

LINDSELL TRAIN INVESTMENT TRUST

September 2006

All data as at 30th Sept 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)

HBOS 9.25% Non Cum Pref Stk	13.1
Barr AG	10.7
Lindsell Train Global Media (Dist)	10.4
Cadbury Schweppes	7.7
Diageo	7.6
2½% Consolidated Loan Stock	6.9
Wolverhampton & Dudley	6.4
Nintendo Co	6.1
US Gov Treasury 6.25%	5.8
Lindsell Train Japan (Dist)	5.7

Industry Breakdown (% NAV)

Bonds	17.9
Preference Shares	13.1
Equity - Media	12.3
Equity - Banks & Investment Co.	5.6
Equity - Leisure & Entertainment	12.5
Equity - Food & Beverage	28.6
Equity - Consumer Goods	1.7
Equity - Internet	1.6
Investment Funds	20.5
Cash & Equivalent	(13.8)
Total	100.0

Fund Exposure	Bonds	Prefs	Equity	Funds	Cash	Total
UK %	12.1	13.1	49.1	4.4	(14.3)	64.4
USA %	5.8	-	2.7	-	5.1	13.6
Europe (ex UK) %	-	-	4.4	-	(2.3)	2.1
Japan %	-	-	6.1	5.7	(2.3)	9.5
Global %	-	-	-	10.4	-	10.4
Total %	17.9	13.1	62.3	20.5	(13.8)	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	+8.8
LT Investment Trust Price TR%	+18.5	-19.8	-8.7	+20.6	+27.5	+13.0
MSCI World Index GBP TR%	-18.0	-28.6	+17.6	+5.2	+20.3	+0.1

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	+3.2				+8.8
Price TR%*	-3.0	+7.5	+1.5	-1.4	-1.5	-2.6	+3.2	+4.1	+5.7				+13.0
Since Launch NAV TR%	+39.5	+42.1	+43.3	+41.0	+36.4	+39.4	+41.8	+44.9	49.6				
Since Launch Price TR%	+28.4	+38.3	+40.4	+38.3	+36.2	+31.3	+35.6	+41.1	49.1				

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	£ 28.6mn
Net Asset Value	£ 143.52
Share Price	£ 143.00
Premium (Discount)	(0.4)
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

September saw new highs for the NAVs of both the Company (closing at £143.5, up 3.2% on the month) and its third largest investment – the holding in the Lindsell Train Global Media Fund, at 10.4% of LTIT assets. The NAV of the Media Fund hit \$149.2, up 17.5% in US Dollar terms in 2006 to date, for a gain of a near 50.0% over the almost five years of its life (it launched in November 2001). The Fund is important for your Company not only for the size of its investment, but because several of the Company's direct equity positions are also held in the Fund. This overlap reinforces the commitment we have made to the strategic ideas driving the Fund.

These ideas are simply stated. The increasing commercial application of digital technology has led to a proliferation of the means to deliver media "content" – whether information or entertainment – to users. This proliferation has two important investment implications. First, the burgeoning of distribution platforms has intensified competition between those platforms, on occasion severely damaging some previously successful business models. For instance, it seems unlikely that free-to-air TV services in the UK will ever be as profitable as in the past, now ITV has lost its effective monopoly to other platforms, notably satellite and Internet. Next, the digitisation of "content" has rendered it either more useful or more fun. This enhancement of the value of content enhances the stock market value of those relatively rare companies that own or create "must have" or "must see" data or programming.

The Media Fund exists to exploit these two opportunities. The majority of the Fund's capital is committed to content owners. In addition, taking advantage of its "hedging" powers, The Fund shorts shares in media distribution companies, although on a more modest scale. Our biggest successes to date have come from conventional, "long" holdings – for instance in outstanding franchises such as McGraw Hill (especially its Standard & Poors rating subsidiary), Manchester United and Pixar, the last two both taken over. The Fund's net long position is 90.0%, reflecting our enthusiasm for our long ideas. LTIT shareholders should also note that this 90.0% long position effectively adds another 9.0% equity exposure for the Trust.

Over the life of the Fund, the FTSE Global Media Index is actually down, by 0.5%, reflecting the severity of the bear market for media assets since the collapse of the TMT boom. In 2006, though, the sector is up c11.0%, outperforming the MSCI World

Equity Index. We hope this marks the beginning of a sustained phase of relative and absolute performance from media companies. If this is to be so, it will be because, in our view, other investors remain traumatised by the excesses of 7 years ago, but now underestimate the growth opportunity presented to strong media franchises.

We look for accelerating earnings growth from such franchises in the Fund - Disney, Dow Jones, eBay, Elsevier, Nintendo, Pearson, Reuters, Sage and Wolters Kluwer – all major holdings. In addition, we are particularly enthusiastic about the access we have in the Fund to rare sporting franchises – rare in the sense that there are few quoted companies that offer participation in the escalating value of sports rights – Celtic Football Club, International Speedway and World Wrestling Entertainment. LTIT shareholders will know that the following stocks are also held directly in the Company – Dow Jones, eBay, Nintendo, Pearson, Reed Elsevier and Reuters. Recent performance from some of these is encouraging for our thesis, we think. Reed, in particular, appears to have broken upwards out of a multi-year share price consolidation, as the company benefits from the shift of its revenues away from paper to online. Reuters, too, has seen a share rally, as investors acknowledge the strategic strengths of this company and recognise that revenue growth from current levels is likely to be highly accretive for owners.

Nintendo is up over 65.0% in 2006 and now represents c8.5% of "look through" portfolio value, once the holdings in it in both the Lindsell Train funds are accounted for. Apple saw its shares rise from \$10 in 2004 to \$80 today, as investors came to appreciate the importance of the iPod to its business. We believe that Nintendo offers a similar opportunity with its new consoles, DS and Wii and that this year's gains are just the start.

Registered Address:

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

Lindsell Train Limited 2 Queen Anne's Gate Buildings Dartmouth Street London SW1H 9BP

Phone: +44 20 7227 8200

Fax: +44 20 7227 8299

Enquiry@LindsellTrain.com

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