

Fundsmith Sustainable Equity Fund - Sustainability Screening

Sector Exclusion Policy

Introduction

At Fundsmith, integration of environmental, social, and governance, or ESG, risks is an essential component of our investment process. As long-term investors with an ideal holding period of forever, we aim to invest in good companies with business models that can be sustained over the long term. Therefore, when building the investable universes (IU) for all our funds, we exclude companies with excessive exposure to ESG risks as this can materially impact company performance over the long term.

The investable universe for Fundsmith Sustainable Equity Fund is a subset of the “good companies” described above that constitute the Fundsmith Equity Fund IU. It is created through adding additional hurdles for entry, essentially holding companies to a higher ethical standard. We achieve this by applying two exclusionary, or negative, screens over the Fundsmith Equity Fund IU. This document details the first of those screens, our hard Sector Exclusion Policy.

Sector Exclusions

This screen excludes any company from the Fundsmith Sustainable Equity IU if they are classified by MSCI as operating within, or generating a significant proportion of profits directly from, the GICS industries and sub-industries listed below. We often find industry classifications to be a poor indicator of a company’s actual business activities as these descriptions often over-simplify and often group together very diverse business models. However, they do provide an independent and objective, if simplistic, assessment of a company’s overall business model.

The GICS industries excluded from the Fundsmith Sustainable Equity Fund’s IU are classified as the following (MSCI classification code in brackets):

- Aerospace and Defence (201010)
 - Metals and Mining (151040)
 - Oil, Gas and Consumable Fuels (101020)
 - Tobacco (302030)
 - Gas Utilities (551020)
 - Electric Utilities (551010)
- And GICS sub-industries:
- Brewers (30201010)
 - Distillers & Vintners (30201020)
 - Casinos and Gaming (25301010)

The Fundsmith Sustainable Equity Fund also excludes any company that makes a significant proportion of its cash flow or has a substantial interest in pornography.

We exclude the industries listed above as, typically, they have a significant, negative impact on the environment and/or society and we feel they do not belong in a fund labelled as ‘sustainable’.