# Lindsell Train Investment Trust PLC

*All data at 31 January 2018*

**Market Capitalisation**
£171.6m

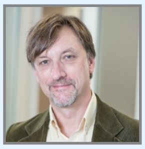
**Share Price: £858.00**

**Net Asset Value: £743.36**

**Premium (Discount): 15.4%**

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 (%)* | *2013* | *2014* | *2015* | *2016* | *2017* |
|---|---|---|---|---|---|
| Lindsell Train Investment Trust NAV | +25.9 | +15.2 | +23.0 | +31.1 | +37.6 |
| Lindsell Train Investment Trust Price | +21.5 | +8.7 | +54.3 | +61.9 | -6.2 |
| MSCI World Index £ | +24.3 | +11.5 | +4.9 | +28.2 | +11.8 |
| Benchmark* | +4.0 | +4.3 | +4.0 | +4.0 | +4.0 |

| *Cumulative Performance (%) 31 January 2018* | *Since Launch* | *5yr* | *3yr* | *1yr* | *YTD* | *3m* | *1m* |
|---|---|---|---|---|---|---|---|
| Lindsell Train Investment Trust NAV | +851.8 | +205.2 | +112.8 | +37.7 | +0.7 | +5.2 | +0.7 |
| Lindsell Train Investment Trust Price | +989.4 | +210.7 | +122.1 | +26.5 | +2.1 | +4.6 | +2.1 |
| MSCI World Index £ | +155.8 | +93.7 | +47.7 | +11.3 | +0.2 | +1.8 | +0.2 |
| Benchmark* | +112.1 | +22.1 | +12.6 | +4.0 | +0.3 | +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) | 41.5 |
| Nintendo | 8.5 |
| Diageo | 7.2 |
| London Stock Exchange | 6.5 |
| Unilever | 5.7 |
| A G Barr | 5.4 |
| PayPal | 4.1 |
| Heineken Holdings | 3.7 |
| LT Japanese Equity Fund | 3.5 |
| RELX | 3.4 |

| *Allocation (% NAV)* | |
|---|---|
| Equities: | |
| Consumer Franchises | 25.0 |
| Financials | 6.5 |
| Media | 18.9 |
| Unlisted Securities | 41.5 |
| Funds | 7.9 |
| Cash & Equivalent | 0.2 |
| **Total** | **100.0** |

*Lindsell Train sector definitions*

| *Fund Exposure %* | *Equity* | *Funds* | *Cash* | *Total* |
|---|---|---|---|---|
| UK | 71.1 | 2.1 | - | **73.2** |
| USA | 7.6 | - | - | **7.6** |
| Europe (ex UK) | 4.7 | - | 0.2 | **4.9** |
| Japan | 8.5 | 3.5 | - | **12.0** |
| Global | - | 2.3 | - | **2.3** |
| **Total** | **91.9** | **7.9** | **0.2** | **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:**

**0.65% 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 ***
**Michael Mackenzie**

* non independent


**Corporate Secretary & Registered Office:** **Maitland Institutional Services Limited, Springfield Lodge, Colchester Road, ESSEX CM2 5PW**
**Phone: 01245 398950**

**Investment Manager & Promoter:** **Lindsell Train Ltd, 66 Buckingham Gate, London, SW1E 6AU**
**Phone: +44 20 7808 1210 / info@lindselltrain.com**

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

## Portfolio Manager's Comments

2018 began strongly with the US and Chinese market leading the upsurge in January only for markets to collapse in early February. Currently prices are recovering once again.

Rising markets are often associated with more corporate activity as is the case today. Our holding in Mondelez has benefited from the combination of Dr Pepper Snapple ('DPS') and Keurig Green Mountain coffee. Mondelez will own 13% of the combined company which will adopt DPS's quote. RELX has bought Threatmetrix, a leader in digital identity and fraud prevention. RELX has been one of its customers for the last two years so knows the company and its products well. Its software should fit well in RELX's risk business, providing more utility to its customers. It's the biggest acquisition RELX has undertaken for some time but continues a policy of using bolt-on acquisitions to improve its suite of B to B products and services. Unassociated with this acquisition RELX's price has been weak on concerns that German libraries - customers of its Elsevier scientific publications business - will refuse to sign up for its publications in the future on current terms. The libraries claim that the information is attainable from other sources - particularly open access publications on the internet - for cheaper or no cost. The stand-off has been going on for over a year now and investors worry that it reveals a weakness in Elsevier's curated content model. We think it's more likely a deal will be done, but until it is the shares could be depressed.

Our two biggest consumer franchise holdings, Diageo and Unilever, both floundered in January - down 7% and 3% respectively. There is, I am sure, concern on the part of other investors about the threat of rising interest rates, in much the same way as was the case at this time last year. For sure, rising interest rates could depress the prices of all equity assets. At the margin higher interest rates provide more competition versus equities than before. And if higher interest rates are a precursor to higher inflation then equity yields might have to rise to compensate for reduced real returns. It does not follow however that the types of companies that we own might do worse than other equities in either of these environments, as some investors believe. Indeed we think that our companies have the best chance of growing cash flows and dividends in real terms, thus providing any fixed interest investments with strong competition. And if inflation was to increase we think it would be companies with strong brands/IP that would have the pricing power to pass on inflationary costs, thus maintaining returns in real terms. Whatever we think the market doesn't agree with us, in the short term at least, which is why at the margin we are happy to add to these positions if opportunities allow.

The best performer over the month was Nintendo, up 17%. After a splendid year in 2017 we cautioned in an earlier monthly (see September's report) that for such heady returns to continue the company would have to bring home the bacon - to demonstrate higher cash returns. Well, its strong third quarter results and revisions to its year end forecasts show that this is indeed happening. The company's dividend forecast was raised from Y360 to Y500, up 39%. As its dividend policy is formulaic it is linked directly to profits and cash flow, so is a tangible demonstration of better returns. Whilst improved cash flows were reassuring, the company also earlier hinted that Switch sales might rise to as much as 20m next year (to March 2019) up from the 16m expected this year. The installed base of the Switch is growing rapidly and, at 15m today, is now greater in less than one year than it was for the Wii U in more than five. Growing the installed base is important as success persuades third party suppliers to create software for the platform from which Nintendo earns high margin licensing fees. Key to strong hardware sales has been the successive releases of well received software titles. It began with 'Legend of Zelda; Breath of the Wild' but the most successful has been 'Super Mario Odyssey' which has sold 9m copies, suggesting that 60% of hardware owners bought one. There is a continuing retinue of new games over the coming months including a new innovation - Nintendo Labo. It allows you to construct toys from cardboard cut-outs that come to life when combined with the Switch and its controllers. It should in particular appeal to children. It is typical of Nintendo to innovate with cardboard, the most basic of materials, when everyone else is gunning for yet more technological innovations. It's already had some complimentary reviews, looks great fun and reinforces Nintendo's core aim to thrill and surprise its consumers.

*Michael Lindsell, Lindsell Train Ltd*