Lindsell Train Investment Trust PLC

All data at 31 December 2018

Market Capitalisation
£242m

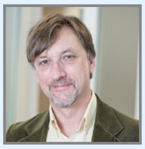
Share Price: £1,210.00

Net Asset Value: £835.46

Premium (Discount): 44.8%

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 (%) 31 December 2018	*Since Launch*	*5yr*	*3yr*	*1yr*	*YTD*	*3m*	*1m*
Lindsell Train Investment Trust NAV	+998.3	+196.9	+109.7	+16.2	+16.2	-0.7	-0.2
Lindsell Train Investment Trust Price	+1463.5	+273.1	+122.6	+46.6	+46.6	+1.9	+1.5
MSCI World Index £	+147.7	+62.5	+39.0	-3.0	-3.0	-11.3	-7.4
Benchmark*	+120.0	+22.1	+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)	46.2
Diageo	7.0
London Stock Exchange	6.0
AG Barr	6.0
Unilever	5.2
Nintendo	5.1
PayPal	4.0
RELX	3.1
Heineken Holdings	2.9
LT Japanese Equity Fund	2.7

Allocation (% NAV)	
Equities:	
Consumer Franchises	23.9
Financials	6.0
Media	14.9
Unlisted Securities	46.2
Funds	7.2
Cash & Equivalent	1.8
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	*Equity*	*Funds*	*Cash*	*Total*
UK	75.2	1.9	1.8	**78.9**
USA	6.8	-	-	**6.8**
Europe (ex UK)	3.9	-	-	**3.9**
Japan	5.1	2.7	-	**7.8**
Global	-	2.6	-	**2.6**
Total	**91.0**	**7.2**	**1.8**	**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)
Vivien Gould
Rory Landman
Michael Lindsell *
Richard Hughes
Nicholas Allan

* non independent

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Phone: +44 20 7808 1210 / info@lindselltrain.com

Registrars: Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

Portfolio Manager's Comments

The NAV closed off December with just a modest decline. Over the calendar year the Trust strongly outperformed the MSCI World Equity Index, which was down 3% and our formal benchmark, which gained 4% and as you can see, the share price ended up over 46%.

Now I must retest your patience by emphasising how dependent this performance result was on the success of Lindsell Train Limited, which made a major contribution to the NAV return over the year, of c11**%**. Your company owns a big stake in a single strategy, single asset class private fund management company. It happens that the fund management company has been extraordinarily successful over the last few years – or, at least, it appears extraordinary to us, the principals of the business. But both Lindsell Train's investment and business performance cannot be relied on to be successful in perpetuity or without relapse. This probability of disappointing performance from the largest portfolio asset in your company might not matter so much, if it were not for the fact that your company's shares trade on such a high premium to the NAV – meaning there is double jeopardy if and when things turn against Lindsell Train's investment approach. Over the New Year we saw that your company had been chosen as one of its tips for 2019 by one of the major national newspapers, citing the likelihood of strong future capital returns. For most investment managers such a recommendation would be worthy of breaking out the Laurent Perrier in celebration (of course, we are invested in Laurent Perrier), but at Lindsell Train it was received with furrowed brow. It is so important that shareholders, particularly new shareholders, understand the not trivial risks they are taking by holding or buying the shares at this time and valuation.

I hope you don't find it contradictory for me now to say that Michael Lindsell and I remain optimistic about global equity markets, the companies we are invested in and, guardedly, the future for both Lindsell Train Limited and the Lindsell Train Investment Trust.

Longstanding shareholders may recall that we follow and regard as significant, Bloomberg's Global Merger and Acquisition Tracker, which tallies every announcement of any deal, of whatever scale, everywhere around the world. After a disappointing year for equity investors worldwide, we think it worthy of note that 2018 was still, by one measure, the busiest year in financial history for corporate deals. There were over 48,000 announced, even if not all were consummated. The value of those deals aggregated at $5.4 trillion, which is in fact only the second highest total ever – 2015's $5.6 trillion remains the boss. Our interpretation of this golden period of M&A is that companies around the world see an urgent need to get deals done, in order to capture the opportunities presented by technology change and globalisation or, at the least, to create breathing space to confront the challenges, with cost savings and pooled resources. Although it is early in 2019 we think it instructive that deal-making has already got off to a hectic start, with massive activity in the pharmaceutical sector. Forecasts about such matters are idle, but I would be very surprised if 2019 was not another record, or near one, for global takeovers. Today's politics are horrible in many parts of the world, but investors should remember that corporations take decisions over periods longer than electoral cycles and even business cycles (if such things actually exist). And that this means the scope for positive surprises is at its highest when macro-trends appear at their gloomiest.

Amongst 2018's deals we'd just briefly draw your attention to HindustanLever's acquisition of Horlicks. (HindustanLever is Unilever's quoted Indian subsidiary and Horlicks now makes 90% of its sales there). The deal was done on a valuation of 6.0x Horlicks' annual sales. It is debatable whether HindustanLever has got good value by paying this valuation – although we think it will create wonderful value for shareholders over time. But if it is anything like the right price to pay for a heritage, developed world consumer brand which is doing well in an Emerging Market – then many of the rest of our investments in such brands look absolutely given away.

Happy and Prosperous New Year.

Nick Train, Lindsell Train Ltd

For the month of December the top three contributors to the Fund are London Stock Exchange, Lindsell Train Japanese Equity Fund and PayPal and the top three detractors from the Fund are Heineken, Global Equity LLC and Lindsell Train Ltd.