

# LINDSELL TRAIN INVESTMENT TRUST

July 2009

All data as at 31st July 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)	11.8
AG Barr	11.6
LT Japan (Dist)	9.0
Nintendo	7.4
Diageo	7.2
Lindsell Train Ltd (unlisted)	6.6
Cadbury	6.4
2½% Consolidated Loan Stock	5.8
Lloyds Banking Pref	5.3
Heineken Holdings	4.8

### Investment Allocation (% NAV)

Bonds	10.8
Equities - Consumer Goods	1.1
Financial Services	14.2
Food & Beverage	34.0
Internet	2.5
Investment Funds	23.6
Leisure & Tourism	3.3
Media & Photography	14.4
Preference Shares	0.0
Cash & Equivalent	-3.9
<b>Total</b>	<b>100.0</b>

Fund Exposure %	Bonds	Prefs	Equity	Funds	Cash	Total
UK	10.3	-	53.6	2.8	(16.6)	<b>50.1</b>
USA	0.5	-	2.5	-	13.4	<b>16.4</b>
Europe (ex UK)	-	-	4.8	-	(0.9)	<b>3.9</b>
Japan	-	-	8.5	9.0	0.3	<b>17.8</b>
Global	-	-	-	11.8	-	<b>11.8</b>
<b>Total</b>	<b>10.8</b>	<b>-</b>	<b>69.4</b>	<b>23.6</b>	<b>(3.8)</b>	<b>100.0</b>

## 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 2004	Jul 2005	Jul 2006	Jul 2007	Jul 2008
	Jul 2005	Jul 2006	Jul 2007	Jul 2008	Jul 2009
Lindsell Train Investment Trust NAV 12m Return	+26.3	+9.2	+23.6	-9.6	+2.5

Source: Bloomberg. Launch date 22 Jan 2001. TR=Total Return (with dividends reinvested). Return net of fees and expenses.

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	<b>-3.1</b>
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	<b>-9.3</b>
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%*	-6.6	-3.0	-0.1	+2.3	-1.9	0.0	+4.4						<b>-5.2</b>
Price TR%*	1.4	-3.8	0.0	-2.1	+2.9	-7.1	+15.0						<b>+5.0</b>
Since Launch NAV TR%*	+65.1	+60.1	+59.9	+63.6	+60.5	+60.5	+67.4						
Since Launch Price TR%*	+58.4	+52.4	+52.4	+49.1	+53.5	+42.5	+63.5						

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. ^ Restated figures

<b>Market Capitalisation</b>	£30.3mn
<b>Net Asset Value</b>	£151.72
<b>Share Price</b>	£147.50
<b>Premium (Discount)</b>	(2.8%)
<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>	Rhody 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

# LINSELL TRAIN INVESTMENT TRUST

*All data as at 31st July 2009*

## *Registered Address:*

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First, following our AGM, some discussion is merited about the Company's recent dividend announcement, an increase of 74% to £3.65 per share. Despite the sharp hike, the payment still represents the minimum the Company is allowed to pay according to the investment trust rules. It remains the Board's policy to pay the smallest dividend possible, recognizing that most shareholders are subject to higher rate taxation. This year's uplift was primarily driven by the fall in borrowing costs resulting from last year's elimination of the Company's gearing and to a lesser extent by the continued growth in dividends from equities the Trust owns. The combination of the two pushed after-tax operating profits up 57%.

An important contributor to the growing revenues of the Company has been dividends from its 25% holding in Lindsell Train Limited (LTL). Dividends from LTL are up by a multiple of more than ten in seven years and last year represented 12% of your Company's total revenues. Meanwhile, the stake in LTL is valued at just 6% of LTIT's net asset value ('NAV') – the valuation derived from your Board's formula, which, to remind readers, was adjusted downward last year. LTL's dividend policy is to pay out 80% of net profits so changes in profitability are quickly reflected in the dividend contributions to your Company.

Turning to the portfolio, as investors' risk appetite increased it was the Lloyd's preference shares that proved one of the best performers, up 20% in July. Now, once again, this has become a material holding, at over 5% of NAV, yielding 11%. The gain is reasonable, because Lloyd's common stock is now valued more highly in the market and the prefs rank ahead of the ords for any dividend payments. This position was originally bought as a quasi fixed-interest investment but following the decimation of Lloyd's balance sheet the shares now trade as if they are risky equity, with double digit percentage moves, both up and down, probable.

Elsewhere there was a welcome sign that our persistence with Pearson may be

beginning to pay off - the company surprised investors with better than expected results, reporting strong growth in educational revenues, particularly international. The company has been successful in migrating a third of its whole business on to digital platforms and in doing so has expanded the scope and utility of its service. It has contained the profit decline in the FT through price increases and has grown its data service business, IDC, despite hostile market conditions. A 3% hike in the interim dividend, that was already generating a yield of 6%, is a handy reminder to investors of the value of this business in current circumstances and a catalyst for the 14% rise in the price in July.

We added to two holdings in July, both somewhat involuntarily. First, we took up our rights in the Marstons. The new money brings the company more of an equity cushion and is earmarked for "growth" capital expenditure. This is swallowable, although we would have preferred a more aggressive dividend cut and the issuance of fewer shares. We hope the policy errors (share repurchases financed with debt causing excessive gearing) that have led to this regrettable capital raising are now in the past and the management can rebuild its somewhat tarnished reputation. The business model has been cash generative and predictable in the past and can be again. The market values the free cash flows on an 11% yield, very cheap if things begin to go right.

Next we added to our holding in Reed Elsevier, taking advantage of the recent share placing. Reed has been a disappointing investment, especially recently. This is partly self-inflicted. Last year the company bought Choicepoint, an insurance data and evaluation service for c.\$4bn at peak prices before the downturn but failed to sell its trade magazine business, Reed Business Information. As a result the company was saddled with too much debt which has necessitated the dilutive equity placing. At the placing price the shares were valued on a 10% free cash flow yield and a 5% dividend yield, a valuation more akin to an engineering company than a premium

content business, with outstanding positions in scientific, legal and professional publishing - the wrong price, in our view.

## **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.

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