

# CF LINDSELL TRAIN UK EQUITY FUND

January 2010

All data at 29th January 2010

## 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	12.1	Equity	Banks & Financials 25.3
Unilever	9.9		Consumer Goods 5.1
Diageo	9.8		Food & Beverage 38.7
Pearson	8.3		Leisure & Entertainment 2.9
Schroders	5.8		Media 21.7
Hargreaves Lansdown	5.5		Retail 4.6
Reed Elsevier	5.4		Preference Shares 0.2
Sage	5.1		Cash & Equivalent 1.5
Fidessa	5.1	<b>Total</b>	<b>100.0</b>
Burberry Group	4.6		

  

Fund Exposure	Bonds	Prefs	Equity	Funds	Cash	Total
UK %	-	0.2	98.3	-	1.5	100.0
<b>Total %</b>	<b>-</b>	<b>0.2</b>	<b>98.3</b>	<b>-</b>	<b>1.5</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 fees and expenses. The CF LT UK Equity Fund price and performance is based on 10 a.m. valuation point

Standardised Discrete Five Year History (%)	Jan 2005 Jan 2006	Jan 2006 Jan 2007	Jan 2007 Jan 2008	Jan 2008 Jan 2009	Jan 2009 Jan 2010
CF LT UK Equity Fund	NA	NA	-7.7	-20.3	+38.1
FTSE All Share Index	NA	NA	-3.6	-27.7	+33.3

Source: Bloomberg and Lindsell Train

Standardised Discrete Quarterly Performance (%)	Feb 2009 Apr 2009	May 2009 Jul 2009	Aug 2009 Oct 2009	Nov 2009 Jan 2010
CF LT UK Equity Fund	+7.5	+7.2	+15.9	+3.4
FTSE All Share Index	+6.1	+9.5	+10.7	+3.6

Source: Bloomberg and Lindsell Train.

Calendar Year 2009 Monthly Performance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YE 2009
CF LT UK Equity Fund	-2.6	-4.7	+1.2	+11.5	+2.4	-3.3	+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

Calendar Year 2010 Monthly Performance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD 2010
CF LT UK Equity Fund	-0.3												-0.3
FTSE All Share Index	-3.6												-3.6

Source: Bloomberg and Lindsell Train.

<b>Fund Size</b>	£174.3mn
<b>Accumulation Share Price</b>	£1.1338
<b>Income Share Price</b>	£1.0176

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

Kraft's agreed deal with Cadbury crystallizes a decent, though not exceptional, value for a major holding. The absence of a counterbid suggests that Kraft offered a fullish price. Certainly its move was well-timed, both in terms of the capital market cycle and Cadbury's "self-help" regime, which was progressing nicely. Stitzer spoke, with some bravado, the weekend before the raised bid, of a possible £10 share price for his company by 2012 - close to our longstanding strategic target, we must admit - but all resistance quickly folded. On balance, we suspect the acquisition, though dilutive, improves Kraft's long term profitability and growth rate. In addition, we agree with Warren Buffett that Kraft equity was undervalued prior to the bid battle. The pro-forma free cash flow yield is pushing on for 10% and the EV/Revenues a lowish 1.7x. Finally, the 4.2% dividend yield - double Cadbury's exit yield - is also attractive, for a company with this sort of earnings power. We intend, therefore, to retain the inherited Kraft stock, although we are not as yet certain it qualifies, as did Cadbury, as a truly "great" business.

The loss of Cadbury as a core expression of LT's UK investment strategy - an irreplaceable one - makes us more willing to invest outside the UK for companies that meet our criteria. The Fund has a permitted upper limit of 20% of assets that can be deployed in non-benchmark securities - a license we are already taking partial advantage of with Dr Pepper and Thomson Reuters. We have no current desire, intention, nor, indeed, enough ideas to take the Fund to a full 20% outside the UK, but will respond if we are presented with exceptional value.

Elsewhere, in a down month for the FT All Share, we were encouraged by the performance of the Media and Technology shares in the strategy,

continuing their strong relative run from 2009. Daily Mail, Euromoney and Sage each gained 8%, with Fidessa and Thomson Reuters up another 6% and 5% respectively. Pearson was unchanged, despite announcing the possible disposal of its holding in IDC - a transaction that could reveal more hidden value in Pearson's portfolio of interests, we think. Portfolio exposure to TM (we avoid the other "T" of telecommunications) is meaningful and will drive returns in 2010, we hope.

The Fund is close to fully invested, but we put some modest cash into Celtic convertible preference shares during January. The ordinary remains extraordinarily undervalued, while the prefs both pay us a dividend and offer significant upside on conversion.

## CF LINDSELL TRAIN UK EQUITY FUND

*All data at 29th January 2010*

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