Seed Weekly

Keep Walking (and Investing) ...

In only its second full year of existence, the Lindsell Train Investment Trust, invested some £180 000 to acquire 30 000 shares in Diageo plc - the UK spirits and beer company. Over the years they have strategically added to this position.

In the 2003 annual financial statements, Lindsell Train's original comment on their purchase read as follows: "*We …. commenced a position, not yet completed, into Diageo, paying just over £6.00 per share to access a dividend yield of 3.9%, supported by the cash flows of the world's largest spirits business. We believe the intrinsic value of Diageo approaches £10.00 per share and will use any further weakness to add to the stock*."

At that time, the listed entity, Diageo plc was only a 5 year old company, formed as a merger of Guinness Brewery and Grand Metropolitan. But it owns a range of globally recognised brands – some with a history of over 200 years - including Guinness, Gordons gin, Baileys liqueur, Smirnoff rum, and Johnnie Walker whisky.

Take their top selling whisky, **Johnnie Walker**, as an example. It has a long and illustrious history. John Walker was born in 1805 and managed a grocery shop that was opened in 1820 in Kilmarnock, Scotland. He began blending and selling made-to-order whiskies, before labelling **Walker's Kilmarnock Whisky**. His son and grandson took over the business and continued to market the brand. They introduced the square bottle in 1860 and the signature label – at a 24 degrees upwards left to right.

The Lindsell Train Investment Trust just released their 22nd annual report. Their Diageo stake has grown from the initial 1% to the second largest direct equity position. So, how has this original purchase performed? Well, even after the latest 15% price decline, the total annual return from this investment has **compounded at approximately 14% in GBP.***

So, after holding and building on their stake for almost 20 years now, how does management view the prospects? "*Diageo speaks for 4% of the global alcoholic beverage market and the company has set itself the target of reaching 6% by 2030, as premium spirits take an increasing share.* ***Attaining that target would likely be very rewarding for shareholders***."

It seems to me like they will be a likely investor for the next 10 years at least.

Kind regards,

Ian De Lange *SA(SA)*
Chief Investment Officer

**** For context if measured in ZAR, it compounds at 16% per annum.***

DISCLAIMER

Seed Investment Consultants is an Authorised Financial Services Provider in terms of the Financial Advisory and Intermediary Services Act (Act No. 37 of 2002). The laws of the Republic of South Africa shall govern any claim relating to or arising from the contents of this document. This document may not be amended, reproduced, distributed or published without the prior consent of Seed Investment Consultants.

No guarantee is provided as to the values of any financial product mentioned in this document. All illustrations, forecasts, information and opinions provided within this document are of a general nature and are not intended to address the circumstances of any particular individual or entity. This document does not constitute a solicitation, invitation or investment recommendation. While we endeavour to provide accurate and timely information, all illustrations, forecasts or hypothetical data are not guaranteed and are provided for illustrative purposes only. We make no representation or warranty, expressed or implied with respect to the correctness, accuracy or completeness of the illustrations, forecasts, information or opinions. No party should act upon such information or opinion without obtaining the appropriate professional and specialised financial, legal and tax advice based upon a thorough examination of their particular situation. Seed Investment Consultants will not be held liable for any direct or consequential loss or damage suffered by any party as a result of that party acting on or failing to act on the basis of information or opinion provided by or omitted from this document.

The value of financial products can increase as well as decrease over time depending on the value of the underlying securities and market conditions. Changes in exchange rates may have an adverse effect on the value price or income of any product.

Past performance is not necessarily a guide to future performance. 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 initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager upon request.

Prescient Management Company (RF) (Pty) Ltd are registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002). Collective Investment Schemes in Securities (CIS) should be considered as medium to long-term investments. There is no guarantee in respect of capital or returns in a portfolio. CIS's are traded at the ruling price and can engage in scrip lending and borrowing. The CIS may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. 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 (units) in issue. Forward pricing is used. In the event that specific CIS in securities are mentioned please refer to the relevant Minimum Disclosure Document in order to obtain all the necessary information in regard to that unit trust. In rare instances redemption transactions may be subject to a redemption fee. The applicable Prospectus and Key Investor Information Document will be made available upon request.

Please note that there are stipulated cut-off times for all documents, notifications of deposit, investment, redemption and switch applications. These cut-off times are product or fund specific and the applicable guidelines have been stipulated on the relevant supporting or transaction documents, application forms and Minimum Disclosure Documents. Where all required and supporting documentation is not received before the stated cut off time no service provider shall not be obliged to transact at the net asset value price as agreed to. Prices are published daily and are available on the Prescient website at www.prescient.co.za.

Investors should at all times remain aware of the risks involved in the buying or selling of any financial product. Where foreign securities are included in a portfolio there may be potential constraints on liquidity and the repatriation of funds, macroeconomic risks, political risks, foreign exchange risks, tax risks, settlement risks, and potential limitations on the availability of market information. The investor hereby acknowledges the inherent risk associated with any selected investments and that there are no guarantees (Paragraph 6(2)(f) of BN92). The Manager retains full legal responsibility for any third-party named portfolio (Paragraph 6(1)(g) of BN92).

For any additional information please visit our website on **www.seedinvestments.co.za.**