Lindsell Train

North American Equity Fund

ALL DATA AS OF 31 DECEMBER 2023 QUARTERLY REPORT | FACTSHEET

Fund Objective & Policy

To deliver capital and income growth and provide a total return in excess of the MSCI North American Index (GBP) by investing at least 80% of its assets directly in the shares of North American companies i.e. companies that are listed, traded, incorporated or domiciled in the United States of America, Canada and Mexico.

The MSCI North American Index (GBP) has been selected as the fund's target benchmark as it represents the broad scope of North American quoted companies that the fund will seek to invest in. The fund is not constrained by the target benchmark and can take positions in individual sectors, countries and geographic areas that differ significantly from the Index with the aim of achieving a return in excess of the benchmark.

There is no guarantee that a positive return will be delivered.

Total Return Performance to 31st December 2023 (%) £

				Annualised	
	1m	3m	1yr	3yr	Since Inception
WS LT North American Equity Fund (Acc)	+3.2	+7.3	+10.1	+6.5	+11.3
MSCI North American Index	+4.0	+7.0	+18.9	+11.2	+16.3
Relative Return	**-0.8**	**+0.3**	**-8.8**	**-4.7**	**-5.0**

Source: Morningstar Direct. Fund performance is based on Acc Class shares. Total return is provided net of fees with dividends reinvested**.** For periods greater than one year, returns are shown annualised.

Performance data is not available for a full 5 years. Past performance is not a guide to future performance.

Fund Information

Type of Scheme	Non UCITS Retail
Launch Date	22 April 2020
Classes	Accumulation (Acc), Income (Inc)
Base Currency	GBP (£)
Benchmark	MSCI North American Index (GBP)
Valuation Point	12 noon each UK Business Day
Dealing	Requests must be received by 5:30pm on the Business Day preceding the Valuation Point
Year End	31 March
Dividend XD Dates	31 March, 30 September
Pay Dates	31 May, 30 November

Source: Lindsell Train Limited and Link Fund Administrators Limited

Fund Assets

£35.9m

Share Price

Acc	148.47p
Inc	95.08p

Source: Lindsell Train Limited and Link Fund Administrators Limited

Fund Profile

The portfolio is concentrated, with the number of stocks ranging between 20 to 30.

Portfolio Managers

James Bullock

Madeline Wright (Deputy)

Investment Manager & Distributor

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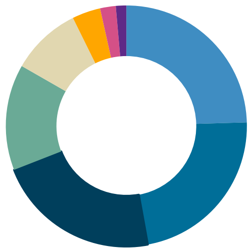
Top 10 Holdings (% NAV)

FICO	7.60
S&P Global	5.71
Equifax	5.63
Intuit	5.22
Alphabet	5.17
American Express	4.77
Adobe	4.64
Walt Disney	4.53
Oracle	4.47
Visa	4.39

GICS Sector Allocation (% NAV)



Allocation and holdings subject to change

Financials	24.5
Consumer Staples	22.6
Information Technology	21.9
Communication Services	14.2
Industrials	9.4
Consumer Discretionary	3.8
Health Care	2.1
Cash	1.4
Total	**100.0**

Fund Attribution - Q4 2024

Top 5 Contributors %

FICO	1.81
Equifax	1.34
American Express	0.86
Intuit	0.83
S&P Global	0.82

Top 5 Detractors %

TKO	-0.27
Hershey	-0.26
Oracle	-0.22
PepsiCo	-0.15
Verisk Analytics	-0.13

Attribution calculated on an absolute basis.
Source: Morningstar Direct.

Share Class Information

	Minimum Investment	Management Fees	Ongoing Charges Figure (OCF)*	ISIN	Sedol
Acc	£500,000	0.60% p.a.	0.87% p.a.	GB00BJVLMG41	BJVLMG4
Inc	£500,000	0.60% p.a.	0.87% p.a.	GB00BLPK7J94	BLPK7J9

* The OCF is a measure of the Fund's total operating expenses over 12 months, including management fee, as a percentage of the Fund's net assets averaged over the same period. The OCF is based on expenses and average assets for the 12 months to the 30th September 2022. It is calculated by the Fund Administrator and published in the KIID, dated 01/06/2023. It is an indication of the likely level of costs and will fluctuate as the Fund's expenses and average net assets change. The OCF excludes any portfolio transaction costs. The OCF is capped at 0.90% until further notice. The ongoing charges are taken equally from the income and capital of the fund.

Please refer to Lindsell Train's Glossary of Investment terms here.

Investment Team Comments

Your Fund returned 3.2% in December, taking the 2023 total to 10.1%, not a terrible absolute showing but well behind the MSCI North America's thumping 18.9%. Reflecting on this stark divergence, we recently calculated that not owning six out of the 'Magnificent Seven' tech companies that have dominated the market's 2023 returns, produced a relative headwind of over 11%. Having already dedicated much of last month's review to some of these errors of omission I won't repeat myself here; however I thought a glance back into the more distant past might prove interesting.

In his 2000 classic Pioneering Portfolio Management, the late David Swensen addresses the speculative frenzy of the 1980s Japanese equity bubble (which at the time of writing was as recent to him as the 2008 financial crisis is now to us). He writes, *"In the mid-1980s, Japan's equity market lost its moorings… Relative valuations became absurd. At one point during the mania, the market capitalization of one Japanese security, Nippon Telephone & Telegraph (NTT), ranked fourth among countries, behind the United Kingdom and ahead of Canada."* At $276 billion, NTT was then the world's most valuable public company. After the bubble burst, NTT's shares collapsed, falling almost 90% from a peak value that over three decades later, they're yet to recover. It so happens that Apple today, trading on a market cap of $2.8 trillion, is roughly four times bigger than even NTT's inflation adjusted bubble price, which again ranks it just behind the UK, and larger than the entire stock market of Canada.

The point here is not to scaremonger, but to note that even 'absurd' prices can be hard to identify *a priori*. At the time there will have been plenty of reasoned justification for NTT's price - after all this was the leading tech company operating in the world's biggest and best performing equity market. A share price that only ever moved in one direction would have provided plenty of self-reinforcement to buoy the bulls. But Swensen's implied assertion is that there exists a price for which no company can justify (in the text he makes no reference to the merits or otherwise of NTT's business model). If he's right, then his same red flags have again been well and truly raised.

But rather than rummage for historical parallels, I suspect it will be of more interest to Fund holders to review some of our key portfolio names. To that end, I've borrowed some commentary from Deputy Portfolio Manager Ben Van Leeuwen, written for our Global Equity Strategy but featuring five of our eight jointly held positions – Intuit, Fico, Disney, PepsiCo, and Mondelez – collectively representing a quarter of the North American portfolio's NAV:

Intuit *is one of the best-positioned candidates within our portfolio to benefit from AI. The company has built up category leadership across multiple industries, including tax filing services and solutions; accounting, payroll and marketing software; and credit card and personal loan solutions, accumulating vast amounts of data on 90 million consumers and 10 million small businesses along the way. Its platform already handles 810 million AI-driven customer interactions per year and makes 65 billion machine learning predictions per day, so it seems highly credible that the company will continue to find new, accretive use cases, and draw their users deeper into the QuickBooks, TurboTax and Credit Karma ecosystems. In any case, accounting and tax filing were already fantastically dependable, attractive categories even before all of these new AI-enabled innovations, largely because the underlying software is extremely 'sticky' and/or plumbed in, plus both activities are legally mandated. This makes Intuit exactly the kind of 'boring' software company we're interested in.*

FICO *has powered to new all-time highs as the company's robust business model continues to shine through. Strong pricing increases have been more than able to offset the recent weakness in mortgage origination volumes, demonstrating just how much untapped pricing power remains in the company's core credit scoring franchise after keeping prices flat for multiple preceding decades. Additionally, FICO's secondary software business is finally getting some well-deserved attention, with its next-gen Platform business recently posting its 16th consecutive quarter of 40%+ annual recurring revenue growth. The company continues to allocate its capital almost exclusively towards buybacks, rightly pointing out that there are essentially no other companies out there that enjoy the same exceptional economics that they do. As a reminder, the Scores business consistently posts 85%+ operating margins, and has grown its revenues at a 18% CAGR over the last five years. Such are the financial characteristics of a capital-light data licensing business, selling an essential credit score used in 90% of US consumer credit lending decisions! All in all, it's strange to reflect that only 24 months ago, around when we first began building our position, there were concerns that AI and regulatory change would disrupt credit scoring forever. We continue to believe the opposite, and it appears that consensus is starting to agree.*

Disney marked its 100th anniversary in 2023, a remarkable achievement – especially for a company in the notably dynamic media sector. A key reason behind Disney's longevity is its unusually powerful and resonant family-orientated content, and we're counting on this IP to help the company through the latest challenges in its lifecycle. All media companies are currently coming to terms with the advent of internet-enabled D2C streaming services, and the

Continued…

Investment Team Comments

longer-term implications for their super-profitable 'legacy' businesses, most notably cable. In this regard Disney is no exception, and like most of its competitors, its Disney+ streaming service continues to lose money in the race to sign up new subscribers. The company is also facing a number of other questions and challenges – namely, who will succeed veteran Disney CEO Bob Iger; the logistics of buying the final stake in Hulu; how to ensure ESPN's long-term success in a world of escalating sports rights; which legacy assets to pare and at what prices, and more. However, unlike its competitors, we believe Disney's content is of notably higher quality, and owning Star Wars, Marvel, and the panoply of characters behind so many people's childhoods will stand it in better stead over the long term. Unfortunately this doesn't alter the fact that the industry has attracted and spent a vast amount of capital in recent years, and until the economics of the smaller platforms are truly tested and consolidation begins in earnest, returns will likely remain depressed. While we fully expect Disney to be a beneficiary in that end state, we're nonetheless reassured in the interim that the company's theme parks continue to deliver, and are providing sufficient cash to both keep leverage in check and ensure the company is well positioned to take advantage of any opportunities to further bolster its dominant industry position.

***PepsiCo** has now increased its dividend for more than 50 consecutive years, which therefore anoints it a Dividend King, one step above the more widely-known Dividend Aristocrat title (which requires a mere 25 years). This extraordinary track record has been underwritten by the world's largest snacks (Frito-Lay) and second-largest soft drinks (Pepsi) businesses, which collectively feature more than 20 billion dollar+ brands including Pepsi, Doritos, Gatorade, Cheetos, Mountain Dew and more. PepsiCo remains the biggest food and drinks company in the US, and is often the most important supplier to retailers, giving it an important edge over its competitors during negotiations. The company's robust performance over the last few inflationary years was slightly overshadowed in 2023 by the perceived threat from anti-obesity drugs, but thus far we remain confident that the company is doing enough to increase the relative healthiness of its products, and that private label and inferior alternatives will be far more adversely affected. Meanwhile, under CEO Ramon Laguarta the company has notably increased its spending on advertising, digital capabilities and increased manufacturing capacity, which should ably support the company's mid-term growth aspirations.*

***Mondelez** continues to fire on all cylinders. Both its core categories of chocolate and biscuits remain highly attractive, with great investment characteristics – low private label penetration, affordable small-ticket impulse purchasing patterns, and demonstrable price inelasticities – and its portfolio of brands includes iconic, storied names such as Cadbury, Oreos, and Milka. Mondelez is the long-standing market leader in biscuits, with a global market share larger than its next seven competitors combined, and a close #2 in Chocolate, where it is gunning for Mars. We're encouraged by the company's portfolio management in recent years, namely the divestiture of the gum business, and promising acquisitions in the Cakes & Pastries and Snack Bars verticals. We also note its attractive 40% exposure to the Emerging Markets, where per capita snacking spend is still incredibly low. Ultimately this is a company that should continue to deliver on its steady growth algorithm year in and year out as consumers tend not to cut back small branded indulgences regardless of the economic backdrop.*

And finally, a note on staying power. Each year, Standard and Poor's publishes a list of 'Dividend Aristocrats'; those companies that have to date notched up an impressive 25 years of successive dividend increases. But as Ben notes, there also exists a more exacting list of 'Dividend Kings' for the rare pedigree of company that continues the run for 50 or more years. As above, PepsiCo has recently achieved this exalted list, but so within your portfolio have five others: Coca-Cola (beating it's younger rival by a full decade), Johnson & Johnson and Kenvue, Colgate-Palmolive, and the compilers themselves S&P Global.

James Bullock, 10th January 2024

Source: Lindsell Train, Morningstar & Bloomberg; as of 31st December 2023

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

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