

LINDSELL TRAIN INVESTMENT TRUST

January 2009

All data as at 31st Jan 2009

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)	12.3
LT Japan (Dist)	11.2
AG Barr	10.1
Nintendo	10.0
Lindsell Train Ltd	9.5
Diageo	7.2
Cadbury Schweppes	6.0
2½% Consolidated Loan Stock	5.9
UK Treasury 2½%	4.5
Heineken Holdings	4.3

Investment Allocation (% NAV)

Bonds	11.4
Equities - Consumer Goods	0.9
Financial Services	10.6
Food & Beverage	30.3
Internet	1.6
Investment Funds	25.9
Leisure & Tourism	1.7
Media & Photography	17.1
Preference Shares	0.0
Cash & Equivalent	0.5
Total	100.0

Fund Exposure %	Bonds	Prefs	Equity	Funds	Cash	Total
UK	10.5	-	45.4	2.4	(13.6)	44.7
USA	0.9	-	1.6	-	15.0	17.5
Europe (ex UK)	-	-	4.3	-	(1.0)	3.3
Japan	-	-	10.9	11.2	0.1	22.2
Global	-	-	-	12.3	-	12.3
Total	11.4	-	62.2	25.9	0.5	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 (%)	Jan 2003	Jan 2004	Jan 2005	Jan 2006	Jan 2007
	Jan 2004	Jan 2005	Jan 2006	Jan 2007	Jan 2008
Lindsell Train Investment Trust NAV 12m Return	+22.9	+15.7	+15.6	+7.0	-3.6

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

Calendar Year Performance 2008	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YE 2008
NAV TR%*	-5.7	+0.4	-1.4	+1.1	+1.3	-4.5	-4.2	+7.6	-6.3	-0.8	+0.9	+9.7	-3.1
Price TR%*	-8.4	+11.9	-4.5	-2.5	+2.6	-14.9	+2.6	+0.0	+3.3	-1.8	+4.4	+0.3	-9.3
Since Launch NAV TR%*	+72.3	+72.9	+70.4	+72.4	+74.7	+66.8	+59.8	+72.0	+61.1	+59.9	+61.3	+76.9	
Since Launch Price TR%*	+57.5	+76.2	+68.2	+64.0	+68.2	+43.1	+46.8	+46.8	+51.7	+49.0	+55.5	+56.0	

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. † Revised Figures

Calendar Year Performance 2009	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD 2009
NAV TR%*	-6.1												-6.1
Price TR%*	+2.0												+2.0
Since Launch NAV TR%*	+66.1												
Since Launch Price TR%*	+59.2												

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.

Market Capitalisation	£30.5mn
Net Asset Value	£152.93
Share Price	£146.00
Premium (Discount)	(4.5%)
Benchmark 2½% Consol	Annual +4.6%
(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:	
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

Interim Management Statement

The three months to the end of December proved to be a harrowing time for investors. Not only did world stock markets fall sharply but banks were nationalised and important financial companies failed. The crisis in the world financial system remains unresolved. Until it is, all world economies are likely to suffer, with some experiencing wrenching recessions in 2009. Most company profits will fall, some markedly.

In these circumstances it is pleasing to report a 9.7% rise in the net asset value in the last quarter of 2008. However, shareholders should note that most of the gain was attributable to the weakness in Sterling. Less than 50% of the Company's assets are invested in Sterling, which fell in value versus the Yen by 43%, the US Dollar by 21% and the Euro by 22%. These gains were helped along by good performance from the fixed interest holdings, especially the

government bonds. Conversely, not all our equity holdings were immune from the weakness. The smaller holdings of Dr Pepper Snapple performed worst but Nintendo, Heineken, the Lindsell Train Global Media Fund and Marston's were all down more than 20%. Only AG Barr bucked the trend decisively rising 26%.

Now that prices have fallen so much and dividends yields have risen the Managers want to buy cheap equities funded by the sale of expensive bonds. In this vein three new holdings were introduced in the last quarter, the London Stock Exchange, Unilever and Canon with the holding in the US Treasury bond reduced.

Rhoddy Swire, Chairman

Please see previous reports :

[Oct 2008](#) | [Nov 2008](#) | [Dec 2008](#)

Fund Manager's Comments

After a relatively favourable 2008, this year has begun uncomfortably. During January the price of the newly-named Lloyds preference shares fell by 35% as investors priced in the risk of the full nationalisation of the newly merged bank. Mid-month the price was even lower but strenuous denials on the part of Lloyds' management and policy makers that nationalisation was an option elicited a small recovery in price. However, the fact remains the price is sharply down from where it has traded in the past and, until there is some sign that either monetary policy or government support of the banking sector is working to improve the economy and thus prospects for Lloyds' debtors, nationalisation will be back on the agenda. We have flagged the risk inherent in this position on numerous occasions last year but have mistakenly (at least from the standpoint of today's price) stuck to the investment. You can be sure that its continued presence in the portfolio exercises much debate and angst. Reassuringly, in the week the preference shares fell, the hit to net asset value of the Trust was offset by the fall in sterling versus the US dollar,

which illustrates either more undeserved luck or how the diversity of the portfolio can at times bring some welcome benefit.

In January we continued to add to our equity positions as they fell in price and have done so again in early February. We bought more London Stock Exchange, Canon, Unilever and eBay. The first three all have dividend yields above 4% - that is, provided they are not cut. As a warning of how harsh the environment is today, Canon's profit forecasts were much worse than we expected for 2009, which means the payment of a stable dividend will require drawing down on reserves, something the company can probably afford to do as it has excess cash equivalent to 20% of current market capitalisation. We will see. eBay on the other hand chooses to pay no dividend but periodically repurchases shares and, like Canon, maintains a healthy cash reserve on the balance sheet - in its case equivalent to 14% of market capitalisation. Theoretically we are indifferent to the payment of a dividend so long as the

company allocates its retained earnings as prudently and efficiently as possible. But in practical terms the dividend is an important statement of what tangible annual reward the company can pay to its shareholders. Companies generally hate cutting a dividend, so it is generally set at a level that should be sustainable in most circumstances and, as it is tangible, is rarely the product of creative accounting which can be the case with reported cash flow and earnings. Is eBay's lack of an annual dividend a sign of vulnerability? Probably not. More businesses in the US choose not to pay dividends, partly because it is more tax efficient to retain earnings and repurchase shares. In comparison, the UK has a much stronger dividend culture. On the other hand eBay's business is young and untested by adverse economic conditions such as we are experiencing now and is subject to technological change that might over time prove material. So, in conclusion, eBay's zero yield does make us more circumspect about it as an investment than for some of the other businesses we own. The reason that we added to the position is because at the current

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price its three component businesses could all individually be worth more than the current market capitalisation. The auction business is under most pressure currently as consumption declines, but with more than 80m active customers and dominant market shares in the important markets of the USA, UK and Germany, eBay should continue to generate high margin revenues. Also, a low cost on-line auction platform could prove to be an especially popular medium of exchange in these straitened times. PayPal, the secure online global payments platform, continues to be adopted by auction customers (over 60% use PayPal) and other independent merchants alike, who number 20m of the 70m active users. And Skype, the internet protocol telephone service, now has over 400m registered users, the second largest number of telephone customers of any telephone company in the world after China Mobile – not a bad market position, even if today it earns little revenue.

This equity buying is pushing up the equity weighting of the Fund little by little. The look-through equity weighting, adjusting for the net long position of the long/short funds, is now 81% - up from 75% at its low in September and despite the significant underperformance of equities versus cash and bonds.

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