

LINDSELL TRAIN INVESTMENT TRUST

October 2006

All data as at 31st Oct 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	10.6
Lindsell Train Global Media (Dist)	10.3
Diageo	7.8
Cadbury Schweppes	7.1
2½% Consolidated Loan Stock	7.0
Wolverhampton & Dudley	6.4
Lindsell Train Ltd	6.2
Nintendo Co	5.9
US Gov Treasury 6.25%	5.7

Industry Breakdown (% NAV)

Bonds	18.1
Preference Shares	13.1
Equity - Media	12.4
Equity - Banks & Investment Co.	6.2
Equity - Leisure & Entertainment	12.3
Equity - Food & Beverage	28.1
Equity - Consumer Goods	1.6
Equity - Internet	1.7
Investment Funds	20.2
Cash & Equivalent	(13.7)
Total	100.0

Fund Exposure	Bonds	Prefs	Equity	Funds	Cash	Total
UK %	12.4	13.1	49.3	4.3	(14.2)	64.9
USA %	5.7	-	2.9	-	5.1	13.7
Europe (ex UK) %	-	-	4.2	-	(2.3)	1.9
Japan %	-	-	5.9	5.6	(2.3)	9.2
Global %	-	-	-	10.3	-	10.3
Total %	18.1	13.1	62.3	20.2	(13.7)	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	+9.4
LT Investment Trust Price TR%	+18.5	-19.8	-8.7	+20.6	+27.5	+16.6
MSCI World Index GBP TR%	-18.0	-28.6	+17.6	+5.2	+20.3	+1.8

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	+0.5			+9.4
Price TR%*	-3.0	+7.5	+1.5	-1.4	-1.5	-2.6	+3.2	+4.1	+5.7	+3.0			+16.6
Since Launch NAV TR%	+39.5	+42.1	+43.3	+41.0	+36.4	+39.4	+41.8	+44.9	+49.6	+50.4			
Since Launch Price TR%	+28.4	+38.3	+40.4	+38.3	+36.2	+31.3	+35.6	+41.1	+49.1	+53.6			

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	£ 29.5mn
Net Asset Value	£ 144.34
Share Price	£ 147.50
Premium (Discount)	2.2
Benchmark 2½% Consol	Annual +4.2%
(see definition below)	Monthly +0.4%

Source: NAV - Lindsell Train Ltd ; Price & Discount - Bloomberg. Share Price quoted is closing mid price.

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 Lindsell Train Japan fund, which last year hindered the performance of the Trust, is this year doing the opposite. Year to date it has risen in value by 13.1%. Still the longer term performance remains disappointing and the fund has much catching up to do before we can be satisfied with its contribution. Behind this year's improvement is the performance of Nintendo which is currently 22% of the fund's assets, a much larger proportion than the 6.5% direct holding in the Trust. The share price has nearly doubled in 2006, responding to the successful strategy of broadening its customer base for their products to include female and older gamers. The company is now growing fast as it exploits a larger marketplace. Reports on the company's progress improve month by month either because actual or prospective sales of Nintendo products, both hardware and software, exceed expectations or because competitive products perform worse than expected. For instance, Playstation 3, Sony's newly launched console has been plagued with component supply delays restricting the crucial Christmas and New Year holiday supply to a relatively small number of units. Nintendo is now one of the biggest exposures we have in the Trust on a 'look-through basis', at 9% in all, with 1.5% held indirectly through the Media fund and 1% through the Japan fund in addition to the Trust's direct holding.

The other material exposure in the Japan fund is the 85% exposure to short positions in capital intensive, cyclical industrial companies, real estate and a few financials. Most of these companies have experienced a recovery in profits in the last three years, the extent of which has exceeded all previous such recoveries, if measured by the revival in operating profit margins, driven by strong export sales to China and the USA. All of these businesses are valued as though the current levels of profitability are sustainable and in some cases are likely to rise further. For some, signs of pressures on margins are already visible, as input costs increase and capital spending rises in order to fund additions to capacity. Growth in cash flows has proven to be less flattering than the advance in profits. We await the news or anticipation of unit price declines from stagnating demand or excess capacity, something that could easily occur in the short-term given the tightening in monetary policy in Japan's major export markets. Ultimately we fear that many of these companies may face a glut of capacity in their respective industries, worse than experienced before, creating a severe downturn in profits and share prices. Even if this expectation proves too gloomy we judge that there

remains plenty of potential to gain from share prices falling in a mild cyclical downturn if the experience of the some of the few companies that have disappointed expectations already are anything to go by.

Lindsell Train Ltd declared its interim dividend at the end of October earlier than in previous years. In future the company intends to declare at the end of March and September with payment dates soon after. As the importance of the dividend to the Trust rises, we think it is better to pay it on a regular half yearly rotation. This year the interim dividend is up 11%, which understates the growth in profits at Lindsell Train as the company plans to split the dividend payments from this year and into the future 40%:60% as opposed to 50%:50% as in the past.

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regulated by the Financial
Services Authority.**

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

Risk Warning

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