

July 2024

Dear Fellow Investor,

The table below shows the performance of the Fundsmith Sustainable Equity Fund ('Fund', 'FSEF') and other comparators during the first half of 2024 and since inception.

% Total Return	1 <sup>st</sup> Jan to 30 <sup>th</sup> June 2024	Inception to 30 <sup>th</sup> June 2024	
		Cumulative	Annualised
Fundsmith Sustainable Equity Fund <sup>1</sup>	+6.6	+94.7	+10.5
Equities <sup>2</sup>	+12.7	+102.7	+11.2
UK Bonds <sup>3</sup>	-2.2	-6.8	-1.1
Cash <sup>4</sup>	+2.6	+10.9	+1.6

*The Fund is not managed with reference to any benchmark, the above comparators are provided for information purposes only.*

<sup>1</sup> I Class Accumulation shares, net of fees priced at midday UK time, source: Bloomberg.

<sup>2</sup> MSCI World Index, £ Net, priced at close of business US time, source: [www.msci.com](http://www.msci.com).

<sup>3</sup> Bloomberg Series-E UK Govt 5-10 yr Bond Index, source: Bloomberg.

<sup>4</sup> £ Interest Rate, source: Bloomberg.

Our Fund was up by 6.6% in the first six months of the year, 6.1 percentage points less than what is perhaps the most obvious comparator — the MSCI World Index (£ net).

An increase in value of 6.6% in a half year would normally be cause for celebration except of course that it is less than the Index.

Part of the problem is that returns have been concentrated in a very few stocks. The S&P 500 Index in GBP returned 17% over the period and just five companies – Amazon, Apple, Meta, Microsoft and Nvidia – were responsible for 46% of the returns. 25% of the returns came from Nvidia alone.

We own one of those five stocks – Microsoft – and we do not own any Nvidia as we have yet to convince ourselves that its outlook is as predictable as we seek. Without owning this stock, and indeed the

whole five in at least an index weighting, outperformance was difficult to attain.

What did well for us in the first six months of 2024? Here are the five biggest positive contributors to performance:

Stock	Attribution
Novo Nordisk	+2.5%
Microsoft	+1.3%
Alphabet	+1.1%
Stryker	+0.9%
Procter & Gamble	+0.7%

Source: State Street

As ever, we continue to make money with old friends.

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

Stock	Attribution
Waters	-0.7%
L'Oréal	-0.6%
IDEXX	-0.5%
Zoetis	-0.4%
McDonald's	-0.3%

Source: State Street

A downturn in pet owners visits to vets after the pandemic splurge and troubles in the Chinese economy account for most of the problems and leave us with little concern over the longer term outlook for most of these companies.

When considering sustainability, we analyse companies in the broadest possible sense, considering their negative impact on the environment and society and any positive contributions they may have through research and development. Sustainability has become increasingly important over recent years due to the increased focus from regulators, investors, and customers. If a company does not manage this risk appropriately, its ability to grow revenues, maintain margins, and sustain long-term returns may be affected.

This time last year, 68% of the portfolio set emission reduction targets aligned with the Paris Agreement's goal of limiting global warming to 2°C above pre-industrial levels. This year, we can report that our companies are doing even more to mitigate their contribution to climate change. The same proportion, 68% of the portfolio, is now aligned with the more ambitious goal of limiting global warming to 1.5°C, also known as the 'Business Ambition for 1.5'. This compares

to just 11% of listed companies globally, according to *The MSCI Net-Zero Tracker* (MSCI, April 2024). Further, 96% of the Fund's emissions are now covered by a commitment to reach net zero emissions by 2050 at the latest, increasing from 88% last year. We continue to track the progress companies in the portfolio make towards their net zero goals and engage with those who still make a material contribution when necessary.

We prefer not to update the valuation at this stage of the year as although share prices are certain, the free cash flow ('FCF') on which we base our valuation has elements of seasonality so we will leave it until the year end to update the portfolio valuation.

Our portfolio turnover in the first half was 6.7%. Voluntary dealing (dealing not caused by redemptions or subscriptions) cost £110,707 during the half year (0.016% or 1.6 basis point). The Ongoing Charges Figure for the I Class Accumulation shares was 0.96% and with the cost of all dealing added, the Total Cost of Investment was 1.01%.

During the period we began accumulating stakes in Greggs, the British bakery chain, and Texas Instruments, the manufacturer of analogue and embedded semiconductors and in April we began buying a new position for the Fund, the name of which will be revealed when we have accumulated our desired weighting. To fund these purchases we exited positions in McCormick and Johnson & Johnson.

We continue to invest with the aim of long-term superior performance adjusted for risk.

Yours sincerely,



Terry Smith  
CEO  
Fundsmith LLP

Disclaimer: A Key Investor Information Document and an English language prospectus for the Fundsmith Sustainable 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 is a measure of the fund's trading activity and has been calculated by taking the total share purchases and sales less total creations and liquidations divided by the average net asset value of the fund.

MSCI World Index is the exclusive property of MSCI Inc. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or final products. This report is not approved, reviewed or produced by MSCI. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and Standard & Poor's and 'GICS®' is a service mark of MSCI and Standard & Poor's.

The MSCI World Index is a developed world index of global equities across all sectors and, as such, is a fair comparison given the fund's investment objective and policy.