

LF LINDSELL TRAIN UK EQUITY FUND - GBP

INVESTMENT RESEARCH NOTE
FEBRUARY 2024

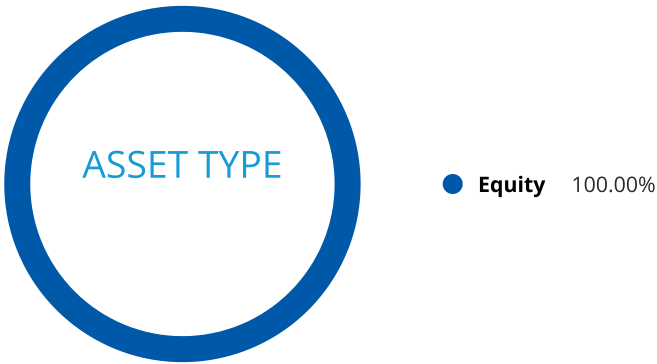
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SUMMARY

Lindsell Train is a specialist active equity boutique investment management firm, founded in 2000 by Michael Lindsell and Nick Train. Both have worked together since the 1990's and have a shared investment philosophy of long-term value creation. They manage UK, Global and Japanese long-only equity mandates. The company is majority owned by the Founders (72.7%). A further 3% is owned by staff.

Nick Train manages the UK Equity Fund, launched in 2006. He has over 30 years investment experience having previously worked as head of Global Equities at M&G Investment Management and 17 years at GT Management. Train is supported by his co-Founder, Lindsell, as well as two generalist junior fund managers and two generalist analysts. The investment team is further supported by operations and client marketing staff.

The co-founders are well known for their distinctive long-term buy-and-hold style with very low turnover, less than 10% on average. It is entirely bottom-up focused with very concentrated holdings, c.20-25 names, and mainly large-cap focused. Stocks tend to exhibit secular compounded cash generation and dividend growth. Typical ideas are found in less capital intensive sectors – consumer and media are popular sectors for the firm's strategies, including this one. The Portfolio Managers also hold a preference for companies where there is a strong element of family ownership in the business which tends to enforce stability, in their opinion.



INVESTMENT PROCESS

The manager has a distinct focus on future free cash flows and dividends for predictable business models which offer recurring and compounding cash streams over the long-term, which he believes is undervalued by the market. He perceives risk as the probability of losing money on committed capital and believes it can be reduced by portfolio concentration over diversification. Finally, investment activity incurs costs that if avoided can materially enhance returns over longer periods of time, hence the focus on low turnover.

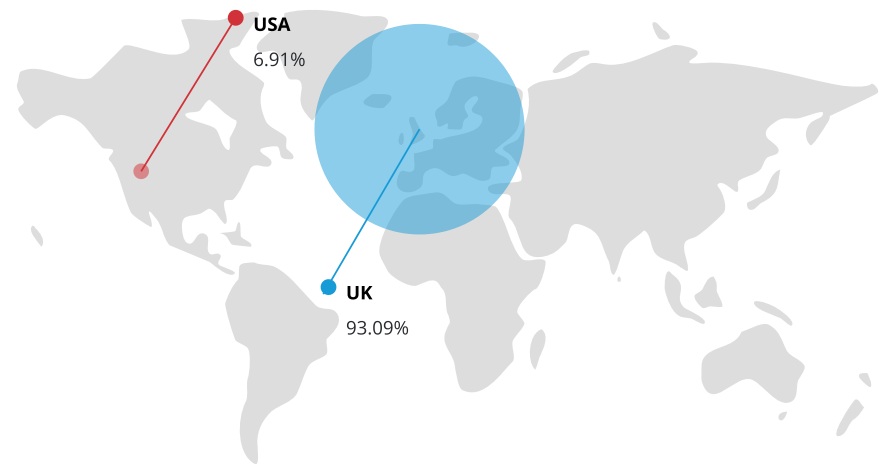
The process differs from many peers in that it seeks long-term returns on capital and is indifferent to short-term earnings performance of businesses. Therefore, durability is a core feature of the stock selection process. The sought portfolio candidates are 'exceptional' quoted companies. For Lindsell Train ("LT"), the definition of "exceptional" is "likely to be profitably in business in 20 years' time". LT find the large majority of their potential investments in four broad industry categories (consumer branded goods, internet/media/software, financials and healthcare) and in businesses that exhibit characteristics that are associated with long-run durability (a high return on capital usually associated with low capital intensity and a high dividend-paying potential usually aligned with abundant free cash flow generation).

The most important valuation metric used is discounted cash-flow (DCF) calculations with established assumptions. LT seek a significant margin of safety when valuing companies and when allowing for growth, estimate conservatively. The PMs will analyse transaction values in similar businesses in order to validate their valuations. The manager will determine for each company a 'Lindsell Train intrinsic value', i.e. a significant margin of safety when valuing companies. The universe is therefore well defined and the research burden not excessive. In summary, LT do not believe it is necessary to have a view on all stocks in a typical global benchmark in order to generate satisfactory absolute returns. In practice more than 90% of research is carried out internally.

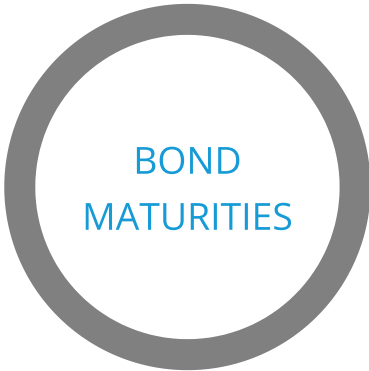
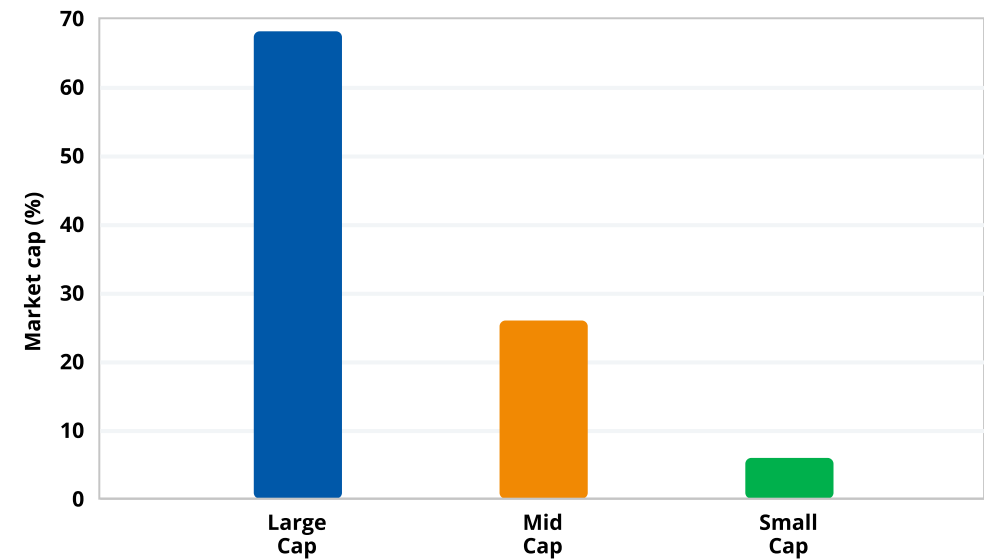
Portfolio construction consists of 20-25 names with significant intrinsic value upside. Targeted starting position sizes are 3-6% for large companies and 1-3% for smaller companies. The sell discipline is characterised only if a stock's price moves well above its intrinsic value and can be replaced by another, under-valued idea, or if the original premise for investment is no longer valid. Key risks for the strategy relate to the large size of the fund and a potential shock from a sharp rise in interest-rates given the defensively-minded performance in a beneficial low interest-rate world.

AGGREGATED NET EXPOSURE

REGIONAL EXPOSURE



EQUITY MARKET CAP (%)



Not Applicable



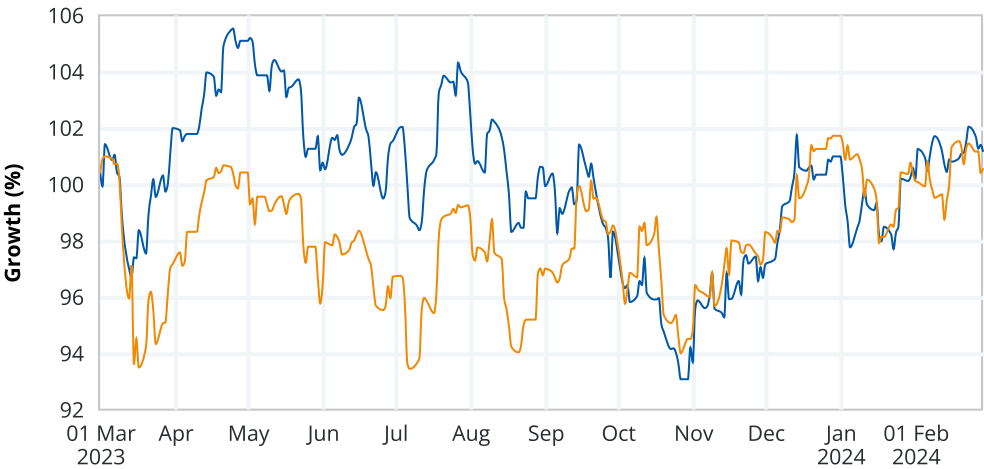
Not Applicable

OVERALL PERFORMANCE

● LF Lindsell Train UK Equity Acc ● FTSE All-Share Total Return GBP

GROWTH (%) - OVER 1 YEAR

1 Mar 2023 - 29 Feb 2024



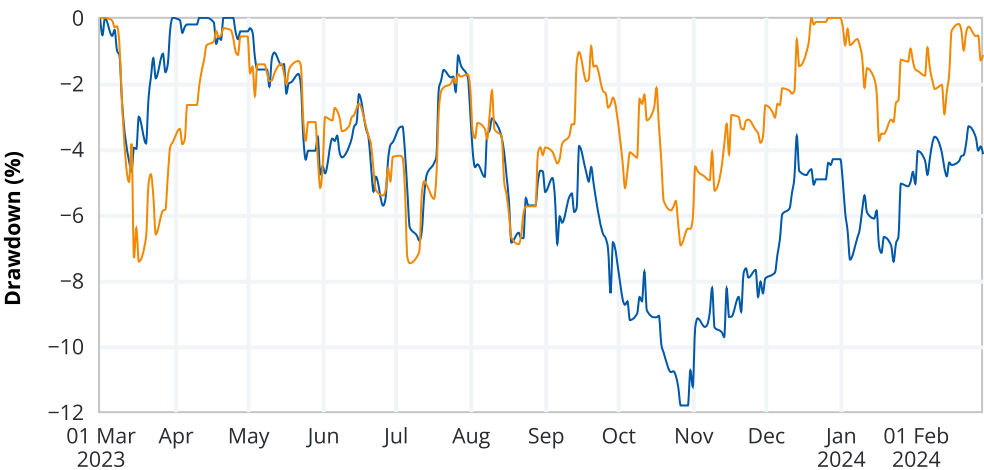
GROWTH (%) - FROM INCEPTION

11 Jul 2006 - 29 Feb 2024



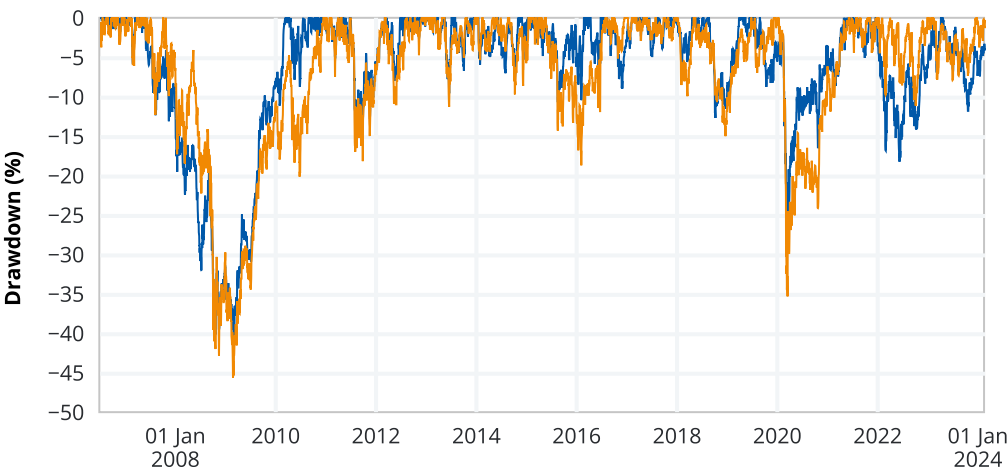
DRAWDOWN (%) - OVER 1 YEAR

1 Mar 2023 - 29 Feb 2024



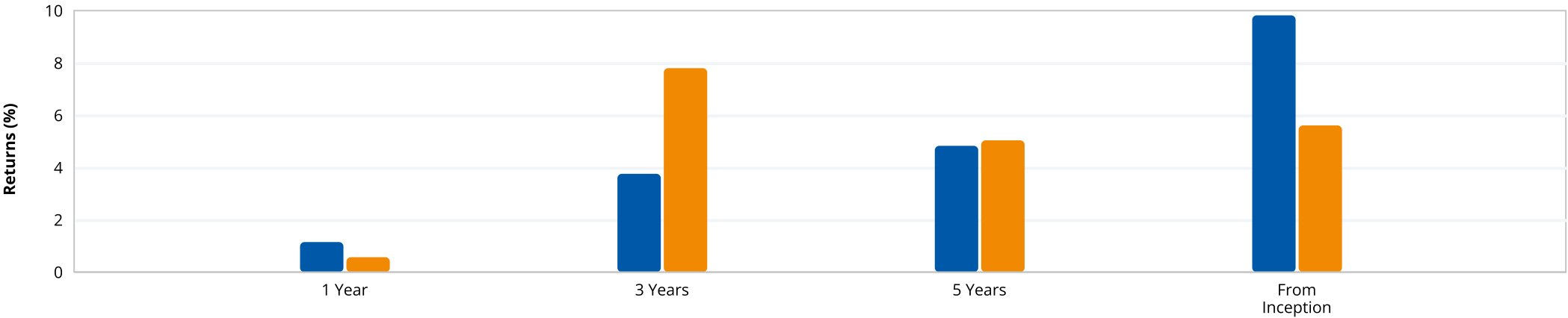
DRAWDOWN (%) - FROM INCEPTION

11 Jul 2006 - 29 Feb 2024



RETURNS

● LF Lindsell Train UK Equity Acc ● FTSE All-Share Total Return GBP



MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	-0.41	0.57											0.16
2023	2.83	0.77	1.99	3.04	-4.37	1.03	2.05	-2.92	-2.27	-4.18	2.63	4.45	4.65
2022	-5.89	-4.07	3.03	0.38	-3.64	-4.97	8.55	-2.25	-2.48	0.24	8.29	-2.19	-6.07
2021	-0.18	-0.47	0.12	6.11	0.76	1.31	1.48	-0.05	-1.05	-0.39	0.71	3.89	12.72
2020	-1.69	-8.64	-6.33	5.18	5.65	-0.93	0.51	-0.03	1.36	-7.86	10.49	1.57	-2.47
2019	2.29	2.75	4.36	6.64	0.81	2.29	4.43	-0.09	-0.34	-4.79	1.43	1.42	22.81

Capped to 6 years.

ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
LF Lindsell Train UK Equity Acc	1.15	3.76	4.83	9.82
FTSE All-Share Total Return GBP	0.57	7.80	5.04	5.61

CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
LF Lindsell Train UK Equity Acc	1.15	11.69	26.47	418.31
FTSE All-Share Total Return GBP	0.57	25.21	27.74	161.04

● LF Lindsell Train UK Equity Acc ● FTSE All-Share Total Return GBP

PERFORMANCE - OVER 1 YEAR1 Mar 2023 - 29 Feb 2024

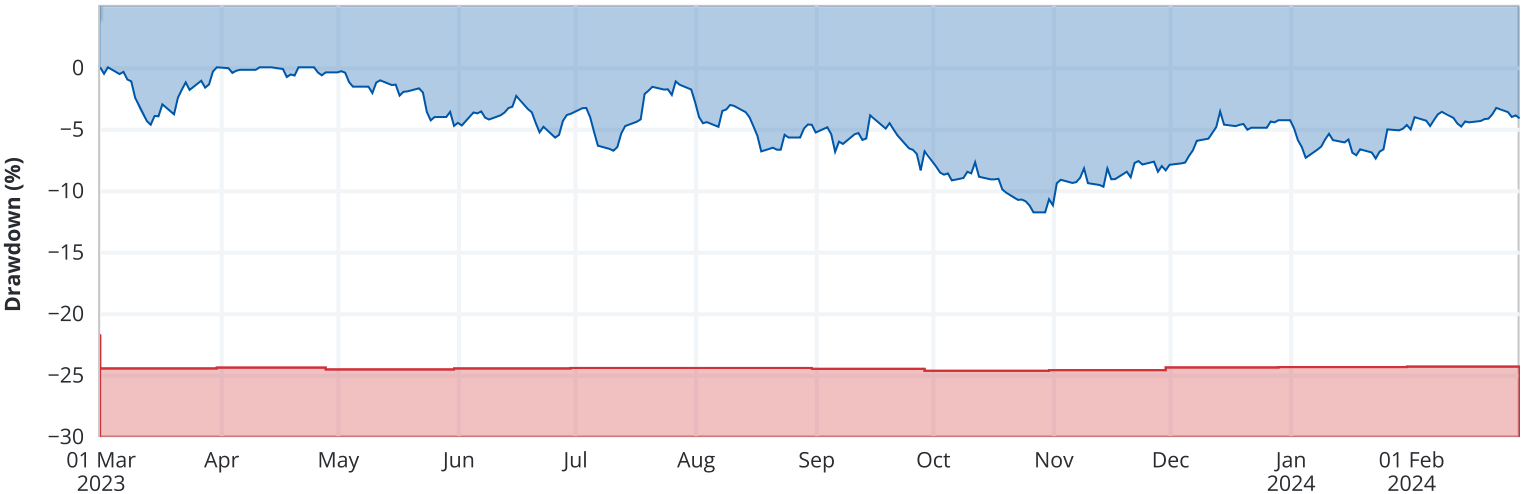
	LF Lindsell Train UK Equity Acc	FTSE All-Share Total Return GBP
RETURNS (%)	1.15	0.57
VOLATILITY (%)	11.09	11.59
ALPHA	-0.23 *	
BETA	0.83 *	1.00
CORRELATION	0.75 *	1.00
SHARPE RATIO	-0.32	-0.35
SORTINO RATIO	-0.46	-0.48
MAX DRAWDOWN (%)	-11.80	-7.47

*Calculated over a 3 year period where history permits.

PERFORMANCE - FROM INCEPTION11 Jul 2006 - 29 Feb 2024

	LF Lindsell Train UK Equity Acc	FTSE All-Share Total Return GBP
RETURNS (%)	9.82	5.61
VOLATILITY (%)	14.93	17.79
ALPHA	0.39	
BETA	0.82	1.00
CORRELATION	0.83	1.00
SHARPE RATIO	0.54	0.22
SORTINO RATIO	0.76	0.31
MAX DRAWDOWN (%)	-40.66	-45.61

SIMPLE STRESS TEST DRAWDOWN (%)1 Mar 2023 - 29 Feb 2024



Stress test notes

The chart shows the calculated drawdown over a trailing 12-month period. The Review Point is a potential intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown exceed the Review Point, then this indicates that market conditions may be abnormal. This is the point at which immediate action should be considered.

DISCLAIMER

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