

LINDSELL TRAIN INVESTMENT TRUST

April 2010

All data as at 30th April 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)	12.4	Bonds	7.7
AG Barr	12.1	Equities - Consumer Goods	1.1
Nintendo	8.9	Financial Services	13.9
Lindsell Train Limited (Unlisted)	8.8	Food & Beverage	26.7
LT Japan (Dist)	8.0	Internet	2.4
Diageo	6.5	Investment Funds	27.0
Heineken Holdings	4.7	Leisure & Tourism	2.7
2½% Consolidated Loan Stock	4.4	Media & Photography	16.3
Pearson	4.3	Preference Shares	0.0
Lloyds Banking	3.7	Cash & Equivalent	2.2
		Total	100.0

Fund Exposure %	Bonds	Prefs	Equity	Funds	Cash	Total
UK	7.7	-	46.0	2.8	(8.0)	48.5
USA	-	-	2.4	-	10.4	12.8
Europe (ex UK)	-	-	4.7	-	(0.4)	4.3
Japan	-	-	10.0	11.8	0.2	22.0
Global	-	-	-	12.4	-	12.4
Total	7.7	-	63.1	27.0	2.2	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 Performance (£)

12 months to 30 April (%)	2006	2007	2008	2009	2010
Lindsell Train Investment Trust NAV 12m Return	+14.6	+20.6	+1.4	-5.1	+35.9
Lindsell Train Investment Trust Price 12m Return	+19.2	+27.7	-7.2	-9.0	+36.6

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	+7.6	+0.5									+12.1
Price TR%*	-1.2	+5.3	+3.5	-1.6									+5.9
Since Launch NAV TR%*	+98.5	+105.5	+121.2	122.4									
Since Launch Price TR%*	+89.9	+99.9	+106.9	+103.5									

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.

Market Capitalisation	£39.6mn
Net Asset Value	£197.97
Share Price	£180.00
Premium (Discount)	(9.1%)
Benchmark 2½% Consol (see definition below)	Annual +4.9% 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 - June Paid - July
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:	Rhody Swire Donald Adamson Dominic Caldecott Michael Mackenzie Michael Lindsell
Secretary:	Phoenix Administration Services Limited
ISIN:	GB0031977944
Bloomberg:	LTI LN
Listing:	London Stock Exchange

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Some random and inconclusive thoughts about British politics and the economy – written in the aftermath of the General Election.

Looking first on the bright side. Of course the nation's finances are horrible, but the UK does have some mitigating advantages over other straitened polities.

As is well recognized, Sterling's very existence is a blessing. It floats and adjusts. I have to say, as one who "wasted" many of his general election votes in the 1990s, cast in support of avowedly anti-Euro minority party candidates, there is some sweet vindication to the current consensus that we're better off out of it.

Next, I was dimly aware that the maturity of British government debt is different and, crucially, longer than that of others, but it took my recent exposure to an EU-sourced chart of those respective maturities to comprehend just what an outlier the UK is. The average for the USA is 4 years, with only Finland shorter. Greece is 7, of a piece with Italy, France and Austria. Denmark is 8. But the average debt maturity for the UK is 14 years, getting on for double its nearest European counterpart. Very crudely stated, we have longer to sort out our problems.

It is worth considering why the UK has been able to schedule its debts out over this period – one likely to comprehend several business cycles and or changes of political regime. The fact is Britain has a decent record of serving and repaying its debts, certainly in comparison to the feckless Continentals. Living here, as we do, we are acutely conscious of our disfunctional public sector and the threat of a monetary inflation – the grass always seems greener elsewhere. But from the perspective of an international allocator of capital, the risk of outright default is, or has been, low. We just don't do that. Yes, Chancellor of the Exchequer Vansittart cut the coupon on the irredeemable gilts back in the late 19th century - though technically with the approval of holders - and there was a default on one issue of WW2 UK government loan. British politicians of all hues connived at inflation in the 1960s and 1970s, for as long as markets let them get away with it. But apart from these episodes, inglorious though they were, the UK has honoured its obligations for centuries. This is in pretty sharp contrast to elsewhere. Bondholders or specie holders in many European states have been wiped out, repeatedly, during the last century. That UK AAA rating was deserved and is incredibly valuable to this nation.

Perhaps in response to these structural

consolations, Sterling has performed rather better of late than many feared, of course against the Euro in particular. Relatively speaking are Sterling assets really that bad? Those looking around the world for a safe home for their wealth and already well-exposed, say, to Gold or the US Dollar, should be aware of the work done by the Bank of International Settlements on real effective exchange rates, that demonstrates that Sterling is already close to its lowest levels for 50 years. The bad news is in the price. It is only anecdote, I acknowledge, but the gossip is that London real estate is being hoovered up by nervous Euro-holders, especially those of the Greek persuasion. Smart investors will know, too, that to invest in the FTSE 100 Index is not to take a bet on the UK economy, but on the fortunes of a global and eclectic mix of substantive corporations, many with important positions in emerging markets. Buying these assets today with an "expensive" currency, Euros, must be appealing.

By the way, from a short term and domestic perspective, our sense is that the "Sterling is toast, get everything overseas" trade is really quite consensual and mature. Any encouraging news on the UK economy or even relatively less bad news and we would expect domestic earners within the stock market to do very well. For our UK accounts we have been adding to regional brewery shares and Daily Mail & General Trust, expecting to benefit from this possible swing in sentiment, on top of all the good structural reasons to own these assets.

Less encouraging for the UK. We're already paying too much tax, but it looks inevitable that calls on productive companies and individuals will intensify. Great quote from Tim Martin, Chairman and entrepreneurial founder of pubco JD Wetherspoon – "In the 6 months to January 2009, JD Wetherspoon made profits after tax of £17.3 million. Yet taxes generated were £190 million." Post-tax earnings are the residual that fund future growth. More of it needs to stay in the private sector.

Related, I must say I thought a throwaway comment by Gordon Brown, in a pre-election interview was really telling. Asked what he would do with his life, if the opinion polls were correct and he was ejected, he replied on these lines – "Oh, I won't go into business. Sarah and I will get involved with charity work, where we can do some good." Personally I think Brown is a principled and well-meaning person, even if I disagree with those principles. But this implicit suggestion that to be in business,

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to be successful in business, is somehow not doing good, that it is somehow less honourable than charitable work - this is unhelpful and supportive of a harmful prejudice and ignorance of what truly creates improved living standards in this country.

Reading Austrian-school economist Ludwig von Mises great masterwork "Human Action" recently I came across this trenchant critique of many of our present woes. He attacks "the superstition that omnipotent governments can create wealth out of little scraps of paper."

Let us see whether our new administration can disabuse the British electorate of this damaging superstition.

Risk Warning

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