

CF LINDSELL TRAIN UK EQUITY FUND

September 2007

All data as at 30th Sep 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 FTSE All Share Index.

Fund Breakdown

Top 10 Holdings (% NAV)

Unilever	9.0
Cadbury Schweppes	8.5
Diageo	8.4
Reuters Group	7.3
Reed Elsevier	6.6
Pearson	6.6
HBOS	5.9
London Stock Ex.	5.4
Sage	5.1
Rathbones	4.9

Industry Breakdown (% NAV)

Equity - Media	24.6
Equity - Banks & Investment Co.	30.5
Equity - Leisure & Entertainment	2.2
Equity - Food & Beverage	27.1
Equity - Consumer Goods	5.7
Preference Shares	5.8
Cash & Equivalent	4.1
Total	100.0

Fund Exposure	Bonds	Prefs	Equity	Funds	Cash	Total
UK %	-	5.8	90.1	-	4.1	100.0
Total %	-	5.8	90.1	-	4.1	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	30 Sep 06 30 Sep 07	30 Sep 05 30 Sep 06	30 Sep 04 30 Sep 05	30 Sep 03 30 Sep 04	30 Sep 02 30 Sep 03
CF LT UK Equity Acc TR% 12m Return	+8.0	na	na	na	na
CF LT UK Equity Inc TR% 12m Return	+8.4	na	na	na	na
FTSE All Share Index TR% 12m Return	+12.2	na	na	na	na

Source: Bloomberg. Fund was launched on 10th July 2006. TR=Total Return (with dividends reinvested)

Calendar Year Performance 2006	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YE 2006
CF LT UK Equity Acc TR%							+2.2	+2.0	+2.7	-0.7	+0.8	+3.6	+11.0
CF LT UK Equity Inc TR%							+2.2	+2.0	+2.7	-0.7	+0.8	+2.4	+10.8
Since Launch Acc TR%							+2.2	+4.2	+7.0	+6.3	+7.2	+11.0	
Since Launch Inc TR%							+2.2	+4.2	+7.0	+6.3	+7.2	+11.0	

Calendar Year Performance 2007	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD 2007
CF LT UK Equity Acc TR%	+0.5	-0.6	+5.0	+2.2	+4.4	-5.6	-2.0	-1.3	+1.7				+4.1
CF LT UK Equity Inc TR%	+0.5	-0.6	+5.0	+2.2	+4.4	-7.1	-1.9	-1.3	+1.7				+4.4
Since Launch Acc TR%	+11.6	+10.9	+16.5	+19.1	+24.3	+17.3	+15.1	+13.6	+15.5				
Since Launch Inc TR%	+11.6	+10.9	+16.5	+19.0	+26.7	+17.7	+15.4	+14.0	+15.9				

Source: Bloomberg and Lindsell Train. Fund was launched on 10th July 2006. TR=Total Return (with dividends reinvested)

Fund Size	£ 89.2mn
Accumulator Price	£ 1.1554
Income Price	£ 1.1234

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: XD dates: 30 Nov; 31 May
Paydates: 31 Jan; 30 Sep

Benchmark: FT All Share

Initial Charge: (subject to ACD
discretion 0%-2%)

Management Fees: Annual Fee 0.65%

Authorised Corporate Director: Capita Financial Administrators Limited

Administrator: Capita Financial Administrators Limited

ISIN: Acc: GB00B18B9X76
Inc: GB00B18B9V52

Bloomberg: Acc: LTUKEQI LN
Inc: LTUKEQI LN

Lipper: 65022060

The former name of the Fund was ACDS Lindsell Train UK Equity Fund. This has been replaced with CF Lindsell Train UK Equity Fund from 1st April 2007.

Fund Manager's Comments

Looking back over a turbulent Summer we highlight two extraordinary, but related developments which, for us, illustrate the unexpected way that the world is today and the direction it is fast heading.

First was the joint offer of the China Development Bank and Temasek, the Singaporean state sovereign fund, to invest up to \$20bn into the equity of Barclay's Bank, in order to assist the latter with its bid for ABN-AMRO. Next is the emergence in September of two Middle Eastern institutions as the largest shareholders in the London Stock Exchange, acquiring nearly 50% of its shares at a big premium to the market.

What both demonstrate is the globalisation of financial markets and the financial services industry, with new pools of liquidity, arising in the East, looking to participate in the emergence of global champions. Although Barclay's assault on ABN failed, the sight of a contested cross-border European bank bid battle, with the active involvement of Chinese capital, is jaw-dropping. The implication, we think, is that UK investors must continue to think big and expect further consolidation across many industries, not just banks (although the other notable event of the summer revealed that a number of British banks badly need to get bigger).

We have been presenting recently on our strategy and outlook, and the events of just one day last week lent weight to several of our key contentions. That day, over night, Nokia bid \$8.0bn for US tech company Navteq, Toronto Dominion of Canada spent \$8.5bn on US regional Commerce Bank, Groupe Norbert of France put up \$0.5bn to acquire Salveson and, the only parochial transaction among them, Cookson offered \$1.0bn for Foseco. Any idea that the credit squeeze of the Summer and the travails of the Private Equity industry could derail the momentum toward strategic consolidation between international corporations must, by now, have exploded. As we put it to our investors, doubtless rather melodramatically – "Merger Mania – You Ain't Seen Nothin' Yet".

Drilling deeper into these recent transactions, we note that the US bank deal was struck at a price/book of 2.7x, in line with recent experience and the c2.9x book that ABN has eventually fallen at. British banks are valued by investors at way below these multiples, on the assumption, presumably, that book values will fall and that deals are unlikely. We will see.

The Nokia deal also interested us, but not so much as the \$5.5bn bid this week from SAP for Business Objects, of France. Both confirm our belief that stock market participants have left significant value on the table in the equity of technology and media companies. Industrialists in these sectors are currently keen to acquire the whole of such companies from portfolio investors, because industrialists can see the future and future value creation more clearly than the latter. Business Objects is being bought on a historic P/E of over 40x and at a share price 50% above its low for the year. Would Sage, a major Fund holding, were valued similarly.

Google has just broken through \$600, up over 33% year-to-date and NASDAQ is up 16%. Meanwhile, over the past six months the average UK Equity Income OEIC is down 0.5%, while the average UK All Companies OEIC (for which read "Growth") is up 1.5% and the FT All-Share is up 4.2%. Something is definitely going on – probably a multi-quarter shift in investor preference away from "value" into "growth". The Fund owns a lot of "growth" assets and we hope it will benefit.

Our strategy lagged somewhat in September, despite the performance of the holding in the LSE, which we retain, awaiting the denouement of the takeover saga. To our frustration Cadbury was a weak market again, falling over 3%, despite press reports of renewed private equity interest in its beverage unit. Cadbury is an important holding, which we continue to believe is meaningfully undervalued and where short term news flows could have real significance for the price. We watch the fate of this wonderful collection of global brands with interest.

CF LINDSELL TRAIN UK EQUITY FUND

All data as at 30th Sep 2007

Registered Address:

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

Risk Warning

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