

LINDSELL TRAIN INVESTMENT TRUST

January 2010

All data as at 29th January 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)	11.8	Bonds	8.7
AG Barr	11.3	Equities - Consumer Goods	1.0
Cadbury	9.4	Financial Services	13.9
Lindsell Train Limited (Unlisted)	9.1	Food & Beverage	36.2
LT Japan (Dist)	7.7	Internet	2.4
Nintendo	7.7	Investment Funds	22.4
Diageo	6.8	Leisure & Tourism	2.6
Heineken Holdings	5.1	Media & Photography	15.0
2½% Consolidated Loan Stock	4.9	Preference Shares	0.0
Pearson	4.0	Cash & Equivalent	-2.2
		Total	100.0

Fund Exposure %	Bonds	Prefs	Equity	Funds	Cash	Total
UK	8.7	-	54.8	2.9	(15.9)	50.5
USA	-	-	2.4	-	14.9	17.3
Europe (ex UK)	-	-	5.1	-	(0.5)	4.6
Japan	-	-	8.8	7.7	(0.7)	15.8
Global	-	-	-	11.8	-	11.8
Total	8.7	-	71.1	22.4	(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

Annual Performance (%) January	2006	2007	2008	2009	2010
Lindsell Train Investment Trust NAV 12m Return	+15.7	+15.6	+7.0	-4.2	+20.2
Lindsell Train Investment Trust Price 12m Return	+12.7	+22.4	+0.3	+0.5	+20.0

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												+0.1
Price TR%*	-1.2												-1.2
Since Launch NAV TR%*	+98.5												
Since Launch Price TR%*	+89.9												

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	£35.9mn
Net Asset Value	£179.75
Share Price	£171.00
Premium (Discount)	(4.9%)
Benchmark 2½% Consol (see definition below)	Annual +4.8% 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:	Rhody 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 sharp rally in share prices that characterised mid-2009 stalled over the last four months with the MSCI World index (in Sterling) falling 1%. In contrast the Company's net asset value ('NAV') advanced 14% as the share prices of cash generative consumer franchises - such as Diageo, Nintendo, Heineken and Pearson - continued to rise. The biggest contributor to returns was the Company's 25% holding in Lindsell Train Limited ('LTL'). LTL's funds under management and earnings have benefited from an increase in mandates to manage, combined with the renewed buoyancy of markets. The holding now represents 9% of NAV.

Although the outlook for major economies is clouded with uncertainties, the outlook for most of the Company's equity investments seems more assured. Most sell everyday products and services or ones for which there remains a significant need even in difficult times. It is on this basis we remain confident for the future growth in dividends in the future.

Rhoddy Swire, Chairman

Fund Manager's Comments

Kraft did raise their bid for Cadbury, but not by enough to deliver us full intrinsic value, which anyway was only likely in the event that the bid was contested by a third party. As it was not, we judged £8.50 per share was a fair outcome in the end. At any rate, precise estimates of intrinsic value are difficult to determine, depending as they do on subjective discount rates and estimates of likely free cash flow growth many years hence. We will be glad to be paid 60% of the proceeds in cash to repay the gearing taken on when we bought additional shares late last year as other investors doubted Kraft's determination to pursue its target. That additional investment earned us a handsome annualised return of

33%. We now hold a lesser position in Kraft itself. Before the purchase of Cadbury, Kraft's sales were split between grocery products (dressings, condiments and desserts) 23%, biscuits 22%, cheese 18%, coffee 14% and confectionery 12%. Following the acquisition almost a third of the business is now exposed to confectionery. The combined company will be a significant business, with \$52bn in sales and \$7bn in operating profits financed by \$30bn of net debt. It has an important position in the US market, which will account for c. 50% of sales, and with the contribution of Cadbury a growing presence in emerging markets representing 20% of sales. Kraft's brands are well recognised and have significant

market positions (11 with sales over \$1bn) with some having been around for a long time (40 over 100 years). The major concern, with the notable exception of confectionery, must be the threat of commoditisation of its brands. Many will be subject to own label competition, which tends to increase in tough times, when consumers trade down. Today the combined business is valued at 1.7x enterprise value to sales. We think the shares are reasonable value for a company with its market positions earning average operating margins of 13% and trading on a free cash flow yield of c.6%. We plan to hold the shares.

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Our gilts, having done well when markets collapsed in 2008, did badly last year falling in value while equities rallied. Although the bull market that began in 1982 is mature we don't think it is fully over especially while deflationary forces remain so prevalent. As a result we have held on to a position that is now 9% of NAV in the expectation that at some point a deflationary scare could lead to a surge in prices, rather like in late 2008. Any such scare is likely to be centered on both the repayment of debt and unwillingness to borrow more as consumers and corporates save to repair overstretched balance sheets. Of course governments will do everything to put off such an eventuality, with fiscal incentives to spend and monetary incentives to borrow, like they have done over the past year but adjusting to a new more frugal paradigm which is less reliant on debt finance will be necessary at some juncture.

company has demonstrated that generating successful software is crucial to success in the video games business. The release of a new 'Mario' title, a 31 year old franchise, for Nintendo Wii in late November generated more than 10 million of worldwide sales in just over a month, the fastest sales rate of any game software product in history. Its success was in part due to an installed base of captive customers bigger than any of the competitors. But it was also due to the allure of the software itself, which contributed to a further revival in sales of hardware. Altogether, a highly profitable combination.

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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There has been a welcome recovery in Nintendo's share price so far this year in response to better than expected Christmas and New Year sales and the company's recently announced quarterly results. Once again the

Risk Warning

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