

LF Lindsell Train UK Equity Acc

November 2021
Investment Research



Overview

The focus of the fund is on growing the capital value of investments over time through a portfolio of UK equities. Whilst equities can lose money over short to medium time periods, over longer time periods, and particularly over multiple investment cycles, equities, in aggregate, have proved an extremely successful way of accumulating capital.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●			

Square Mile Expected Outcome

We believe that the fund should be able to outperform the FTSE All Share Index by 3% to 4% per annum over the long term, which we would consider to be an investment period of at least five years.

Active/Passive: Active	Domicile: United Kingdom
Asset Class: Equity	IA Sector: IA UK All Companies
Launch Date: 10/07/2006	Fund Size (as at 29 Oct 2021): £6277.6m
Yield: 1.60%	Distribution Pay Date: Jun 01, Dec 01 (Final)
Fund Manager: Nick Train	Ongoing Charge Figure: 0.65%
	Transaction Cost ex Ante: 0.07%



Fund Opinion

In Nick Train, this fund benefits from a highly experienced, articulate and thoughtful manager who has proven to be a responsible steward of investors' capital. Mr Train's philosophy is based on the principle of investing in what he sees as strong businesses and holding them for the long term. However, given the approach employed, there are very few companies that actually meet the manager's strict investment criteria and, as a result, the final portfolio is concentrated across a limited number of holdings (20-30). We would also note that, although the bulk of the portfolio is invested in large cap companies with a global reach, there is also an allocation to some more niche firms that are often located further down the market cap scale.

Moreover, the fund is managed using a NURS structure, meaning that it does not have to adhere to the UCITS diversification rules, so the top 10 positions account for a large proportion of its assets. In recent years, these assets have grown markedly and, in our opinion, this, coupled with the current liquidity levels of the underlying companies held, has led to a deterioration in the fund's overall liquidity profile. Therefore, we feel that there could be significant issues should the fund experience a prolonged period of and/or a sizeable level of redemptions.

We believe that it is worth highlighting here that the fund has successfully and consistently met its long-term performance objective and that we have conviction in the manager and his ability to continue to meet this over the long term. Though, we would stress that this strategy is probably best suited to investors that have little interest in the month-to-month and year-to-year performance of their investments but instead seek attractive returns over very long time periods.

Fund Description

Nick Train started his investment career in 1981 and, following a long association with GT Management and a brief spell at M&G, he and Michael Lindsell founded Lindsell Train in 2000. Though Mr Train is the sole portfolio manager of the firm's UK equity strategy, the managers operate with a shared set of investment principles and each contributes to the research process and stock decisions for all of the firm's investment strategies. In addition to running this fund, Mr Train is responsible for the management of the Finsbury Growth & Income investment company and is also joint manager of the open-ended Lindsell Train Global Equity portfolio. For many years the pair were the only investment managers at the business, but since 2010 they have recruited a small number of investment staff to support them. Indeed, James Bullock, who joined the firm in October 2010, became a co-manager on the Global Equity strategy in September 2015.

Lindsell Train's underlying investment philosophy is one which believes that truly exceptional businesses are persistently undervalued by the market. Such businesses tend to have high rates of return on capital and the reinvestment of profits into the business can compound into returns that can be impressive over the long term. Furthermore, these companies are likely to produce attractive levels of cash, with operations that do not continually require large amounts of funding. The managers pay little attention to snapshot valuation techniques, such as price to earnings ratios, as they feel that they do not capture the true potential of such opportunities. The types of company held are often well known businesses that only tend to be found in certain sectors of the market. For example, historically, holdings within the portfolio have fallen into a few broad themes, namely companies with well developed and global brands, firms that are owners of data analytics or software intellectual property or businesses that could be deemed proxies for global capital markets. Given that the portfolio is managed with such a strict investment threshold, it is not surprising that it will likely be absent from a number of sectors including mining, utilities, construction, transport, telecoms and tobacco.

The firm's management approach is extremely long term and, as a result, portfolio turnover is very low, consistent with holding periods that are measured in decades, rather than months. This reflects both the limited number of businesses with the characteristics that the managers seek and their opinion that such stocks are fundamentally undervalued by the market. The managers recognise that businesses do change over time and that new competitors may arise with business models that could disrupt the established incumbents. However, they strive to avoid establishing positions in areas where this may happen and they will exit any existing positions where the competitive landscape has been irrevocably changed by a new entrant.

Investors should note that although this is a daily dealing, FCA authorised fund, it is run using a NURS structure and therefore does not qualify for UCITS status. This means that it does not adhere to the UCITS 5/10/40 rules and consequently the portfolio is likely to be far more concentrated than many of its peers. Indeed, investment tends to be limited to 20 - 30 companies and, as a result, larger allocations are made to the managers favoured companies.

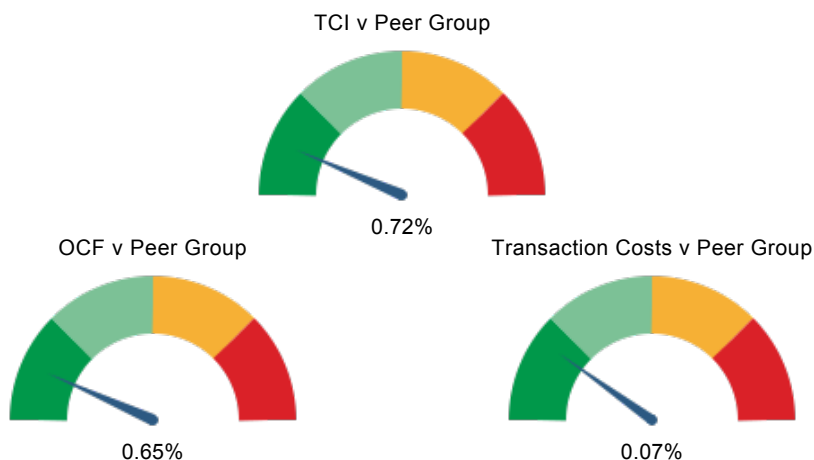
Risk Summary

This fund invests in UK equities and as such the main risk is that these, as higher risk assets, can be volatile investments. The manager may also allocate capital to select overseas companies that meet his strict investment criteria and this, coupled with the concentrated nature of the portfolio, can result in the fund looking and performing very differently to its benchmark, the FTSE All Share Index. Investors should note that although the fund is FCA authorised, it is run using a NURS structure and therefore does not have UCITS status. This means that the portfolio is far more concentrated than many of its peers, both in terms of the number of holdings and the respective position sizes. Indeed, the fund tends to be invested across 20 to 30 companies. We would note that, although the bulk of the portfolio is invested in large cap companies with a global reach, there is also an allocation to some more niche firms that are often further down the market cap scale. Over the past few years, the fund has delivered strong performance both in absolute terms and versus its benchmark, the FTSE All Share index, which has undoubtedly led to the strategy attracting a large body of assets following an investment approach that results in a low turnover and highly concentrated portfolio. Given the current liquidity levels within the underlying stocks held, we believe there could be significant issues should the fund experience a prolonged period of and/or a sizeable level of redemptions, and our rating reflects these concerns. Owing to the manager's approach, this fund is perhaps better suited to investors that have little interest in the month-to-month and year-to-year performance of their investments but instead seek attractive returns over very long time periods.

Value for Money

In our opinion, the fund's total cost of investment is extremely competitive. Indeed, not only is its annual management charge (AMC) at the lower end of the spectrum when compared to peers, its ongoing charge figure (OCF), which reflects an additional layer of expenses, is also well below the peer group median, as are its transaction costs. That being said, we consider this fund to offer very good value for money, as it provides investors with access to a very well-regarded and well-managed franchise, which has achieved a highly compelling success rate.

In line with the MiFID II regulations, asset management firms are required to disclose all of the costs and charges related to the running and administration of their funds, including items outside of the OCF, such as research costs. Lindsell Train absorbs all of the costs associated with its research, which should slightly reduce the overall fee paid by investors.



ESG Integration

Company Assessment	0	1+	2	3
The company has made ESG factors available to the investment teams as an input to their analysis, but they are not compelled to consider that as a factor when making investment decisions.				
UN PRI Strategy & Governance Rating	N/A			
Fund Assessment	0	1	2	3
ESG factors may be considered by the fund's manager as an input into their analysis but are not a formal part of the investment process.				

Responsible Investing Approach

Exclusion	Responsible Practices	Sustainability	Impact
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Information

Annualised Return	8.40%
Annualised Volatility	16.02%
Max Drawdown	-24.72%
Max Gain	12.72%
Max Loss	-22.21%
Sharpe Ratio	0.48
Sortino Ratio	0.42

(3 years data to last month end unless otherwise stated)

Currency of Share Class

GBP

Fund Price (as at 12 Nov 2021)

520.7 pence

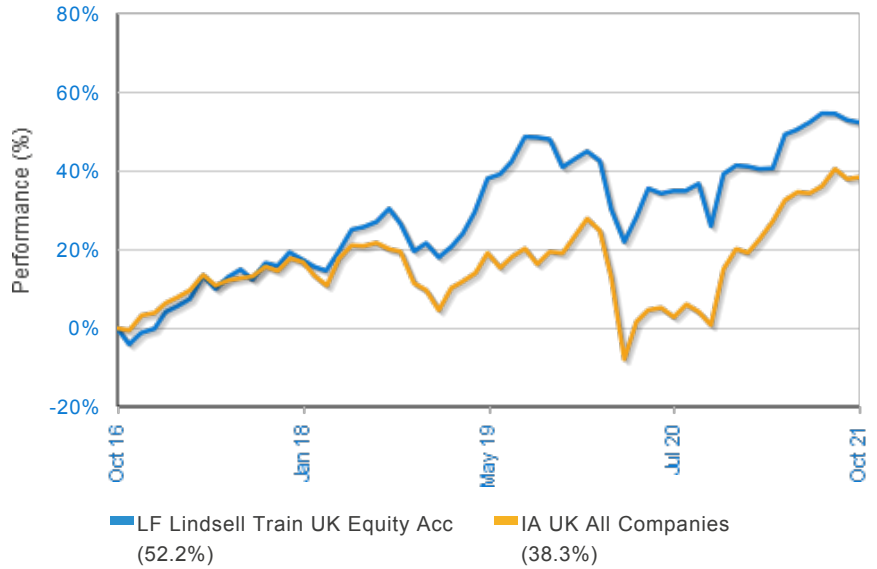
Benchmark

FTSE All Share

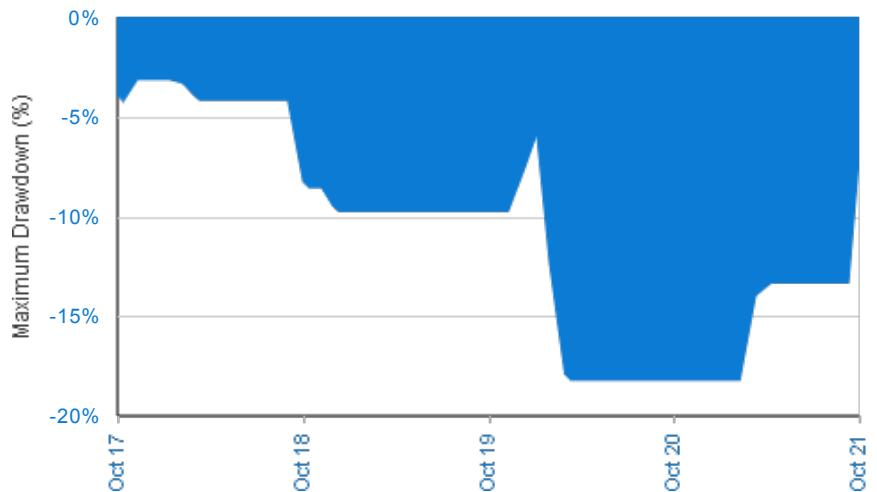
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	11.8	32.4	4
12-24m	-7.6	-12.8	1
24-36m	16.9	0.0	1
36-48m	12.6	5.5	1
48-60m	13.7	13.6	2

Capital Growth



Maximum Drawdown (Rolling 12 Months)



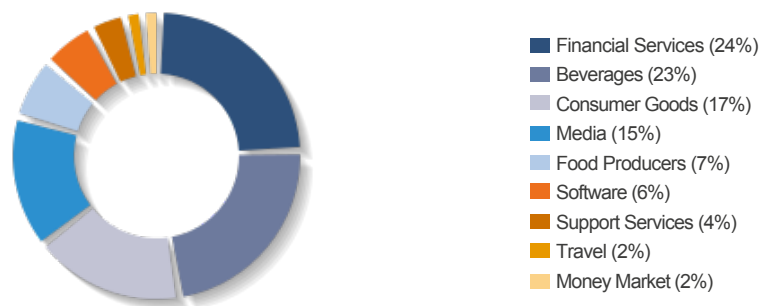
Top Ten Holdings

(Data as at 30 Sep 2021)

Company Name	%
DIAGEO	10.0
RELX NV	9.9
LONDON STOCK EXCHANGE GROUP PLC	8.8
UNILEVER PLC	8.4
SCHRODERS ORD	8.3
BURBERRY GROUP	7.9
MONDELEZ INTL INC	6.8
SAGE GROUP PLC	6.0
HARGREAVES LANSDOWN PLC	5.8
HEINEKEN HLDG NV	5.7

Sector Breakdown

(Data as at 30 Sep 2021)

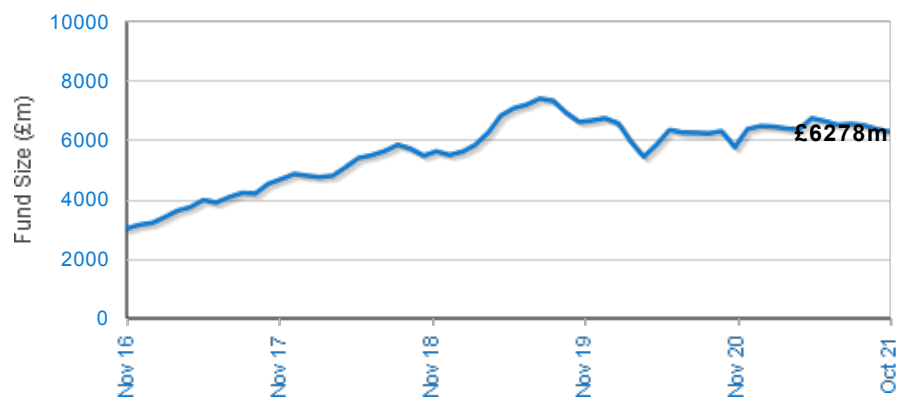


Geographic Breakdown

(Data as at 31 Aug 2021)



Assets Under Management



Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk	●		
Interest Rate Risk		●	
Credit Risk			●
Exchange Rate Risk		●	
Liquidity Risk	●		
Emerging Markets Risk			●
Derivative Risk			●
Manager Risk	●		

Equity Risk

The fund is predominately invested in shares. Shares are volatile investments and this volatility is typically heightened at times of economic stress.

Interest Rate Risk

The fund is an equity fund. Higher interest rates may adversely affect valuations of shares.

Credit Risk

This fund does not have significant exposure to corporate debt.

Exchange Rate Risk

Despite the fund being predominantly invested in domestically-listed assets, we would highlight that the revenue streams of a number of the companies held are dependent upon their overseas operations.

Liquidity Risk

Although the fund is predominantly invested in large companies, its current level of assets combined with the concentrated nature of the portfolio could lead to issues with liquidity, especially during times of market stress.

Emerging Markets Risk

The fund predominantly invests in securities listed in developed markets, however we would highlight that a number of the companies held are reliant upon emerging market consumer growth to drive their revenues.

Derivative Risk

The portfolio is predominantly invested in underlying cash securities.

Manager Risk

The manager is seen as a critical element of Square Mile's rating of the fund. Thus, Square Mile would likely remove the fund's rating if the manager were to leave.

FE Risk Rating: 82.00

SRRI: 5

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