanwhile Cadbury grew double digits in India.

I know I'm cherry-picking statistics here and that all these companies have portfolios of brands, for some of which trends may not be so encouraging. But already here is a formidable counter-argument to the proposition that big brands are doomed in the 21st century.

Nick Train, Lindsell Train Ltd

For the month of February the top three contributors to the Fund are Lindsell Train Ltd, PayPal and Heineken Holdings and the top three detractors from the Fund are Nintendo, Pearson and London Stock Exchange.