

# LINDSELL TRAIN INVESTMENT TRUST

February 2010

All data as at 26th February 2010

## 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)		Investment Allocation (% NAV)	
LT Global Media (Dist)	12.2	Bonds	8.1
AG Barr	11.2	Equities - Consumer Goods	1.1
Lindsell Train Limited (Unlisted)	8.8	Financial Services	13.6
LT Japan (Dist)	8.5	Food & Beverage	26.2
Nintendo	7.7	Internet	2.4
Diageo	6.6	Investment Funds	27.3
Heineken Holdings	5.0	Leisure & Tourism	2.6
Morgan Stanley GBP	5.0	Media & Photography	14.9
2½% Consolidated Loan Stock	4.6	Preference Shares	0.0
Pearson	4.0	Cash & Equivalent	3.8
		<b>Total</b>	<b>100.0</b>

Fund Exposure %	Bonds	Prefs	Equity	Funds	Cash	Total
UK	8.1	-	44.6	2.9	(6.1)	<b>49.5</b>
USA	-	-	2.4	-	11.1	<b>13.5</b>
Europe (ex UK)	-	-	5.0	-	(0.5)	<b>4.5</b>
Japan	-	-	8.8	12.3	(0.8)	<b>20.3</b>
Global	-	-	-	12.2	-	<b>12.2</b>
<b>Total</b>	<b>8.1</b>	<b>-</b>	<b>60.8</b>	<b>27.4</b>	<b>3.7</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 Performance (£)

12 months to 26 February (%)	2006	2007	2008	2009	2010
Lindsell Train Investment Trust NAV 12m Return	+17.6	+14.4	+6.6	-7.4	+28.4
Lindsell Train Investment Trust Price 12m Return	+17.1	+18.2	+7.9	-13.5	+31.3

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

Calendar Year (£) Performance 2009	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YE 2009
NAV TR%*	-6.6	-3.0	-0.1	+2.3	-1.9	0.0	+4.4	+5.0	+8.1	+0.6	+1.3	+2.4	+12.2
Price TR%*	1.4	-3.8	0.0	-2.1	+2.9	-7.1	+15.0	+1.4	+5.4	+6.7	+1.2	+1.8	+23.1
Since Launch NAV TR%*	+65.1	+60.1	+59.9	+63.6	+60.5	+60.5	+67.4	+75.9	+90.1	+91.2	+93.7	+98.4	
Since Launch Price TR%*	+58.2	+52.3	+52.3	+49.0	+53.4	+42.5	+63.8	+66.1	+74.9	+86.6	+88.8	+92.2	

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.

Calendar Year (£) Performance 2010	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD 2010
NAV TR%*	+0.1	+3.6											+3.6
Price TR%*	-1.2	+5.3											+4.0
Since Launch NAV TR%*	+98.5	+105.5											
Since Launch Price TR%*	+89.9	+99.9											

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	£36.0mn
Net Asset Value	£186.16
Share Price	£180.00
Premium (Discount)	(5.1250%)
Benchmark 2½% Consol (see definition below)	Annual +4.6% 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 - June Paid - July
<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

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*All data as at 26th February 2010*

I read Leslie Mitchell's biography of Maurice Bowra recently – the wonderfully iconoclastic and witty former Warden of Wadham College. The book is a delight – Bowra's life was a full one and his principles, aesthetic and social, have enduring value.

Bowra had a great flair for insult and I must share some of his choicest abuse – description of one chap's career – “the Fake's Progress”, a fat prelate – “a prime example of the word made flesh”, a fluffy dresser – “the meringue outang”, another, a boor who feels life “only sin deep”. Then, triumphantly, on dismissing an apologist for the Vichy regime as a charlatan and asked “anything else?” Bowra's reply – “No, it's a full time job”.

What relevance you may ask for a monthly investment briefing? And in truth not much. But herewith two extracts I thought useful for business life. First Bowra's good advice on the writing (or reading) of letters of reference – they should not be “hampered by any pedantic adherence to the truth”.

Then the following made me think hard about the management of companies, particularly companies reliant on brain power and creativity. Here is Mitchell on Bowra's theories about the running of a university:

“He never moved away from the proposition that a bureaucracy only existed to allow academics to function to best advantage. It had no other significance or importance. Since bureaucrats could not be expected to

share this view, academics had to sacrifice themselves from time to time, in order to oversee the government of the University. It was a waste of time and talent, but necessary if academics were to continue to enjoy the great privilege of running their own lives.”

It has long been my opinion that investment managers make flawed executives, particularly chief executives, of investment management companies. The only thing worse is to appoint a non-investment manager to the role.

Shareholders in the Lindsell Train Investment Trust may be reassured, then, to be reminded that Michael Lindsell is the CEO of Lindsell Train Limited, whose board I chair.

Turning to your Company, it is doubtless inviting disaster to claim it, but trends seem pretty favourable just now. Sterling is fading, enhancing our overseas assets, in particular those denominated in Dollars. This currency boost drove the final takeout value for Cadbury to over £8.70, way beyond Kraft's original and unsatisfactory c £7.40 sighting shot. Elsewhere, our Tech and Media shares are doing well, pushing the Media Fund on as well. Nintendo has rallied, to our acute relief, up nearly a quarter in 2010 as this is written. It and our other, related names – eBay, Pearson and Reed – are still great value, we think. Secular growth is just so valuable – if only because cyclical growth is in short supply. Even the dreaded Lloyd's preference shares are creeping better, as the sense strengthens that the worst is passed.

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Diageo, Heineken and Unilever are all inching up. One can ascribe this to their earnings resilience, or exposure to the Emerging Market story. The big driver, though, is the likelihood that these companies will protect investors' capital in real terms through whatever mix of more or less malign economic conditions the world may present to them over the next decade. They will do this for savers with far greater certainty than cash, bonds or marginally profitable mineral extractors, domiciled in politically unstable places. This certainty is also very valuable.

## **Risk Warning**

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