

CF LINDSELL TRAIN UK EQUITY FUND

August 2009

All data at 31st August 2009

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)	
Unilever	9.8	Equity	Banks & Financials 26.1
Cadbury	9.4		Consumer Goods 5.3
Diageo	9.2		Food & Beverage 34.4
Pearson	7.9		Leisure & Entertainment 3.5
Schroders	5.7		Media 20.9
Reed Elsevier	5.4		Retail 3.9
Sage	5.3		Preference Shares 0.2
Fidessa	5.1		Cash & Equivalent 5.7
Hargreaves Lansdown	4.9	Total	100.0
Thomson Reuters	4.3		

Fund Exposure	Bonds	Prefs	Equity	Funds	Cash	Total
UK %	-	0.2	94.1	-	5.7	100.0
Total %	-	0.2	94.1	-	5.7	100.0

Fund Performance

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

- CF LT UK Equity Fund comprises the Accumulation & Income Classes.
- The CF LT UK Equity Fund performance is based on total returns (dividends reinvested), net of management fees. The CF LT UK Equity Fund price and performance is based on 10 a.m. valuation point

Standardised Discrete Five Year History (%)	Aug 2004 Aug 2005	Aug 2005 Aug 2006	Aug 2006 Aug 2007	Aug 2007 Aug 2008	Aug 2008 Aug 2009
CF LT UK Equity Fund	NA	NA	NA	-15.5	+4.8
FTSE All Share Index	NA	NA	NA	-8.7	-7.4

Source: Bloomberg and Lindsell Train

Standardised Discrete Quarterly Performance (%)	Sep 2008 Nov 2008	Dec 2008 Feb 2009	Mar 2008 May 2009	June 2009 Aug 2009
CF LT UK Equity Fund	-16.5	-2.3	+15.5	+11.3
FTSE All Share Index	-24.8	-7.9	+18.2	+13.1

Source: Bloomberg and Lindsell Train.

Calendar Year 2008 Monthly Performance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YE 2008
CF LT UK Equity Fund	-9.3	+0.7	-3.8	+1.3	+1.4	-11.9	-0.5	+6.8	-8.3	-8.5	-0.6	+5.3	-25.8
FTSE All Share Index	-8.7	+0.7	-2.1	+6.3	-0.2	-7.1	-3.6	+5.0	-13.2	-11.9	-1.6	+3.7	-29.9

Calendar Year 2009 Monthly Performance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD 2009
CF LT UK Equity Fund	-2.6	-4.7	+1.2	+11.5	+2.4	-3.2	+8.3	+6.3					+19.3
FTSE All Share Index	-5.8	-6.5	+3.2	+9.9	+4.2	-3.2	+8.5	+7.7					+17.8

Source: Lindsell Train.

Fund Size	£156mn
Accumulation Share Price	£1.0057
Income Share Price	£0.9126

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:	Accumulation & 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:	0%-2%, subject to ACD's discretion
Management Fees:	Annual Fee 0.65% p.a.
Authorised Corporate Director (ACD):	Capita Financial Managers Limited (Authorised & regulated by the Financial Services Authority)
Administrator:	Capita Financial Administrators Limited
ISIN:	Acc: GB00B18B9X76 Inc: GB00B18B9V52
Depository:	BNY Mellon Trust & Depository (UK) Ltd (Authorised & regulated by the Financial Services Authority)
Bloomberg:	Acc: LTIUKEQALN Inc: LTIUKEQA LN
Sedol:	Acc: B18B9X7 Inc: B18B9V5
Lipper:	65022060

Fund Manager's Comments

"As we have gone through the very, very good times a few people have said – "5%, that feels a bit stingy". In the times we're in now, people say "Wow, that's great, we really appreciate you being very consistent about this".

So said Nick Rose, Diageo FD, a day or so after the company's recent final results and remarking on another year of 5% dividend increases. And you would think that he is right - that people would really appreciate Diageo's dividend consistency. I know we do.

After all, dividends are falling across the UK market at a rate not seen, apparently, since before WW1. According to Capita, if it weren't for the currency-translation boost to the recently maintained Dollar dividends from BP and Shell (subsequently well on the way to being reversed), All Share payments would be down 16% in 2009, with the outlook still murky.

What is more, the derivation of UK dividends is also a worry. BP and Shell alone account for 24.4% of all UK dividends, with the next four payers by size – Vodafone, HSBC, Glaxo and BHP – making up a further 24.7%. Yes, in other words, 49.0% of all UK dividends are delivered by just 6 companies. What's worse, investors are clearly sceptical about the growth rate, or even sustainability of the dividends of five of these six behemoths, because only BHP trades on a yield lower than the market average. Certainly we do not regard any of these six dividends as absolutely safe and none of them safer than Diageo's and, for a variety of reasons, we do not own any of the shares.

Yet it is not obvious that other investors do value Diageo's dividend consistency and security. Or, if they do, it is hard to account for the fact that Diageo stock is actually down in 2009, while the All Share is now up over 15%. On the day of its results the shares fell by 4%. By contrast, on that same day FTSE 100 constituent copper miner Kazakhmys reported its interims, which were purportedly better than expected, but accompanied by a passing of the interim dividend. Its shares put on 5% that day and now stand 17% higher than before its removal from the dividend lists.

There are three explanations for these (and other similar) divergent price moves between steady payers and dividend cutters. First, Diageo shares performed well in 2008, amidst the wreckage. On this analysis, Diageo shares are now understandably treading water, while beaten-up sectors benefit from a "dash to trash", as investors embrace risk in search of recovery.

Next, more subtly, consider that along with Kazakhmys another 5 out of the 11 FTSE 100 mining stocks have passed or slashed their dividends, including the bluest blue chip, RTZ. Nonetheless and subsequently they have all made robust share price gains. For these names and others current dividends seem not to matter.

Risk Warning

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CF LINDSELL TRAIN UK EQUITY FUND

All data at 31st August 2009

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