Lindsell Train Investment Trust

November 2005

All data as at 30th Nov 2005

Fund Objective

To maximise long-term total returns subject to the avoidance of loss of absolute value and with a minimum objective to maintain the real purchasing power of Sterling capital, as measured by the annual average yield on the 2.5% Consolidated Loan Stock.

Market Capitalisation	£ 24.4mn
Net Asset Value	£ 128.59
Share Price	£ 122.00
Premium (Discount)	(5.1)
Benchmark 2½% Consol	Annual +4.5% Monthly +0.4%

Source: NAV - LTL; Price & Discount - Bloomberg. Share Price quoted is closing mid price. See Benchmark Definition

Fund Breakdown

Top 10 Holdings (% NAV)	
HBOS 9.25% Non Cum	11.0
Lindsell Train Global Media (Dist)	10.0
Barr AG	9.8
US Gov Treasury 6.25%	9.1
Cadbury Schweppes	7.8
2½% Consolidated Loan Stock	7.7
Lindsell Train Japan (Dist)	7.1
Diageo	6.7
Wolverhampton & Dudley Brew	6.2
UK Treasury 2.5%	5.7

Industry Breakdown (% NAV)	
Bonds	22.5
Preference Shares	14.4
Equity - Media	11.4
Equity - Banks & Investment Co.	4.8
Equity - Leisure & Entertainment	10.1
Equity - Food & Beverage	26.7
Investment Funds	21.4
Cash & Equivalent	(11.3)
Total	**100.0**

Fund Exposure	*Bonds*	*Prefs*	*Equity*	*Funds*	*Cash*	*Total*
UK %	13.4	14.4	45.3	4.3	(12.7)	**64.7**
USA %	9.1	-	1.4	-	5.3	**15.8**
Europe (ex UK) %	-	-	2.3	-	(0.9)	**1.4**
Japan %	-	-	4.0	7.1	(3.0)	**8.1**
Global %	-	-	-	10.0	-	**10.0**
Total %	**22.5**	**14.4**	**53.0**	**21.4**	**(11.3)**	**100.0**

Fund Manager:	Nick Train
Launch Date:	22 Jan 2001
Base Currency:	Sterling
Year End:	31st March
Dividend:	Ex-date - Jun Paid - Jul
Benchmark:	The annual average yield on the 2½% Consolidated Loan Stock.
Management Fees:	
Annual Fee:	0.65%
Performance Fee:	10% of annual increase in the share price, plus dividend, above the gross annual yield of the 2½% Consolidated Loan Stock.
The Board:	Rhoddy Swire Michael Mackenzie Donald Adamson
Secretary:	Phoenix Administration Services Limited
ISIN:	GB0031977944
Bloomberg:	LTI LN
Listing:	London Stock Exchange

Fund Performance (Fixed Calendar Year)

Past performance is not a guide to future performance. The price of units and the income from them may go down as well as up. Investors may not get back what they invested.

5 Year History (Jan-Dec)	*2001*	*2002*	*2003*	*2004*	*YTD 2005*
LT Investment Trust NAV TR%	+3.2	-9.6	+3.1	+23.7	+12.8 ❶
LT Investment Trust Price TR%	+18.5	-19.8	-8.7	+20.6	+22.4
MSCI World Index GBP TR%	-18.0	-28.6	+17.6	+5.2	+16.9

Source: LTL & S&P Micropal unless otherwise indicated. TR=Total Return. Launch date 22 Jan 2001. ❶ Source: LTL.

2004	*Jan*	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*	*YE 2004*
NAV TR%⋆	+1.8	+3.3	+0.3	+2.3	-0.1	+2.1	-2.0	+4.8	+3.8	+1.4	+0.0	+3.7	**+23.7**
Price TR%⋆	-2.3	+6.0	-0.6	+0.6	+2.3	+2.7	+0.5	+0.5	+8.6	+3.0	-1.9	+0.0	**+20.6**
Since Launch NAV TR%	-2.1	+1.2	+1.5	+3.8	+3.7	+6.0	+3.8	+8.8	+12.9	+14.5	+14.5	+18.7	
Since Launch Price TR%	-15.3	-10.3	-10.8	-10.3	-8.2	-5.7	-5.2	-4.7	+3.6	+6.7	+4.6	+4.6	

2005	*Jan*	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*	*YTD 2005*
NAV TR%⋆	+1.4	+0.3	+1.7	+0.2	+3.4	+2.9	+0.0	+0.2	+1.0	-1.5	+2.3		**+12.8 ❶**
Price TR%⋆	+8.6	+3.5	-3.4	+1.8	+2.6	+9.3	+0.4	-2.3	+2.4	-3.9	+1.2		**+22.4**
Since Launch NAV TR%	+20.3	+20.7	+22.8	+23.8	+27.3	+31.1	+32.6	+31.7	+32.8	+30.7	+33.7❶		
Since Launch Price TR%	+13.9	+18.0	+13.9	+15.9	+19.0	+30.4	+31.0	+27.8	+32.7	+25.7	+27.3		

Source: LTL & S&P Micropal unless otherwise indicated. Launch date 22 Jan 2001. TR=Total Return (adjusted for dividends).
⋆ Monthly performance sourced from Bloomberg & LTL. ❶ Source: LTL.

Fund Manager's Comments

LINDSELL TRAIN INVESTMENT TRUST

All data as at 30th Nov 2005

The NAV moved ahead in November, up 2.3% to £128.59, a gain for the calendar year to date of 12.8%.

From our point of view there were two notable events in November. First, there was a significant gain for our irredeemable gilt holdings. Both rose over 3.0% in the month, taking prices not only to a high for the year, but highs not seen for 40 years or more. The more recent history of the 2.5% Consolidated Loan Stock is that its previous peak price was 56.0p in early 1999, after the deflation scare triggered by the 1998 Emerging Market crisis. Between 1999 and Q1 2005, its price then fluctuated between 45.0p and 55.0p. Finally, in April 2005 the price broke through 55.0p and has risen subsequently to its November high of 59.8p. We are absolutely not chartists, but we are certain that any follower of that black art would describe the recent rally as a "breakout on the upside, after a prolonged period of consolidation, with significant further gains possible if the resistance at 60.0p is surpassed".

We are optimistic that further gains will indeed be achieved on the irredeemables, but acknowledge that current territory is uncharted for most market participants, including us. Not since the innocent days of the 1960s have Sterling investors been prepared to lend their capital in perpetuity to the British government at yields as low as today's, circa 4.25%. Indeed, as we write, the new 50 year conventional gilt, issued earlier this year, trades at a yield a fraction below 4.0% - an unthinkably scanty return on obligations issued by a Socialist government, at least by the conventional wisdom of the 1970's onwards.

The trigger for the November move was the Bank of England's downgrading of its growth and inflation forecasts for the UK economy, accompanied by increasingly plaintive comments from British retailers. This disappointment clearly reduces the threat of accelerating UK inflation in the short term and goes some way in justifying the super-low yields at the long end of the gilt curve. What fascinates us, though, is the potential for a self-feeding bull market in very long-dated securities to develop. This could arise because gilt yields at or below 4.0% present a terrible conundrum for UK pension funds and Life companies – the lower the yields fall, the higher their obligations to their annuitants. These institutions now face an unpalatable choice. Can they rely on UK equities to meet their actuarial liabilities? Or should they lock in today's gilt yields, against the risk that if yields fall further and equities do not perform, they are forced to buy even more gilts in the future, at even more disadvantageous prices?

The heavy over-subscription of the latest tranche of the UK 4.25% 2055 gilt suggests that many actuaries believe they have no choice but to keep on buying.

We watch the gold price soar and understand the speculative appeal of this metal. But why do investors seem to believe that it is more irrational for long gilts to soar? At least these instruments pay an absolutely secure income, unlike gold, on which there is a negative yield, because of the costs of storage and insurance. And at least those gilt yields exceed the current rate of UK inflation. If the UK economy weakens further in 2006 - not that we would be caught predicting such a thing – we believe gilt prices can go even higher. We will be sellers into sub-4.0% yields.

The second feature for us in November was the welcome rally in the Lindsell Train Global Media Fund, which, at 10.0% of NAV, is your company's second largest investment (after the HBOS 9.25% irredeemable pref, which still yields 5.9% net and is therefore a wonderful bargain, if the gilt market does indeed proceed upwards). The Fund price gained 6.3%, to £125.85, a new high both for the year and the life of the strategy. Before breaking out the bunting, we must alert shareholders to the fact that this gain only takes the annual return to plus 3.4% (or up 13.0% in Sterling) and that, since launch, the Fund is compounding at a pedestrian 5.9% per annum. Nonetheless, the gain felt meaningful to us. The fact is the Media sector has been a rotten place for us to try and make money in over the past few years. The FTSE Global Media sector is down over 9.0% in 2005 and off more than 11.5% since we launched in November 2001. Against this backdrop, our return is at least more understandable, perhaps commendable. But the interesting aspect for us was that November was the first month in living memory when every single constituent of our long book went up – indeed 5 of the 17 long positions rose by 9.0% or more. It is natural that we might hope such a decisive move marks a change in the fortunes for the sector, after its long bear market and we do. We certainly believe that there are both valuation and fundamental reasons to believe that Media stocks are cheap. The Fund enables your company to gain exposure to some wonderful properties, such as Pixar's movie library, International Speedway's 11 NASCAR (stock car) racing tracks (with associated TV rights to the US' second most watched sport, after American football), Sage's 4,700,000 small business customers and both the LSE and eBay's liquidity pools. Meanwhile, the Fund's short book is adding value too. Our thesis - that media distribution businesses are being forced into value-destroying capital expenditures, in order to maintain share in the face of proliferating competition – is throwing up profit opportunity. BSkyB has been a successful short for the Fund and we were pleased last month to see the company diversifying into voice telephony, via its acquisition of Easynet, at very considerable expense, in our view. Sky probably doesn't really want to be in this business, but knows that it puts itself at a disadvantage to BT and the cable companies, if it can not match their "triple play" offerings of video, broadband and voice. Vodafone is another short and, without wishing ill on anyone, it has been rewarding for the Fund to see investors forced to reassess the maturity of Vodafone's business and the increasing intense competition for customers.

We hope the Media Fund will be the source of considerably more value for your Company in coming months, not least because this would open the possibility of adding new assets for the strategy, which it needs. Meanwhile, we leave you with this memorable description of NASCAR racing fans, by a Sports Illustrated journalist – "tattooed, shirtless, sewer-mouthed drunks, and their husbands".

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Risk Warning