

LINDSELL TRAIN INVESTMENT TRUST

July 2006

All data as at 31st Jul 2006

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.

Fund Breakdown

Top 10 Holdings (% NAV)

Barr AG	10.6
HBOS 9.25% Non Cum	10.5
Lindsell Train Global Media (Dist)	10.5
Diageo	8.1
Cadbury Schweppes	7.5
2½% Consolidated Loan Stock	7.1
US Gov Treasury 6.25%	6.4
Wolverhampton & Dudley Brew	6.1
Lindsell Train Ltd	6.0
Nintendo	6.0

Industry Breakdown (% NAV)

Bonds	19.0
Preference Shares	13.6
Equity - Media	12.2
Equity - Banks & Investment Co.	6.0
Equity - Leisure & Entertainment	12.1
Equity - Food & Beverage	29.2
Equity - Consumer Goods	1.8
Equity - Internet	0.9
Investment Funds	20.5
Cash & Equivalent	(15.3)
Total	100.0

Fund Exposure	Bonds	Prefs	Equity	Funds	Cash	Total
UK %	12.5	13.6	29.3	4.4	(15.5)	64.3
USA %	6.5	-	2.2	-	5.3	14.0
Europe (ex UK) %	-	-	4.7	-	-2.5	2.2
Japan %	-	-	6.0	5.6	(2.6)	9.0
Global %	-	-	-	10.5	-	10.5
Total %	19.0	13.6	62.2	20.5	(15.3)	100.0

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	2005	YTD 2006
LT Investment Trust NAV TR%	+3.2	-9.6	+3.1	+23.7	+16.5	+2.9
LT Investment Trust Price TR%	+18.5	-19.8	-8.7	+20.6	+27.5	+2.4
MSCI World Index GBP TR%	-18.0	-28.6	+17.6	+5.2	+20.3	-3.0

Source: LTL & S&P Micropal unless otherwise indicated. TR=Total Return. Launch date 22 Jan 2001. ● Source: LTL.

2005	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YE 2005
NAV TR%*	+1.4	+0.3	+1.7	+0.2	+3.4	+2.9	+0.0	+0.2	+1.0	-1.5	+2.3	+2.9	+16.5
Price TR%*	+8.6	+3.5	-3.4	+1.8	+2.6	+9.3	+0.4	-2.3	+2.4	-3.9	+1.2	+4.0	+27.5
Since Launch NAV TR%	+20.3	+20.7	+22.8	+23.8	+27.3	+31.1	+32.6	+31.7	+32.8	+30.7	+33.7	+37.9	
Since Launch Price TR%	+13.9	+18.0	+13.9	+15.9	+19.0	+30.4	+31.0	+27.8	+32.7	+25.7	+27.3	+32.5	

2006	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD 2006
NAV TR%*	+0.9	+1.9	+1.2	-1.8	-2.0	+1.8	+1.7						+2.9
Price TR%*	-3.0	+7.5	+1.5	-1.4	-1.5	-2.6	+3.2						+2.4
Since Launch NAV TR%	+39.5	+42.1	+43.3	+41.0	+36.4	+39.4	+41.8						
Since Launch Price TR%	+28.4	+38.3	+40.4	+38.3	+36.2	+31.3	+35.6						

Source: LTL & S&P Micropal unless otherwise indicated. Launch date 22 Jan 2001. TR=Total Return (adjusted for dividends). Listed securities in the portfolio are valued at the closing bid price. * Monthly performance sourced from Bloomberg & LTL. ● Source: LTL.

Market Capitalisation	£ 25.9mn
Net Asset Value	£ 135.78
Share Price	£ 129.50
Premium (Discount)	(4.6)
Benchmark 2½% Consol	Annual +4.3% Monthly +0.4%

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

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:

<i>Annual Fee:</i>	0.65%
<i>Performance Fee:</i>	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 Donald Adamson Dominic Caldecott Michael Mackenzie
-------------------	--

Secretary:	Phoenix Administration Services Limited
-------------------	---

ISIN:	GB0031977944
--------------	--------------

Bloomberg:	LTI LN
-------------------	--------

Listing:	London Stock Exchange
-----------------	-----------------------

Fund Manager's Comments

We bought a new stock this month, funded, as in the past, from our fixed interest holdings. The company is eBay and we committed 0.9% of shareholder capital to it, selling a piece of our US Treasury bond, 6.25% 2030. Since we made the trade the equity has fallen by 10.0% and the bond gained nearly 2.0%. Fortunately, we still own 7.0x as much of the latter as the stock and intend to make further additions to eBay on weakness.

The rally in the Treasury bond is explained by a downward shift in US inflation expectations, where GDP growth is now certainly slowing, to 2.5% in Q2, from 5.6% in the first. We still see 25 year US bond yields of over 5.0% as attractive compared to current rates of inflation and the possibility that the slowdown develops into something nastier. A lot of market capitalisation worldwide hangs on the resilience of the US consumer, which is being tested by rising interest rates and energy costs. Gasoline, at \$3.0 per gallon in July 2006, is 32.0% dearer than a year ago. Perhaps it is no surprise that Ford's domestic truck sales are down 34.0% over the same period. Turning to the UK, we note that the long gilt has also rallied, up 3.0% from April lows. Again, there is a tension in the UK economy, between energy costs up 29.0% year-on-year and, say, the 80.0% increase in UK personal bankruptcies in Q1 2006 over last year. There must be a possibility that the tension is resolved by consumer slowdown, which we expect to boost gilt prices. Conventional gilts have outperformed UK equities over 5 and 10 years now, to end Q2 2006, as have index-linked gilts and property. We expect equity outperformance to reassert itself, but worry, a bit, that so does everyone else.

eBay is a business we have admired for many years, but have not, until very recently, been able to make any sense of the valuation. The company is forecast to earn \$1.0 or more in calendar 2006, which meant the share price that got to \$58 in early 2005 was discouraging to investment, to say the least. However, since that all-time high – interestingly eBay did not peak in 2000 – the shares have more than halved, to \$23.60, as this note is written. At this level, of course, the stock is valued on an earnings yield of over 4.0%, which we regard as a snip, if eBay can grow from here. Currently there are doubts amongst investors about that growth rate, with a definite deceleration apparent in the US auction business, the most mature part of the group and unquantifiable concerns that competition from Google will undermine eBay's business model – which, after all has less than 10 years history as a quoted entity.

The counter, bullish case, can be made by a brief review of trends in eBay's most recent quarterly. Here, total revenues were still ahead 30.0% year on year, with active users of the auctions up 20.0%. Meanwhile, the two newer sources of growth, the Paypal online payments service and Skype, for VOIP free telephony, saw registrations up 29.0% y-o-y and 19.0% q-o-q. Skype's user base has more than doubled to 133 million since eBay purchased it last year.

Perhaps most intriguing though, is the fact that in Q1 2006, online transactions in the US still only accounted for 2.6% of total retail sales, suggesting that there is much more to come. We think eBay will share in this growth and prosper for as long as consumers value the accuracy of an auction process in establishing the "correct" price for goods and we can't think of a more purchaser-friendly means of doing so. In addition, auctions are fun – not a trivial consideration.

eBay has \$4.0 billion of net cash, built up over remarkably few years. In a decisive break from history to date, the company announced it will use half that cash to institute a share buyback programme – for the first time. Investors tend to take the sight of "growth" companies retiring equity as a sell signal, because it implies that organic investment opportunities have dwindled. Perhaps so, but, to our eyes, there is a distinct difference between eBay buying back shares in itself at \$58 and \$24. At \$24 the stock is cheap and the buyback likely highly accretive. This evidence that management allocates capital rationally makes us more enthusiastic to be owners of part of this business.

Registered Address:

Lindsell Train Investment Trust plc
Springfield Lodge
Colchester Road
Chelmsford
ESSEX CM2 5PW

Lindsell Train Limited 35 Thurloe Street London SW7 2LQ

Phone: +44 20 7225 6400
Fax: +44 20 7225 6499
Enquiry@LindsellTrain.com

Lindsell Train is authorised and regulated by the Financial Services Authority.

Reports can be found on our website at www.LindsellTrain.com

Risk Warning

This factsheet is intended for use by shareholders of the Lindsell Train Investment Trust ("LTIT") and/or persons who are authorised by the UK Financial Services Authority or those who are permitted to receive such information in the UK. Nothing in this factsheet should be construed as investment advice or any offer, invitation or recommendation to buy or sell shares or funds. Past performance is not a guide to future performance and may not be repeated. The value of investments and income from them can go down as well as up and you may not get back the amount originally invested. Lindsell Train Investment Trust plc is an investment trust company listed on the London Stock Exchange. Investment trusts have the ability to borrow to invest which is commonly referred to as gearing. Companies with higher gearing are subject to higher risks and therefore the investment value may change substantially. The net asset value ("NAV") per share and its performance of an investment trust may not be the same as its market share price per share and performance.

Issued by Lindsell Train Limited. Authorised and regulated by the Financial Services Authority. 14 August 2006 LTL 000-037-7