



Fundsmith Equity Fund
Short Form Report

For the six months ended 30 June 2015



Fundsmith



Profile of the fund

Investment objective and policy

The aim of Fundsmith Equity Fund (“the Fund”) is to achieve long term growth and value.

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

The Fund has stringent investment criteria which the Authorised Corporate Director (ACD) 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 held by the Fund which is kept under review 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 4 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 charge figure (OCF) as at 30 June 2015

	30.06.15	31.12.14	31.12.13	31.12.12
T Class (Accumulation shares)				
Total net asset value (£)	842,191,569	741,941,491	490,338,454	223,274,660
Net asset value per share (p)	201.79	199.97	162.16	129.38
Number of shares in issue	417,354,482	371,035,373	302,371,596	172,576,129
Performance since launch*	101.8%	100.0%	62.2%	29.4%
Ongoing Charge Figure	1.08%	1.09%	1.11%	1.16%
T Class (Income shares)				
Total net asset value (£)	98,926,017	92,563,157	61,593,449	29,041,516
Net asset value per share (p)	190.58	190.37	156.18	126.05
Number of shares in issue	51,909,226	48,622,593	39,437,719	23,039,399
Performance since launch*	101.4%	90.4%	61.2%	29.1%
Ongoing Charge Figure	1.08%	1.09%	1.11%	1.16%
R Class (Accumulation shares)				
Total net asset value (£)	92,262,024	114,715,949	96,290,925	51,449,415
Net asset value per share (p)	197.16	195.86	159.64	128.00
Number of shares in issue	46,795,072	58,569,039	60,319,176	40,195,474
Performance since launch*	97.2%	95.8%	59.6%	28.0%
Ongoing Charge Figure	1.58%	1.59%	1.61%	1.66%
R Class (Income shares)				
Total net asset value (£)	40,189,196	45,962,297	47,773,516	37,292,451
Net asset value per share (p)	190.44	190.21	156.09	125.99
Number of shares in issue	21,103,699	24,163,678	30,607,111	29,598,928
Performance since launch*	97.1%	90.2%	58.9%	27.9%
Ongoing Charge Figure	1.58%	1.59%	1.61%	1.66%
I Class Net (Accumulation shares)				
Total net asset value (£)	1,106,043,518	843,461,107	284,018,857	105,178,125
Net asset value per share (p)	202.72	200.78	162.66	129.64
Number of shares in issue	545,604,513	420,087,945	174,608,637	81,129,440
Performance since launch*	102.8%	100.8%	62.7%	29.7%
Ongoing Charge Figure	0.98%	0.98%	1.01%	1.06%
I Class Net (Income shares)				
Total net asset value (£)	1,295,692,428	1,161,061,308	598,649,920	390,117,192
Net asset value per share (p)	190.58	190.38	156.18	126.05
Number of shares in issue	679,852,831	609,850,760	383,317,013	309,504,398
Performance since launch*	102.4%	90.4%	61.2%	29.4%
Ongoing Charge Figure	0.98%	0.98%	1.01%	1.05%

*The performance is quoted, net of costs, for the period from launch on 1 November 2010 to 30 June 2015, with dividends, where applicable, reinvested.
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.

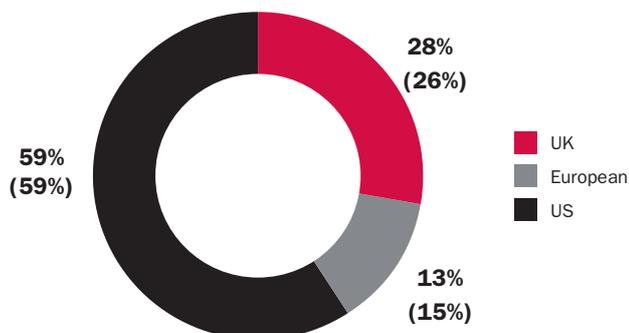
Price and revenue records (unaudited)

Calendar year all figures in pence (unless otherwise stated)	2015 (up to 30 June)	2014	2013	2012
T Class (Accumulation shares)				
Accumulation share high	216.66	202.30	164.70	131.98
Accumulation share low	199.79	155.45	130.17	114.73
Net revenue per accumulation share	1.6001*	2.0495	1.8285	1.6888
T Class (Income shares)				
Income share high	206.25	193.31	159.22	129.23
Income share low	189.72	149.73	126.82	113.34
Net revenue per income share	1.5223*	1.9728	1.7768	1.6728
R Class (Accumulation shares)				
Accumulation share high	211.92	198.17	162.51	130.61
Accumulation share low	195.68	152.95	128.78	114.06
Net revenue per accumulation share	1.0557*	1.1616	1.0426	1.0828
R Class (Income shares)				
Income share high	205.79	192.72	159.01	128.87
Income share low	189.56	149.57	126.76	113.27
Net revenue per income share	1.0283*	1.1331	1.0187	1.0706
I Class Net (Accumulation shares)				
Accumulation share high	217.61	203.12	165.13	132.24
Accumulation share low	200.60	155.94	130.43	114.84
Net revenue per accumulation share	1.7094*	2.2364	1.9935	1.8284
I Class Net (Income shares)				
Income share high	206.32	193.40	159.28	129.28
Income share low	189.74	149.74	126.82	113.32
Net revenue per income share	1.6209*	2.1339	1.9255	1.8175

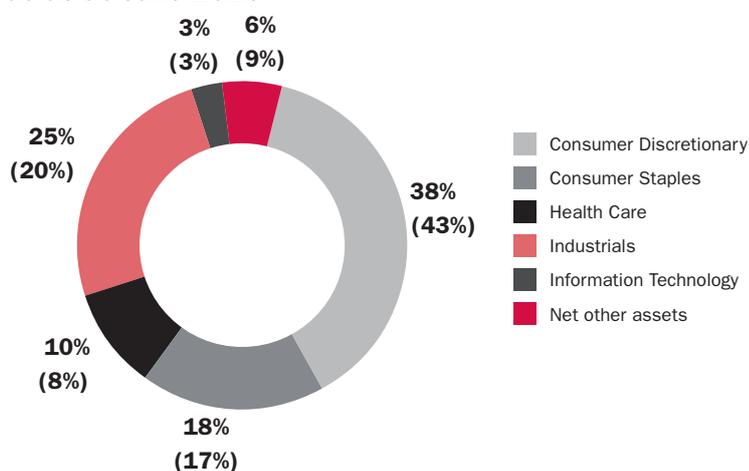
* to 31 August 2015.

Information on the fund

Breakdown by geography*
as at 30 June 2015



Breakdown by sector
as at 30 June 2015



The figures in brackets show comparative figures at 31 December 2014.

Summary of significant changes

For the six months to 30 June 2015		For the six months to 30 June 2014	
Largest purchases	Cost (£)	Largest purchases	Cost (£)
Intertek	66,304,727	VISA	41,728,877
Sage	55,446,840	Unilever	38,820,878
Waters	50,117,376	Kone	38,536,818
Johnson & Johnson	42,077,094	eBay	35,795,359
eBay	41,084,821	Reckitt Benckiser	33,708,661
Total	255,030,858	Total	188,590,593
Total purchases for the six months	582,450,615	Total purchases for the six months	453,031,205
Largest sales	Proceeds (£)	Largest sales	Proceeds (£)
Domino's Pizza	50,334,456	Swedish Match	58,682,454
Choice Hotels	37,344,359		
Becton Dickinson	15,060,142		
Total	102,738,957	Total	58,682,454
Total sales for the six months	102,738,957	Total sales for the six months	58,682,454

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

Investment Manager's review

The table below shows the performance of the Fund during the first half of 2015 and since inception compared with a number of benchmark indices:

	01.01.15-30.06.15 %	Since Inception	
		Cumulative %	Annualised %
Fundsmith Equity Fund	0.9	101.8	16.3
MSCI World	1.8	59.4	10.5
FTSE100	1.5	38.2	7.2
UK Gilts	-1.2	21.7	4.3
Cash	0.3	3.2	0.7

Our Fund underperformed what is perhaps the most obvious benchmark – the MSCI World Index by a bit under 1% during what was far from a vintage period for equities, with markets roughly static due to a combination of fears about deflation, the ongoing Greek saga and the downturn in China.

The main contributors to our performance in the first half of 2015:

TOP 5	% Contribution*
Domino's Pizza	0.76
Imperial Tobacco	0.64
Sage	0.47
Unilever	0.36
Reckitt Benckiser	0.33

We began purchasing our holding in Sage Group last year. It is the UK's leading software business and the leading supplier of accounting software to small and medium businesses outside America.

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

BOTTOM 5	% Contribution*
Procter & Gamble	-0.39
Kone	-0.35
Microsoft	-0.32
Johnson & Johnson	-0.26
3M	-0.23

None of these price moves seem to us to indicate that we should have significant worries about continuing to hold these stocks.

With regard to portfolio changes, our sole outright sale was our stake in Choice Hotels. Choice Hotels is an operator and franchisor of budget and mid-market hotels, primarily in America. It is at the lower end of size and liquidity which we find acceptable in our portfolio. Choice Hotel's current trading is strong in common with most of the US hotel sector in which demand growth has exceeded supply for some time but it is spending a significant proportion of its cash flows on the development of a reservation and management system called SkyTouch which it is marketing to hotels which do not operate under the Choice Hotels brands. Whilst this development may succeed and create value we are always wary when a company seeks to grow outside its area of core competence. Our portfolio continues to have exposure to the sector through InterContinental Hotels Group.

Our sole new purchase was Waters Corporation, a leading manufacturer of mass spectrometry, liquid chromatography and thermal imaging equipment. More importantly from our point of view, it is also the supplier of consumables which these machines need to operate and service and spares. Demand for its products seems likely to be driven by the seemingly never ending requirement for testing – think testing for horse meat in burgers, and Nestle's recent problems with allegations of lead and MSG (monosodium glutamate) in its Maggi noodles in India for example.

As a result our portfolio turnover continued to be minimal. In fact it was negative at -1.2%. Negative turnover is a rather strange concept and reflects the fact that the turnover calculation is affected by the inflows into the Fund. Perhaps a better way of gauging the effect of our (relative lack of) portfolio turnover is to look at the costs incurred. We spent £152,951 in voluntary

* Contribution shows the gross contribution to the Fund's return by stock as calculated by State Street Investment Analytics.

Investment Manager's review (continued)

dealing charges (voluntary insofar as we decided to make a change in the portfolio rather than to invest inflows) or 0.004% of the Fund. This is significantly lower than the average cost of transaction for funds.

The Ongoing Charge Figure or OCF for our Fund was just 8bps over the Annual Management Charge. Or in English, if you are paying 1% AMC, as I am for my investment in the Fund, then the OCF is 1.08% down from 1.09% last year. If you add the costs of all dealing to derive the Total Cost of Investment or TCI this rises to 1.14%.

This may appear to be acronym strewn gobbledegook but it is an important subject. In order to maximise your returns you need to minimise the cost of investment. Investors too often ignore this or if they focus on it at all they merely look at the AMC or the OCF. 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.

We are confident that the TCI on the Fundsmith Equity Fund is very competitive partly because we deal so infrequently but since most other funds do not reveal their TCI we will continue to have to wait until they do in order to demonstrate that.

Terry Smith
Fundsmith LLP
17 August 2015

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.

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.

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

Registered office

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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

Registrar

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Administrator

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20 Churchill Place
London
E14 5HJ
United Kingdom

Depository

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Edinburgh
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United Kingdom

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

Independent auditor

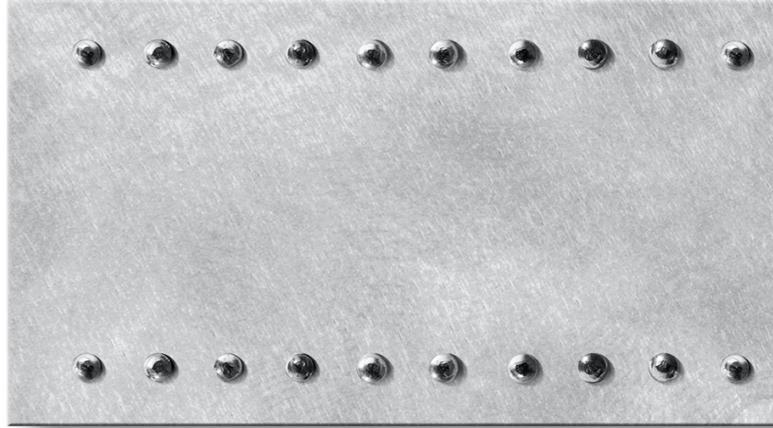
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