

# CF LINDSELL TRAIN UK EQUITY FUND

December 2009

All data at 31st December 2009

## 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)		Industry Breakdown (% NAV)	
Cadbury	11.7	Equity	Banks & Financials 25.7
Unilever	10.7		Consumer Goods 4.9
Diageo	10.2		Food & Beverage 39.7
Pearson	8.4		Leisure & Entertainment 2.9
Schroders	6.3		Media 21.7
Reed Elsevier	5.5		Retail 4.5
Hargreaves Lansdown	5.5		Preference Shares 0.2
Fidessa	5.0		Cash & Equivalent 0.4
Sage	4.9		<b>Total 100.0</b>
Burberry Group	4.5		

  

Fund Exposure	Bonds	Prefs	Equity	Funds	Cash	Total
UK %	-	0.2	99.4	-	0.4	100.0
<b>Total %</b>	<b>-</b>	<b>0.2</b>	<b>99.4</b>	<b>-</b>	<b>0.4</b>	<b>100.0</b>

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

Standardised Discrete Five Year History (%)	Dec 2004 Dec 2005	Dec 2005 Dec 2006	Dec 2006 Dec 2007	Dec 2007 Dec 2008	Dec 2008 Dec 2009
CF LT UK Equity Fund	NA	NA	+2.2	-25.8	+34.9
FTSE All Share Index	NA	NA	+5.3	-29.3	+30.1

Source: Bloomberg and Lindsell Train

Standardised Discrete Quarterly Performance (%)	Jan 2009 Mar 2009	Apr 2009 Jun 2009	Jul 2009 Sept 2009	Oct 2009 Dec 2009
CF LT UK Equity Fund	-6.0	+10.3	+25.7	+3.5
FTSE All Share Index	-9.1	+10.9	+22.4	+5.5

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	+11.5	+2.4	-3.2	+8.3	+6.3	+9.2	-0.2	-1.1	+4.8	+34.9
FTSE All Share Index	-5.8	-6.5	+3.2	+9.9	+4.2	-3.2	+8.5	+7.7	+4.7	-1.8	+3.0	+4.3	+30.1

Source: Lindsell Train.

Fund Size	£173.1mn
Accumulation Share Price	£1.1367
Income Share Price	£1.0203

Source: Lindsell Train Limited and Capita Financial Administrators Limited.

<b>Portfolio Manager:</b>	Nick Train
<b>Fund Type:</b>	FSA Authorised Collective Investment Scheme
<b>Type of Scheme:</b>	Non UCITS Retail
<b>Class:</b>	Accumulation & Income Units
<b>Launch Date:</b>	10 Jul 2006
<b>Base Currency:</b>	Sterling
<b>Min Investment:</b>	£500,000 Subsequent: £1,000
<b>Year End:</b>	31 May
<b>Dividend:</b>	XD dates: 30 Nov; 31 May Paydates: 31 Jan; 30 Sep
<b>Benchmark:</b>	FTSE All Share
<b>Initial Charge:</b>	0%-2%, subject to ACD's discretion
<b>Management Fees:</b>	Annual Fee 0.65% p.a.
<b>Authorised Corporate Director (ACD):</b>	Capita Financial Managers Limited (Authorised & regulated by the Financial Services Authority)
<b>Administrator:</b>	Capita Financial Administrators Limited
<b>ISIN:</b>	Acc: GB00B18B9X76 Inc: GB00B18B9V52
<b>Depository:</b>	BNY Mellon Trust & Depository (UK) Ltd (Authorised & regulated by the Financial Services Authority)
<b>Bloomberg:</b>	Acc: LTIUKEQALN Inc: LTIUKEQA LN
<b>Sedol:</b>	Acc: B18B9X7 Inc: B18B9V5
<b>Lipper:</b>	65022060

## Fund Manager's Comments

December brought a Santa Claus rally for UK equities, with gains across the board. The renewed enthusiasm for Mining shares rolled on - the fool's bandaged finger wabbling back to the fire, etc - but, thankfully, so far as we are concerned, investors were prepared to look more widely too. Some of our "market proxies" enjoyed a storming month - with Hargreaves Lansdown up 10% and Schroders 16% - as it became clear that rising equity markets are delivering a double benefit for these companies. Namely higher existing FUM and increased new business flows. As long as the UK's yield curve remains so positively sloped (short rates much, much lower than longer-dated), then cash is likely to flow out of deposit accounts, with their piffling returns, into funds. To the end of October, flows into UK OEICs were already 20% higher than the total for the previous record year, the Tech-obsessed 2000. The two fund managers named above are major beneficiaries, with HL rumoured to speak for anything up to 10% of these shifting funds, but so are other Fund holdings, such as Rathbone, the LSE and, dare we say it, Lloyds Bank. We continue, when attractive terms are offered, to switch out of Lloyds ordinary shares into its preferred stock. In our opinion investors who feel even mild optimism about Lloyds as an institution, as we do, should be considering these prefs, which offer equity-type returns, with much lower risk than the ords (or, at least, a much earlier return to full dividends).

Elsewhere, some portfolio laggards put in a better showing in December, as investors look into 2010 for better times. For instance, Diageo and Unilever offered up some belated performance, as investors finally extrapolated from their confidence in, say, Emerging Market coalminers, to these two substantive EM plays. We were pleased, too, to see Reed Elsevier, a big holding and a disappointing 2009 performer, closing the year with a monthly gain of 12.5% and still looking very undervalued to

us.

It was a good year for the other Media and Technology shares in the portfolio, led by Fidessa, which more than doubled and Pearson, a major holding, which returned over 40%. We still see this area as one of the most likely to deliver positive surprises into 2010, as market-beating earnings growth combines with, likely, increasing M&A activity. Comcast's bid for NBC's content assets, announced in December, was yet another deal transforming the US TMT landscape and took place at a valuation some 40% higher than that of the average big-cap Media stock in that market. Sage seems to us to encapsulate the opportunity, as management highlighted at its recent results presentation. Sage has a 6 million small company client base. These customers deliver reliable and highly profitable cash flows, as Sage's resilient revenues already attest. In addition they represent a multi-year sales opportunity, as new products come to market and as these captive customers look for efficiency-enhancing technology. The FTSE Tech sector gained 70% in 2009, we would be surprised if this outperformance was a one year phenomenon.

As to Cadbury - the saga is becoming surreal. We note Nestle was happy to buy Kraft's US frozen pizza business for c12.5x EBITDA. We cannot see for the life of us, why we should sell Cadbury's global confectionery assets to Kraft at 11.5x. Investors will make excellent returns from Cadbury stock from current prices over the next five years, if it remains independent. In fact, we still believe that the change in the competitive landscape brought by the Mars/Wrigley deal means that further consolidation is inevitable and beneficial for continuing shareholders. The worst outcome for the your Fund would be to be cashed out of the industry at a mediocre price.

## CF LINDSELL TRAIN UK EQUITY FUND

*All data at 31st December 2009*

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