Fundsmith Sustainable Equity Fund
Short Form Report

For the period ended 30 June 2019 (unaudited)

Fundsmith

Profile of the fund

Investment objective and policy

The aim of Fundsmith Sustainable Equity Fund ("the Fund") is to achieve long term growth in value.

The Fund will invest in equities on a global basis. The Fund's approach is to be a long-term investor in its chosen stocks. It will not adopt short-term trading strategies.

The Fund has stringent investment criteria which the Authorised Corporate Director (ACD) and any appointed investment manager adhere to in selecting securities for the Fund's investment portfolio. These criteria aim to ensure that the Fund invests in businesses which in the opinion of the ACD and Investment Manager are those:

- that can sustain a high return on operating capital employed;
- whose advantages are difficult to replicate;
- which do not require significant leverage to generate returns;
- with a high degree of certainty of growth from reinvestment of their cash flows at high rates of return;
- that are resilient to change, particularly technological innovation; and
- whose valuation is considered by the Fund to be attractive.

The fund will not invest in businesses which have substantial interests in any of the following sectors:

- aerospace and defence;
- brewers, distillers and vintners;
- casinos and gaming;
- gas and electric utilities;
- metals and mining;
- oil, gas and consumable fuels;
- pornography; and
- tobacco.

In addition, the ACD and the Investment Manager apply further criteria to screen investments in accordance with the ACD's sustainable investment policy.

Risk profile

The Fund has no exposure to derivatives and no borrowings. Further, the investments are all in large publicly quoted companies where there is significant liquidity in the stock. The principal risk factor is the market price of the securities held by the Fund which is kept under review in the light of the Fund's objectives.

Currency risk: The Fund's portfolio is a global share portfolio and many of the investments are not denominated in Sterling. There is no currency hedging in place and the price may therefore rise or fall purely on account of exchange rate movements.

Concentration risk: The Fund generally holds 20 to 30 stocks and so it is more concentrated than many other funds. This means that the performance of a single stock within the portfolio has a greater effect on the price of the shares of the Fund.

Operational risk: Failures or delays in operational processes may negatively affect the fund. There is a risk that any company responsible for the safekeeping of the assets of the fund may fail to do so properly or may become insolvent, which could cause loss to the Fund.

Risk warning

Any stock market investment involves risk. These risk factors are contained in the full Prospectus. Investors should be aware that the price of shares and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance.

Risk and reward profile

Lower risk
Typically lower rewards

Higher risk
Typically higher rewards

1	2	3	4	5	6	7

The risk category reflects the significance of the Fund's share price fluctuations based on historical data. As the fund is newly established the categorisation is based on the historical data for a representative portfolio. Historical data may not be a reliable indication of the future risk profile of the fund. The risk category of the Fund is not guaranteed and may change over time. Further, the lowest category of risk does not mean risk free.

Generally, the higher the risk category, the greater the potential for higher returns but also the higher the risk of losing money. The Fund is in Category 5 reflecting the risks inherent in the Fund's investment portfolio, including that of capital losses. The underlying investments are, however, in large companies with shares that are, in most cases, highly liquid.

There are a number of other risks that are not covered by the indicator above. A full description is contained in the prospectus under the heading "Risk Factors". The most material are currency risk and concentration risk which are explained above.

Performance Record

As at 30 June 2019

Change in net assets per share	Share Class I - Accumulation Net 30.06.19 (p)	Share Class I - Accumulation Net 31.12.18** (p)	Share Class I - Income Net 30.06.19 (p)	Share Class I - Income Net 31.12.18** (p)
Opening net asset value per share	105.93	100.00	105.34	100.00
Return before operating charges	24.13	7.23	24.00	7.24
Operating charges	(0.61)	(1.30)	(0.60)	(1.30)
Return after operating charges	23.52	5.93	23.40	5.94
Distributions	(0.48)	(0.54)	(0.48)	(0.60)
Retained distributions on accumulation shares	0.48	0.54	-	-
Closing net asset value per share	129.45	105.93	128.26	105.34
After direct transaction costs of:	0.04	0.17	0.04	0.17
Performance				
Return after operating charges	22.20%	5.93%	22.21%	5.94%
Other information	£	£	£	£
Closing net asset value	124,953,813	67,029,889	164,442,475	117,081,258
Closing number of shares	96,527,164	63,277,160	128,212,919	111,142,170
Ongoing charge figure*	1.05%	1.05%	1.05%	1.05%
Direct transaction costs	0.08%	0.14%	0.08%	0.14%
Prices	(p)	(p)	(p)	(p)
Highest share price	130.23	115.65	129.51	115.16
Lowest share price	103.83	94.30	103.25	94.31

The Fund launched on 1 Nov 2017.

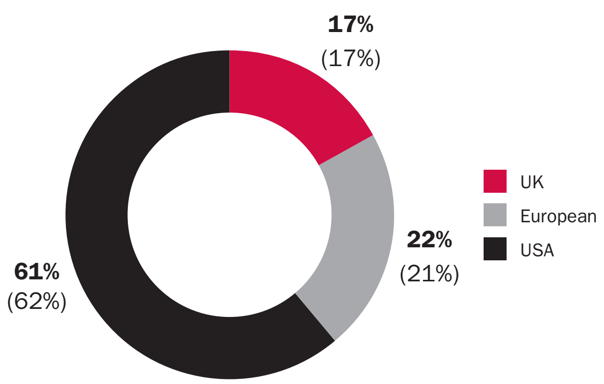
*The Ongoing Charge Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund.

The prices in the above table are different from the published dealing prices that were available for investors on the 28 June. This is to comply with accounting rules that require us to publish the net asset value in this report based on close of day prices. The dealing prices were used in the investment managers review and the factsheet as the fund could only be bought or sold at those prices.

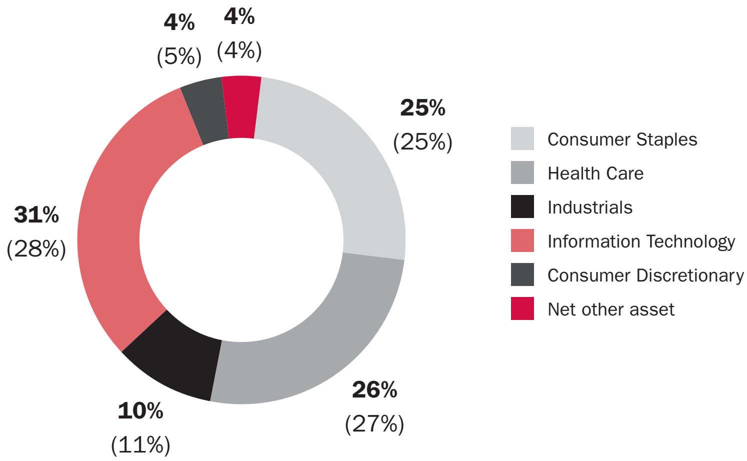
**From inception (1 November 2017) to 31 December 2018.

Information on the fund

Breakdown by geography* as at 30 June 2019



Breakdown by sector as at 30 June 2019



The figures in brackets show comparative figures at 31 December 2018.

Summary of significant changes

For the six months to 30 June 2019		For the six months to 30 June 2018	
Largest purchases	**Cost (£)**	**Largest purchases**	**Cost (£)**
Reckitt Benckiser	5,193,159	Estée Lauder Companies	5,005,467
Amadeus IT	5,033,669	PepsiCo	4,372,570
Visa	3,999,271	Reckitt Benckiser	3,992,091
McCormick	3,998,468	Waters	2,860,289
Waters	3,997,490	3M	2,745,736
Total	**22,222,057**	**Total**	**18,976,153**
Total purchases for the six months	**60,502,335**	**Total purchases for the six months**	**58,136,445**
Largest sales	**Proceeds (£)**	**Largest sales**	**Proceeds (£)**
Colgate-Palmolive	2,446,726	InterContinental Hotels	5,457,432
L'Oréal	194,126	Nestle	4,011,172
–	–	Dr Pepper Snapple	1,456,466
–	–	Johnson & Johnson	705,228
–	–	Reckitt Benckiser	180,039
Total	**2,640,852**	**Total**	**11,810,337**
Total sales for the six months	**2,640,852**	**Total sales for the six months**	**11,810,337**

*Breakdown by geography is by country listing and not reflective of breakdown by operations.

Investment Manager’s review

This is the second half yearly reporting period since the Fundsmith Sustainable Equity Fund (“FSEF”) was launched on 1st November 2017.

The table below shows the performance of the Fund during the first half of 2019 and since inception compared with a number of benchmark indices:

	01.01.19 – 28.06.19 %	Since Inception Cumulative %	Since Inception Annualised %
Fundsmith Sustainable Equity Fund	+22.6	+29.1	+16.7
MSCI World	+17.1	+15.4	+9.0
FTSE100	+13.1	+6.5	+3.9
UK Gilts	+3.1	+5.4	+3.2
Cash	+0.4	+1.2	+0.7

Our Fund outperformed what is perhaps the most obvious comparator – the MSCI World Index – by a bit over 5% during the first half of 2019. It outperformed the FTSE100 Index which is relevant to many of our UK investors by nearly 10%.

The main contributors to our performance in the first half of 2019 were:

TOP FIVE	% Contribution
Estée Lauder	+1.85
Intuit	+1.64
IDEXX Laboratories	+1.56
Microsoft	+1.54
Paypal	+1.50

The top five detractors from our Fund’s performance during the period were:

BOTTOM FIVE	% Contribution
3M	–0.27
Colgate-Palmolive	+0.00
Reckitt Benckiser	+0.31
Amadeus	+0.44
Novo Nordisk	+0.51

We sold our long standing holding in Colgate-Palmolive in January. We have been waiting in vain for a new strategy from the company to revitalise volume growth and we have not been adding to the position as our Fund grew. As we maintain a strict, and we believe valuable, discipline over our number of holdings it was occupying a potentially valuable place and we really faced a decision on whether to add to it or sell out and we decided upon the latter.

Our portfolio turnover for the period was -2.2. This apparently nonsensical number arises because our Fund has been growing as ours has with net inflows which are larger than the amount of securities bought and sold.

Perhaps more meaningful is the question of how much we spent on dealing, which amounted to just £2,769 or 0.001% of FSEF’s Net Asset Value or 0.1 basis points (a basis point or bp or “bip” as it is pronounced being one hundredth of a percent) of the average value of the Fund. Hopefully, this illustrates that we have the same long term, low turnover approach for FSEF which we believe is one of the keys to good investment performance. This compares to 2bps last year so you can see that the broking community should still not be ordering fast cars or yachts based upon our largesse.

The Ongoing Charges Figure of OCF for our Fund was just 15bps over the Annual Management Charge. This is the same number as for the full year 2018 and the first half 2018. If you add the costs of all dealing to this in order to derive the Total Cost of Investment or TCI this rises to 1.12%. This compares to 1.16% for the whole of 2018 and 1.14% for the comparable period last year. We eagerly await the outcome of the consultation which will follow the Financial Conduct Authority’s (“FCA”) recently published Asset Management Market Study because we are confident that the TCI of FSEF will compare favourably with any disclosure of “all-in fees”

Investment Manager's review (continued)

including dealing costs by the remainder of the active asset management industry.

This is an important subject but more heat than light is generated by the discussion of fees. In order to maximise your returns you need to maximise the returns you can attain after the total cost of investment. Investors often seem to focus simply on the AMC or at most the OCF, which includes administrative costs charged to the fund, and work on the basis that minimising that is their primary goal. However, this is only part of the picture of what you pay before you get the benefit of the performance of the shares in your fund. You need to also take into account the costs of dealing as well as any fees paid to any intermediaries. Moreover, some investors focus on the fees but ignore the performance. There is not much point in minimising fees whilst accepting poor performance. I accept that a low fee poorly performing fund is better than one with high fees but that is a bit like saying it's better to be run over by a small car than by a lorry. Whilst it's hard to disagree, but surely it's best to cross the road carefully and avoid getting hit at all.

We are confident that the TCI on FSEF is very competitive partly because we deal so infrequently but we will have to await the outcome of the FCA's consultation in order to demonstrate that.

We monitor many statistics in order to assess the sustainability of our portfolio. As at 30 June they showed the following:

RepRisk Indicators (RRI)	FSEF	S&P 500
Environmental	2.3	4.7
Social	9.2	12.5
Governance	10.3	12.4
Total RRI	**21.9**	**29.6**
1 month RRI Change	+0.5	–0.4
Peak 24 Month RRI	35	42
PepRisk Rating (RRR)	BBB	BB

Innovation	FSEF	S&P 500
R&D as % of sales	5.9%	4.7%
Organic Growth	6.3%	n/a
Capital Impact	0.73	0.36

Environmental	FSEF	S&P 500
Waste (tonnes/£m of FCF)	13.0	3,903
Hazardous waste (tonnes/£m of FCF)	0.5	199
Water (m3/£m of FCF)	3,672	336,561
GHG/C02 emissions (tonnes/£m of FCF)	232	4,362
Energy (MWh/£m FCF)	556	24,710

Social	FSEF	S&P 500
Women Executives	30%	18%
Women Directors	30%	25%

Governance	FSEF	S&P 500
UN Global Compact Signatories	37%	14%
Independent Directors	78%	85%

The sustainability of the companies in the FSEF portfolio on these measures was markedly better than the main index for which we can get comparable data the S&P 500 Index on every count with the sole exception of the percentage of independent directors which was 78% versus 85% for the Index. This arises because some of the companies we invest in have controlling stakes held by founding families or their foundations and the directors they appoint are not regarded as independent. However, this type of shareholding can be a positive influence which enables management of companies to take a genuinely long term view to the benefit of all shareholders so not only are we prepared to live with this but we positively embrace it.

Some of these statistics are not ostensibly monitored by almost all other sustainability funds, namely those which measure fundamental aspects of business sustainability which we label "Innovation" such as:

- R&D as % of sales – how much of sales revenue is spent on product development
- Organic growth – sales revenue growth excluding M&A and FX
- Capital impact-this is a proprietary measure Fundsmith devised which uses the formula of capital expenditure ("capex")/depreciation multiplied by return on capital. Thus, an average company might have capex roughly in line with deprecation so capex/depreciation =1.0 and a return on capital

Investment Manager’s review (continued)

> of some 15% currently, which is why the number for the S&P 500 is 0.15 (1.0x 0.15). As you can see from the FSEF portfolio’s Capital Impact of 0.61, the companies in our portfolio are investing more than the average for the Index and at better rates of return.

We seek to view sustainability in holistic fashion insofar as we see little point in assembling a portfolio of companies which do well in assessments of environmental impact, governance and reputational risk but which are not implementing basic business disciplines to ensure their longevity.

Fund liquidity is a subject which has attracted a lot of attention recently and I thought I should offer some observations about our Fund in an effort to answer any queries you might have. The Fundsmith Sustainable Equity Fund never invests, nor will it ever invest, in unquoted companies. Nor does it own any small or mid cap companies. The smallest companies from a market value perspective that the Fundsmith Sustainable Equity Fund invests in are all members of the FTSE 100 Index and the average market capitalisation of our portfolio companies at the end of June was £106.5bn. We have published a liquidity measure on our monthly factsheet since inception, as we have always regarded this as an important subject, and at the end of June it showed that we could liquidate 100% of our Fund in 7 days (based on trading 30% of the trailing 20 day average volume). It is hard to conceive of an equity fund which could be significantly more liquid.

Terry Smith
Fundsmith LLP
28 August 2019

Further information

Reports and accounts

Each year, we will publish on our website (www.fundsmith.green) annual and semi-annual reports discussing investment activity during the period and providing management commentary.

UCITS IV

The Fund is an Undertaking for Collective Investment in Transferable Securities ("UCITS IV") for the purpose of the Council Directives 2001/107/EC ("the Management Directive") and 2001/108/EC ("the Product Directive").

Prospectus

The Fund Prospectus, an important document describing Fundsmith Sustainable Equity Fund in detail, is available from the ACD, which is responsible for the management and administration of the Funds.

Also available are the Key Investor Information Document (KIID) and the Supplementary Information Documents (SID).

The ACD for Fundsmith Sustainable Equity Fund is Fundsmith LLP located at 33 Cavendish Square, London W1G 0PW. All documents are available on the website.

Minimum investment

The company has one type of share class:

I shares.

The I share class has been used as the representative share class.

There are two types of share available – Income shares or Accumulation shares.

Minimum lump sum investment level	£5,000,000
Minimum top-up investment amount	£5,000
Minimum holding level	£5,000,000

Publication of prices

The prices of Shares are published daily on the ACD's website at www.fundsmith.green. Shareholders can also obtain the current price of their Shares by calling the ACD on 0330 123 1815.

Dealing Charges

There are no dealing charges on the purchase, sale or switching of shares.

Dilution Adjustment

The ACD may impose a dilution adjustment to the share price. The dilution adjustment aims to mitigate the costs to the Company of making investments (when additional cash is available following new investment into the Company) or selling investments in order to meet redemption requests.

Further information regarding the circumstances in which a dilution adjustment may be applied is set out in the full Prospectus.

Fundsmith

Contact details

Dealing and enquiries

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FCA Registration Number 784191

Authorised Corporate Director

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Depositary

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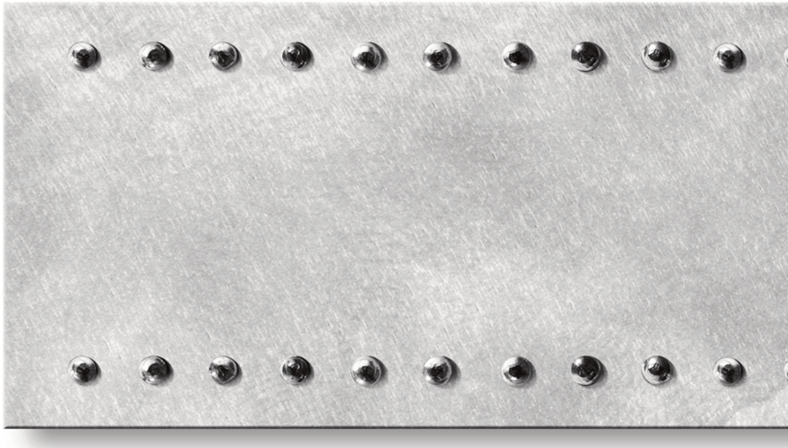

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