Lindsell Train Investment Trust

July 2008

All data as at 31st July 2008

Market Capitalisation	£27.1mn
Net Asset Value	£148.05
Share Price	£135.50
Premium (Discount)	(8.5)%
Benchmark 2½% Consol (see definition below)	Annual +4.5% 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:	
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.
The Board:	Rhoddy Swire Donald Adamson Dominic Caldecott Michael Mackenzie Michael Lindsell
Secretary:	Phoenix Administration Services Limited
ISIN:	GB0031977944
Bloomberg:	LTI LN
Listing:	London Stock Exchange

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)	
LT Global Media (Dist)	12.9
Nintendo	12.2
AG Barr	10.2
HBOS 9.25% Non Cum Pref	8.5
LT Japan (Dist)	7.2
Lindsell Train Ltd	7.0
Diageo	6.9
Cadbury	6.7
2½% Consolidated Loan Stock	6.0
US Treasury 2.5%	4.6

Investment Allocation (% NAV)		
Bonds		12.7
Equities -	Financial Services	7.0
	Food & Beverage	28.6
	Internet	1.3
	Investment Funds	23.1
	Leisure & Tourism	3.0
	Media & Photography	19.7
Preference Shares		8.5
Cash & Equivalent		(3.9)
Total		**100.0**

Fund Exposure %	***Bonds***	***Prefs***	***Equity***	***Funds***	***Cash***	***Total***
UK	10.6	8.5	43.4	3.0	(18.8)	**46.7**
USA	2.1	-	1.3	-	11.2	**14.6**
Europe (ex UK)	-	-	2.7	-	-	**2.7**
Japan	-	-	12.2	7.2	3.7	**23.1**
Global	-	-	-	12.9	-	**12.9**
Total	**12.7**	**8.5**	**59.6**	**23.1**	**(3.9)**	**100.0**

Fund Performance

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.

Standardised Discrete Annual Performance (%)	***Jul 2003 Jul 2004***	***Jul 2004 Jul 2005***	***Jul 2005 Jul 2006***	***Jul 2006 Jul 2007***	***Jul 2007 Jul 2008***
Lindsell Train Investment Trust NAV 12m Return	+6.5	+23.7	+9.2	+23.6	-9.6

Source: Bloomberg . Launch date 22 Jan 2001. TR=Total Return (with dividends reinvested)

Calendar Year Performance 2007	***Jan***	***Feb***	***Mar***	***Apr***	***May***	***Jun***	***Jul***	***Aug***	***Sep***	***Oct***	***Nov***	***Dec***	***YE 2007***
NAV TR%*	+2.7	+0.8	+2.0	+2.7	+4.7	-3.2	+2.6	-1.7	+0.6	+3.8	-0.1	+0.6	**+16.5** [T]
Price TR%*	-1.4	+4.0	+3.2	+4.7	+2.1	+0.6	-4.1	+5.4	+0.3	+5.4	-8.0	-3.6	**+8.0** [T]
Since Launch NAV TR%*	+60.1	+62.3	+65.5	+70.1	+78.1	+72.3	+76.9	+73.9	+75.1	+81.6	+81.5	+82.6	
Since Launch Price TR%*	+57.0	+63.4	+68.7	+76.6	+80.3	+81.4	+73.8	+83.3	+83.8	+93.8	+78.4	+72.0	

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. Net of fees and expenses. [T] Revised Figures

Calendar Year Performance 2008	***Jan***	***Feb***	***Mar***	***Apr***	***May***	***Jun***	***Jul***	***Aug***	***Sep***	***Oct***	***Nov***	***Dec***	***YTD 2008***
NAV TR%*	-5.7	+0.4	-1.4	+1.1	+1.3	-4.5	-4.2						**-12.5**
Price TR%*	-8.3	+11.3	-4.5	-2.5	+2.5	-14.2	+4.3						**-15.5**
Since Launch NAV TR%*	+72.3	+74.0	+70.4	+72.4	+74.7	+56.6	+59.8						
Since Launch Price TR%*	+57.4	+77.3	+68.2	+64.0	+68.3	+34.0	+46.8						

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. Net of fees and expenses.

Fund Manager's Comments

Like other investors we continue to view with some alarm the unrelenting deterioration in the price of many securitised debt products implied by the continued decline in property markets in major western economies. This was underlined by Merrill Lynch's recent earnings report which revealed a further write-down in the value of its collateralised debt obligation ('CDO') portfolio to 22 cents in the dollar following its sale to Lone Star, a private equity buyer. As Merrill also provided the unsecured financing for the sale there is a risk that even more losses may accrue in the future. Just as striking was National Australia Bank's write-down to 10 cents in the dollar of its US conduit loan portfolio held as CDOs. As these structured finance assets were only 0.2% of the bank's total assets it was able to take the hit in full, something that other banks are constrained in doing, we suspect, because such exposure represents too large a part of their capital for the write-off to be taken in one go. While such suspicions persist, banks have and will continue to preserve capital, sell assets where possible and severely constrict the supply of credit. Now, more than a year on from the initial signs of the credit crisis, the economic effect is beginning to be felt. Real GDP growth in the USA and UK is barely positive and corporate earnings are falling at an accelerating rate. Stockmarkets that had proved relatively resilient even up until early this year have fallen to new lows signalling worse to come.

In the face of these accumulating concerns we have decided to reduce our borrowings over the next few months by selling a combination of our equity and fixed interest assets. As a result, measured against the activity of the past, July proved a busy month for the Fund. First we sold our position in Clarins at the price that the controlling Courtin family have offered to buy out the minority of the company. Although we think Clarins a wonderful franchise and view the offer somewhat below our calculation of full strategic value we have no stomach to remain a minority shareholder if more than 90% of the company is controlled by one shareholder, as seems likely. Next we have continued to reduce our holding in the US Treasury bond, preferring instead to keep our fixed interest exposure in irredeemable gilts, which have much more leverage to a fall in interest rates, a scenario that we think likely. Then we sold our position in Thomson Reuters which we inherited following the combination of the two companies earlier this year. Although both businesses independently have merits we question whether the combination will be as effective as owning larger positions in similar businesses such as Reed Elsevier and Pearson. Next, we have reduced our large exposure to Nintendo as our look-through exposure in the company continues to rise by dint of better relative performance compared to other equities we own, to near 20% of NAV. Even so, we continue to be enthusiastic about the prospects for the company and think that the quadrupling of profits over the last three years is much more sustainable than other investors believe. The transformation of Nintendo's customer base from younger avid gamers to the general public of any age and gender has meant that the sales of popular software are tending to sell steadily for months, or years rather than sales peaking in the first month of release and then falling precipitously thereafter, as was often the case in the past. This characteristic has allowed the company to maintain its pricing - unprecedented in the industry both now and in the past. Furthermore, it is becoming clear to us that the installed base for both the Nintendo DS and Wii are likely to break all previous records, extending sales and profitability for longer than current investors anticipate. We believe that these features have yet to be fully appreciated by other investors, which may explain why the current dividend yield is high at 2.6% compared to 1.7% for the market, for a company earning a much higher return on capital compared to the average. When investors recognise that profits can indeed be sustained, the shares have the capacity to perform again, even if it may take a few quarters for the message to sink in.

In making such changes we have been careful to maintain our exposure to the US dollar, believing it undervalued, especially relative to Sterling. Up to now we did this by holding any US dollar proceeds of sales in US cash on deposit, funded by borrowings in Sterling. From now we plan to simulate the same effect by selling Sterling versus the US dollar in a forward currency contract.

At the end of July these actions had reduced our net borrowing to 3.9%. Recent, more favourable, market conditions have led to a further reduction in August.

LINDSELL TRAIN INVESTMENT TRUST

All data as at 31st July 2008

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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