

# Fundsmith Sustainable Equity Fund

## Short Form Report

For the six months ended 30 June 2024 (unaudited)



# Profile of the Fund

## Investment objective and policy

The objective of Fundsmith Sustainable Equity Fund (“the Fund”) is to achieve long-term growth (over 5 years) 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 the 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.

The Fund will not invest in businesses which have substantial interests in any of the following sectors:

- aerospace and defence;
- brewers, distillers and vintners;
- casinos and gaming;
- gas and electric utilities;
- metals and mining;
- oil, gas and consumable fuels;
- pornography; and
- tobacco.

In addition, the ACD and the Investment Manager apply further criteria to screen investments in accordance with the ACD’s sustainable investment policy.

## 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 light of the Fund’s objective.

**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.

**Sustainability risk:** Environmental, social or governance conditions or events may occur that may have a material negative impact on the value of its investments.

# Profile of the Fund (continued)

## 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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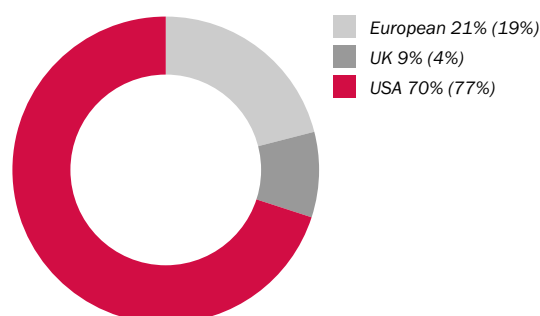
The risk category reflects the significance of the Fund's share price fluctuations based on historical data. Historical data may not be a reliable indication of the future risk profile of the Fund. The risk category of the Fund is not guaranteed and may change over time. Further, the lowest category of risk does not mean risk free.

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 highly liquid.

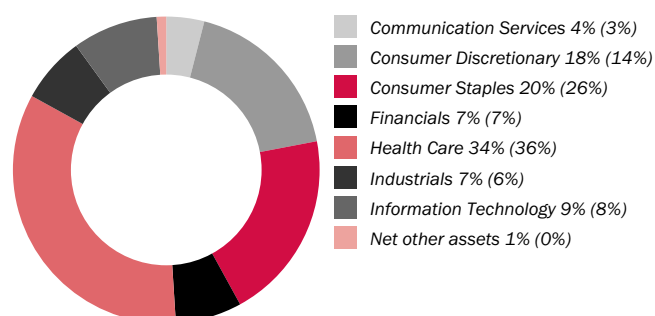
There are a number of other risks that are not covered by the indicator above. A full description is contained in the prospectus under the heading "Risk Factors". The most material are currency risk, concentration risk, operational risk and sustainability risk.

## Information on the Fund

**Breakdown by geography\***  
as at 30 June 2024



**Breakdown by sector**  
as at 30 June 2024



The figures in brackets show comparative figures at 31 December 2023.

\* 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 2024		For the six months to 30 June 2023	
<b>Largest purchases</b>	<b>Cost (£)</b>	<b>Largest purchases</b>	<b>Cost (£)</b>
Greggs	28,792,125	Marriott International	20,040,927
Texas Instruments	4,060,805	Mastercard	15,009,611
Atlas Copco	3,033,826	Waters	5,275,415
Fortinet	1,402,409	Stryker	5,135,477
Unilever	258,120	IDEXX Laboratories	5,026,247
<b>Total</b>	<b>37,547,285</b>	<b>Total</b>	<b>50,487,677</b>
<b>Total purchases for the six months</b>	<b>37,547,285</b>	<b>Total purchases for the six months</b>	<b>55,502,977</b>
<b>Largest sales</b>	<b>Proceeds (£)</b>	<b>Largest sales</b>	<b>Proceeds (£)</b>
Johnson & Johnson	26,981,478	Adobe	24,855,900
PepsiCo	22,343,478		
McCormick	19,401,804		
Novo Nordisk	6,000,612		
Microsoft	4,008,004		
<b>Total</b>	<b>78,735,376</b>	<b>Total</b>	<b>24,855,900</b>
<b>Total sales for the six months</b>	<b>83,532,724</b>	<b>Total sales for the six months</b>	<b>24,855,900</b>

# Investment Manager's review

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	1st Jan to 30th June 2024	Inception to 30th June 2024	
		Cumulative	Annualised
<b>Fundsmith Sustainable Equity Fund<sup>1</sup></b>	+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> 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.

<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.

## Investment Manager's review (continued)

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.

# Performance Record

The per share net asset values in the table below are different from the published dealing prices that were available to investors. This is to comply with accounting rules that require the net asset values in this report to be based on close of day bid prices. The investment manager's review and factsheet uses dealing prices as the Fund could only be bought or sold at these prices.

	Share Class T - Accumulation			
	6 months to 30.06.24 (p)	12 months to 31.12.23 (p)	12 months to 31.12.22 (p)	12 months to 31.12.21 (p)
<b>Change in net asset value per share</b>				
Opening net asset value per share	145.00	135.08	150.02	123.16
Return before operating charges	10.16	11.39	(13.54)	28.29
Operating charges	(0.81)	(1.47)	(1.40)	(1.43)
Return after operating charges	9.35	9.92	(14.94)	26.86
Distributions	(0.16)	(0.28)	(0.15)	(0.11)
Retained distributions on accumulation shares	0.16	0.28	0.15	0.11
Closing net asset value per share	154.35	145.00	135.08	150.02
After direct transaction costs of:	0.04	0.01	0.01	0.04
<b>Performance</b>				
Return after operating charges	6.45%	7.34%	(9.96%)	21.81%
<b>Other information</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Closing net asset value	68,236,110	62,278,580	55,388,343	44,598,841
Closing number of shares	44,209,576	42,949,603	41,002,997	29,728,690
Ongoing charges figure*	1.06%	1.06%	1.05%	1.07%
Direct transaction costs	0.05%	0.01%	0.01%	0.03%
<b>Prices</b>	<b>(p)</b>	<b>(p)</b>	<b>(p)</b>	<b>(p)</b>
Highest share price	157.80	145.46	149.27	150.97
Lowest share price	143.17	132.92	122.15	117.15

\*The Ongoing Charges Figure (OCF) is the share class's total annualised operating costs (excluding overdraft interest) expressed as a percentage of the average net assets of the share class.



## Performance Record (continued)

The per share net asset values in the table below are different from the published dealing prices that were available to investors. This is to comply with accounting rules that require the net asset values in this report to be based on close of day bid prices. The investment manager's review and factsheet uses dealing prices as the Fund could only be bought or sold at these prices.

	Share Class T - Income			
	6 months to 30.06.24 (p)	12 months to 31.12.23 (p)	12 months to 31.12.22 (p)	12 months to 31.12.21 (p)
<b>Change in net asset value per share</b>				
Opening net asset value per share	144.26	134.65	149.69	122.97
Return before operating charges	10.09	11.34	(13.50)	28.26
Operating charges	(0.80)	(1.46)	(1.40)	(1.45)
Return after operating charges	9.29	9.88	(14.90)	26.81
Distributions	(0.16)	(0.27)	(0.14)	(0.09)
Retained distributions on accumulation shares	-	-	-	-
Closing net asset value per share	153.39	144.26	134.65	149.69
After direct transaction costs of:	0.04	0.01	0.01	0.04
<b>Performance</b>				
Return after operating charges	6.44%	7.34%	(9.95%)	21.81%
<b>Other information</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Closing net asset value	3,494,884	3,239,610	2,979,238	2,684,955
Closing number of shares	2,278,435	2,245,696	2,212,639	1,793,677
Ongoing charges figure*	1.06%	1.06%	1.05%	1.07%
Direct transaction costs	0.05%	0.01%	0.01%	0.03%
<b>Prices</b>	<b>(p)</b>	<b>(p)</b>	<b>(p)</b>	<b>(p)</b>
Highest share price	156.99	144.91	148.95	150.63
Lowest share price	142.43	132.42	121.88	116.98

\*The Ongoing Charges Figure (OCF) is the share class's total annualised operating costs (excluding overdraft interest) expressed as a percentage of the average net assets of the share class.

## Performance Record (continued)

The per share net asset values in the table below are different from the published dealing prices that were available to investors. This is to comply with accounting rules that require the net asset values in this report to be based on close of day bid prices. The investment manager's review and factsheet uses dealing prices as the Fund could only be bought or sold at these prices.

	Share Class I - Accumulation			
	6 months to 30.06.24 (p)	12 months to 31.12.23 (p)	12 months to 31.12.22 (p)	12 months to 31.12.21 (p)
<b>Change in net asset value per share</b>				
Opening net asset value per share	182.02	169.40	187.94	154.14
Return before operating charges	12.74	14.29	(16.94)	35.42
Operating charges	(0.92)	(1.67)	(1.60)	(1.62)
Return after operating charges	11.82	12.62	(18.54)	33.80
Distributions	(0.27)	(0.52)	(0.34)	(0.18)
Retained distributions on accumulation shares	0.27	0.52	0.34	0.18
Closing net asset value per share	193.84	182.02	169.40	187.94
After direct transaction costs of:	0.05	0.01	0.01	0.05
<b>Performance</b>				
Return after operating charges	6.49%	7.45%	(9.86%)	21.93%
<b>Other information</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Closing net asset value	362,816,917	379,132,966	363,242,394	395,690,235
Closing number of shares	187,169,584	208,291,167	214,429,462	210,535,702
Ongoing charges figure*	0.96%	0.96%	0.95%	0.97%
Direct transaction costs	0.05%	0.01%	0.01%	0.03%
<b>Prices</b>	<b>(p)</b>	<b>(p)</b>	<b>(p)</b>	<b>(p)</b>
Highest share price	198.16	182.59	187.01	189.13
Lowest share price	179.72	166.82	153.10	146.64

\*The Ongoing Charges Figure (OCF) is the share class's total annualised operating costs (excluding overdraft interest) expressed as a percentage of the average net assets of the share class.

## Performance Record (continued)

The per share net asset values in the table below are different from the published dealing prices that were available to investors. This is to comply with accounting rules that require the net asset values in this report to be based on close of day bid prices. The investment manager's review and factsheet uses dealing prices as the Fund could only be bought or sold at these prices.

	Share Class I - Income			
	6 months to 30.06.24 (p)	12 months to 31.12.23 (p)	12 months to 31.12.22 (p)	12 months to 31.12.21 (p)
<b>Change in net asset value per share</b>				
Opening net asset value per share	178.40	166.51	185.11	151.97
Return before operating charges	12.49	14.04	(16.70)	34.90
Operating charges	(0.90)	(1.64)	(1.57)	(1.59)
Return after operating charges	11.59	12.40	(18.27)	33.31
Distributions	(0.26)	(0.51)	(0.33)	(0.17)
Retained distributions on accumulation shares	-	-	-	-
Closing net asset value per share	189.73	178.40	166.51	185.11
After direct transaction costs of:	0.05	0.01	0.01	0.05
<b>Performance</b>				
Return after operating charges	6.50%	7.45%	(9.87%)	21.92%
<b>Other information</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Closing net asset value	249,989,732	238,979,980	238,995,006	264,144,561
Closing number of shares	131,762,031	133,955,409	143,532,688	142,693,570
Ongoing charges figure*	0.96%	0.96%	0.95%	0.97%
Direct transaction costs	0.05%	0.01%	0.01%	0.03%
<b>Prices</b>	<b>(p)</b>	<b>(p)</b>	<b>(p)</b>	<b>(p)</b>
Highest share price	194.22	179.33	184.20	186.28
Lowest share price	176.14	163.84	150.79	144.58

\*The Ongoing Charges Figure (OCF) is the share class's total annualised operating costs (excluding overdraft interest) expressed as a percentage of the average net assets of the share class.

# Further Information

## Reports and accounts

Each year, the ACD will publish on its website ([www.fundsmith.green](http://www.fundsmith.green)) Annual and Interim Reports and Accounts for the Company discussing investment activity during the period and providing management commentary.

## UK UCITS

The Company is an authorised Collective Investment Scheme constituted as a UK UCITS in accordance with the FCA rules.

## Prospectus

The Fund Prospectus, an important document describing Fundsmith Sustainable Equity Fund in detail, is available from the ACD, which is responsible for the management and administration of the Fund.

Also available are the Key Investor Information Document (KIID) and the Supplementary Information Document (SID).

The ACD for Fundsmith Sustainable Equity Fund is Fundsmith LLP located at 33 Cavendish Square, London W1G 0PW.

All documents are available on the ACD's website.

## Minimum investment

The Company has two different share classes:

I shares and T shares.

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.

<b>Minimum lump sum investment level</b>	<b>£1,000</b>
<b>Minimum regular sum investment level</b>	<b>£100</b>
<b>Minimum top-up investment amount</b>	<b>£250</b>
<b>Minimum holding level</b>	<b>£1,000</b>

## Publication of prices

The prices of shares are published daily on the ACD's website at [www.fundsmith.green](http://www.fundsmith.green). 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 Company of making investments (when additional cash is available following new investment into the Company) 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 Prospectus.

## Task Force on Climate-Related Financial Disclosures (TCFD)

The TCFD product report prepared by the ACD is published on the ACD's website at [fundsmith.co.uk/fsef/documents](http://fundsmith.co.uk/fsef/documents)

## Contact details

### Dealing and enquiries

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**United Kingdom**

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### Registered office

Fundsmith Sustainable Equity Fund  
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Authorised and regulated by The Financial Conduct Authority.  
ICVC Registration Number IC001098  
FCA Reference Number 784191

### Authorised Corporate Director

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United Kingdom

Authorised and regulated by The Financial Conduct Authority.  
FCA Registration Number 523102

### Registrar

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### Administrator

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### Depository

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

### Independent auditors

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### Financial Conduct Authority

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Website: [www.fca.org.uk](http://www.fca.org.uk)



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