



Fundsmith Equity Fund
Short Form Report

For the six months ended 30 June 2020 (unaudited)



Profile of the fund

Investment objective and policy

The aim of Fundsmith 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:

- 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 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 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.

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
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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. Your initial investment is not guaranteed.

Generally, the higher the risk category, the greater the potential for higher returns but also the higher the risk of losing money. This fund is ranked at 5 because funds of this type have experienced medium to high rises and falls in value in the past. 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 2020

Change in net assets per share	Share Class T – Accumulation			
	30.06.20 (p)	31.12.19 (p)	31.12.18 (p)	31.12.17 (p)
Opening net asset value per share	464.49	371.46	360.93	294.75
Return before operating charges	37.55	97.68	14.51	69.71
Operating charges	(2.44)	(4.65)	(3.98)	(3.53)
Return after operating charges	35.11	93.03	10.53	66.18
Distributions	(1.30)	(2.81)	(2.28)	(2.01)
Retained distributions on accumulation shares	1.30	2.81	2.28	2.01
Closing net asset value per share	499.60	464.49	371.46	360.93
After direct transaction costs of:	0.04	0.06	0.16	0.12
Performance				
Return after operating charges	7.56%	25.04%	2.92%	22.45%
Other information				
	£	£	£	£
Closing net asset value	3,169,309,795	3,092,139,869	2,303,460,161	1,995,229,262
Closing number of shares	634,374,569	665,708,093	620,116,294	552,805,417
Ongoing charge figure*	1.05%	1.05%	1.05%	1.05%
Direct transaction costs	0.02%	0.01%	0.04%	0.04%
Prices				
	(p)	(p)	(p)	(p)
Highest share price	506.95	487.25	412.58	364.77
Lowest share price	391.87	364.87	338.79	293.66

Change in net assets per share	Share Class T – Income			
	30.06.20 (p)	31.12.19 (p)	31.12.18 (p)	31.12.17 (p)
Opening net asset value per share	426.07	342.82	335.10	275.28
Return before operating charges	34.45	90.11	13.53	64.98
Operating charges	(2.24)	(4.27)	(3.69)	(3.29)
Return after operating charges	32.21	85.84	9.84	61.69
Distributions	(1.19)	(2.59)	(2.12)	(1.87)
Retained distributions on accumulation shares	-	-	-	-
Closing net asset value per share	457.09	426.07	342.82	335.10
After direct transaction costs of:	0.04	0.06	0.15	0.11
Performance				
Return after operating charges	7.56%	25.04%	2.94%	22.41%
Other information				
	£	£	£	£
Closing net asset value	241,774,946	233,484,538	178,131,608	169,761,429
Closing number of shares	52,894,626	54,799,379	51,960,169	50,659,894
Ongoing charge figure*	1.05%	1.05%	1.05%	1.05%
Direct transaction costs	0.02%	0.01%	0.04%	0.04%
Prices				
	(p)	(p)	(p)	(p)
Highest share price	465.02	447.54	381.27	338.89
Lowest share price	359.47	336.75	314.55	274.26

*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 30 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 manager's review and the factsheet as the fund could only be bought or sold at those prices.

Performance Record (continued)

As at 30 June 2020

Change in net assets per share	30.06.20 (p)	Share Class R – Accumulation		
		31.12.19 (p)	31.12.18 (p)	31.12.17 (p)
Opening net asset value per share	443.67	356.61	348.24	285.82
Return before operating charges	35.79	93.63	14.03	67.46
Operating charges	(3.44)	(6.57)	(5.66)	(5.04)
Return after operating charges	32.35	87.06	8.37	62.42
Distributions	(0.13)	(1.12)	(0.88)	(0.93)
Retained distributions on accumulation shares	0.13	1.12	0.88	0.93
Closing net asset value per share	476.02	443.67	356.61	348.24
After direct transaction costs of:	0.04	0.06	0.15	0.12
Performance				
Return after operating charges	7.29%	24.41%	2.40%	21.84%
Other information				
	£	£	£	£
Closing net asset value	377,005,843	356,739,479	260,349,983	214,534,477
Closing number of shares	79,200,369	80,406,670	73,006,152	61,605,186
Ongoing charge figure*	1.55%	1.55%	1.55%	1.55%
Direct transaction costs	0.02%	0.01%	0.04%	0.04%
Prices				
	(p)	(p)	(p)	(p)
Highest share price	483.09	466.39	396.77	352.00
Lowest share price	373.92	350.28	326.50	284.62

Change in net assets per share	30.06.20 (p)	Share Class R – Income		
		31.12.19 (p)	31.12.18 (p)	31.12.17 (p)
Opening net asset value per share	423.43	341.21	333.98	274.90
Return before operating charges	34.15	89.57	13.44	64.80
Operating charges	(3.27)	(6.28)	(5.38)	(4.83)
Return after operating charges	30.88	83.29	8.06	59.97
Distributions	(0.12)	(1.07)	(0.83)	(0.89)
Retained distributions on accumulation shares	-	-	-	-
Closing net asset value per share	454.19	423.43	341.21	333.98
After direct transaction costs of:	0.04	0.06	0.15	0.11
Performance				
Return after operating charges	7.29%	24.41%	2.41%	21.82%
Other information				
	£	£	£	£
Closing net asset value	21,614,844	19,830,762	17,692,621	21,617,959
Closing number of shares	4,758,986	4,683,340	5,185,301	6,472,856
Ongoing charge figure*	1.55%	1.55%	1.55%	1.55%
Direct transaction costs	0.02%	0.01%	0.04%	0.04%
Prices				
	(p)	(p)	(p)	(p)
Highest share price	461.06	445.13	379.62	337.59
Lowest share price	356.87	335.14	313.13	273.75

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Performance Record (continued)

As at 30 June 2020

Change in net assets per share	30.06.20	Share Class I – Accumulation		
		31.12.19	31.12.18	31.12.17
	(p)	(p)	(p)	(p)
Opening net asset value per share	468.75	374.49	363.51	296.56
Return before operating charges	37.91	98.50	14.61	70.17
Operating charges	(2.23)	(4.24)	(3.63)	(3.22)
Return after operating charges	35.68	94.26	10.98	66.95
Distributions	(1.55)	(3.28)	(2.68)	(2.36)
Retained distributions on accumulation shares	1.55	3.28	2.68	2.36
Closing net asset value per share	504.43	468.75	374.49	363.51
After direct transaction costs of:	0.04	0.06	0.16	0.12
Performance				
Return after operating charges	7.61%	25.17%	3.02%	22.58%
Other information				
	£	£	£	£
Closing net asset value	11,724,684,111	10,695,659,299	7,750,488,126	6,420,742,471
Closing number of shares	2,324,353,402	2,281,756,847	2,069,631,156	1,766,325,585
Ongoing charge figure*	0.95%	0.95%	0.95%	0.95%
Direct transaction costs	0.02%	0.01%	0.04%	0.04%
Prices				
	(p)	(p)	(p)	(p)
Highest share price	511.83	491.51	415.80	367.36
Lowest share price	395.55	367.85	341.30	295.49

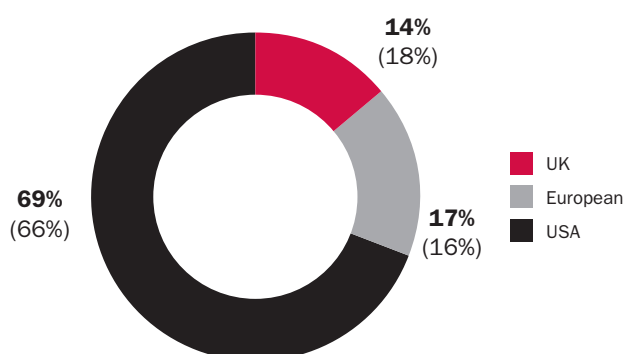
Change in net assets per share	30.06.20	Share Class I – Income		
		31.12.19	31.12.18	31.12.17
	(p)	(p)	(p)	(p)
Opening net asset value per share	426.14	342.87	335.15	275.31
Return before operating charges	34.49	90.07	13.53	65.01
Operating charges	(2.03)	(3.82)	(3.34)	(2.98)
Return after operating charges	32.46	86.25	10.19	62.03
Distributions	(1.41)	(2.98)	(2.47)	(2.19)
Retained distributions on accumulation shares	-	-	-	-
Closing net asset value per share	457.19	426.14	342.87	335.15
After direct transaction costs of:	0.04	0.05	0.15	0.11
Performance				
Return after operating charges	7.62%	25.16%	3.04%	22.53%
Other information				
	£	£	£	£
Closing net asset value	4,735,988,491	4,433,567,455	5,347,487,079	4,589,257,018
Closing number of shares	1,035,898,471	1,040,390,315	1,559,619,238	1,369,311,709
Ongoing charge figure*	0.95%	0.95%	0.95%	0.95%
Direct transaction costs	0.02%	0.01%	0.04%	0.04%
Prices				
	(p)	(p)	(p)	(p)
Highest share price	465.33	447.65	381.40	339.10
Lowest share price	359.61	336.80	314.67	274.32

*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.

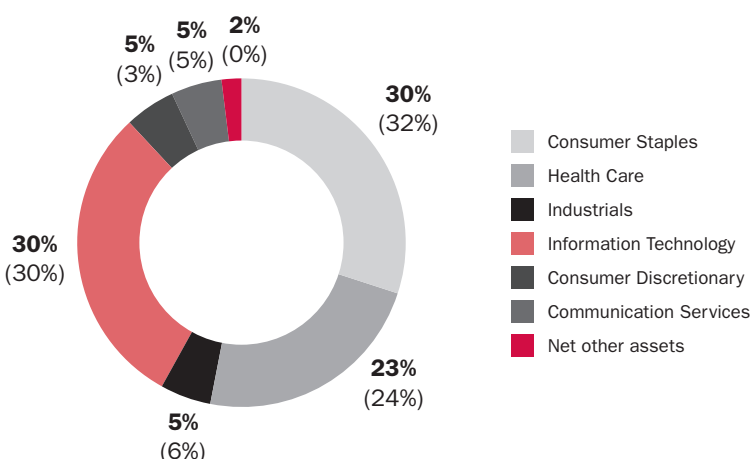
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Information on the fund

**Breakdown by geography*
as at 30 June 2020**



**Breakdown by sector
as at 30 June 2020**



The figures in brackets show comparative figures at 31 December 2019.

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

Summary of significant changes

For the six months to 30 June 2020		For the six months to 30 June 2019	
Largest purchases	Cost (£)	Largest purchases	Cost (£)
Nike	335,774,969	McCormick	384,407,076
Starbucks	294,735,466	Philip Morris International	123,364,060
Philip Morris International	125,582,797	Reckitt Benckiser	71,837,630
Clorox	82,108,169	Sage	51,154,391
Johnson & Johnson	80,296,206	L'Oréal	48,186,130
Total	918,497,607	Total	678,949,287
Total purchases for the six months	1,312,593,820	Total purchases for the six months	985,136,971
Largest sales	Proceeds (£)	Largest sales	Proceeds (£)
Clorox	261,644,252	Colgate-Palmolive	74,387,143
PayPal	235,340,311	InterContinental Hotels	29
Waters	149,858,250	-	-
Reckitt Benckiser	147,832,023	-	-
Intuit	64,712,861	-	-
Total	859,387,697	Total	74,387,172
Total sales for the six months	1,479,315,452	Total sales for the six months	74,387,172

Investment Manager's review

The table below shows the performance of the Fund during the first half of 2020 and since inception and other comparators:

	01.01.20 –	Since inception	
	30.06.20	Cumulative	Annualised
	%	%	%
Fundsmith Equity Fund	+7.6	+399.7	+18.1
MSCI WORLD	+1.0	+183.2	+11.4
FTSE100	-16.9	+57.3	+4.8
UK GILTS	+4.5	+47.3	+4.1
CASH	+0.3	+6.3	+0.6

Our Fund outperformed what is perhaps the most obvious comparator – the MSCI World Index - by over 6% during the first half of 2020. It outperformed the FTSE100 Index which is relevant to many of our UK investors by over 24%.

This was obviously a tumultuous period in the world economy and stock markets and we are pleased that our Fund performed in the way we would have hoped and expected in such conditions.

The main contributors to our performance in the first half of 2020:

TOP FIVE	Contribution %
PayPal	+3.14
Microsoft	+2.48
IDEXX Laboratories	+1.32
Novo Nordisk	+0.99
Coloplast	+0.90

PayPal and Microsoft both find themselves in ideal positions to benefit from the digital transformation which the pandemic has accelerated.

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

BOTTOM FIVE	Contribution %
Amadeus	-1.58
Intercontinental Hotels	-1.03
Waters	-0.72
Philip Morris	-0.46
Diageo	-0.36

Our dialogue with the management of Amadeus and InterContinental Hotels suggests that both are correctly focused on survival in a position to continue operating for 18 months to two years even if there is no improvement in the travel and hospitality industry. Moreover, they believe that their market positions may be strengthened by these events.

We sold our position in Clorox, the US consumer goods company which largely operates in the household cleaning products segment. This was unusual for us as we had only purchased the shares in 2019 but the rise in demand for disinfectant products produced such a strong share price performance that we thought this presented an opportunity to switch our investment into two other companies which we wished to own and whose share prices had been significantly reduced by events - Nike and Starbucks. They are the world's leading sportswear brand and coffee retailer. We believe that both have better growth prospects than Clorox and are likely to emerge from the pandemic with strengthened market positions.

Our portfolio turnover was 1.6%. Voluntary dealing (dealing not caused by redemptions of subscriptions) cost £1,857,335 during the half year (0.01% or 1bps). The Ongoing Charges Figure was 1.05% and with the cost of dealing added, the Total Cost of Investment was 1.07%.

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.

Terry Smith
Fundsmith LLP
 28 August 2020

Further information

Reports and accounts

Each year, we will publish on our website (www.fundsmith.co.uk) 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 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 Equity Fund is Fundsmith LLP located at 33 Cavendish Square, London W1G 0PW. All documents are available on the website.

Minimum investment

The Fund 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 regular sum investment level	£100
Minimum top-up investment amount	£250
Minimum holding level	£1,000

Publication of prices

The prices of Shares are published daily on the ACD’s website at www.fundsmith.co.uk, the Daily Telegraph and in the Financial Times. 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 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.

Contact details

Dealing and enquiries

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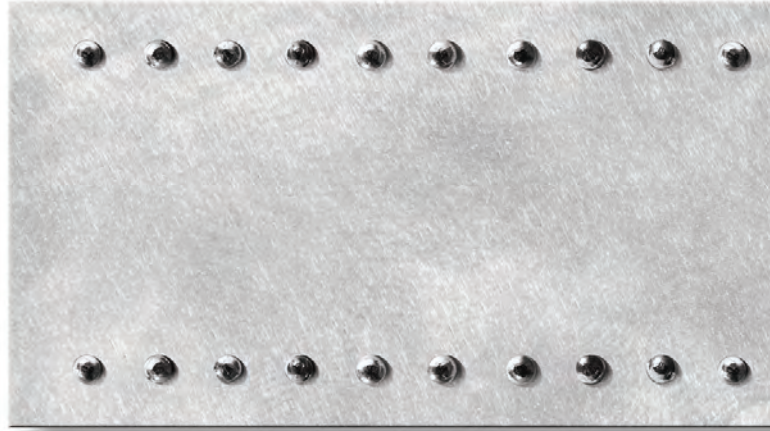
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FCA Registration Number 186237

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