# Lindsell Train Global Equity Fund C Class (USD)

**31st March 2024**
**Monthly Report**

## Fund Profile

The portfolio is concentrated, with the number of stocks ranging from 20-35, and has low turnover.

### Fund Objective

To increase the value of Shareholders' capital over the longer term from a focused portfolio of global equities, primarily those listed or traded on recognised exchanges in developed countries world-wide.

## Price Data

| | |
|---|---|
| C Class ($) | 2.42 |
| Minimum Investment | $250,000 |

## Fees

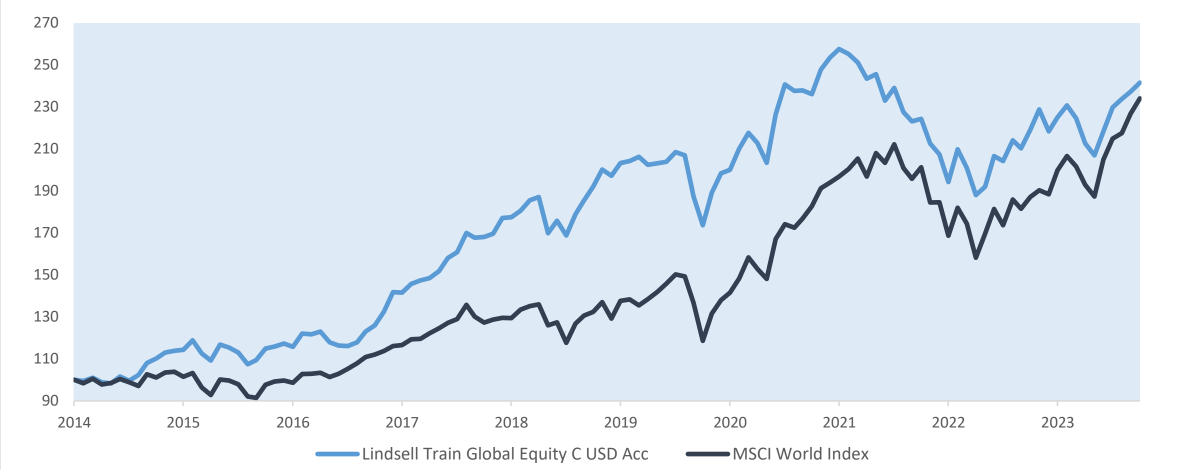
| | |
|---|---|
| Management Fee | 0.60% |
| TER | 0.67% |

*The TER is a measure of the Fund's total operating expenses over 12 months, including management fee, as a percentage of the Fund's net assets.The TER quoted is indicative, based on expenses and average assets for the month of December 2023. It is calculated by the Fund Administrator, last updated 17/02/24. It is an indication of the likely level of costs and will fluctuate as the Fund's expenses and average net assets change. The TER excludes any portfolio transaction costs.

## Fund Facts

| | |
|---|---|
| Portfolio Managers | Michael Lindsell, Nick Train, James Bullock |
| Fund Size | $5,716m |
| Share Class Inception Date | 30th June 2014 |
| ISIN | IE00BK4Z4V95 |
| SEDOL | BK4Z4V9 |
| Fund Type | Dublin OEIC (UCITS) |
| Benchmark | MSCI World Index |
| Fund Sector | Global Equity |
| Style | Long-term, bottom-up focus |
| No. of Holdings | 24 |
| Valuation Point & Dealing deadline | 12 noon each Dublin & UK Business Day |
| Unit Type | Accumulation |
| Auditor | Grant Thornton |
| Regulator | Central Bank of Ireland |
| Fund Depository | The Bank of New York Mellon SA/NV |

## Investment Growth Since Inception




**Source: Morningstar Direct. As at 31st March 2024.** Perfomance figures are calculated NAV-NAV,net of fees, in USD. The graph shows the growth of $100 invested in the fund vs MSCI World since inception.The illustrative investment performance which is shown is for illustrative purposes only and is calculated by taking the actual initial fees and all ongoing fees into account for the amount shown. Income is reinvested on the reinvestment date. **Past performance is not a guide to future performance.**

## Performance Summary (%)

| | Cumulative | | | Annualised | | | |
|---|---|---|---|---|---|---|---|
| **Net Return** | **1 m** | **3m** | **YTD** | **1 yr** | **3 yrs** | **5 Yrs** | **Since Launch** |
| **C Class ($)** | 1.8 | 5.1 | 5.1 | 10.2 | 0.8 | 4.7 | 9.5 |
| **MSCI World Index ($)** | 3.2 | 8.9 | 8.9 | 25.1 | 8.6 | 12.1 | 9.1 |

## Calendar Year Performance (%)

| **Net Return** | **2023** | **2022** | **2021** | **2020** | **2019** |
|---|---|---|---|---|---|
| **C Class ($)** | 12.5 | -14.6 | -0.7 | 15.5 | 23.5 |
| **MSCI World Index ($)** | 23.8 | -18.1 | 21.8 | 15.9 | 27.7 |

## Statistics (%)

| **Since Inception** | | **DATE** |
|---|---|---|
| Highest annualised return | +44.1 | 31.01.2018 |
| Lowest annualised return | -24.6 | 30.06.2022 |

12 month rolling performance figures

**Source: Morningstar Direct. As at 31st March 2024.** The figures for this share class and the index are based on total return (i.e. capital and income) in USD. All charges are accounted for except any transaction costs. Actual annual figures are available on request.
**The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to future performance.**

Issued on 15/04/2024

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## Top Ten Equity Holidings (%)

| | |
|---|---|
| Nintendo | 8.82% |
| London Stock Exchange Group | 8.72% |
| RELX | 8.48% |
| Diageo | 7.52% |
| Walt Disney | 6.12% |
| PepsiCo | 4.86% |
| Prada | 4.84% |
| Intuit | 4.83% |
| Heineken Holding | 4.73% |
| FICO | 4.71% |
| **Total** | **63.64%** |

## Sector Allocation (%)

| | |
|---|---|
| Consumer Staples | 34.4% |
| Communication Services | 22.9% |
| Financials | 14.7% |
| Information Technology | 9.5% |
| Industrials | 8.5% |
| Consumer Discretionary | 7.3% |
| Health Care | 1.7% |
| Cash | 1.1% |
| **Total** | **100.0%** |

## Country Allocation (%)

| | |
|---|---|
| USA | 36.7% |
| UK | 31.4% |
| Japan | 17.5% |
| Europe ex-UK | 13.3% |
| Cash | 1.1% |
| **Total** | **100.0%** |

## Investment Team Commentary

The Fund returned 5.1% in USD terms in the first quarter of 2024, compared to the 8.9% return of the MSCI World Index. Prada, Disney and eBay were the best performers, up 39%, 36% and 22% respectively in USD, while on the opposite side of the ledger, Kao, Shiseido and Brown-Forman were all down c.10%.

We've been particularly enthused with the full-year 2023 results of some of our most recent additions to the portfolio, namely Prada and Universal Music Group, which have only recently been reported. Prada bucked the softening performance trends of the rest of the Luxury industry, posting +17% year-on-year net revenue growth, driven by robust demand for both Prada and Miu Miu (up 58% in its own right). Prada's understated aesthetic is clearly in favour, plus the company hasn't been as aggressive in taking price over the last few years as its counterparts, and that relative value proposition is now shining through. Furthermore, the company still has ongoing opportunities to improve store productivity, boost its digital capabilities, and raise its operating margins to 30%+ over the medium term. Strong underlying business performance combined with a moderate re-rating has resulted in a c.24% annualised total return in USD since our initial purchase in 2019, and we continue to see a compelling runway ahead. It's perhaps also worth mentioning that the company continues to attract rumours of third parties wanting to take large minority stakes, which we view as unsurprising, given Prada's rare status as one of the last substantial mono-brands in the Luxury industry.

Universal Music Group (UMG) meanwhile also enjoyed a highly successful 2023 that confirmed its status as the world's leading music entertainment company. UMG had 6 of the top 10 artists on Spotify, 13 of the top 20 most streamed songs on Apple Music, and according to the most recent International Federation of the Phonographic Industry (IFPI) data its market share remains robust at 32%. This figure has actually grown over the last five years, which is contrary to the narrative that the Majors are losing share to Independent labels. Looking ahead, there are a number of aspects that make us excited about the company's future: continued growth in the number of paid music subscriptions, which now sits at 667 million; the scope for major digital service providers (DSPs) like Spotify to raise subscription prices, which until recently had remained at $9.99 for more than a decade; an increasing evolution towards an 'artist-centric' compensation model, which would better remunerate the most important artists who actually drive subscriber engagement and retention; the potential for margin expansion, driven both by a mix shift towards higher-margin streaming revenues as well as cost rationalisation; participation in opportunistic catalogue acquisitions via an external investment vehicle, Chord Music Partners, which will free up UMG's own balance sheet; and improved monetisation of 'superfans', who have demonstrated willingness to pay more than their monthly subscription fee, but currently have limited means to do so. We look forward to hearing more about all of these initiatives and more at the company's upcoming Capital Markets Day in September.

It's worth highlighting both of these names as they exemplify exactly the sort of investments we want to keep adding to the portfolio: owners of rare and valuable intellectual property, earning attractive returns, and posting strong, durable growth rates. We continue to search for such candidates in a range of industries beyond just Luxury and Entertainment content, and look forward to initiating on similarly high quality names as and when new opportunities arise.

Elsewhere within the portfolio, there were several noteworthy developments worth mentioning.

Unilever announced its plans to separate its ice cream business, likely through a demerger, and to cut 7,500 jobs in a new cost savings programme. The points in favour of spinning off ice cream are fairly straightforward. The business has its own distinct operating model, with its own supply chain, distribution and logistics, so the overlap with Unilever's other businesses isn't necessarily obvious. Maintaining fridges is also a fairly capital-intensive affair, and the business has been dilutive to the overall group from a margin and revenue growth standpoint. The new management team is also rightly focused on accelerating growth for the core 'power' brands, which they believe haven't received sufficient attention in a company of Unilever's current size, and their hope is that this corporate action will help them in that endeavour. That said, the segment contains some iconic brands, including Magnum, Wall's and Ben & Jerry's, and we trust that this value will be duly recognised when the separation ultimately occurs at the end of 2025. For now, we wait to see what the actual separation mechanism will be. As for the cost savings, while it's certainly true that great franchises aren't typically built off simply cutting jobs, there does appear to be room for productivity improvements at Unilever relative to its peers. It's also heartening to note that although these actions will increase restructuring costs, as a result of proposed changes to Unilever's remuneration policy, these higher restructuring costs will now directly impact executive annual bonuses when previously they didn't, thus ensuring better shareholder alignment. In any case, newly-appointed CEO Hein Schumacher is clearly wasting no time in moulding the company into a shape he views more fit for the future, and we look forward to seeing how else he plans to unlock latent value.

TKO, the recently-combined WWE and UFC media powerhouse, dealt with a potentially significant overhang after it settled two class action lawsuits with groups of former UFC fighters for $335m. The market reacted positively, with the shares up more than 5% on the day, given that the plaintiffs had been seeking considerably more: $900m-$1.6bn for the first case alone. In addition, the penalty will be tax deductible, and payable in instalments. For us, the true significance of this result is that there are no apparent changes required of UFC's fighter compensation practices. The plaintiffs had alleged that the UFC had monopsony power over fighters (i.e. that the UFC was the only buyer in town), which was resulting in underpayment, and/or restrictive contracts. Clearly this allegation of a lack of competition has not been borne out, and if anything, we continue to watch the UFC's main competitor, the PFL, closely, after Saudi Arabia's Public Investment Fund invested $100m in it last year. What is true however is that for both Wrestling and MMA, athlete compensation is structurally lower than for other sports, and with these current lawsuits nearly concluded that arrangement appears stable and set to continue.

FICO came under some short-term pressure after Senator Hawley sent a letter to the Assistant Attorney General, calling for the Department of Justice to investigate the company for supposedly abusing its market power. His specific claim was that FICO was benefitting from a government-granted monopoly, and using that position to hike its prices 'astronomically', thereby making life worse for Americans and potentially even impeding home ownership. FICO's CEO Will Lansing responded to this misrepresentation within a few days, and his three most important rebuttals are as follows. Firstly, Fannie Mae and Freddie Mac voluntarily adopted the FICO Score as standard back in 1995 precisely because lenders were already using it as the de facto industry risk measure – i.e. FICO had already won under free choice, before becoming a 'government-granted monopoly'. Importantly, lenders originating mortgages today outside of the Freddie Mac and Fannie Mae ecosystem continue to overwhelmingly choose FICO scores of their own volition, further dispelling the notion that FICO's dominance is anything other than fairly won. Next, even after the recent price increases – which are actually exceedingly reasonable when you consider that the company previously hadn't raised its fees for three decades – a FICO score remains just $3.50, or about the cost of a (large) Starbucks coffee. That represents less than a tenth of one percent of a consumer's $6,000 spent in average closing costs per mortgage, and is therefore clearly not preventing anyone from buying a home. Lastly, the Senator just focused on the use of FICO scores in the context of mortgages, but in reality around 99% of FICO scores used for risk decisioning within the consumer credit industry are used outside of mortgage originations, where no one can level any charges of potentially unfair government-granted mandates. In short, we don't believe this latest challenge poses much of a threat (especially given that the Department of Justice previously conducted an antitrust investigation into FICO in 2020 with no action ultimately taken), but remain cognizant of the potentially adverse attention that seemingly unlimited pricing power can attract.

Finally, Brown Forman held an Investor Day at its distilleries in Louisville, Kentucky, where the company laid out plans to double its operating income over the next decade. The algorithm calls for them to double their American whiskey business, triple their sales of tequila, and more than triple the sales of their emerging brands and ready-to-drink (RTD)

## Portfolio Manager's Comments

offerings. The company provided plenty of interesting details about Woodford Reserve's incredible growth story (32% volume CAGR over the last 26 years!), their ambition to keep premiumising their tequila offerings, and the opportunity to return their gross margins to growth (these are currently in the low 60s, down from a peak of 70% around a decade ago). However as ever, the true star is the Jack Daniel's (JD) brand itself. The JD franchise continues to grow in all directions, winning over new consumers with Jack & Coke RTD cans (which Coca-Cola are helping them distribute globally), flavoured variants like Honey and Apple, and 10- and 12-year expressions, which are winning medals at serious Spirits competitions. It truly is a rare and unusual brand within the sector, able to appeal to multiple demographics, price points, and occasions, and we share in management's ambition for Jack Daniel's to become the most iconic and valuable premium spirits brand globally. At the moment it feels like Spirits companies in general are somewhat unloved as investors wait for the US market to return to concerted growth, but for those with a longer time horizon, the set up looks attractive to us.

***Ben van Leeuwen, 8th April 2024***

**Source:** Lindsell Train, Morningstar & Bloomberg. All data as of 31st March 2024.

**Note:** All stock returns are in local currency unless otherwise specified.

**Important information**

This bulletin is solely for the use of professional investors and should not be relied upon by any other person. It is not intended for use by retail clients. Nothing in the document should be construed as advice and it is therefore not a recommendation to buy or sell shares.

Lindsell Train Global Equity Fund Class C (ISIN:IE00BK4Z4V95) is a sub-fund of Lindsell Train Global Funds plc, an umbrella fund with segregated liability between sub-funds. This means that the holdings of the fund are maintained separately under Irish law from the holdings of other sub-funds of Lindsell Train Global Funds plc. The Prospectus and the annual and semi-annual reports are prepared in the name of Lindsell Train Global Funds plc.

This Fund is authorised in Ireland and regulated by the Central Bank of Ireland.

Collective Investment Schemes (CIS) are generally medium to long-term investments.The value may go down as well as up and past performance is not necessarily a guide to future performance. CIS's are traded at ruling prices and can engage in borrowing and scrip lending.The CIS may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity.A schedule of fees and charges and maximum commissions is available on request from the Investment Manager.There is no guarantee in respect of capital or returns in a portfolio. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate.CIS prices are calculated on a net asset basis, which is the total value of all the assets in the portfolio including any income accruals and less any permissible deductions (brokerage, STT, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual Management fee) from the portfolio divided by the number of participatory interests (shares) in issue.Forward pricing is used. The Fund's Total Expense Ratio (TER) reflects the percentage of the average Net Asset Value* (NAV) of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio.  A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TER's.  During the phase in period TER's do not include information gathered over a full year.It excludes transaction costs.

The investor acknowledges the inherent risk associated with the selected investments and that there are no guarantees. Please note that all documents, notifications of deposit, investment, redemption and switch applications must be received by the fund administrator, Link by or before 12 noon each Dublin & UK Business Day, to be transacted at the net asset value price for that day. Where all required documentation is not received before the stated cut off time, Link shall not be obliged to transact at that day's net asset value price.The Fund is priced at 12 noon each Dublin & UK Business Day Prices are published daily and are available on the Lindsell Train website. Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of  the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the investment manager on request.

Lindsell Train Global Equity Fund is authorised by the FSCA under section 65 of the Collective Investment Schemes Control Act 2002.

For any additional information such as fund prices, prospectus, application forms, please go to www.lindselltrain.com.

**Representative Office:** Prescient Management Company (RF) (Pty) Ltd, Registration number: 2002/022560/07

**Physical address:** Prescient House, Westlake Business Park, Otto Close, Westlake, 7945 Postal address: PO Box 31142, Tokai, 7966

**Investment Manager and Distributor:** Lindsell Train Ltd

**Manager:** Waystone Management (IE) Limited  *Regulated by the Central Bank of Ireland*

**Depository:** The Bank of New York Mellon SA/NV, One Dockland Central Guild Street IFSC Dublin 1 Ireland

***Glossary***

**Annualised return:** The weighted average compound growth rate over the period measured.

**Cumulative return:** The aggregate performance of the fund over the entire time period.

**Highest & Lowest return:** The highest and lowest returns for any 12 months over the period since inception have been shown.

**NAV:** The net asset value represents the assets of a fund less its liabilities.

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