

# LINDSELL TRAIN

## The Lindsell Train Investment Trust (LTIT)

ALL DATA AS OF 31 JULY 2024

MONTHLY REPORT | FACT SHEET

### Fund Objective & Policy

To maximise long-term total returns, with a minimum objective to maintain the real purchasing power of Sterling capital, by investing globally in a wide range of financial assets with no limitations on the markets and sectors in which investment may be made. There is likely to be a bias towards equities and Sterling assets, consistent with a Sterling-dominated investment objective. Included in the range of assets are Lindsell Train managed funds and the unlisted security Lindsell Train Limited. For further information please see [www.lt.it.co.uk](http://www.lt.it.co.uk)

### Calendar Year Total Return Performance (%) £

	2019	2020	2021	2022	2023
LTIT NAV	+32.4	+16.5	+3.8	-9.4	+3.3
LTIT Price	+2.1	+24.6	-9.7	-13.4	-13.9
MSCI World Index £	+22.7	+12.3	+22.9	-7.8	+16.8

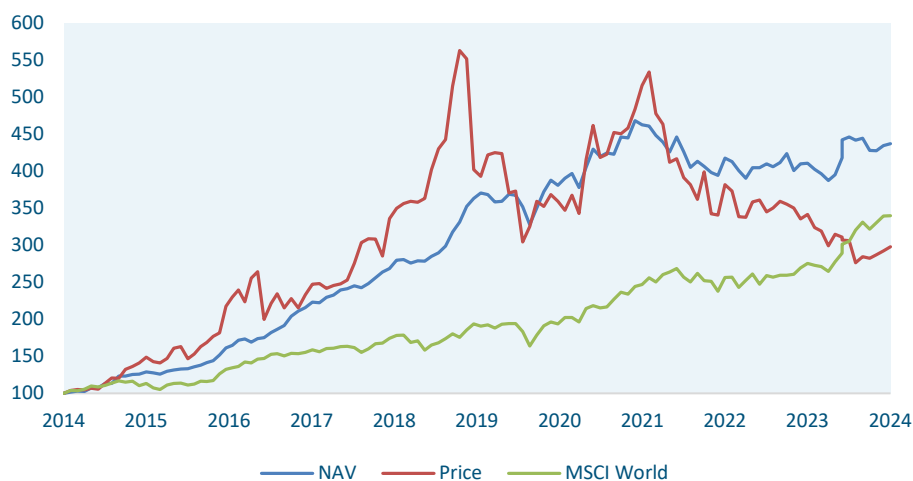
### Total Return Performance to 31st July 2024 (%) £

	Annualised							
	1m	3m	YTD	1yr	3yr	5yr	10yr	Since Launch
LTIT NAV	+0.6	+2.1	-1.1	+0.6	-3.7	+2.6	+15.2	+12.6
LTIT Price	+1.9	+5.5	-3.0	-11.7	-16.4	-5.6	+11.7	+11.5
MSCI World Index £	+0.1	+5.7	+12.9	+18.5	+9.7	+11.0	+12.6	+7.2

**Source:** Lindsell Train Limited, Bloomberg and Morningstar Direct. Listed securities in the portfolio are valued at the closing bid price. GBP return net of fees and expenses with dividends reinvested. For periods greater than one year, returns are shown annualised.

**Past performance is not a guide to future performance.**

### Investment Growth over the last 10 years



As of 31st July 2024. Source: Lindsell Train, Bloomberg, Morningstar Direct. GBP total return net of fees and expenses with dividends reinvested. The graph shows NAV per share, Price and MSCI World performance per £100 invested.

### Fund Information

Portfolio Manager	Nick Train
Share price	£838.00
NAV per Share	£1,009.12
Market Capitalisation	£168m
Net Assets	£202m
(Discount) / Premium to NAV	(16.96%)
Number of Holdings	14
Dividend Per Share	51.5p
Current Net yield (dividend/price)	6.15%
Active Share	99.09%
Annual Management Fee*	0.60%
Ongoing Charges Figure**	0.96%
Performance Fee†	10%
Benchmark***	MSCI World Index £
Capital Structure	200,000 Ordinary Shares of 75p nominal each.
Listing	LSE
Launch Date	22 January 2001
Year End	31 March
Dividends Payable	September
Base Currency	GBP (£)
AIC Sector	Global
ISIN	GB0031977944
SEDOL	3197794
Bloomberg	LTI LN

**Source:** Lindsell Train Limited/ Frostrow Capital LLP, Morningstar & Bloomberg. Share Price is based on closing mid price.

**Note:** Dividend Per Share includes both ordinary and special dividend.

\*\*\*Prior to 1 April 2021, the benchmark was the annual average running yield of the longest-dated UK government fixed rate bond, plus a premium of 0.5%, subject to a minimum yield of 4%.

**Top 10 Holdings (% NAV)**

Lindsell Train Limited	30.23
London Stock Exchange Group	11.02
WS Lindsell Train North American Equity Fund	9.86
Nintendo	8.81
RELX	6.60
Unilever	5.25
Diageo	5.09
A.G. Barr	4.03
Mondelez	3.95
Heineken	2.53

Holdings and allocation subject to change.

**Allocation (% NAV)**

<b>Equities:</b>	
Consumer Franchises	22.8
Financials	13.5
Media	16.5
Unlisted Securities	30.3
Funds and Trusts	11.6
Cash & Equivalent	5.3
<b>Total</b>	<b>100.0</b>

Lindsell Train sector definitions.

**Fund Exposure (% NAV)**

	Equity	Funds* and Trusts	Cash & Equivalent	Total
UK	62.3	1.8	5.3	69.4
USA	6.4	9.9	-	16.3
Europe (ex UK)	5.6	-	-	5.6
Japan	8.8	-	-	8.8
<b>Total</b>	<b>83.1</b>	<b>11.7</b>	<b>5.3</b>	<b>100.0</b>

\*Exposure of funds are assigned to their geographic investment area.

**Fee Information**

Annual Fee	† Performance Fee
<p>*0.60% management fee of the lower of the company's market capitalisation or NAV calculated daily.</p> <p>**The OCF of 0.96% is a measure of the impact of the costs that are incurred each year for managing your investments and running the Company. The OCF excludes any portfolio transaction costs. It is published in the Key Investor Information Document (KIID) dated 27/09/2023, a copy of the KIID is available from <a href="http://www.ltit.co.uk">www.ltit.co.uk</a>.</p>	<p>10% of the value of any positive relative performance versus the benchmark in a financial year. Relative performance is measured by taking the lower of the NAV or Average Market Price (defined as the average price over the last month of the performance period), taking into account dividends, at the end of each financial year and comparing the percentage annual change with the total return of the benchmark. A performance fee will only be paid out if the annual change is both above the benchmark and is a positive figure. For further information, please contact Frostrow Capital LLP.</p>

Corporate Secretary & Registered Office	Registrar	Board of Directors
<p>Frostrow Capital LLP 25 Southampton Buildings, London, WC2A 1AL</p> <p>Tel: +44 20 3008 4910</p> <p><a href="http://www.frostrow.com">www.frostrow.com</a> Email: <a href="mailto:info@frostrow.com">info@frostrow.com</a></p> <p>Authorised &amp; Regulated by the FCA</p>	<p>Link Group, Central Square 29 Wellington Street Leeds LS1 4DL</p> <p>Tel: +44 (0)371 664 0300</p> <p><a href="http://www.linkgroup.eu">www.linkgroup.eu</a> Email: <a href="mailto:enquiries@linkgroup.co.uk">enquiries@linkgroup.co.uk</a></p>	<ul style="list-style-type: none"> <li>- Roger Lambert (Chairman of the Board and Management Engagement Committee)</li> <li>- Nicholas Allan (Chairman of the Nomination Committee)</li> <li>- Vivien Gould (Senior Independent Director)</li> <li>- Michael Lindsell</li> <li>- David MacLellan (Chairman of the Audit Committee)</li> <li>- Helena Vinnicombe</li> </ul>

Please refer to Lindsell Train's Glossary of Investment terms [here](#).

## Portfolio Manager Commentary

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In July Diageo announced its full year results to 30 June 2024. While they were generally in line with expectations, they were poorly received and the share price fell 5% on the day. Three weeks later, following management explanations and analyst critique, the shares remain roughly at the same level, down c.40% from their peak in early 2022. Needless to say, it's been a difficult time for what was once the largest quoted equity position in the portfolio.

Having first benefited from the boost to sales from drinkers at home during covid lockdowns, and then from the surge in demand from bars when economies re-opened, the industry is now suffering from a bout of indigestion, not helped by increasing pressure on consumer spending. Inventory levels were too high – particularly in Latin America – and those consumers with extra disposable cash during covid who had opted for premium offerings, have traded back down again more recently, or simply put off purchasing for a while. One of the reasons the shares reacted poorly to the results was that there was little indication from management that these malign trends will change in the short term. Good news was restricted to the success the company is having with Guinness, which is making further inroads as a differentiated beer brand in the UK and USA, helping sales to grow 14% year-on-year.

Also frustrating is the knock-on effect that business stagnation has had on leverage, which is now at its internally targeted peak of 3x net debt/cashflow. This leaves little cushion and optionality for management to pursue opportunistic transactions if any were to transpire.

Nonetheless there is much to like and admire about Diageo, not least the strength and durability of its brands, its market positions, both geographically – with 39% of sales in the USA and important positions in populous developing countries such as India – and by category, with leading positions in, Scotch and Tequila that collectively make up 47% of sales

With its focus on Scotch, Diageo has \$8bn worth of aged liquor on its balance sheet, up from \$5bn seven years ago, which represents a significant barrier to entry for any potential competitor. We also like the way the company has developed the premium offering in its portfolio over the last 10 years, with now 63% of sales in premium categories up from 47% just six years ago. The focus on premium sales helped the company end the year with 75% of its brands gaining or holding market share.

The company revealed it lost c.8 million of case sales in Latin America, Africa and the USA last year on account of the poor sales trends referred to above. And although there is no immediate sign of recovery, management emphasised that when it does happen, it could reverse quickly.

Following the recent fall in the share price the shares are trading below 20x prospective earnings, an enterprise value 5x its sales and a dividend yield of 3.5%, all of which represent better value than the last 10 years.

Poor consumer spending was also referenced by Heineken in its half year results last month. And like Diageo, the market punished the share price, which was down 9% on the day, despite a solid set of results. Organic sales growth and volumes both rose, up 6% and 1.7% respectively, while core operating profits grew 12.5%. Heineken brand sales volume, the most important component of the business, grew at 9.2%, helping to drive the company's premium sales. However, these positive results were marred by a slow recovery in sales in Vietnam, a geography Heineken had become overly reliant upon and which caused a significant dent in the company's profitability during lockdowns. Elsewhere, in China, Heineken took an impairment expense against its holding in distributor CR Beer, whose share price, in a weak market for Chinese shares, has fallen well below its initial acquisition price.

Heineken is trading on a c.15x PE and its enterprise value is less than 2x its sales which, like Diageo, values the company at its lowest level for 10 years. Beer may be more capital intensive, less profitable and less differentiated than spirits, but Heineken still deserves a higher rating than it has today in our view.

### *Michael Lindsell, 15<sup>th</sup> August 2024*

The top three absolute contributors to the Trust's performance in July were Unilever, A.G. Barr and PayPal, and the top three absolute detractors were Lindsell Train Limited, Universal Music Group and Heineken Holding.

**Source: Lindsell Train, Morningstar & Bloomberg. All data as of 31st July 2024.**

**Note:** All stock returns are total returns in local currency unless otherwise specified.

## Important Information

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