LINDSELL TRAIN

UK 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 that of the FTSE All-Share TR Index by investing at least 70% of its assets in the shares of companies incorporated or domiciled in the UK. Up to 10% of assets may be invested in worldwide companies which are listed on an exchange in the UK.

The FTSE All-Share TR Index has been selected as it represents broad exposure to companies listed on the London Stock Exchange. The fund is not constrained by the target benchmark and will take positions in individual stocks 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.

Calendar Year Total Return Performance (%) £

	2019	2020	2021	2022	2023
WS LT UK Equity Fund (Acc)	+22.8	-2.5	+12.7	-6.1	+4.6
FTSE-All Share TR Index	+19.2	-9.8	+18.3	+0.3	+7.9
Relative Return	**+3.6**	**+7.3**	**-5.6**	**-6.4**	**-3.3**

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

				Annualised			
	1m	3m	1yr	3yr	5yr	10 yr	Since Launch
WS LT UK Equity Fund (Acc)	+4.5	+2.7	+4.6	+3.5	+5.8	+7.7	+9.9
FTSE-All Share TR Index	+4.5	+3.2	+7.9	+8.6	+6.6	+5.3	+5.7
Relative Return	**0.0**	**-0.5**	**-3.3**	**-5.1**	**-0.8**	**+2.4**	**+4.2**

Source: Morningstar Direct & FTSE Russell (FTSE) © 2024. “FTSE Russell®” and “FTSE®” are trademarks of the London Stock Exchange Group companies and are used by FTSE Russell under licence. Fund performance is based on Acc shares. Total return is provided net of fees. For periods greater than one, returns are shown annualised .

Past performance is not a guide to future performance.

Fund Information

Type of Scheme	Non UCITS Retail
Launch Date	10 July 2006
Classes	Accumulation/Income/D Accumulation/D Income
Base Currency	GBP (£)
Benchmark	FTSE All-Share TR Index
Dealing & Valuation	10am each UK Business Day
Year End	31 May
Dividend XD Dates	30 November, 31 May
Pay Dates	31 January, 30 September

Fund Assets

£4,014m

Share Price

Acc	517.49p
Inc	341.80p
D Acc	212.90p
D Inc	173.37p

Source: Lindsell Train Limited and Link Fund Administrators Limited.

Fund Profile

The portfolio is concentrated, with the number of stocks unlikely to exceed 35.

Portfolio Manager

Nick Train

Historic Gross Yield (Income Class)

Gross Yield	2.1%

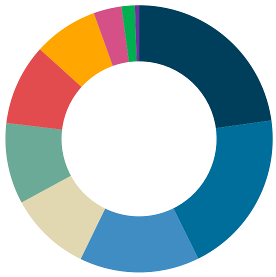
Source: Morningstar Direct

The Historic Yield reflects distributions declared over the past twelve months as a percentage of the unit price, as at the date of this report. Investors may be subject to tax on their distributions, which will reduce the yield. 50% of the Fund’s expenses are charged to capital, which has the effect of increasing the distributions but constraining the Fund’s capital performance to an equivalent extent. The yield is not guaranteed or representative of future yields.

Top 10 Holdings (% NAV)

Experian	9.92
London Stock Exchange	9.91
Sage	9.81
RELX	9.78
Diageo	9.40
Unilever	8.32
Mondelez	7.77
Heineken	6.70
Burberry	6.20
Schroders	5.37

Sector Allocation (% NAV)



Allocation and holdings subject to change

Beverages	22.8
Financial Services	19.9
Personal Goods	14.5
Support Services	9.9
Media	9.8
Software	9.8
Food Producers	7.8
Travel & Leisure	3.4
Real Estate Services	1.6
Cash	0.5
Total	**100.0**

Fund Attribution - Q4 2023

Top Contributors %

Experian	1.74
Sage	1.61
London Stock Exchange	1.18
RELX	1.13
Heineken	0.62

Top Detractors %

Burberry	-2.01
Diageo	-0.52
Unilever	-0.48
Fever-Tree	-0.37

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.	0.65% p.a.	GB00B18B9X76	B18B9X7
Inc	£500,000	0.60% p.a.	0.65% p.a.	GB00B18B9V52	B18B9V5
D Acc	£200m	0.45% p.a.	0.50% p.a.	GB00BJFLM156	BJFLM15
D Inc	£200m	0.45% p.a.	0.50% p.a.	GB00BJFLM263	BJFLM26

*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 November 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.

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

Investment Team Comments

Another month of underperformance in December meant your Fund's NAV underperformed during calendar 2023 and has now underperformed the FTSE All-Share Index for three consecutive years. This is disappointing to me and all my colleagues, because we work hard, we care and we are invested in the strategy ourselves.

Of course, we well know the main contributors to our underperformance of the benchmark over the last three years. It has been the result of not owning the oil sector and to a lesser extent no mining shares either. In addition, I have invested in some companies where my confidence in their earnings power and undervaluation has been misplaced, at least to date. Amongst these, Hargreaves Lansdown has been a big detractor from the returns, as have Burberry and, particularly in 2023, Diageo.

But I cannot spend too much time regretting or analysing past underperformance. What now matters most to Fund-holders and to me are future returns and that is what I am focused on. Is our investment approach still capable of delivering attractive absolute and relative returns and is the portfolio structured in such a way as to offer the possibility of such returns in 2024 and beyond? On those points, I can assure investors that our approach remains unchanged and that the structure of the portfolio means it is very likely the Fund will continue to perform very differently from the benchmark. Of course, we hope for the better. This is for two reasons. First, the portfolio remains highly concentrated in terms of the number of individual holdings, with, for instance, the top-10 holdings accounting for 83% of the total. Next, the portfolio is also concentrated on a handful of industry or investment themes. These are themes that in the past have created a lot of wealth for investors holding companies exposed to them.

In order to help Fund-holders decide what to do with their investment, I will outline those industry themes and discuss the top-10 portfolio holdings in their context.

We are living and investing in a period of accelerating technology change. In particular, as more products and services become digital, the software that drives those services becomes more important to their customers. At the same time, the digitisation has created an explosion of data. This has meant that companies that have the tools to aggregate the data and make sense of it have a new growth opportunity. This last proposition relates to developments in Artificial Intelligence, which in our view looks set to be a key investment theme for the foreseeable future. Next, but intimately related to the technology change, there has been an evident increase in global wealth, deriving from the productivity gains brought by the technology and the "wealth effect" of the trillions of dollars of new market capitalisation created by new industries and corporations. Consumers lucky enough to benefit from that wealth creation have tended to increasingly spend it on luxury and premium products.

What I have written in the previous paragraph may not be controversial. What is more so and crucial to the future performance of your Fund is our contention that, contrary to common perception, the UK stock market provides a number of world class businesses that offer full participation to these themes of AI, software, and luxury and premium-brand consumption. It is around these companies that we have built your portfolio and where we have the highest hopes for future share price gains.

Let's look at the top-10 holdings, in descending order*:

RELX

2024 marks the 40th anniversary of the creation of the FTSE 100 Index. As has been recently reported, the best performing constituent of the original FTSE 100 has been RELX, turning a £100 investment into £35,000 since 1982 and, indeed, up 39% in 2023; the biggest holding in the Fund and held since Fund inception in 2006. It is trite, but true to say that RELX's prospects are better than ever and, in our view, the story for RELX's shares is still only just getting started. The company offers its customers access to trusted data in Science, Legal, Risk and Insurance. What is more, RELX has built AI-driven tools to help customers derive more value from the data. As a result, RELX is justifiably a proxy for the Data/AI bull market, that can still be purchased on a lower valuation than its global peers.

Here I will add that occasionally we are required to sell some of our RELX shares, because price appreciation takes them close to the 10% maximum position size we are permitted for the Fund. We have used some of the monies raised from these occasional sales in 2023 to initiate a holding in Rightmove, another highly profitable UK data business, a constituent of the FTSE 100 and already working with AI tools. We have taken advantage of a recent hit to its shares, the result of concerns that a new entrant to the UK real estate platform market – the US company CoStar – will hurt Rightmove's prospects. This may be so, although Rightmove has a formidable competitive position, with an 86% share of visits to online property sites. What is worthy of note here, though, is that US investors value a successful digital growth company like CoStar on 67x prospective earnings. That's what you have to pay for a digital winner on the NASDAQ. Meanwhile, Rightmove, arguably a superior business, is valued at 22x prospective earnings. There is indeed a trans-Atlantic valuation gap.

Experian

The biggest change in your Fund over the last three years, I submit, is the building of the position in Experian from nil in 2020 to the second largest holding by end 2023. In our opinion, UK investors are fortunate that Experian chose to make its primary listing on the UK stock market when it went public in 2006. The company is the biggest credit bureau in the world, including the biggest in the biggest market for credit ratings, which is the US. As a result, Experian has, arguably, the biggest collection of data on businesses and consumers on the planet and, as the company says, almost

**Holdings order reflective of portfolio status during commentary drafting.*

Continued...

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Investment Team Comments

more opportunities to create new services from that data than it can deal with. Experian has grown steadily since it listed and we expect an acceleration of that growth in coming years.

London Stock Exchange Group (LSEG)

It is three years since LSEG closed its deal to acquire Refinitiv. Its shares are still below the levels of early 2021. There are several reasons why. First, there was understandable caution from investors that the company could digest a transaction of this scale and, associated, investors themselves have had to digest billions of pounds of LSEG shares, placed by the gradually-selling former owners of Refinitiv. There is also, we are sure, a worry that a company that contains the phrase "London Stock Exchange" in its name could not, surely, be a good investment – given how moribund the UK stock market itself has been in recent years. Despite all this, LSEG's shares rose 32% in 2023, as each of these objections have proven misplaced. The merger has gone well, the consortium has successfully disposed of the majority of its shares and the London Stock Exchange itself now amounts to less than 4% of the revenues of the parent. Meanwhile, a group has been created that, amongst other crucial strategic positions, is the biggest provider of real-time financial data in the world. LSEG is now a globally-significant provider of data, clearing and liquidity to financial institutions. The vindication of the creation of LSEG is, no doubt, the joint venture (JV) it has entered into with Microsoft. The JV combines LSEG's data and analytics tools with Microsoft's Cloud and AI capabilities and is evidently important for both companies. If only more constituents of the All-Share itself had been managed with the same ambition and strategic elan as its owner! Maybe the UK stock market and economy would be in a better place.

Sage

LSEG is not the only UK company to partner with Microsoft. Sage too is working with Microsoft; to create an AI-enhanced Digital Assistant, designed to help Sage's millions of small and mid-size company software customers around the world run their businesses more efficiently. Sometimes investing requires patience and I acknowledge our investment in Sage has taken patience. There was a long period between 2016 and 2022 when the shares went sideways, but last year they were up 61%, hitting all-time highs in the process. Why has that happened? Well, in part because Sage has positively surprised investors by the success of its expensive transition to delivering its services via the Cloud. The company is growing more quickly and becoming more profitable as a result. But, to us, it is also important to note the change in Sage's share register. A few years ago, US investors made up less than 20% of Sage's ownership, now it is above 40% and climbing. US investors can see the growth opportunity presented to Sage, particularly in its biggest market, which is the US – even if UK institutions can't or won't.

In passing, Fund-holders may wonder why we have persisted with the disappointing investment in Hargreaves Lansdown (HL). As with Sage, HL is in a period of investment in technology, designed to improve the experience and the investment returns of its customers. Last year, Miguel Baptista, HL's Chief Data Officer said this: "Rather than ask what areas of the business might have a use for AI, it is probably easier to say which won't." And as with Sage, if HL can get its technology services right, then business growth and share price recovery should follow.

I pause here to note that the six companies I have mentioned so far – RELX, Experian, London Stock Exchange Group, Sage, Hargreaves Lansdown and Rightmove – make up over 44% of the Fund's NAV and we hope to build the holding in Rightmove from here. The current weights of these companies in the FTSE All Share Index amount to c.7.5%. If we are right about the strategic opportunities available to these six businesses, then the size of our holdings could be very rewarding for Fund-holders.

Diageo

Diageo has slipped to the 5th position in the portfolio, as a result of the deeply disappointing 20% fall in its price in 2023. I wrote at length about the reasons for that fall last month and signalled that we continue to add to the holding. Diageo is another UK business with a growing proportion of its register made up of US shareholders. Indeed this was a reason given by Diageo's CEO for the decision to alter its currency of accounting from Sterling to US Dollars. It is no surprise, we think, that US investors, even with all their domestic market to choose from, would, nonetheless, accumulate over 40% of Diageo's equity. Diageo is the world's biggest premium alcoholic beverage company, with exceptional economic returns and an obvious medium-term growth opportunity. Diageo offers us an opportunity to participate in the wealth created by the diffusion of technology, as consumers experiment or treat themselves to finer and rarer liquors.

On a related note, we hope our investment in Fever-Tree will benefit from similar trends. It looks as though 2023 will be a milestone year for the company, with its sales in the US exceeding those in its home market for the first time. There should be so much more growth to come from this unique and increasingly global brand.

Unilever

We own Unilever because of the participation it offers to growing disposable income of the middle classes in Emerging Markets, notably India; as well as being the owner of many brands beloved by consumers in the developed world, from Magnum to Marmite. In coming years we hope that the focus on growth and profitability promised by the relatively newly-installed Chair, CEO and CFO will spark Unilever's business and share price performance. Slowing input cost pressures and, in due course, declining interest rates would also be welcome.

Continued...

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Investment Team Comments

Mondelez & Heineken

This pair of non-UK consumer branded goods companies have been portfolio constituents for many years; Mondelez inherited from our holding in Cadbury after its takeover in 2009. They have been steady performers, particularly Mondelez, which hit an all-time high in 2023. However, both now look more expensively valued than comparable UK-listed companies, notably Diageo. We may well use the pair as a source of cash to take advantage of the depressed valuations of existing or new UK holdings in 2024.

Burberry

Burberry listed in 2002 and since then its business has grown meaningfully, confirming the relationship I noted through this report between the growing wealth created by technology and consumer engagement with luxury brands. Revenues in 2002 were c.£500m and are forecast to be over £3bn for the year 2023. New management has set itself a medium-term goal of taking revenues to £5bn. Despite the company's successful long-term record of growth in revenues and earnings, investors are clearly dubious, as evidenced by the share price fall in 2023, triggered by industrywide concerns about slowing growth, particularly in China. Burberry is not and never will be an LVMH or an Hermès, but it does have a genuine global luxury brand, particularly its iconic outerwear franchise. Meanwhile, the shares are back to levels last seen in 2011, trading on a low-teens P/E and offering a dividend yield of over 4%. At these levels Burberry looks a bargain to us.

Talking about iconic UK trophy brands, we note the development at the end of December in the ownership saga of Manchester United, which is a c.3% holding in the portfolio. There are still plenty of questions about Sir Jim Ratcliffe's proposal and still no certainty about the long-term ownership of the club, but it places a record high value on it of c.£4bn, at a c.60% premium to the current share price. This is quite amazing when you consider the Edwards family came close to selling the club for only £20m in 1990. At the least the offer confirms the well-established bull market in the value of globally-followed sports franchises.

Schroders

This is currently the 10th biggest holding in the Fund, at just over 5% of the NAV. Schroders and its wealth management arm Cazenove are two of the strongest franchises in European asset management. With the company still controlled by the eponymous family, Schroders has been financially conservative, but willing to take a long-term view in developing its services to clients globally. As a result, the company is well-positioned in private wealth management, private equity and the provision of fund products in China and India – all big opportunities. To us Schroders is another world-class UK company that is well-run, but suffering from the poor sentiment that afflicts UK equity assets. Schroders' dividend has effectively doubled over the last decade, but its shares currently offer a dividend yield of over 5%, backed by a pristine balance sheet, and trade on a low-teens P/E. Dividend yield is the last reason to buy an equity (we think), but when a growing company with a growing dividend is valued so cheaply you have to take notice.

Fund-holders will not be surprised to read that I reaffirm the tenets of Lindsell Train's investment approach, as being the best way, for us at least, to deliver on our aspiration of achieving exceptional investment returns. Lindsell Train runs concentrated portfolios of what we believe to be excellent businesses. We hope and expect the value being created inside these companies, as measured by their sustainable Returns on Equity ("RoE"), will create wealth for our investors over time. The average weighted RoE for the Fund's portfolio in the second half of 2023 was 26%. We know what the effects can be of owning fine businesses in size over long periods, because we have already delivered them for our longest-standing clients. Over 20 years Diageo's share price has risen almost 4-fold (excluding dividends), RELX 6-fold, LSEG 24-fold, and even Unilever is up over 3-fold. Meanwhile, excluding dividends, the capital value of the FTSE All-Share over the 20 years is up just 92%. Concentration can cut both ways, as Fund-holders have experienced over the last three years, but if we can continue to hold and find new positions that can do for us what these have done over the next 20 years, then the Fund certainly offers a differentiated and potentially rewarding investment approach.

Nick Train, 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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Important Information