CF LINDSELL TRAIN UK EQUITY FUND

March 2009

All data at 31st Mar 2009

Fund Size	£108.9mn
Accumulation Share Price	£0.7920
Income Share Price	£0.7324

Source: Lindsell Train Limited and Capita Financial Administrators Limited.

Portfolio Manager: Nick Train

Fund Type: FSA Authorised Collective Investment Scheme

Type of Scheme: Non UCITS Retail

Class: Accumulation & 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: 0%-2%, subject to ACD's discretion

Management Fees: Annual Fee 0.65% p.a.

Authorised Corporate Director: (ACD) Capita Financial Managers Limited

Administrator: Capita Financial Administrators Limited

ISIN: Acc: GB00B18B9X76
Inc: GB00B18B9V52

Bloomberg: Acc: LTUKEQALN
Inc: LTUKEQA LN

Sedol: Acc: B18B9X7
Inc: B18B9V5

Lipper: 65022060

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)	
Cadbury	10.5
Unilever	10.4
Diageo	9.7
Pearson	9.4
Reed Elsevier	6.9
Schroders	5.2
Sage Group	5.0
Fidessa	4.9
Thomson Reuters	4.8
Hargreaves Landsdown	4.4

Industry Breakdown (% NAV)		
Equity	Banks & Financials	23.8
	Consumer Goods	5.0
	Food & Beverage	37.3
	Leisure & Entertainment	3.2
	Media	24.0
	Retail	3.0
Preference Shares		0.2
Cash & Equivalent		3.5
Total		**100.0**

Fund Exposure	*Bonds*	*Prefs*	*Equity*	*Funds*	*Cash*	*Total*
UK %	-	0.2	96.3	-	3.5	100.0
Total %	**-**	**0.2**	**96.3**	**-**	**3.5**	**100.0**

Fund Performance

Past performance is not a guide to future performance. The price of shares and the income from them may go down as well as up. Investors may not get back what they invested.

- CF LT UK Equity Fund comprises the Accumulation & Income Classes.
- The CF LT UK Equity Fund performance is based on total returns (dividends reinvested), net of fees.

The CF LT UK Equity Fund price and performance is based on 10 a.m. valuation point

Standardised Discrete Five Year History (%)	*Mar 2004 Mar 2005*	*Mar 2005 Mar 2006*	*Mar 2006 Mar 2007*	*Mar 2007 Mar 2008*	*Mar 2008 Mar 2009*
CF LT UK Equity Fund	NA	NA	NA	-14.3	-20.6
FTSE All Share Index	NA	NA	NA	-7.7	-29.2

Source: Bloomberg and Lindsell Train

Standardised Discrete Quarterly Performance (%)	*Apr 2008 June 2008*	*July 2008 Sep 2008*	*Oct 2008 Dec 2008*	*Jan 2008 Mar 2009*
CF LT UK Equity Fund	-9.5	-2.5	-4.2	-6.0
FTSE All Share Index	-1.4	-12.2	-9.4	-9.7

Source: Bloomberg and Lindsell Train.

Calendar Year 2008 Monthly Performance	*Jan*	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*	*YE 2008*
CF LT UK Equity Fund	-9.3	+0.7	-3.8	+1.3	+1.4	-11.9	-0.5	+6.8	-8.3	-8.5	-0.6	+5.3	-25.8
FTSE All Share Index	-8.7	+0.7	-2.1	+6.3	-0.2	-7.1	-3.6	+5.0	-13.2	-11.9	-1.6	+3.7	-29.9

Calendar Year 2009 Monthly Performance	*Jan*	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*	*YTD 2009*
CF LT UK Equity Fund	-2.6	-4.7	+1.2										-6.1
FTSE All Share Index	-5.8	-6.5	+3.2										-9.1

Source: Lindsell Train.

Fund Manager's Comments

CF LINDSELL TRAIN UK EQUITY FUND

All data at 31st Mar 2009

The Fund is more fully invested than for some time, 97% as this is written. We have been determined to add to holdings into share price weakness, of which there has been plenty during the first quarter. And we are especially keen to put money to work when we receive new subscriptions. If clients want to access the market at current levels and are gracious enough to ask us to do so on their behalf, we should oblige, we think.

We have no particular confidence that the worst is over, although the apparently successful recapitalization of the British banking industry is encouraging. Rather, holding significant amounts of cash – for us over 5%, makes us nervous. Buying the dips over the last 18 months has scarcely been a successful tactic. But, for instance, the offer of Diageo shares on a starting dividend yield of 5.0%, as it was at its March low, just seems such incredible value relative to holding cash, that it seems churlish to look the other way.

Diageo has been a weaker share than we would have anticipated in 2009, as investors bet on slowing demand for premium spirits and, separately, try to time a switch from "defensives" into "cyclicals". After the horrific losses sustained in the shares of cyclical companies during this bear market we are quite surprised to see "the burnt fool's bandaged finger go wabbling back to the fire" – as Kipling put it. You'd have thought that most participants had had quite enough of that game. We take more inspiration and encouragement from just this one snippet from Diageo's recent presentation on its International business – that its African subsidiary has grown volumes every year for the last 20 (mostly Guinness) – than we do from all the reams of speculation about when the next boom/bust cycle will commence. An earnings stream that will be materially higher in ten years is more valuable than one which may fluctuate wildly over the next five, at least to us.

Nonetheless, the Fund certainly benefited from investors' increased risk appetite in March. For example the London Stock Exchange was up 30% and now up 24% in 2009 to date. The company and its shares represent a convenient trading vehicle to play the ebbs and flows of animal spirits. But there were signs in March too of just how robust and important a franchise the LSE remains, helping to justify our strategic allegiance to the security. First, it was announced that the share of London trading volumes spoken for by Turquoise, the dealing platform established by a consortium of investment banks, had slipped to 2.6% in March, now behind other new entrant BATS. The slippage was ascribed to the fact that the contract signed between Turquoise and its founders that guaranteed they would channel a certain proportion of business through it, expired. The experience appears to confirm that enticing share volumes away from an established and not-complacent stock exchange is no trivial task. Next, we ruminate on the extraordinary sums that have been successfully raised on the London market in rights issues in 2009, led by the monster HSBC offering. These new shares and listings directly raise revenues for the LSE. Just as important though, is the fact that the monies are not being raised on BATS or CHI-X. The LSE's reputation as a place where major companies can raise capital and do deals is critical to those companies and will be noted by other global businesses when choosing their primary listing locations. It is also a key element in our valuation of the LSE's own equity.

Finally, we are sometimes asked why we currently own no oil majors – which ostensibly offer some of those business characteristics of durability and cash generation that ought to attract us. Some stats from the recent Shell investor day help explain our caution. Last year Shell's reserve replacement ratio was 97%, the seventh time in the last nine years that the company has failed to replace the volume of oil it produces. As a result, at least in part, production will probably decline again in 2009, for the seventh consecutive year. Shell's proven reserve life is 10 years, compared to its competitors' average of 12. Our concern is that it is manifestly getting tougher for the Western oil majors to access new reserves, as a result of both geology and geopolitics. In our opinion investors value these companies as though replacement of reserves were a given, out over an actuarial time horizon. As a result their dividends are perceived as some of the safest on the London stock market. We are less sure.

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Risk Warning

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