

ACDS LINDSELL TRAIN UK EQUITY FUND

January 2007

All data as at 31st Jan 2007

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 Breakdown

Top 10 Holdings (% NAV)

Diageo	8.0
Unilever	7.9
Cadbury Schweppes	7.5
HBOS	7.3
Pearson	6.9
Reed Elsevier	6.6
RBS Natwest 9% Pref	5.9
Lloyds TSB	5.9
Sage Group	5.3
Rathbone Brothers	5.2

Industry Breakdown (% NAV)

Equity - Media	22.8
Equity - Banks & Investment Co.	33.8
Equity - Leisure & Entertainment	1.8
Equity - Food & Beverage	25.4
Equity - Consumer Goods	5.6
Preference Shares	8.5
Cash & Equivalent	2.1
Total	100.0

Fund Exposure	Bonds	Prefs	Equity	Funds	Cash	Total
UK %	-	8.5	89.4	-	2.1	100.0
Total %	-	8.5	89.4	-	2.1	100.0

Fund Size	£ 45.8mn
Accumulator Price	£ 1.1161
Income Price	£ 1.1030

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: Div Ex 30 Nov 2006
Paydate 31 Jan 2007

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 Limited

ISIN: GB00B18B9X76

Bloomberg: LTUKEQI LN

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

2006 2007

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	YE 2006
ACDS LT UK Equity TR%	Not available												
FT All Share TR%													
Since Launch Price TR%													
Since Launch Index TR%													

2007	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD 2007
ACDS 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 made further absolute and relative progress in January, registering a 0.5% gain, while the FT All-Share declined marginally.

There is an old stock market saw that says "as goes January, so goes the year". We are not superstitious about such matters, but in one respect we were not so surprised that the All-Share made no progress in January. UK equities are struggling against a newly arisen headwind, whether investors are conscious of it or not. In December, UK inflation, as measured by the RPI ex Housing, hit 3.5% annualised. This is nearly double the average of the last ten years, of 1.79% and thus a meaningful break with recent experience. Meanwhile, in 2006 UK equities delivered another year of capital gains in excess of dividend growth, pushing the historic net yield on the All-Share down to 2.79%. Thereby, for the first time in more than a decade, we think, inflation is running higher than the income return on UK stocks. We do not claim this to be any infallible sign of a market top – although we well remember the comfort we all derived from the dividend yields available back in 2003, way ahead of inflation, as an indication that the market had gotten too cheap. Today, the All-Share is clearly no longer undervalued on this basis, unless either the rate of inflation eases or dividend growth, buybacks and takeovers accelerate beyond current, scarcely modest expectations.

Turning to look within the market, we believe that an underappreciated aspect of global equity performance in 2006 was the share price recovery of a number of leading technology, telecommunications and media companies. Since last summer, Cisco has risen 65.0%, Microsoft 46.0%, Vodafone 37.0% and, held in your portfolio, Sage up 36.0%. In addition, last year was the first in six that the global media sector outperformed the MSCI World Equity Index, up 24.0% against 18.0%. It appears that the agonising bear market for these names is not only over, but that a new bull market may be forming. This proposition is confirmed, in our opinion, by developments in the real world, where there is plenty of evidence that technology and, especially, the Internet are beginning to impinge and decisively, on the way companies conduct their affairs – think Skype, for instance – and on the way individuals derive entertainment – elsewhere within Lindsell Train Ltd we watch the success of Nintendo's innovative gaming devices with awe. In our view, these developments and the disdain many investors still evince for "TMT" shares

point to the possibility of a prolonged period of investment reward from the strongest franchises in these sectors. In the UK, we believe that certain media companies offer good access to the opportunity. We were pleased, therefore, to note in January decent returns from Euromoney, Pearson and Reed – all cheap stocks if media is to re-rate further. Software company Royalblue also gained. Admittedly, Reuters and Sage slipped somewhat, but this pair remain important portfolio constituents, offering exposure to the increasing application of technology to the trading of the capital markets and to the gradual adoption of more sophisticated software services by the millions of small companies worldwide already reliant on Sage's accounting packages.

Finally, Cadbury delivered a "Milk Tray-sweet" 5.0% share price rise, after last year's "Bourneville-bitter" performance. Here is another major portfolio position with much latent value, we think.

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**Lindsell Train is authorised and
regulated by the Financial
Services Authority.**

Reports can be found on our
website at www.LindsellTrain.com

Risk Warning

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