



Fundsmith Equity Fund
Short Form Report

For the six months ended 30 June 2013



Fundsmith



Profile of the fund

Investment objective and policy

The aim of 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 ACD, as investment manager, adheres to in selecting securities for the Fund's investment portfolio. These criteria aim to ensure that the Fund invests in businesses:

- 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.

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 which the ACD reviews in the light of the fund 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 investment criteria adopted by the Fund significantly limits the number of potential investments. 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.

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

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The risk category reflects the significance of the Fund's share price fluctuations based on historical data. 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 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.

Net asset value and Ongoing Charges Figure (“OCF”) as at 30 June 2013

	30.06.13	31.12.12	31.12.11
T Class (Accumulation shares)			
Total net asset value (£)	398,133,619	223,274,660	110,094,759
Net asset value per share (p)	157.27	129.38	114.98
Number of shares in issue	253,156,562	172,576,129	95,752,314
Performance since launch*	57.3%	29.4%	15.0%
OCF**	1.10%	1.16%	1.20%
T Class (Income shares)			
Total net asset value (£)	49,362,599	29,041,516	14,883,839
Net asset value per share (p)	151.96	126.05	113.52
Number of shares in issue	32,484,126	23,039,399	13,110,685
Performance since launch*	53.3%	29.1%	14.0%
OCF**	1.10%	1.16%	1.20%
R Class (Accumulation shares)			
Total net asset value (£)	92,424,472	51,449,415	10,178,969
Net asset value per share (p)	155.21	128.00	114.32
Number of shares in issue	59,548,995	40,195,474	8,903,889
Performance since launch*	55.2%	28.0%	14.4%
OCF**	1.60%	1.66%	1.69%
R Class (Income shares)			
Total net asset value (£)	47,034,844	37,292,451	7,992,264
Net asset value per share (p)	151.87	125.99	113.46
Number of shares in issue	30,969,493	29,598,928	7,044,357
Performance since launch*	52.8%	27.9%	13.7%
OCF**	1.60%	1.66%	1.69%
I Class Net (Accumulation shares)			
Total net asset value (£)	208,080,687	105,178,125	26,625,935
Net asset value per share (p)	157.67	129.64	115.09
Number of shares in issue	131,973,160	81,129,440	23,133,905
Performance since launch*	57.7%	29.7%	15.1%
OCF**	1.00%	1.06%	1.10%
I Class Net (Income shares)			
Total net asset value (£)	689,938,278	390,117,192	61,173,345
Net asset value per share (p)	151.95	126.05	113.51
Number of shares in issue	454,041,924	309,504,398	53,891,499
Performance since launch*	53.3%	29.4%	14.0%
OCF**	1.00%	1.05%	1.10%

*The Fund launched on 1 November 2010; therefore, five-year performance data is not available.

The performance is quoted, net of costs, for the period from launch on 1 November 2010 to 30 June 2013.

**The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund. With effect from 1 July 2012, UCITS Funds are required to prepare and disclose an OCF.

Changes have been implemented in accordance with FCA Collective Investment Schemes Sourcebook and the additional guidance provided for in the Statement of Recommended Practice for Authorised Funds issued by the IMA in July 2011. The objective of this change was to ensure a harmonised approach to the calculation of the OCF by all UCITS Funds. This has replaced the Total Expense Ratio (TER) as previously required and disclosed per the regulations.

As prior period figures have not been calculated the TER will be retained as a comparative figure. The main implications of this change are the inclusion of transaction costs and exclusion of performance fees within the calculation.

For the Fundsmith Equity Fund, the TER and the OCF for 2012 would be the same figure to two decimal places and therefore using last year's TER remains comparable.

Price and revenue records (unaudited)

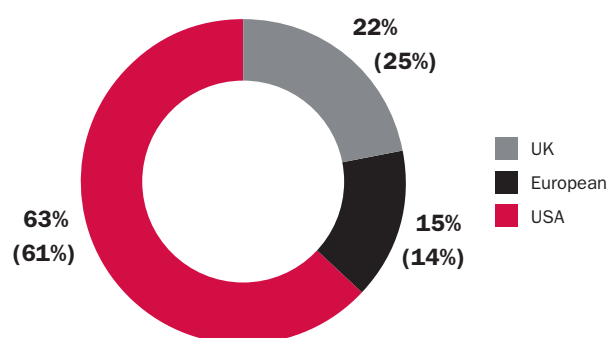
Calendar year all figures in pence (unless otherwise stated)	2013 (up to 30 June)	2012	2011	2010 (from 30 November)
T Class (Accumulation shares)				
Accumulation share high	163.42	131.98	115.47	107.52
Accumulation share low	130.17	114.73	100.47	98.98
Net revenue per accumulation share	1.3036*	1.6888	1.4651	-
T Class (Income shares)				
Income share high	159.22	129.23	114.51	107.52
Income share low	126.82	113.31	99.64	98.99
Net revenue per income share	1.2700*	1.6728	1.4261	-
R Class (Accumulation shares)				
Accumulation share high	161.35	130.61	115.10	107.46
Accumulation share low	128.78	114.06	100.12	98.97
Net revenue per accumulation share	0.9207*	1.0828	0.8637	-
R Class (Income shares)				
Income share high	158.82	128.87	114.44	107.45
Income share low	126.76	113.27	99.54	98.97
Net revenue per income share	0.9003*	1.0706	0.8860	-
I Class Net (Accumulation shares)				
Accumulation share high	163.82	132.24	115.54	107.53
Accumulation share low	130.43	114.84	100.55	98.99
Net revenue per accumulation share	1.3853*	1.8284	1.5930	-
I Class Net (Income shares)				
Income share high	159.28	129.28	114.49	107.53
Income share low	146.49	113.32	99.63	98.98
Net revenue per income share	1.3432*	1.8175	1.5621	-

* Includes dividend declared on 30 June 2013 and payable 31 August 2013

The performance is quoted net of costs

Information on the fund

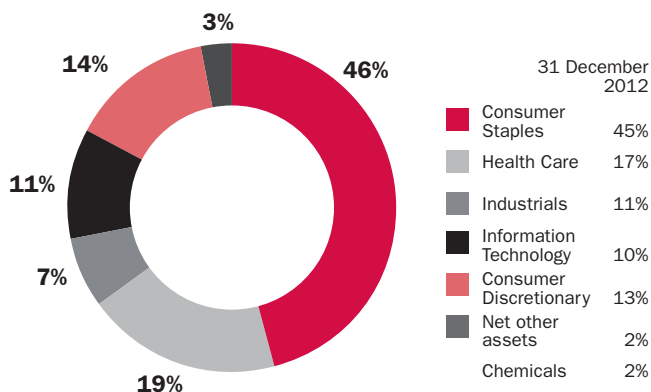
Breakdown by geography* as at 30 June 2013



The figures in brackets show comparative figures at 31 December 2012.

* The geographical breakdown is shown by the companies' country of listing, not by where the companies' operate. We invest in companies that operate globally, or at least across a significant number of countries, and the split by revenue will differ from this.

Breakdown by sector as at 30 June 2013



Summary of significant changes

For the six months 1 January to 30 June 2013		For the six months 1 January to 30 June 2013	
Largest purchases	Cost (£)	Largest sales	Proceeds (£)
Swedish Match	38,653,189	Sigma Aldrich	25,628,853
Dr Pepper Snapple	31,789,028	Serco	14,970,381
Imperial Tobacco	29,358,622	Schindler	13,617,235
Stryker	28,752,563		
Nestle	25,689,986		
Total	154,243,388	Total	54,216,469
Total purchases for the six months	292,841,553	Total sales for the six months	54,216,469
	(2012: £197,743,861)		(2012: nil)

Top 10 Holdings			
30 June 2013		31 December 2012	
	(%)		(%)
Domino's Pizza	5.77	Dr Pepper Snapple	5.60
Stryker	5.75	Reckitt Benckiser	5.60
Dr Pepper Snapple	5.72	Stryker	5.28
Microsoft	5.35	Imperial Tobacco	5.24
Reckitt Benckiser	5.17	Domino's Pizza	5.18
Imperial Tobacco	4.84	Automatic Data Processing	4.91
Becton Dickinson and Company	4.76	Intercontinental Hotels	4.84
Swedish Match	4.50	Becton Dickinson and Company	4.82
Procter & Gamble	4.45	Microsoft	4.79
Automatic Data Processing	4.29	Unilever	4.57

Investment Manager's review

**01.01.13 to
30.06.13**

Performance

Fundsmith Equity Fund	+21.5%
MSCI WORLD £	+16.4%
MSCI EAFE £	+11.8%
FTSE 100	+7.9%
UK Long Gilt (UK TSY 4% 2022)	-3.66%

Statistics

Portfolio Turnover	0.19%
Ongoing Charges Figure ("OCF") T Acc	1.10%
Total Cost of Investment ("TCI") (including all charges in the OCF plus Dealing Costs)	1.22%

Once again, we consider the performance of The Fundsmith Equity Fund during the half year as satisfactory. The table shows the performance of the T Class Accumulation units and compares that with the MSCI World Index in Sterling with dividends reinvested, the EAFE (Europe Australia and Far East i.e. excluding the USA and Canada) version of that Index, the FTSE 100 Index and the UK Long Gilt.

The Fund outperformed all of these benchmarks. As we have expressed before, you (and we) may find this a little surprising given that this was a bullish period for equity markets and our portfolio companies are what would be labeled as "defensive" and we do not own any of the sectors which are likely to be at the forefront of a so-called "Dash for trash".

I would attribute this to two factors: a) unlike many other active managers we do not attempt so-called "market timing". That is to say, we do not seek to invest money at what we perceive as market lows, or take it out at perceived highs. Our Fund is always fully invested. I suspect this is not the case for many active fund managers and it helps to sustain our performance in rising markets; and b) there has been a growing fashion for investing in the type of large, well established companies whose business consists of selling or supplying goods and services which are characterized by small ticket, repeat, relatively predictable everyday events which we seek. This is a less welcome development as it means that an increasing proportion of our Fund's performance has been delivered by rising valuations of those stocks rather than growth in their revenues, profits and cash flows. Whilst such increases in valuation may seem like cause for celebration it is not always so as we intend to be long term or even indefinite investors and such valuation changes are certainly finite

and maybe even temporary. But equally there is also no certainty that such increases in valuations may not go further. Fortunately seeking to profit from short term valuation anomalies or changes is not really part of our strategy.

For the six months of the year, the top five contributors to the Fund's performance were:

- Domino's Pizza Inc
- Microsoft Corp
- Becton Dickinson And Co
- Stryker Corp
- Automatic Data Processing

The bottom five were:

- Imperial Tobacco Group Plc
- Serco Group Plc
- Schindler Holding Part Cert
- Diageo Plc
- Nestle SA Reg

Although it is worth noting that of these bottom five contributors only one (Imperial) had a negative absolute impact on performance and that amount was -0.01%.

Minimising portfolio turnover is one of our objectives and this was again achieved with turnover of 0.19% during the period. Why is this important? It helps to minimise costs. Minimising the costs of investment is a vital contribution to achieving a satisfactory outcome as an investor. But too often investors, commentators and advisers focus on the Annual Management Charge ("AMC") or the Ongoing Charges Figure ("OCF") which was previously known

Investment Manager's review (continued)

as the Total Expense Ratio ("TER") and which includes some costs other than the AMC which are charged to the fund. The trouble is that the TER was a wholly inaccurate descriptive term (and the OCF is the same) since it did not include an important element of costs – the costs of dealing. When a fund manager deals by buying or selling investments for a fund, the fund typically incurs commissions paid to a broker, the bid – offer spread on the stocks dealt in and in some cases Stamp Duty. This can add significantly to the costs of a fund yet it is not included in the OCF just as it was not included in the TER.

I find that investors are often confused by this and in my view do not pay enough attention to it. The fact is that as an investor you can only receive benefit in terms of wealth created from the price appreciation of shares in your fund and dividends which they pay, and costs of dealing detract from those returns and therefore need to be taken into account when you are comparing funds.

We have published our own version of this total cost including dealing costs which we have termed the Total Cost of Investment or TCI. After all, you have to have a three letter acronym ("TLA") to be taken seriously. For the first half of 2013 this amounted to 1.22% based upon an AMC of 1%. As a result of the Investment Management Association's campaign for fuller disclosure I am hopeful that we will eventually get such disclosure from many more funds so that investors can make a well informed comparison between funds. When they are able to do so, I also hope and expect that The Fundsmith Equity Fund will compare favourably.

Although our turnover was once again very low in the first half of 2013, we did in fact sell three holdings: Schindler, Serco and Sigma-Aldrich. There seems an inherent contradiction between the fact that we sold three holdings yet our turnover was just 0.19%. Part of the explanation is that these holdings had already diminished as a proportion of our portfolio because we were struggling to add to them as their valuations had become too high to represent good value in our view. Once this point is reached, it begs the obvious question as to whether we should in fact sell our holding to make way for an investment which offers better value, either within our existing portfolio stocks or from within our wider Investable Universe of stocks on which we maintain research.

Having said that, there were also individual reasons for sale in each case, although you might be forgiven for thinking we had just chosen portfolio stocks which begin with the letter S. Schindler

had simply become too expensive for us to add to our holding and we were able to retain an exposure to the attractive elevator & escalator sector via Kone.

Serco has undertaken a significant acquisition of an Indian-based business process outsourcing ("BPO") business. This changed its cash flow generation and capital intensity in a way which was adverse. Serco's outsourcing business has been dominated by government outsourcing contracts whereas the BPO business services the private sector. It may not surprise you to hear that the private sector is a much slower payer than government, presumably because governments are paying with our money, hence the adverse change in Serco's cash flow characteristics.

Sigma-Aldrich is a company based in the US Mid West which supplies chemicals and equipment to researchers and manufacturers in the life sciences and high tech industries and R&D. It supplies a large number of items in small ticket sizes to a large number of purchasers, and so fitted our investment profile, not least because it also has an excellent record in terms of return on capital and cash conversion (turning profits into cash in plain English). However, it was recently revealed that Sigma-Aldrich had attempted to acquire Life Technologies, a company which is much larger in every sense-revenues and market valuation. This worried us a lot. With our low portfolio turnover we are in effect leaving the allocation of capital generated by the wonderful returns earned by our portfolio companies to the management of those companies. When one of them looks likely to take a business with good, predictable returns and do something exciting and risky, we have a strong impulse to run away.

We have recently started buying shares in a medical equipment company and a transaction processing company, details of which will be revealed if we manage to accumulate a meaningful stake.

Terry Smith
Fundsmith LLP
15 August 2013

Further information

Report and accounts

Each year, you will be automatically sent Annual and Interim short reports discussing investment activity during the period and providing management commentary.

The long report will be available, free of charge, upon request from the ACD.

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 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 Document (SID). The ACD for Fundsmith Equity Fund is Fundsmith LLP located at 33 Cavendish Square, London W1G 0PW.

Minimum investment

The company has three different types of share classes:

I shares, R shares and T shares.

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

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

The following table summarises the investment levels for T shares.

Minimum lump sum investment level	£1,000
Minimum monthly sum investment level	£100
Minimum subsequent investment amount	£250
Minimum holding level	£1,000

Publication of prices

The most recent share prices will be published daily in the Daily Telegraph or Financial Times. Shareholders can also obtain the current price of their shares by calling the ACD on 0330 123 1815*, during the ACD’s normal business hours, or online on the ACD’s website at www.fundsmith.co.uk.

Dealing Charges

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

Stamp Duty Reserve Tax (“SDRT”)

The ACD may, in certain circumstances, levy an SDRT charge on the redemption or transfer of shares. The SDRT charge will be paid into the Fund. This charge is paid for directly by the investor and will be deducted from the redemption proceeds before being paid to the investor. Full details of when SDRT would be applied are set out in the Prospectus.

Dilution Adjustment

The ACD may impose a dilution adjustment to the share price. The dilution adjustment aims to mitigate the costs to the Fund of making investments (when additional cash is available following new investment into the Fund) 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.

Accounting Dates

	Period end	Distribution payment
Interim	30 June	31 August
Annual	31 December	28 February

* Please note telephone calls may be recorded for monitoring and training purposes, and to confirm investors’ instructions.

Contact details

Dealing and enquiries

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website: www.fundsmith.co.uk

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FCA Registration Number IC000846

Authorised Corporate Director

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Authorised and regulated by The Financial Conduct Authority.
FCA Registration Number 523102

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E14 5HJ
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Depository

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United Kingdom

Authorised and regulated by The Financial Conduct Authority.
FCA Registration Number 186237

Independent auditor

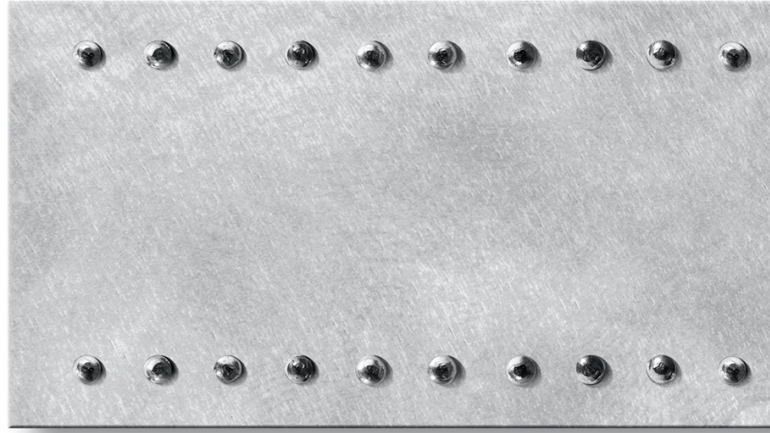
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