

# LINDSELL TRAIN INVESTMENT TRUST

July 2007

All data as at 31st Jul 2007

## 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)

Nintendo	11.9
Lindsell Train Global Media (Dist)	10.8
Barr AG	10.4
HBOS 9.25% Non Cum Pref	10.1
Cadbury Schweppes	9.1
Lindsell Train Ltd	7.1
Diageo	7.1
Marston's	6.0
2½% Consolidated Loan Stock	5.4
Lindsell Train Japan (Dist)	5.3

### Industry Breakdown (% NAV)

Bonds	13.8
Preference Shares	10.1
Equity - Media	13.0
Equity - Banks & Investment Co.	7.1
Equity - Leisure & Entertainment	18.0
Equity - Food & Beverage	29.6
Equity - Consumer Goods	1.8
Equity - Internet	1.4
Investment Funds	20.1
Cash & Equivalent	(14.9)
<b>Total</b>	<b>100.0</b>

Fund Exposure	Bonds	Prefs	Equity	Funds	Cash	Total
UK %	9.5	10.1	51.3	4.0	(15.5)	<b>59.4</b>
USA %	4.4	-	2.9	-	4.8	<b>12.1</b>
Europe (ex UK) %	-	-	4.7	-	(2.3)	<b>2.4</b>
Japan %	-	-	11.9	5.3	(1.9)	<b>15.3</b>
Global %	-	-	-	10.8	-	<b>10.8</b>
<b>Total %</b>	<b>13.9</b>	<b>10.1</b>	<b>70.8</b>	<b>20.1</b>	<b>(14.9)</b>	<b>100.0</b>

## 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)	2002	2003	2004	2005	2006	YTD 2007
LT Investment Trust NAV TR%	-9.6	+3.1	+23.7	+16.5	+13.7	+13.3
LT Investment Trust Price TR%	-19.8	-8.7	+20.6	+27.5	+20.1	+11.8
MSCI World Index GBP TR%	-28.6	+17.6	+5.2	+20.3	+3.5	+1.4

Source: LTL & Bloomberg unless otherwise indicated. TR=Total Return. Launch date 22 Jan 2001.

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	<b>+13.7</b>
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	<b>+20.1</b>
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	

  

2007	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD 2007
NAV TR%*	+2.0	+0.8	+1.9	+2.6	+4.5	-3.1	+2.5						<b>+13.3</b>
Price TR%*	-1.3	+4.0	+3.1	+4.5	+2.0	+0.6	-2.4						<b>+11.8</b>
Since Launch NAV TR%	+60.0	+60.0	+65.6	+67.4	+76.3	+73.6	+76.2						
Since Launch Price TR%	+57.0	+63.3	+68.6	+73.1	+80.2	+81.3	+76.8						

Source: LTL & Bloomberg 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.   
 \* Source: LTL.

<b>Market Capitalisation</b>	£33.1mn
<b>Net Asset Value</b>	£166.02
<b>Share Price</b>	£165.50
<b>Premium (Discount)</b>	(0.31%)
<b>Benchmark 2½% Consol</b>	Annual +4.8%
(see definition below)	Monthly +0.4%

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

<b>Fund Manager:</b>	Nick Train
<b>Launch Date:</b>	22 Jan 2001
<b>Base Currency:</b>	Sterling
<b>Year End:</b>	31st March
<b>Dividend:</b>	Ex-date - Jun Paid - Jul
<b>Benchmark:</b>	The annual average yield on the 2½% Consolidated Loan Stock.
<b>Management Fees:</b>	
Annual Fee:	0.65%
Performance Fee:	10% of annual increase in the share price above the gross annual yield of the 2½% Consolidated Loan Stock.
<b>The Board:</b>	Rhoddy Swire Donald Adamson Dominic Caldecott Michael Mackenzie Michael Lindsell
<b>Secretary:</b>	Phoenix Administration Services Limited
<b>ISIN:</b>	GB0031977944
<b>Bloomberg:</b>	LTI LN
<b>Listing:</b>	London Stock Exchange

## Interim Management Statement

The FSA now require the Company to publish interim management statements ('IMS') quarterly. At the half year and year end a detailed account of the Company's performance, financial position and prospects is published in the Company's semi-annual and annual reports to shareholders. It is not intended to duplicate these. In the future we will publish an IMS in respect of the three month periods to June and December incorporated in the respective monthly reports. I will provide a brief summary of the Company's performance and activity over the quarter in addition to the regular breakdown of the Company's financial position and the Manager's report for that month. There will be links to the other monthly reports relevant for that quarter. In this way the shareholders will be informed without being inundated with repetitive information.

My first report covers the four months to July 2007. During that time your Company's NAV advanced by 5.3%. Behind this advance was a

significant uplift in the value of two holdings Reuters and Dow Jones, both subject to takeover approaches, and a continued strong performance from Nintendo, which now represents 16% of NAV on a 'look through' basis. A material rise in long bond yields has acted to depress the price of our fixed interest holdings. The Manager's only activity was to increase the size of your Company's holding in Cadbury Schweppes to above 9% of NAV to take advantage of the reorganisation of the company as it sells its US soft drinks interests and rationalises its confectionary business. I am encouraged by these developments, especially the third party offers for various of the Company's investments, as it validates both the long term and patient approach of our Manager and the successful identification of undervalued assets sought after by corporate buyers.

Rhoddy Swire, Chairman

Please see previous reports : [April 2007](#) | [May 2007](#) | [June 2007](#)

## Fund Manager's Comments

This month, we are concentrating our report on Nintendo alone, given its strong influence on the portfolio. Surprisingly the story starts in Wales. On Nick's ten day hike up the Offa's Dyke he visited a pub in Welshpool where, like all pubs these days, the customers, who in this case were mostly over 50, were gawping at the television. Yet here they were rather more animated than normal and on investigation they were not watching Sky Sports as he had suspected but instead were playing Wii Bowling, in a vibrant and engaging way (with no screaming abuse at underperforming players or match officials). If Wii has become the early evening entertainment of the drinking folk of Welshpool we have plenty to go for with our holding in Nintendo. Almost to the day after that chance discovery Nintendo's share price began to rise quickly and by the end of the month the shares were up 29%, leading to a doubling of price since the beginning of the year. Of course, the reason for the shares rising was the company's announcement of an upward revision to sales, profits and dividends, only three months into the fiscal year, but to our minds the anecdote of Welshpool was just as, if not more, important. It provided yet more confirmation, if observing the activity in one's own household was not enough, that Nintendo's strategy of extending the appeal of its games to non-traditional customers is creating a huge untapped market place that is currently populated by no-one else. Yet more confirmation was provided by the advertising companies in Japan, who were recently complaining of how poor viewing figures were for prime time shows in the early evening and are blaming the slump on families choosing to play Wii games rather than ogling the box.

Playstation 2 was the winner in the last generation of video games consoles. So far it has sold 120m units worldwide with that number still rising, albeit at a slower rate now that the next console generation has begun. In this generation Wii has sold at a rate faster than the Playstation 2 did in the last and so far has only sold 9m units. Could it sell as much a Playstation 2? Could it sell more? After all, the video games industry is growing at a 20% clip. Why should Nintendo not sell at least 100m units? They are appealing to a new market of casual gamers many times the size of the traditional market and yet many traditional gamers are fans of the product anyway. If the answer to any of these questions is affirmative (or even 'maybe') Nintendo's price has more upside yet.

Unlike Sony, Nintendo has made a profit from the start on selling its hardware, even though its businesses model is to make most profits from selling software - which Sony hardly produces. So, when Sony succeeded with Playstation 2 its price hardly reacted but, as we have seen in the last two years, the effect of success on Nintendo's stock market value, which was a smaller company without any other underperforming businesses, has been dramatic. At the moment profitability is improving with operating margins rising, we think, from 20% to 30% from FY 2005 to FY 2008 driven by stable pricing, larger than expected sales of hardware, improving economies of scale and the network effects of greater penetration creating a virtuous cycle of demand - similar to the factors that drove Playstation 2 penetration five years ago that still endure today. But the real icing on the cake is the software. A large installed base of

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hardware users almost guarantees huge sales of Nintendo produced software titles and obliges all third party developers to develop titles for the casual gamer, boosting Nintendo's royalty income.

A hint of this 'difficult to quantify' potential has ignited the share price. Now Nintendo is the Company's biggest equity holding, at 12% of NAV, and 16% on an indirect look-through basis (as we own big holdings in the Lindsell Train Global Media and Japan Funds). Its performance helped the Company's net asset value ('NAV') to rise 1.6% in a month where equity markets declined 3.7% (MSCI Index in Sterling), with most of our other equities reflecting that decline. In a future month, it may well be that the Company's NAV is subject to increased volatility as a result of Nintendo's price reacting to investors' latest views on its potential, but that, in our judgement, should be worth sitting through as we think the ultimate gains from owning this extraordinary franchise will continue to accrue significant long-term value for the Company for many years to come.

## 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. Any opinion expressed whether in general or both on the performance of individual securities and in a wider economic context represents Lindsell Train's views at the time of preparation. They are subject to change without notice and should not be construed as investment advice or investment recommendation. 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.