Lindsell Train Investment Trust

December 2006

All data as at 31st Dec 2006

Market Capitalisation	£ 30.6mn
Net Asset Value	£ 148.73
Share Price	£ 150.50
Premium (Discount)	1.2%
Benchmark 2½% Consol (see definition below)	Annual +4.2% Monthly +0.4%

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

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	12.4
Barr AG	10.3
Lindsell Train Global Media (Dist)	10.3
Diageo	7.8
Wolverhampton & Dudley	7.7
Cadbury Schweppes	7.4
Nintendo Co	7.1
2½% Consolidated Loan Stock	6.5
Lindsell Train Ltd	6.0
US Gov Treasury 6.25%	5.3

Industry Breakdown (% NAV)	
Bonds	16.7
Preference Shares	12.4
Equity - Media	11.8
Equity - Banks & Investment Co.	6.0
Equity - Leisure & Entertainment	14.9
Equity - Food & Beverage	28.1
Equity - Consumer Goods	1.6
Equity - Internet	1.5
Investment Funds	20.2
Cash & Equivalent	(13.2)
Total	**100.0**

Fund Exposure	***Bonds***	***Prefs***	***Equity***	***Funds***	***Cash***	***Total***
UK %	11.4	12.4	49.9	4.6	(13.6)	**64.7**
USA %	5.3	-	2.7	-	4.9	**12.9**
Europe (ex UK) %	-	-	4.2	-	(2.3)	**1.9**
Japan %	-	-	7.1	5.3	(2.2)	**10.2**
Global %	-	-	-	10.3	-	**10.3**
Total %	**16.7**	**12.4**	**63.9**	**20.2**	**(13.2)**	**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 Donald Adamson Dominic Caldecott Michael Mackenzie
Secretary:	Phoenix Administration Services Limited
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***	***2005***	***YE 2006***
LT Investment Trust NAV TR%	+3.2	-9.6	+3.1	+23.7	+16.5	+13.7
LT Investment Trust Price TR%	+18.5	-19.8	-8.7	+20.6	+27.5	+20.1
MSCI World Index GBP TR%	-18.0	-28.6	+17.6	+5.2	+20.3	+3.5

Source: LTL & S&P Micropal unless otherwise indicated. TR=Total Return. Launch date 22 Jan 2001. ❶ 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***	***YE 2006***
NAV TR%★	+0.9	+1.9	+1.2	-1.8	-2.0	+1.8	+1.7	+2.1	+3.2	+0.5	+0.2	+2.8	**+13.7**
Price TR%★	-3.0	+7.5	+1.5	-1.4	-1.5	-2.6	+3.2	+4.1	+5.7	+3.0	+3.6	-1.6	**+20.1**
Since Launch NAV TR%	+39.5	+42.1	+43.3	+41.0	+36.4	+39.4	+41.8	+44.9	+49.6	+50.4	+52.1	+56.4	
Since Launch Price TR%	+28.4	+38.3	+40.4	+38.3	+36.2	+31.3	+35.6	+41.1	+49.1	+53.6	+59.1	+59.1	

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. ❶ Source: LTL.

LINDSELL TRAIN INVESTMENT TRUST

All data as at 31st Dec 2006

Fund Manager's Comments

The year ended well with a 2.8% rise in the net asset value in December. During 2006 the Trust's NAV gained 12.3%, which together with the dividend gave a total return of 13.7%, this not only exceeded the benchmark that is currently compounding at a 4.5% annualised rate but also world equity markets as measured by the MSCI World index in Sterling that advanced only 3.6%.

This year it was the portfolio's equity holding that added most of the value. Our holdings in long term fixed interest fell in price but probably achieved a marginal positive return adjusting for the interest income received. The two best performers were Nintendo and Wolverhampton and Dudley Breweries, now renamed Marston's after its best selling beer brand, up 117% and 43% respectively. It was these companies that contributed to the strong performance in December as well. We have discussed in previous monthlies the improving fortunes of Nintendo (see the April, October and November monthlies). Marstons's good performance is underpinned by the extraordinary record of dividend growth extending into another year, the 32 year of unbroken 10% dividend increases. However, the recent strength of the shares is more to do with investors renewed appreciation of the value of the companies pub estate, as Real Estate Investment Trusts ('REITs') are first established in this country. These are property holding companies akin to investment funds that are exempt from corporation tax and are required to distribute all net income. Some analysts have speculated that companies with pub estates such as Marston's might transfer these property estates into REITs, a route we think unlikely but nonetheless has focused investors' attention of the value of the property holdings. Following last year's performance Marston's yield 2.4% a far cry from the 6% yield, the level at which we first bought the shares. For the first time since we bought the company we have become uncomfortable with the valuation but not as uncomfortable as we would be if we were holders of other pub companies such as Greene King and Fullers which seem even more expensive.

Last years performance was blunted by the continued fall in the value of the US dollar versus Sterling. The US Dollar fell 12% versus Sterling over the year and the Trust has a 30% direct exposure to US dollar based investments. At some juncture we expect a respite from this weakness and indeed could conceive Sterling falling appreciably against the US Dollar, though we have thought this for some time and have been proved wrong. Despite this we continue to believe that over the long term the change in capital value of the underlying investments we own in US dollar terms will likely far outweigh any exchange rate fluctuations and as a result we rarely hedge such positions.

A significant feature of last year was the disappointing performance of some of the media content companies Reed, Pearson and Reuters and of Cadbury that actually ended the year 1% down. We think all these businesses have much potential that is currently overlooked by the market. A hint of this came with the announcement of the acquisition of Houghton Mifflin, a leading provider of educational textbooks, by Riverdeep, a newly created Irish listed company. If Pearson's education business was valued on the same basis as in this deal, it would equate to the whole of the current value of the company, yet Pearson runs other important businesses including the Financial Times Group and Penguin Books that we think represent at least 40% of the value of the combined business, which are therefore in the current price "for free".

We hope recovery in Pearson and these other underperformers will help us build further value for your Company into 2007.

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Risk Warning