

Fundsmith LLP33 Cavendish Square
London
W1G 0PWT +44 (0)20 3551 6337
E enquiries@fundsmith.co.uk
W www.fundsmith.co.uk

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Dear Fellow Investor,

The table below shows the performance of the Fundsmith Equity Fund ('Fund') during the first half of 2021 and since inception and other comparators:

% Total Return	1 st Jan to 30 th June 2021	Inception to 30 th June 2021	
		Cumulative	Annualised
Fundsmith Equity Fund ¹	+13.1	+521.2	+18.7
Equities ²	+11.9	+252.2	+12.5
UK Bonds ³	-3.2	+42.7	+3.4
Cash ⁴	+0.0	+6.3	+0.6

The Fund is not managed with reference to any benchmark. Above are a number of comparisons of performance.

¹T class accumulation shares, net of fees priced at midday UK time, source: Bloomberg.

²MSCI World Index (£ Net) priced at close of business US time, source: www.msci.com.

³Bloomberg/Barclays Bond Indices UK Govt 5-10 yr., source: Bloomberg.

⁴£ Interest Rate, source: Bloomberg.

Our Fund outperformed what is perhaps the most obvious comparator – the MSCI World Index – by a bit over 1% during the first half of 2021. It outperformed the FTSE100 Index which is relevant to many of our UK investors by over 2%.

If you have been reading what investment commentators have been saying during this period you might be rather surprised that our Fund has fared so well. You might even be surprised that we are still here. Since markets started to sense an end to the economic disruption caused by the lockdowns in the final quarter of 2020 there has been a so-called 'rotation' from quality stocks, of the sort we own, into so-called value stocks and those expected to recover as the lockdowns end. In such a situation our Fund is always likely to underperform for a period, after all the companies we invest in mostly have little or nothing to recover from.

However, this inevitable blip was accompanied by lurid headlines and articles which seemed to suggest that we were in imminent danger of extinction:

'Fundsmith Equity sees run of outflows as growth stocks slide'
Citywire 19th May 2021

Followed a week later by:

'Investors 'begin to drop' star stock picker Terry Smith as £360m flows out of UK's largest fund'
City A.M. 26th May 2021

I realise that some commentators do not want the facts to get in the way of a good story but our performance versus the 'value' stocks and Covid recovery plays tells its own story.

	Covid Drawdown¹	Covid Recovery²	Pre-Covid High to 30th June 2021
Fundsmith Equity Fund	-21%	59%	25%
S&P 500 Value Index	-37%	79%	12%
FTSE 100 index	-35%	41%	-8%
American Airlines	-70%	135%	-30%
BP	-62%	63%	-38%
Carnival Cruises	-84%	175%	-55%
Exxon	-56%	101%	-11%
JP Morgan	-44%	97%	10%
Lloyds Bank	-62%	95%	-27%
Ryanair	-49%	95%	-1%

Note:

¹Fall from 2020 high to Covid low.

²Increase from Covid low until 30th June 2021.

Source: Bloomberg.

You could have made some good gains by buying the value or recovery stocks at or close to the bottom, although of course this depends on getting your timing right, but if you ran the value/recovery stocks across the period of the downturn and recovery, they would still have significantly underperformed our portfolio.

There are several lessons to be learnt from this, not the least of which is that no amount of recovery or low valuation will turn a poor business into a good one and quality is the main determinant of long term performance.

Moreover, neither have we seen the kind of outflows which the headlines might lead you to imagine. Net outflows of £130m for the

half year were somewhat dwarfed by the £3 billion rise in the value of the Fund.

However, I am not expecting these facts to produce a change of heart amongst some commentators. As I believe former German Chancellor Helmut Kohl said, 'Nothing so disappoints deserting rats as a ship which refuses to sink'.

Returning to the more important subject of our performance, the main contributors in the first half of 2021 were:

PayPal	+1.8%
Microsoft	+1.5%
IDEXX	+1.4%
Facebook	+1.2%
Intuit	+1.2%

All of these have featured in our previous tables of Top Five contributors. So much for the idea of taking profits. I suppose a theme which connects at least four of these companies is the growth of everything digital.

The bottom five detractors from our Fund's performance during the period were:

McCormick	-0.4%
Amadeus	-0.2%
Brown Forman	-0.1%
Unilever	-0.1%
Pepsico	0.0%

There isn't much of a theme connecting the detractors. Amadeus continues to suffer unsurprisingly as an airline reservation company and Brown Forman has been affected by the loss of travel retail and on-premise drinking. The comedown from 'pantry loading' in 2020 may also explain the performance of the consumer staples.

Our portfolio turnover was -2.69%. Voluntary dealing (dealing not caused by redemptions or subscriptions) cost £1,267,018 during the half year (0.005% or 0.5bps). The Ongoing Charges Figure was 1.05% and with the cost of dealing added, the Total Cost of Investment was 1.06%.

This time last year I wrote this:

We face an uncertain outlook given recent events, but 'twas ever thus. We have no crystal ball unlike the commentators who tell us that the recovery from the pandemic and resulting closure of economic

activities deemed non-essential will be shaped like a V, a U, a W, a bathtub or the Nike swoosh (I'm not making this up). No one knows- as the economist J K Galbraith said, 'The only function of economic forecasting is to make astrology look respectable'. However, what we know is that we have assembled a portfolio of high quality companies which have to date proven to be resilient. If you are a long term investor that is the most certain determinant of your future returns.

I am not sure I have anything to add.

Yours sincerely,

A handwritten signature in cursive script that reads "Terry Smith".

Terry Smith
CEO
Fundsmith LLP

Disclaimer: A Key Investor Information Document and an English language prospectus for the Fundsmith Equity Fund are available via the Fundsmith website or on request and investors should consult these documents before purchasing shares in the fund. Past performance is not necessarily a guide to future performance. The value of investments and the income from them may fall as well as rise and be affected by changes in exchange rates, and you may not get back the amount of your original investment. Fundsmith LLP does not offer investment advice or make any recommendations regarding the suitability of its product. This document is communicated by Fundsmith LLP which is authorised and regulated by the Financial Conduct Authority.

Sources: Fundsmith LLP & Bloomberg unless otherwise stated.

Portfolio turnover has been calculated in accordance with the methodology laid down by the FCA. This compares the total share purchases and sales less total creations and liquidations with the average net asset value of the fund.

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The MSCI World Index is a generic portfolio of global equities across all sectors and, as such, is a fair comparison given the Fund is also global and sector agnostic.