

CF LINDSELL TRAIN UK EQUITY FUND

July 2008

All data as at 31 Jul 2008

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 FTSE All Share Index.

Fund Breakdown

Top 10 Holdings (% NAV)		Industry Breakdown (% NAV)	
Diageo	9.8	Equity - Food & Beverage	33.6
Unilever	9.5	Equity - Banks & Financials	25.8
Cadbury	9.3	Equity - Media	19.6
Pearson	6.6	Equity - Consumer Goods	4.4
Reed Elsevier	6.0	Preference Shares	2.5
Schroders	5.3	Equity - Leisure & Entertainment	2.5
Fidessa	4.4	Cash & Equivalent	11.6
Lloyds TSB Group	4.4	Total	100.0
Sage	4.4		
Rathbones	3.7		

Fund Exposure	Bonds	Prefs	Equity	Funds	Cash	Total
UK %	-	+2.5	+85.9	-	+11.6	100.0
Total %	-	+2.5	+85.9	-	+11.6	100.0

Fund Performance

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.

- CF LTUK Equity Fund comprises the Accumulator & Income Classes.
- The CF LT UK Equity Fund performance is based on total return calculations (with dividends reinvested).

Standardised Discrete Five Year History (%)	Jul 2003	Jul 2004	Jul 2005	Jul 2006	Jul 2007
	Jul 2004	Jul 2005	Jul 2006	Jul 2007	Jul 2008
CF LT UK Equity Fund	NA	NA	NA	NA	-21.9
FTSE All Share Index	NA	NA	NA	NA	-12.9

Source: Bloomberg and Lindsell Train

Standardised Discrete Quarterly Performance (%)	Aug 2007	Nov 2007	Feb 2008	May 2008
	Oct 2007	Jan 2008	Apr 2008	July 2008
CF LT UK Equity Fund	+3.2	-13.2	-1.9	-11.1
FTSE All Share Index	+5.0	-12.8	+4.9	-10.6

Source: Bloomberg and Lindsell Train.

Calendar Year 2007 Monthly Performance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YE 2007
	CF LT UK Equity Fund	+0.5	-0.6	+5.0	+2.2	+4.4	-5.6	-2.0	-1.3	+1.7	+2.7	-4.9	+0.6
FTSE All Share Index	-0.3	-0.2	+3.3	+2.5	+2.8	-0.6	-3.3	-0.3	+1.9	+4.4	-4.7	+0.3	+5.3

Calendar Year 2008 Monthly Performance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD 2008
	CF LT UK Equity Fund	-9.3	+0.7	-3.8	+1.3	+1.4	-11.9	-0.5					
FTSE All Share Index	-8.7	+0.7	-2.1	+6.3	-0.2	-7.1	-3.6						-14.4

Source: Lindsell Train.

Fund Size	£129 mn
Accumulator Share Price	£0.8984
Income Share Price	£0.8431

Source: Lindsell Train Limited and Capita Financial Administrators Limited.

Portfolio Manager:	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:	XD dates: 30 Nov; 31 May Paydates: 31 Jan; 30 Sep
Benchmark:	FT All Share
Initial Charge:	(subject to ACD discretion 0%-2%)
Management Fees:	Annual Fee 0.65%
Authorised Corporate Director: (ACD)	Capita Financial Managers Limited
Administrator:	Capita Financial Administrators Limited
ISIN:	Acc: GB00B18B9X76 Inc: GB00B18B9V52
Bloomberg:	Acc: LTUKEQALN Inc: LTUKEQA LN
Lipper:	65022060

The former name of the Fund was ACDS Lindsell Train UK Equity Fund. This has been replaced with CF Lindsell Train UK Equity Fund from 1st April 2007.

Fund Manager's Comments

Commodity prices fell in July, led by oil, with a concomitant impact on the share prices of mineral extractors. These declines can be attributed to increasingly clear signs of slowdown in the developed and developing economies. Of course, we cannot know whether this is just a temporary "blip" in commodity prices, or a real turning point. It seems possible, though, that worldwide inflation expectations are peaking and stock market leadership shifting, after a long period dominated by booming metals. This suspicion is supported by the rally in share price of some UK financials during July – our holdings in HBOS, LSE and Schroders were up over 5% each. All this is important for Fund strategy, which has no exposure to commodity companies.

What we hope is that the strategy can deliver more than just a relative bounce over the next few weeks, or for however long Miners sell off and some of our battered holdings perk up. For this to be the case, though, investor preferences will have to shift. Today, we must admit, we have no sense of where those preferences could shift and are unwilling, even tentatively, to suggest the shape of any new bull market. Instead, we continue to keep our noses very close to our holdings and take our confidence from individual, sometimes almost trivial, facts that seem to us to support our investment.

For instance, starting with that traumatic security HBOS - we are interested that the bank was able to announce at its Interims that it took a 21% share of all new current accounts opened in the UK this year and that its stock of all existing current accounts now stands at 13%. This is encouraging, because current accounts provide HBOS with deposits and liquidity and confirm that its strategy, of becoming the dominant UK retail financial services provider, remains on track. Interesting too, that a year into the housing crisis, mortgage arrears for the bank are running at 1.95% of book, which is still lower than in 2005. Of course life is getting tougher, but the crisis headlines already suggest that things are much tougher than they actually are.

Reed Elsevier's update on the performance of its scientific publishing division reinforced our enthusiasm for this business – subscriber renewals were 97%, prices up 6%, usage of the service up 25%. Much of Reed is non-cyclical, perhaps even "recession-proof" and we wonder if this resilience might not be much more highly valued by those investors nervously anticipating, say, the downturn in the steel cycle. Pearson too had a decent story to tell with its half year update. Ms Scardino declared – "We do think of ourselves as a

growth company and the education business is a growth business". Certainly its US education unit was able to report sales growth of an average 7% for the fifth year, with prospects still looking good. Instructional materials account for only 0.03% of total US state budgets and are difficult to cut, for political reasons. With Pearson #1 in US schools, #2 US basal, #1 US college and leading international educational publisher this too looks like a robust franchise into an economic slowdown. Meanwhile, FT.com's registered users have more than trebled in 2008.

Marston is far off any kind of business sweet-spot – a consumer facing integrated brewer, with a hefty interest bill. Nonetheless, it was able to report an upturn in its like-for-like sales for the last 13 weeks, as it laps last year's poor Summer. Rumours that Marston is picking over the corpses of failing regional pubcos, for instance Cains, suggests that its balance sheet is still sufficiently flexible to ensure it comes out of these travails stronger.

Fidessa's global connectivity network continues to grow exponentially, with the number of connections up 50% over the year and message throughput more than doubled to over 100 million a month. The group now serves 22,000 customers at 520 institutions worldwide, including 85% of all global tier-1 brokers. This is becoming a very rare and valuable company.

Cadbury pleased with better margins and sales. Tod Stitzer cheered us further with these remarks – "We see confectionary as a particularly robust category in difficult economic times. We sell small treats. People tend to consume those in difficult times." Another investment where we, probably, don't need to lie awake at night worrying.

Unilever shares were slammed on its Q2 results. Revenues were up c7%, but so were prices, implying that volume growth for the company was nil. This cannot be construed as great news – although Unilever's ability to increase prices, without a collapse in sales, would be envied by many corporations today. Important too to hold onto the fact that Unilever's Emerging Market sales were up 15%, nearly double-digit in volume and it is here that the company confirms that it is taking share, while ceding it in low growth Western Europe. Unilever announced the disposal of its sub-scale US laundry business last month but took the opportunity to remind investors of the strength of its EM positions – 70% of the Brazilian laundry market, 80% Argentina, 80% South Africa, 40% India. Two thirds of group laundry sales are now in developing economies and growing lickety-split.

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All data as at 31 Jul 2008

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By the way, what were the world's #4 and 5 biggest economies in 1950? The answer is China and India, behind US, UK and Germany. By 2000 those two "emerging economies" had dropped out of the top 6 and Goldman Sachs estimates it won't be until 2050 that China, at a predicted #1 and India 3, fulfill their potential. We have no doubt about the trend, but the path may not be ever on and upwards. US export growth, currently running at 20% pa, warns investors are too eager to count out the bastion of Free Enterprise and business innovation as a future economic powerhouse too.

Risk Warning

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