

LINDSELL TRAIN INVESTMENT TRUST

August 2006

All data as at 31st Aug 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	10.8
HBOS 9.25% Non Cum	10.3
Lindsell Train Global Media (Dist)	10.0
Diageo	7.8
Cadbury Schweppes	7.8
2½% Consolidated Loan Stock	7.1
Nintendo Co	6.2
Wolverhampton & Dudley Brew	6.2
US Gov Treasury 6.25%	5.8
Lindsell Train Ltd	5.8

Industry Breakdown (% NAV)

Bonds	18.3
Preference Shares	13.3
Equity - Media	12.3
Equity - Banks & Investment Co.	5.8
Equity - Leisure & Entertainment	12.4
Equity - Food & Beverage	29.2
Equity - Consumer Goods	1.7
Equity - Internet	1.5
Investment Funds	20.0
Cash & Equivalent	(14.5)
Total	100.0

Fund Exposure	Bonds	Prefs	Equity	Funds	Cash	Total
UK %	12.5	13.3	49.4	4.4	(14.9)	64.7
USA %	5.8	-	2.8	-	5.2	13.8
Europe (ex UK) %	-	-	4.5	-	(2.4)	2.1
Japan %	-	-	6.2	5.6	(2.4)	9.4
Global %	-	-	-	10.0	-	10.0
Total %	18.3	13.3	62.9	20.0	(14.5)	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	+5.2
LT Investment Trust Price TR%	+18.5	-19.8	-8.7	+20.6	+27.5	+6.7
MSCI World Index GBP TR%	-18.0	-28.6	+17.6	+5.2	+20.3	-2.5

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	+2.1					+5.2
Price TR%*	-3.0	+7.5	+1.5	-1.4	-1.5	-2.6	+3.2	+4.1					+6.7
Since Launch NAV TR%	+39.5	+42.1	+43.3	+41.0	+36.4	+39.4	+41.8	+44.9					
Since Launch Price TR%	+28.4	+38.3	+40.4	+38.3	+36.2	+31.3	+35.6	+41.1					

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	£ 27.0mn
Net Asset Value	£ 138.82
Share Price	£ 135.00
Premium (Discount)	(2.8)
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
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Secretary:	Phoenix Administration Services Limited
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ISIN:	GB0031977944
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Bloomberg:	LTI LN
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Listing:	London Stock Exchange
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Fund Manager's Comments

The net asset value rose 2.1% somewhat better than the 0.6% rise in stock markets (MSCI Index in Sterling). This was attributable to a continued rise in the price of Nintendo, now up 69% this year and the awakening of some 'hidden stores of value' that we have hitherto referred to in these monthlies. The jury is still out as to whether these companies can hold onto the recent gains (such rises have petered out in the past) but it is encouraging to see both Cadbury and Reed Elsevier trading at recent high prices. We think both businesses are worth much more than they are valued at today, with many other investors failing to appreciate the value in the predictability of their long-term cash flows. We expect Cadbury's chocolate and Dr Pepper soft drinks to be consumed in 20 or 30 years with the same enthusiasm as they are today, much in the same way as we and our parents consumed them 40 and 60 years ago. In a similar way we think scientists and lawyers of the future will be just as dependant on the vast library of scientific and legal publications produced by Reed Elsevier's subsidiaries as they are today. What really makes investors focus on these 'long tail' cash flows is declining long-term interest rates, because as long as other variables remain constant, a lower discount rate applied to these cash flows materially advances their value to us today. All of our equity investments have these characteristics but none so ignored as with these two companies, we think. In that regard it is encouraging to observe the recent rise in their share prices.

Lower long-term interest rates in themselves have been a contributor to recent performance as we still have 18.3% invested in bonds and a further 13.3% in preference shares, that we judge have bond like qualities. With short-term interest rates recently raised to 4.75%, irredeemable bond yields have responded by falling towards 4%, suggesting an expectation of lower levels of future inflation whatever the pressures faced today. We think this expectation is inconsistent with the generally positive view investors have of corporate earnings unless Sterling weakens considerably from current levels. Last month Sterling actually rose versus the US dollar by 2%. We think Sterling remains too highly valued against most world currencies especially the US Dollar.

Our only activity last month was to carry out our intention to add to our newly established position in eBay at just under \$23 having bought the first tranche at \$27. The shares closed the month at just below \$28, which if nothing else illustrates its volatility. Recently,

the company instituted an increase in the listing price of its fixed-priced listings to ensure these do not crowd out its traditional auction listings as has been the recent case. This move has caused some disenchantment amongst fixed price sellers and, no doubt, has contributed to recent share price weakness, but we think is the right move for the company, because eBay's value rests on the quality of its auction experience, rather than as a retail site. Latest data on listings confirm a 30%+ annual rate of growth overall, suggesting plenty of growth left for the company.

The Lindsell Train UK Equity Fund was successfully launched in mid-July. This is an important initiative from Lindsell Train Ltd., your management company, as it allows us to expand funds under management in our successful UK long only strategy, in an open-ended structure. Currently investors can only access the strategy through the Finsbury Growth and Income Trust ('FGIT'), a closed-ended fund, fine for individual investors but unsuitable for most institutions. The new fund is designed for institutional investors with a £500,000 minimum initial investment and offers a similar portfolio and dividend yield to FGIT. The Fund size is currently £7m, with commitments from institutional investors of a further £20m in the months ahead. We hope to grow this open-ended structure and look forward to it becoming a cornerstone contributor to the revenues of Lindsell Train Ltd., in which the Trust has a significant, 25%, interest.

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

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

Risk Warning

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