

CF LINDSELL TRAIN UK EQUITY FUND

October 2009

All data at 30th October 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 Size	£169.5mn
Accumulation Share Price	£1.0963
Income Share Price	£0.9947

Source: Lindsell Train Limited and Capita Financial Administrators Limited.

Fund Breakdown

Top 10 Holdings (% NAV)		Industry Breakdown (% NAV)		
Cadbury	11.8	Equity	Banks & Financials	26.1
Unilever	10.4		Consumer Goods	4.9
Diageo	9.6		Food & Beverage	38.7
Pearson	8.2		Leisure & Entertainment	2.9
Schroders	5.5		Media	20.8
Hargreaves Lansdown	5.3		Retail	4.3
Reed Elsevier	5.2		Preference Shares	0.2
Fidessa	5.1		Cash & Equivalent	2.1
Sage	4.9		Total	100.0
Rathbones	4.3			

Fund Exposure	Bonds	Prefs	Equity	Funds	Cash	Total
UK %	-	0.2	97.7	-	2.1	100.0
Total %	-	0.2	97.7	-	2.1	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 (%)	Oct 2004 Oct 2005	Oct 2005 Oct 2006	Oct 2006 Oct 2007	Oct 2007 Oct 2008	Oct 2008 Oct 2009
CF LT UK Equity Fund	NA	NA	+11.7	-32.1	+36.1
FTSE All Share Index	NA	NA	+13.6	-34.4	+24.6

Source: Bloomberg and Lindsell Train

Standardised Discrete Quarterly Performance (%)	Nov 2008 Jan 2009	Feb 2009 Apr 2009	May 2009 July 2009	Aug 2009 Oct 2009
CF LT UK Equity Fund	+2.0	+7.5	+7.2	+15.9
FTSE All Share Index	-3.1	+6.1	+9.5	+10.7

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	+9.2	-0.2			+30.1
FTSE All Share Index	-5.8	-6.5	+3.2	+9.9	+4.2	-3.2	+8.5	+7.7	+4.7	-1.8			+21.1

Source: Lindsell Train.

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 (Income class) Paydates: 31 Jan; 30 Sep
Benchmark:	FTSE 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

Every September the consultancy Interbrand publishes its survey of the world's 100 most valuable brands, as calculated by a proprietary methodology. Reflecting on the constituents of this year's list is worrying for investors in the UK stock market, we think.

In some ways the rankings are as you would expect, led by iconic properties such as Coke and IBM and dominated by US names, which make up 51% of the total. IBM impresses with its fecundity – the company bolstered its brand by establishing 4,000 new patents in the US last year, the 16th consecutive year it has been awarded the most. It is a slight surprise to see Germany the next best represented nation, with eleven, helped by its prowess in the design of luxury cars. But it is less of a shock to note the destruction of brand value in the financial and retail sectors, after the last 12 months. Merrill Lynch has dropped out of the top 100 altogether, while the slashed prices at many retail outlets is making "consumers wonder why they paid so much before" – according to one commentator.

Reviewing the list, though, we find ourselves agreeing with another judgement – that many brands remain as valuable and economically important as ever. "In a cluttered world, where people are time-compressed, brands are short cuts to help them make decisions" – says Allen Adamson, of branding firm Landor Associates.

Lindsell Train invests in five of the non-UK brands in the 2009 list, for its global accounts - Disney, Nintendo, Reuters, eBay and Moët (via Diageo) – and all offer consumers short cuts to reliable entertainment, information or refreshment experiences.

But it is when you turn to the UK-listed constituents that you get a shock. London boasts only four members, behind not just the US and Germany, but France eight, Japan seven and Switzerland five.

The UK quartet is, in order of ranking – HSBC, BP, Smirnoff and Burberry. We are prepared to cut HSBC some slack and acknowledge it as a true brand, although we wish its executives had been more successful over the last decade in only acquiring or diversifying into regions or new subsidiaries that enhanced that brand.

With BP, though, we really must cavil. In what sense is BP a brand – certainly not in any that is commonly understood? BP certainly fails the Lindsell Train brand test,

which is – would you cross the road to buy it? As in – a man walks into a pub and asks for a pint of Youngs bitter (all right, I admit it, the man is more than likely to be me, but I am getting help for my condition) and on being told that that hostelry only serves gaseous, tasteless Eurolager, walks on until he finds an establishment that does sell Youngs. My and other's brand loyalty to Youngs is valuable to that company, as indeed is its matchless estate of London pubs – just as Youngs shares are and will be valuable to investors in the LT UK Equity Fund, paying a starting dividend yield of 3% and offering an inflation-protected warrant on long-term economic growth of the capital. But who drives an extra five miles in order to fill up at a BP garage? No one surely.

We offer our investors access to two of the four Interbrand UK brands – Smirnoff (Diageo again) and Burberry. The last is a new entrant into the list, testament to the outstanding work done by Burberry's marketers and designers to promote the global reach of the brand. Coincidentally 2008 was the first time we have ever invested in the company, taking advantage of the intense pessimism afflicting luxury goods companies at that time. We note the following not to boast (much), but as a reminder of how extraordinarily volatile markets can be. We started our holding in Burberry at £3.60 in October 2008, after the shares had halved from their peak a year before. Within a month the shares had halved again, hitting lows of £1.60, around which level we were still buying. Today, barely a year later, they are back to £6.00!

Our final comments could be construed as sour grapes, so readers beware. However, I have to say that the sight of the FTSE 100 Index filling up with speculative mining and oil exploration companies bothers me. These companies may or may not discover the assets necessary to justify their current capitalizations. The prices of the commodities for which they prospect and over which they have no control, may or may not continue to go up – if not those capitalizations will shrivel. All this at a time when the UK stock market can only claim to be home to four of the world's most valuable, predictable brands.

In our opinion, it will all end in tears. And this scarcity of UK brands makes us even more determined that Kraft should not get its hands on Cadbury cheaply.

CF LINDSELL TRAIN UK EQUITY FUND

All data at 30th October 2009

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