ACDS LINDSELL TRAIN UK EQUITY FUND

October 2006

All data as at 31st Oct 2006

Fund Objective

To invest in the securities of companies which are listed, quoted or dealt on any of the markets of the London Stock Exchange, including the Alternative Investment Market (AIM), with the objective of achieving capital and income growth and providing a total return in excess of that of the FT All Share Index.

Fund Size	£ 42.1mn
Mid Price	£ 1.0627

Source: Lindsell Train Limited and Capita Financial Administrators Limited.

Investment Advisor:	Nick Train
Fund Type:	FSA Authorised Collective Investment Scheme
Type of Scheme:	Non UCITS Retail
Class:	Accumulator & Income Units
Launch Date:	10 Jul 2006
Base Currency:	Sterling
Min Investment:	£500,000 Subsequent: £1,000
Year End:	31 May
Dividend:	Not yet available
Benchmark:	FT All Share
Initial Charge:	(subject to ACD discretion 0%-2%)
Management Fees:	Annual Fee 0.65%
Authorised Corporate Director:	ACD Services Ltd.
Administrator:	Capita Financial Administrators
ISIN:	GB00B18B9X76
Bloomberg:	LTUKEQI LN

Fund Breakdown

Top 10 Holdings (% NAV)	
Diageo	7.4
Unilever	7.2
HBOS	6.9
RBS Natwest Pref 9%	6.5
Reed Elsevier	6.5
Pearson	6.4
Cadbury Schweppes	6.4
Lloyds TSB	5.3
Rathbone Brothers	4.6
Reuters	4.6

Industry Breakdown (% NAV)	
Preference Shares	9.2
Equity - Media	21.2
Equity - Banks & Investment Co.	31.1
Equity - Leisure & Entertainment	1.5
Equity - Food & Beverage	22.1
Equity - Consumer Goods	4.9
Cash & Equivalent	10.0
Total	**100.0**

Fund Exposure	***Bonds***	***Prefs***	***Equity***	***Funds***	***Cash***	***Total***
UK %	-	9.2	80.8	-	10.0	**100.0**
Total %	**-**	**9.2**	**80.8**	**-**	**10.0**	**100.0**

Fund Performance (Fixed Calendar Year)

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.

5 Year History	
ACDS LT UK Equity TR%	Not available
FT All Share TR%	

Current regulations do not permit us to publish historical performance data in the first year of the fund's life.
TR=Total Return (with dividends reinvested)

2006	***Jan***	***Feb***	***Mar***	***Apr***	***May***	***Jun***	***Jul***	***Aug***	***Sep***	***Oct***	***Nov***	***Dec***	***YTD 2006***
ADCS LT UK Equity TR%	Not available												
FT All Share TR%													
Since Launch Price TR%													
Since Launch Index TR%													

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Fund Manager's Comments

Your Fund increased markedly in size during October, from c£9.0 million at end September to the current £42.5m We believe all holders should welcome this uplift, bringing, as it does, economies of scale. We hope to earn an outstanding return on existing and new capital committed to the strategy.

We were very busy, then, during the month in getting money to work. The combination of several keenly priced "programme trades" and timely offers of stock in some of the smaller companies in which we are building up holdings enabled us to get the Fund 90.0% invested by month end (95.0% as this report is written). We were particularly pleased to accumulate positions in the following relatively illiquid securities – A.G. Barr (2.0% of current portfolio value), Euromoney (4.0%), Rathbone (5.0%), Royalblue (4.0%) and the NatWest 9.0% preferred stock (6.0%). Our target prices for these assets suggest to us that we have accessed some exceptional values. We are not "market timers" and even today's cash content is too high for our comfort. Investors should expect the Fund to move steadily to a fully invested position.

October was not a successful month for the strategy, which trod water, while the FT All Share delivered a strong return. The Fund was hit by the effects of a deliberate omission and by the disappointing (although hardly catastrophic) fall in value of two major holdings. First, as a point of policy, the Fund has little or no exposure to commodity companies, either miners or oil- both of which sectors rallied in October after a period of poor performance over the Summer. We have no confidence in our ability to estimate or value future earnings from such companies, dependent as they are on historically highly volatile raw material prices. This lack of confidence deters us, particularly after the exceptional returns they have delivered in recent years. Moreover, we believe we can find other and to our minds better, ways to participate in the trends that have been driving commodity shares higher. For instance, we believe that the shares of those relatively rare British companies with meaningful exposure to Emerging Market consumers look materially undervalued compared to mining stocks (which, after all, are proxies for growth in the developing economies). Diageo, Cadbury and Unilever offer such exposure and, in our opinion, represent a major short and long term investment opportunity.

However, it was Cadbury that was one of the Fund's two fallers in October, down 7.0%. The company was penalised for missing its profitability target, largely because of issues in the UK confectionary market, where Cadbury makes c10.0% of its profits. Here an unseasonably hot Summer depressed chocolate sales, down some 5.0% year-on-year. Our thoughts on this setback are twofold. First, we confidently expect British weather patterns to reassert themselves and for some future cold, wet Summer to lead to an unanticipated boost to Cadbury's sales. This boost will no doubt be applauded by investors, which will be just as irrational as the booing of this year's mild disappointment. Next, we think that investors' attitude to Cadbury is myopic. The company is indeed one of those rare, truly global branded goods businesses, whose prospects over the next couple of decades will be driven by the success of its brands in India, Latin America, Poland, South Africa and Turkey (just to list some of its important market positions) – not by seasonal fluctuations in its developed world interests. Cadbury's Board has recently announced its intention to accelerate the pace of the company's dividend growth and we expect this growing cash return will soon attract investors back to the shares.

Sage was the other October loser, off 4.0%. We regard this decline as perverse, given the trigger was the company's annual trading update, which confirmed steady progress in its revenues. The fact is, as a technology company, Sage is in the "wrong" sector, so far as UK investors are concerned – still tarred by the unfortunate events of half a decade ago. The Americans appear to have got over this trauma. There the closest comparator to Sage is Intuit, another business software designer. Intuit's shares have gained 30.0% in 2006, while Sage is down 6.0%. Meanwhile, Intuit's P/E ratio is now 50.0% higher than Sage. We expect Sage revenues to accelerate, as it develops new services to sell to its 5 million small company customers worldwide and for the shares to catch up with Intuit.

We have added to both Cadbury and Sage in recent days.

Registered Address:
ACDS Lindsell Train UK Equity Fund
23 Cathedral Yard
Exeter EX1 1HB

Fund Administrator:
Capita Financial Administrator
+44 113 224 6000

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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