

ACDS LINDSELL TRAIN UK EQUITY FUND

March 2007

All data as at 31st Mar 2007

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 FT All Share Index.

Fund Breakdown

Top 10 Holdings (% NAV)

Cadbury Schweppes	9.1
Unilever	8.5
Diageo	8.0
Pearson	7.2
HBOS	6.8
Reed Elsevier	6.7
Rathbone Brothers	5.6
Lloyds TSB	5.4
RBS Natwest 9% Pref	5.3
Sage Group	4.8

Industry Breakdown (% NAV)

Equity - Media	23.2
Equity - Banks & Investment Co.	33.1
Equity - Leisure & Entertainment	1.9
Equity - Food & Beverage	27.6
Equity - Consumer Goods	5.2
Preference Shares	7.6
Cash & Equivalent	1.4
Total	100.0

Fund Size	£ 50.1mn
Accumulator Price	£ 1.1651
Income Price	£ 1.1514

Source: Lindsell Train Limited and Capita Financial Administrators Limited.

Investment Advisor: Nick Train

Fund Type: FSA Authorised Collective Investment Scheme

Type of Scheme: Non UCITS Retail

Class: Accumulator & Income Units

Launch Date: 10 Jul 2006

Base Currency: Sterling

Min Investment: £500,000
Subsequent: £1,000

Year End: 31 May

Dividend: Div Ex 30 Nov 2006
Paydate 31 Jan 2007

Benchmark: FT All Share

Initial Charge: (subject to ACD discretion 0%-2%)

Management Fees: Annual Fee 0.65%

Authorised Corporate Director: ACD Services Ltd.

Administrator: Capita Financial Administrators Limited

ISIN: GB00B18B9X76

Bloomberg: LTUQEQL LN

Fund Exposure	Bonds	Prefs	Equity	Funds	Cash	Total
UK %	-	7.6	91.0	-	1.4	100.0
Total %	-	7.6	91.0	-	1.4	100.0

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

2006 2007

ACDS LT UK Equity TR% Not available

FT All Share TR%

Current regulations do not permit us to publish historical performance data in the first year of the fund's life.
TR=Total Return (with dividends reinvested)

2006 Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec YE 2006

ACDS LT UK Equity TR% Not available

FT All Share TR%

Since Launch Price TR%

Since Launch Index TR%

2007 Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec YTD 2007

ACDS LT UK Equity TR% Not available

FT All Share TR%

Since Launch Price TR%

Since Launch Index TR%

Current regulations do not permit us to publish historical performance data in the first year of the fund's life.
TR=Total Return (with dividends reinvested)

Fund Manager's Comments

March felt like a significant month for your Fund, with a meaningful gain in the NAV. More to the point though, there were a number of double digit advances from major holdings that, to us, presage even better future returns. Five stocks put on that 10.0% or more – Cadbury, Pearson, Rathbone, Schroders and Unilever, with Reuters up a respectable 7.0% too (representing between them c36.0% of the total portfolio).

The two asset managers rallied along with the stock market, after its wobbles in February. Schroders was supported by its results, which included a most welcome 20.0% increase in the final dividend. Both Rathbone and Schroders look undervalued to us, on a market capitalisation to funds under management basis. This measure is most relevant during episodes of corporate activity, which we do not predict for either; but what we get with each is a geared exposure to the long term propensity of capital markets to go up, via two strong brands, with cash-rich balance sheets. Reuters too, has proxy characteristics to the financial markets, but its recent share price recovery reflects, we think, a renewed appreciation that this company does some special things. With 350,000 users worldwide, Reuters' machine-readable data drives 50,000 customer software programmes, while 100,000 updates per second are carried across its networks. If Reuters did not exist, it would be necessary to invent it and we suspect that UK investors' attitude to the company is more coloured by the appalling capital performance of the shares between 2000/3 (admittedly brought about, in part, by problems of the company's own making), than by an objective assessment of its central position in the web of the global financial markets.

Pearson and Unilever were both buoyed by what we expect to be spurious private equity bid chatter. Each is, we suppose, a credible candidate for that fate, given their brands, cash flows and, in our view, current undervaluation by other investors. The fact that both pay dividends still usefully in excess of the market average is a very "nice to have" characteristic of each stock. But the fundamental case for Pearson is not that, if broken up, its constituent parts are worth more than today's market cap (although we believe this to be the case), but that the company is harnessing technology to improve the utility of its products in a way that accelerates growth and enhances returns. Meanwhile, Unilever, for so long the ugly sister, seems to be persuading investors that

its Developing and Emerging Markets assets are a source of long term growth, rather than just a sideshow to the competitive battlefield of Western Europe.

Cadbury rose nearly 20.0%, on its plan to split itself in two. The trigger for the announcement was surely the appearance on the share register of a US arbitrageur. We agree with Nelson Peltz that Cadbury stock was absurdly undervalued before his intervention, which is why we had built a significant holding for your Fund over the past seven months. What we are keen to convey to our investors is that they should not assume that this 20.0% is "it". We have continued to add to our Cadbury investment since the announcement, lifting it to over 9.0% of the total portfolio, as the largest position. The two reasons we are buying more, rather than banking our profits, are that our longstanding price target, of between £7.50 and £8.00, now appears more attainable and because the truth is Cadbury has put itself into play. If a competitive auction were to develop for part or all of Cadbury – clearly a far more likely circumstance than a month ago – we cannot believe that this collection of wonderful, global brands would change hands at anything less than 3.0x its annual revenues. Such math, however simplistic, gets one to target share prices for Cadbury of closer to £10.0 than the current £6.50. This "strategic" upside represents, we think, a sufficient margin of safety for buyers even today.

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Reports can be found on our website at www.LindsellTrain.com

Risk Warning

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