Lindsell Train Investment Trust

June 2005

All data as at 30th Jun 2005

Fund Objective

To maximise long-term total returns 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 yield on the 2.5% Consolidated Loan Stock.

Market Capitalisation	£ 25.0mn
Net Asset Value	£ 125.91
Share Price	£ 125.00
Premium (Discount)	(0.7%)
Benchmark 2½% Consol	Annual +4.7% Monthly +0.4%

Source: NAV - LTIT; Price & Discount - Bloomberg. Share Price quoted is closing mid price. See Benchmark Definition

Fund Breakdown

Top 10 Holdings (% NAV)	
US Gov Treasury 6.25%	11.2
Barr AG	11.0
Lindsell Train Global Media (Dist)	9.9
HBOS 9.25% Non Cum	9.8
Lindsell Train Japan (Dist)	8.4
2½% Consolidated Loan Stock	7.7
Cadbury Schweppes	7.6
Diageo	6.5
Wolverhampton & Dudley Brew	5.8
UK Treasury 2.5%	5.7

Industry Breakdown (% NAV)	
Bonds	24.6
Preference Shares	14.0
Equity - Media	8.4
Equity - Banks & Investment Co.	4.0
Equity - Leisure & Entertainment	9.5
Equity - Food & Beverage	26.9
Investment Funds	22.5
Cash & Equivalent	(9.9)
Total	**100.0**

Fund Exposure	*Bonds*	*Prefs*	*Equity*	*Funds*	*Cash*	*Total*
UK %	13.4	14.0	42.0	4.2	(9.9)	**63.7**
USA %	11.2	-	1.4	-	3.6	**16.2**
Europe (ex UK) %	-	-	1.7	-	(0.5)	**1.2**
Japan %	-	-	3.7	8.4	(3.1)	**9.0**
Global %	-	-	-	9.9	-	**9.9**
Total %	**24.6**	**14.0**	**48.8**	**22.5**	**(9.9)**	**100.0**

Fund Manager:	Nick Train
Launch Date:	22 Jan 2001
Base Currency:	Sterling
Year End:	31st March
Dividend:	Ex-date - Jun Paid - Jul
Benchmark:	The annual average yield on the 2½% Consolidated Loan Stock.
Management Fees:	
Annual Fee:	0.65%
Performance Fee:	10% of annual increase in the share price, plus dividend, above the gross annual yield of the 2½% Consolidated Loan Stock.
The Board:	Rhoddy Swire Michael Mackenzie Donald Adamson
ISIN:	GB0031977944
Bloomberg:	LTI LN
Listing:	London Stock Exchange

Fund Performance (Fixed Calendar Year)

Past performance is not a guide to future performance. The price of units and the income from them may go down as well as up. Investors may not get back what they invested.

5 Year History (Jan-Dec)	*2001*	*2002*	*2003*	*2004*	*YTD 2005*
LT Investment Trust NAV %	+3.2	-9.6	+3.1	+23.7	+10.4*
LT Investment Trust Price %	+18.5	-19.8	-8.7	+20.6	+24.7*
MSCI World Index GBP	-18.0	-28.6	+17.6	+5.2	+5.3

Source: S&P Micropal unless otherwise indicated. Based in GBP with dividends reinvested, unadjusted. Launch date 22 Jan 2001.

2004	*Jan*	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*	*YE 2004*
NAV %	+1.8	+3.3	+0.3	+2.3	-0.1	+2.1	-2.0	+4.8	+3.8	+1.4*	+0.0*	+3.7	**+23.7**
Price %	-2.3	+6.0	-0.6	+0.6	+2.3	+2.7	+0.5	+0.5	+8.6	+3.0	-1.9	+0.0	**+20.6**
Since Launch NAV %	-2.1	+1.2	+1.5	+3.8	+3.7	+6.0	+3.8	+8.8	+12.9	+14.5*	+14.5	+18.7	
Since Launch Price %	-15.3	-10.3	-10.8	-10.3	-8.2	-5.7	-5.2	-4.7	+3.6	+6.7	+4.6	+4.6	

2005	*Jan*	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*	*YTD 2005*
NAV %	+1.4	+0.3	+1.7	+0.8	+3.0	+2.9*							**+10.4***
Price %	+8.9	+3.6	-3.5	+1.8	+2.7	+9.3*							**+24.7***
Since Launch NAV %	+20.3	+20.7	+22.8	+23.8	+27.5	+30.2*							
Since Launch Price %	+13.9	+18.0	+13.9	+15.9	+19.0	+29.3*							

Source: S&P Micropal unless otherwise indicated. Based in GBP with dividends reinvested, unadjusted. Launch date 22 Jan 2001. * Source: Lindsell Train Ltd.

Fund Manager's Comments

LINDSELL TRAIN
INVESTMENT TRUST

All data as at 30th Jun 2005

The Trust's NAV continued to advance in June rising 3% (adjusted for the payment of the 2005 dividend). Rising bond prices and a rising US dollar versus Sterling continue to be significant positive influences to performance, something we do not foresee changing while consumer spending in the UK remains so weak. As well as the directly invested US dollar holdings: the US Treasury bond, Dow Jones, the Lindsell Train funds and cash; currently 34% of NAV, all of the individual equities except AG Barr and Wolverhampton and Dudley have significant trading interests and assets in US dollars.

Nintendo is perhaps the most exposed to the US dollar of them all. Not only are 50% sales in the USA but also 70% of its net cash is held in US Dollars as well. As net cash today represents 56% of market capitalisation the fortunes of the currency should certainly have some bearing on the company's market value. Nevertheless, we have always been more concentrated on assessing Nintendo's ability to maintain and build its franchise in the fearsomely competitive video games industry. In visiting the management of Nintendo last month we were encouraged by the latest sales of Nintendo DS hardware in Japan (the new handheld platform released late last year) as it has been largely inspired by two new popular games that are succeeding in appealing to casual gamers who might have not ordinarily bought games in the past. Nintendogs, a game allowing you to nurture, train and compete with a virtual dog (akin to appeal generated by Bandai's Tamagochi franchise) has particular appeal to women who represent over 40% of the buyers as compared to just 20% for other games. More recently Nintendo released a 'brain training' game that has appeal to adults where 80% of the buyers are aged over 19. Both games allow the user to play for shorter periods of time and do not require the completion of many complicated stages, a feature of existing games and one which Nintendo identified as a disincentive for casual gamers. Proof of the pudding will be the appeal of these titles in the larger US market where they will be released later this year. Also, we saw a new GameBoy Micro, a product to be launched worldwide in the autumn, the size of a small mobile phone. Nintendo envisage users playing games on this platform for short intervals of time most likely while they travel or commute. We would expect new titles to be released in conjunction with its launch, again appealing to the casual gamer. Autumn also sees the launch of Nintendo's online strategy for the DS platform in Japan. Importantly gamers can select who they wish to play with and will be given free access to the internet through 1,000 internet wireless 'hotspots' established by Nintendo. It is good to see that the company is not short on ideas and reassuringly for investors these initiatives are unlikely to cost large incremental sums of money to bring to market allowing the company to continue to earn exceptional returns on its invested capital (as distinct from its cash reserves). This is in contrast to Sony and Microsoft both of whose hardware strategy is orientated around technical innovation to improve graphic quality. Not only does this require hefty investment but also it makes the games much more expensive to develop, as the $40m cost of Microsoft's latest software release 'Halo 2' revealed. As a result both companies have yet to demonstrate they can generate adequate investment returns from the business. In the 7 years to March 2005 Sony's games business generated just $455m of free cash flow, in the 3 years to December 2004 Microsoft incurred operating losses (in its home and entertainment division where Xbox is the major part) of $3,541m and in the 7 years to March 2005 Nintendo generated $4,483bn of free cash flow. At the moment these figures cut little ice with other investors who are more concerned about Nintendo's loss of market share to these deep pocketed competitors, failing, we think, to recognise the value of Nintendo's niche. We continue to believe that the market value of Nintendo today remains paltry compared to these cash flow returns which might be further enhanced if they prove successful in expanding the franchise with the initiatives described above.

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