Fundsmith SICAV

Société d'Investissement à Capital Variable

Semi-Annual Report and Unaudited Financial Statements
for the period ended 30 June 2022

R.C.S. Luxembourg B164404

Subscriptions can only be made on the basis of the current Prospectus, the Key Investor Information Document ("KIID") supplemented by the most recent annual report and audited financial statements or semi-annual report and unaudited financial statements, if published after such annual report and audited financial statements.

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Directory, Administration and Management

Registered Office
10, rue du Château d'Eau
L-3364 Leudelange
Grand Duchy of Luxembourg

Board of Directors of the SICAV
Mr. Paul Mainwaring, Director,
Fundsmith LLP

Mr. Garry Pieters, Independent Director,
The Director's Office

Ms. Sheenagh Joy Gordon-Hart, Independent Director,
The Director's Office

Management Company
FundRock Management Company S.A.
33, rue de Gasperich
L-5826 Hesperange
Grand Duchy of Luxembourg

Investment Manager
From 25 March 2022
Fundsmith Investment Services Limited
c/o Griffon Solutions Ltd
C2-401, 4th Floor, Office Block C,
Grand Baie La Croisette
Grand Baie
Mauritius

Until 24 March 2022
Fundsmith LLP
33, Cavendish Square
London, W1G 0PW
United Kingdom
Authorised and regulated by The Financial Conduct Authority
FCA Registration Number 523102

Distributor and Promoter
Fundsmith LLP
33, Cavendish Square
London, W1G 0PW
United Kingdom
Authorised and regulated by The Financial Conduct Authority
FCA Registration Number 523102

Investment Advisor
Until 24 March 2022
Fundsmith Investment Services Linited
c/o Griffon Solutions Ltd
C2-401, 4th Floor, Office Block C,
Grand Baie La Croisette
Grand Baie
Mauritius

Independent Auditor
Deloitte Audit, *société à responsabilité limitée*
20, boulevard de Kockelscheuer
L-1821 Luxembourg
Grand Duchy of Luxembourg

Administrator (Central Administration Agent, Domiciliary Agent, Registrar and Transfer Agent)
Northern Trust Global Services SE
10, rue du Château d'Eau
L-3364 Leudelange
Grand Duchy of Luxembourg

Depositary
Northern Trust Global Services SE
10, rue du Château d'Eau
L-3364 Leudelange
Grand Duchy of Luxembourg

Legal Adviser
Elvinger Hoss Prussen, *société anonyme*
2, place Winston Churchill
L-1340 Luxembourg
Grand Duchy of Luxembourg

Directors' Report

The Board of Directors is pleased to provide you with its semi-annual report for the period ended 30 June 2022.

The Board is responsible for the overall management and control of the Fundsmith SICAV (the "SICAV") in accordance with its articles of association. The Board is further responsible for the implementation of each Sub-Fund's investment objective and policies as well as for oversight of the administration and operation of each Sub-Fund. The Board shall have the broadest powers to act in any circumstances on behalf of the SICAV, subject to the powers reserved by law to its Shareholders. The Board delegated certain authorities to the Management Company in accordance with the SICAV's articles of association, the Prospectus and applicable law. The Management Company is responsible, subject to the overall supervision of the Board, for the provision of investment management services, administrative services and marketing services to the SICAV.

The Directors are also responsible for preparing the semi-annual report and the financial statements in accordance with applicable laws and regulations. The Directors consider that the semi-annual report and the financial statements provide a fair, balanced and understandable assessment of the SICAV's position and performance and provides all necessary information for Shareholders.

The Board of Directors has adopted the ALFI Code of Conduct (the "Code") which sets out principles of good governance. The Board of Directors considers that the SICAV has been in compliance with the Principles of the Code in all material aspects throughout the financial period ended 30 June 2022.

To date the SICAV has the following active Sub-Funds:

Fundsmith SICAV – Fundsmith Equity Fund – launched on 28 October 2011

Fundsmith SICAV – Fundsmith Sustainable Equity Fund – launched on 1 March 2021

There is no evidence that the going concern assumption made by the Board of Directors when preparing the financial statements of the SICAV is inappropriate.

Investment Manager's Report

Fundsmith Equity Fund

Dear Fellow Investor,

The table below shows the performance of the Fundsmith Equity Fund (the "Sub-Fund") — a Sub-Fund of the Fundsmith SICAV ("Fund" or "SICAV") and other comparators during the first half of 2022 and since inception. Please note the differing start dates for the various share classes, noted below the table.

% Total Return	1st January to 30th June 2022	Inception to 30th June 2022 Cumulative	Annualised
Fundsmith Equity Fund EUR T Class[1]	-18.5	+391.5	+16.1
MSCI World Index EUR[2]	-13.5	+248.8	+12.4
European Bonds[3]	-22.8	+62.2	+4.6
Cash[4]	-0.3	-1.6	-0.2
Fundsmith Equity Fund CHF I Class[1]	-21.2	+252.5	+13.1
MSCI World Index CHF[2]	-16.6	+164.0	+9.9
Fundsmith Equity Fund USD I Class[1]	-25.0	+188.3	+12.1
MSCI World Index USD[2]	-20.5	+111.1	+8.4
Fundsmith Equity Fund GBP I Class[1]	-16.5	+235.3	+15.9
MSCI World Index GBP[2]	-11.3	+147.8	+11.7

[1] Accumulation Shares, net of fees, priced at 13:00 CET, launch dates, EUR T: 2 November 2011, CHF I: 5 April 2012, USD I: 13 March 2013, GBP I: 15 April 2014, source: Bloomberg. N.B. Prior to March 2019, performance relates to Fundsmith Equity Fund Feeder

[2] MSCI World Index priced at close of business US time, source: www.msci.com

[3] Bloomberg/EFFAS Bond Indices Euro Government 10 years, source: Bloomberg

[4] EUR interest rate, source: Bloomberg

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

Given we do not hedge currency exposure, the main difference in performance between the currency share classes is the relative currency movements in the period. The relative performance compared to the MSCI World Index is therefore similar and shows the Sub-Fund underperformed in the first half of 2022.

The cause of the downturn in global equity markets is obvious — the upsurge in inflation and the consequent need to raise interest rates and risk a recession. A combination of surging inflation and looming recession reminds me of the quote from soccer manager Tommy Docherty, 'When one door closes, another slams in your face.'

If a recession ensues but inflation persists we will not have seen conditions of this sort since the 1970s when the term 'stagflation' was coined. My first full year in work was 1974 when inflation in the UK, as measured by the CPI, was 24.24%. In an example of history not repeating itself but rhyming, as Mark Twain observed, the 1970s inflation was boosted by the Arab oil embargo which followed the Yom Kippur War. On this occasion we have a similar effect from the Russian invasion of Ukraine.

I have no insight into how severe or persistent the rise in interest rates will need to be to quell inflation, but I am not optimistic. Interest rates as a tool to combat inflation are a blunt instrument at the best of times and I suspect more so in this instance where the inflation has not been caused by demand exceeding supply during an economic boom.

In a recent interview former Bank of England Governor Lord King of Lothbury observed that today's inflation was sparked by a misdiagnosis of the problem at the height of the Covid pandemic back in March 2020. Attempts were made to stimulate demand by further Quantitative Easing when the issue was not weak demand but the lack of supply, with disruption in supply of energy and its derivative products like fertilizers and plastics, metals, glass, agricultural commodities like palm oil and essential components like microchips, and even the supply of labour with the Great Resignation and an inability for migrant labour to travel.

Investment Manager's Report (continued)

Fundsmith Equity Fund (continued)

Raising interest rates is now a necessity. This will eventually quell demand. It may take a while to become effective because consumers were quite liquid given the lack of certain types of spending opportunities during the pandemic. However, higher interest rates will do nothing to correct the continuing supply problems in commodities, semiconductors and just about everything else so it may also take some time and high interest rates for demand to become depressed enough for the supply to exceed it and so start to moderate price inflation.

Fortunately, we do not invest on the basis of our prognostications about macroeconomics but it is not a matter of speculation that we now have inflation. Inflation, rising interest rates and an increasingly likely recession have two obvious effects on equity investments; fundamental effects and valuation effects. I will try to address each of these in turn as I review the performance of some of our holdings.

Inflation causes an increase in the cost of the ingredients, components and other inputs which constitute companies' Cost of Goods Sold ("COGS"). The best defence against this inflation is a high gross margin — the difference between sales revenues and COGS. On average last year the companies in our portfolio had a gross margin of 60% compared with about 40% for the average large, listed company. Our companies make things for 4 and sell them for 10 whereas the average company makes things for 6 and sells them for 10. A 10% rise in the COGS clearly has much less effect on the profitability of the companies in our portfolio than the average. Moreover, if they want to compensate for say a 10% rise in COGS, our portfolio companies can achieve this with a much smaller price rise than the average company. The effect on COGS is not the only effect of inflation but it is clear that the high and sustainable gross profit margins of our companies provide a robust first line of defence.

An illustration of the problems of low gross margins was recently supplied by the US retailer Target — a stock we would never own — in its first quarter results. Gross margin contracted from 30.0% in the same quarter last year to 25.7% — a fall of 4.3 percentage points — driven largely by inventory impairments, lower than expected sales in discretionary categories as well as higher costs related to freight, supply chain disruptions and increased compensation and headcount in distribution centres. The operating margin fell from 9.8% in the prior year quarter to 5.3% — so by a similar 4.5 percentage points. Operating profit declined 43%. The combination of low gross margins and high fixed costs is dangerous and we seek to avoid it.

It may seem little source of comfort at the moment but our companies continued to deliver decent underlying business performance in the first half of 2022. Last reported portfolio weighted average free cash flow ("FCF") per share ended June 2022 4% higher than in December 2021, equivalent to annualised growth of about 8%. Long-term readers of these letters will recognise this as not far off the historic average.

Revenue growth was strong, bordering on very strong at some of our companies. Results reported in the first half of 2022 showed two-year top line growth — which we look at in attempt to avoid confusion caused by the gyrations during the pandemic — of 48% at Adobe, 66% at Alphabet, 51% at Brown-Forman, 79% at Intuit, 40% at Microsoft, 39% at PayPal and 47% at Waters.

If these were our privately owned family businesses we would still for the most part be applauding the growth they had delivered in much the same way as we were six months ago, albeit we might well be concerned about their ability to replicate this performance over the next couple of years.

It is too early in the development of this inflationary economic cycle to be sanguine about this and the next few quarterly earnings seasons are unlikely to be overly exciting. Nonetheless, the structure of our companies' profitability gives us considerable comfort. Nor do we feel that they are likely to be in the forefront of collapsing top line revenue growth in a recession given that we primarily invest in three sectors: consumer staples, albeit with some consumer discretionary, healthcare and technology. It seems likely that they will fare better in a recession than other sectors for which demand is more cyclical, fixed assets and costs are higher and profitability and cash generation are lower.

From a fundamental perspective, which is what we seek to focus on, we are therefore confident that our portfolio companies will perform <u>relatively</u> well over an inflationary and recessionary cycle. But sadly our investments are not our privately owned family businesses where we can focus on the fundamental performance and not worry about the stock market.

It is axiomatic that in a period of rising interest rates, long dated assets will fare worse than short-dated ones. This applies not only to bonds but also to equities. The share prices of more highly rated equities which are in effect discounting profits or cash flows further into the future by being rated on higher PEs tend to be more affected by rising interest rates than lowly rated so-called value stocks.

Investment Manager's Report (continued)

Fundsmith Equity Fund (continued)

Our portfolio is not exempt from this effect. Broadly speaking, the stocks that have suffered most from rising interest rates so far were those that started the year the most highly rated and were thus most impacted by the rising discount rate.

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

PayPal	-2.6%
Meta Platforms	-2.1%
IDEXX	-1.9%
Intuit	-1.4%
Microsoft	-1.2%

Of these, PayPal and maybe Intuit, exacerbated their situation with self-inflicted wounds that negatively impacted their underlying performance. IDEXX and Microsoft really didn't see any slowdown at all.

Did we miss out by not owning more lowly-rated 'value' stocks during this period? Not much. The much talked about 'rotation' from 'growth' to 'value' stocks during the first half of 2022 was rather underwhelming from the perspective of the latter. In the US, the S&P Value Index did indeed significantly outperform its S&P Growth counterpart and the NASDAQ but this outperformance took the form of a 12% fall for the S&P Value Index versus a 28% decline for the S&P Growth Index and a 30% decline in the NASDAQ. Falling less than others when times are tough has obvious merit but still isn't a sufficient payback for the long preceding wait during which value stocks underperformed massively.

For the most part, not owning the sectors we have frequently said we will never own didn't do us any harm during the first half of 2022. In the US the S&P Banks Index for example was down 25% during the six-month period and the S&P Airlines Index was down 22% notwithstanding the sharp pick-up in travel demand. Even the S&P Metals & Mining Index fell in absolute terms, albeit by much less than the market. The one sector in the 'we'll never own' category that did cost us by our absence was energy. In the US, the S&P Energy Index increased 29% in the first half while in the UK, BP shares rose 17% and Shell 34%. For those regretting the absence of energy stocks from our portfolio, these increases have only taken the S&P Energy Index back to a level it first reached in 2008 or the two UK stocks reached in the 1990s.

To try to get some objectivity into where we are now on valuation, the FCF yield on the portfolio, which had ended 2021 at 2.7%, increased to 3.6% at the end of June 2022. This means that in the space of six months, the valuation of the portfolio has declined all the way back to where it was at the end of 2017. We have cautioned in the past that a rising fund price caused in part by rising valuations is nice but also worrying because it is finite and reversible, but that again is not much of a source of comfort when this is shown to be the case.

Moreover, the rotation from 'growth' to 'value' has also led to a situation where the narrative of the 'highly-rated tech sector' has been turned on its head. The median FCF yield on the 78 technology stocks in the S&P 500 Index is 4.6% and the mean is actually 5.2%. Conversely the equivalent numbers for the 36 stocks in the consumer staples sector are 3.8% and 4.6%. The technology stocks in the S&P 500 are actually now more lowly-rated than consumer staples.

The reason why the aforementioned 'narrative' exists is because of the large number of tech stocks which had or still have two or more of the following characteristics — giant market values, little or no revenue or profits, well publicised 2020 or 2021 IPOs, and charismatic CEOs. Probably the best-known investor for these types of stock has been ARK Investment Management, notably in the form of the ARK Innovation ETF. Bloomberg suggests that the forward price-to-earnings ratios for this ETF's top 10 holdings are in seven cases 'N/A', i.e., there are no earnings, and in the other three cases average 53x.

Conversely the price-to-earnings ratio on most of the stocks in our portfolio that could loosely be described as 'tech' — Microsoft, Adobe, Alphabet, Visa, ADP, Intuit, PayPal and Meta — averages 24x, Amazon is the only outlier. It is worth bearing these contrasting valuations in mind when people lump the whole technology sector together.

Investment Manager's Report (continued)

Fundsmith Equity Fund (continued)

What did well for us in the first six months of 2022? It is tempting to observe 'not a lot' but here are the five biggest positive contributors to performance:

Philip Morris	+0.6%
Novo Nordisk	+0.3%
Brown-Forman	+0.2%
PepsiCo	+0.2%
Johnson & Johnson	+0.1%

Novo Nordisk discovered that a drug it had developed for diabetics was also the world's first really effective weight loss drug. The potential market for this product, branded Wegovy, is vast. Philip Morris International meanwhile benefited from its low rating, the perceived defensive nature of tobacco and latterly an attractive-looking agreement to purchase Swedish Match to create the undoubted leader in smokeless tobacco products and nicotine pouches. Despite this outperformance, Philip Morris International still ended the quarter as our second most lowly-rated stock. The title for the lowest-rated belongs to Meta Platforms. Meta's stock now trades on a FCF yield of 8.7%. At this level it is either cheap or a so-called value trap. We will let you know which when we find out, but we are inclined to believe it is the former.

Our portfolio turnover in the first half was 1.1%. Voluntary dealing (dealing not caused by redemptions or subscriptions) cost EUR 432,147 during the half year (0.005% or a half of a basis point). The Ongoing Charges Figure for the T Class Accumulation (EUR) shares was 1.09% and with the cost of all dealing added, the Total Cost of Investment was 1.11%.

The first half of 2022 marked the end, for the time being, of a long period during which the shares in our companies benefited not only from their underlying business performance but also from falling interest rates and thus rising valuations. Not only did this tailwind disappear but a significant headwind materialised in short order in the form of rising interest rates combined with fears about the impact of inflation and a possible recession.

We claim no insight into how far the headwind to valuations caused by rising interest rates will go, but we are confident that the companies in our portfolio will survive and prosper relatively well in such an environment. This has been and will continue to be our primary focus. If we get that right then our Sub-Fund will emerge with the intrinsic value of its investments maintained or enhanced. Sooner or later share prices reflect fundamentals, not the other way around.

In inflationary periods, an acronym which is sometimes used to describe the investment options is TINA — There Is No Alternative. It refers to the concept that equities will be the least poorly performing sector in such conditions because of the ability of at least some companies to continue to grow revenues in real terms and generate real returns on capital above the rate of inflation.

Bonds with fixed interest coupons are certainly not the place to be in these conditions. Real estate may provide some safety but it is a notoriously local market with poor liquidity and high frictional trading costs. Commodities have had a day in the sun at the start of this inflationary cycle and this may continue, or not. But there is no inherent return on commodities — no interest coupon, dividends or profits reinvested. Investing in them is pure Greater Fool Theory — you can only make money by selling them to someone willing to pay more than you did. I have no confidence in my ability to accomplish that. All of which may point to the fact that There Is No Alternative to equities even though they have performed poorly so far this year.

However, even if you accept that, it may be tempting to sell equities and go into cash as this may enable you to avoid further falls in the equity market. Timing is of the essence in doing this and if you haven't done it already I think we can safely say you missed the top. Getting the other side of the trade roughly right will almost certainly mean buying back into equities when economic conditions are at their most bleak. This is a skill which few, if any, possess. Meanwhile, time spent in cash whilst waiting is hardly a good bolt hole from inflation.

Finally, even if you accept the logic of the TINA mantra, maybe equities of the sort in our portfolio are still not the best place to be for a while. This is really a subset of the market timing approach: Sell quality equities, buy lowly-rated 'value' stocks and then reverse this when the time is right. I wish you luck if you intend to pursue this approach not least because I am fairly sure how lowly-rated stocks, most of which are heavily cyclical, have low profit margins and returns on capital, will fare in a recession.

Investment Manager's Report (continued)

Fundsmith Equity Fund (continued)

We meanwhile will continue to do what we set out to do. Which is to assemble a portfolio of high-quality companies and hold onto them so that their inherent ability to compound in value will determine how we perform over the long term, not the vagaries of the market. I hope to see you on the other side.

Yours sincerely,

Terry Smith

Terry Smith

Disclaimer: A Key Investor Information Document for the Fundsmith Equity Fund and an English language prospectus for the Fundsmith SICAV 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.

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Sources: Fundsmith LLP & Bloomberg unless otherwise stated.

Portfolio turnover compares the total share purchases and sales less total creations and liquidations with the average net asset value of the fund.

Price-to-earnings ratios and FCF Yields are based on trailing twelve-month data and as at 30 June 2022 unless otherwise stated.

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.

Investment Manager's Report (continued)

Fundsmith Sustainable Equity Fund

Dear Fellow Investor,

The table below shows the performance of the Fundsmith Sustainable Equity Fund (the "Sub-Fund") — a Sub-Fund of the Fundsmith SICAV ("Fund" or "SICAV") and other comparators during the first half of 2022 and since inception. Please note the differing start dates for the various share classes, noted below the table.

% Total Return	1st January to 30th June 2022	Inception to 30th June 2022 Cumulative	Annualised
Fundsmith Sustainable Equity Fund EUR[1]	-16.2	+5.6	+4.2
MSCI World Index EUR[2]	-13.5	+10.7	+8.0
European Bonds[3]	-22.8	-24.3	-18.9
Cash[4]	-0.3	-0.8	-0.6
Fundsmith Sustainable Equity Fund CHF[5]	-19.0	-4.0	-3.0
MSCI World Index CHF[2]	-16.6	+13.5	+9.9
Fundsmith Sustainable Equity Fund USD[5]	-22.9	-8.6	-6.6
MSCI World Index USD[2]	-20.5	-4.6	-3.5
Fundsmith Sustainable Equity Fund GBP[5]	-14.2	+5.2	+3.9
MSCI World Index GBP[2]	-11.3	+9.8	+7.3

[1] T Class Accumulation Shares, net of fees, priced at 13:00 CET, launched 1 March 2021 source: Bloomberg.

[2] MSCI World Index priced at close of business US time, source: www.msci.com

[3] Bloomberg/EFFAS Bond Indices Euro Government 10 years, source: Bloomberg

[4] EUR interest rate, source: Bloomberg

[5] I Class Accumulation Shares, net of fees, priced at 13:00 CET, launched 1.3.21, source: Bloomberg.

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

Our Sub-Fund underperformed what is perhaps the most obvious comparator — the MSCI World Index (EUR net), which itself fell by 13.5% — by 2.7 percentage points during the first half of 2022.

The cause of the downturn in global equity markets is obvious — the upsurge in inflation and the consequent need to raise interest rates and risk a recession. A combination of surging inflation and looming recession reminds me of the quote from soccer manager Tommy Docherty, 'When one door closes, another slams in your face.'

If a recession ensues but inflation persists we will not have seen conditions of this sort since the 1970s when the term 'stagflation' was coined. My first full year in work was 1974 when inflation in the UK, as measured by the CPI, was 24.24%. In an example of history not repeating itself but rhyming, as Mark Twain observed, the 1970s inflation was boosted by the Arab oil embargo which followed the Yom Kippur War. On this occasion we have a similar effect from the Russian invasion of Ukraine.

I have no insight into how severe or persistent the rise in interest rates will need to be to quell inflation, but I am not optimistic. Interest rates as a tool to combat inflation are a blunt instrument at the best of times and I suspect more so in this instance where the inflation has not been caused by demand exceeding supply during an economic boom.

In a recent interview former Bank of England Governor Lord King of Lothbury observed that today's inflation was sparked by a misdiagnosis of the problem at the height of the Covid pandemic back in March 2020. Attempts were made to stimulate demand by further Quantitative Easing when the issue was not weak demand but the lack of supply, with disruption in supply of energy and its derivative products like fertilizers and plastics, metals, glass, agricultural commodities like palm oil and essential components like microchips, and even the supply of labour with the Great Resignation and an inability for migrant labour to travel.

Investment Manager's Report (continued)

Fundsmith Sustainable Equity Fund (continued)

Raising interest rates is now a necessity. This will eventually quell demand. It may take a while to become effective because consumers were quite liquid given the lack of certain types of spending opportunities during the pandemic. However, higher interest rates will do nothing to correct the continuing supply problems in commodities, semiconductors and just about everything else so it may also take some time and high interest rates for demand to become depressed enough for the supply to exceed it and so start to moderate price inflation.

Fortunately, we do not invest on the basis of our prognostications about macroeconomics but it is not a matter of speculation that we now have inflation. Inflation, rising interest rates and an increasingly likely recession have two obvious effects on equity investments; fundamental effects and valuation effects. I will try to address each of these in turn as I review the performance of some of our holdings.

Inflation causes an increase in the cost of the ingredients, components and other inputs which constitute companies' Cost of Goods Sold ("COGS"). The best defence against this inflation is a high gross margin — the difference between sales revenues and COGS. On average last year the companies in our portfolio had a gross margin of 60% compared with about 40% for the average large, listed company. Our companies make things for 4 and sell them for 10 whereas the average company makes things for 6 and sells them for 10. A 10% rise in the COGS clearly has much less effect on the profitability of the companies in our portfolio than the average. Moreover, if they want to compensate for say a 10% rise in COGS, our portfolio companies can achieve this with a much smaller price rise than the average company. The effect on COGS is not the only effect of inflation but it is clear that the high and sustainable gross profit margins of our companies provide a robust first line of defence.

An illustration of the problems of low gross margins was recently supplied by the US retailer Target — a stock we would never own — in its first quarter results. Gross margin contracted from 30.0% in the same quarter last year to 25.7% — a fall of 4.3 percentage points — driven largely by inventory impairments, lower than expected sales in discretionary categories as well as higher costs related to freight, supply chain disruptions and increased compensation and headcount in distribution centres. The operating margin fell from 9.8% in the prior year quarter to 5.3% — so by a similar 4.5 percentage points. Operating profit declined 43%. The combination of low gross margins and high fixed costs is dangerous and we seek to avoid it.

It may seem little source of comfort at the moment but our companies continued to deliver decent underlying business performance in the first half of 2022. Last reported portfolio weighted average free cash flow ("FCF") per share ended June 2022 2% higher than in December 2021, equivalent to annualised growth of about 5%.

Revenue growth was strong, bordering on very strong at some of our companies. Results reported in the first half of 2022 showed two-year top line growth — which we look at in attempt to avoid confusion caused by the gyrations during the pandemic — of 48% at Adobe, 66% at Alphabet, 79% at Intuit, 40% at Microsoft, 39% at PayPal and 47% at Waters.

If these were our privately owned family businesses we would still for the most part be applauding the growth they had delivered in much the same way as we were six months ago, albeit we might well be concerned about their ability to replicate this performance over the next couple of years.

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Investment Manager's Report (continued)

Fundsmith Sustainable Equity Fund (continued)

Our portfolio is not exempt from this effect. Broadly speaking, the stocks that have suffered most from rising interest rates so far were those that started the year the most highly rated and were thus most impacted by the rising discount rate.

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

Intuit	-1.7%
PayPal	-1.6%
IDEXX	-1.5%
Home Depot	-1.2%
Coloplast	-1.2%

Of these, PayPal and maybe Intuit, exacerbated their situation with self-inflicted wounds that negatively impacted their underlying performance. IDEXX really didn't see any slowdown at all.

Did we miss out by not owning more lowly-rated 'value' stocks during this period? Not much. The much talked about 'rotation' from 'growth' to 'value' stocks during the first half of 2022 was rather underwhelming from the perspective of the latter. In the US, the S&P Value Index did indeed significantly outperform its S&P Growth counterpart and the NASDAQ but this outperformance took the form of a 12% fall for the S&P Value Index versus a 28% decline for the S&P Growth Index and a 30% decline in the NASDAQ. Falling less than others when times are tough has obvious merit but still isn't a sufficient payback for the long preceding wait during which value stocks underperformed massively.

For the most part, not owning the sectors we have frequently said we will never own didn't do us any harm during the first half of 2022. In the US the S&P Banks Index for example was down 25% during the six-month period and the S&P Airlines Index was down 22% notwithstanding the sharp pick-up in travel demand. Even the S&P Metals & Mining Index fell in absolute terms, albeit by much less than the market. The one sector in the 'we'll never own' category that did cost us by our absence was energy. In the US, the S&P Energy Index increased 29% in the first half while in the UK, BP shares rose 17% and Shell 34%. For those regretting the absence of energy stocks from our portfolio, these increases have only taken the S&P Energy Index back to a level it first reached in 2008 or the two UK stocks reached in the 1990s.

To try to get some objectivity into where we are now on valuation, the FCF yield on the portfolio, which had ended 2021 at 2.7%, increased to 3.6% at the end of June 2022. This means that in the space of six months, the valuation of the portfolio has declined all the way back to where it was at the end of 2017. We have cautioned in the past that a rising fund price caused in part by rising valuations is nice but also worrying because it is finite and reversible, but that again is not much of a source of comfort when this is shown to be the case.

Moreover, the rotation from 'growth' to 'value' has also led to a situation where the narrative of the 'highly-rated tech sector' has been turned on its head. The median FCF yield on the 78 technology stocks in the S&P 500 Index is 4.6% and the mean is actually 5.2%. Conversely the equivalent numbers for the 36 stocks in the consumer staples sector are 3.8% and 4.6%. The technology stocks in the S&P 500 are actually now more lowly-rated than consumer staples.

The reason why the aforementioned 'narrative' exists is because of the large number of tech stocks which had or still have two or more of the following characteristics — giant market values, little or no revenue or profits, well publicised 2020 or 2021 IPOs, and charismatic CEOs. Probably the best-known investor for these types of stock has been ARK Investment Management, notably in the form of the ARK Innovation ETF. Bloomberg suggests that the forward price-to-earnings ratios for this ETF's top 10 holdings are in seven cases 'N/A', i.e., there are no earnings, and in the other three cases average 53x.

Conversely the price-to-earnings ratio on most of the stocks in our portfolio that could loosely be described as 'tech' — Microsoft, Adobe, Alphabet, Visa, ADP, Intuit and PayPal — averages 26x. It is worth bearing these contrasting valuations in mind when people lump the whole technology sector together.

Investment Manager's Report (continued)

Fundsmith Sustainable Equity Fund (continued)

What did well for us in the first six months of 2022? It is tempting to observe 'not a lot' but here are the five biggest positive contributors to performance:

Johnson & Johnson	+0.5%
Novo Nordisk	+0.3%
PepsiCo	+0.2%
Visa	+0.0%
Colgate	+0.0%

Novo Nordisk discovered that a drug it had developed for diabetics was also the world's first really effective weight loss drug.

The performance of the portfolio across the metrics we use to measure ESG factors in our monthly ESG factsheet remains markedly better than the main reference index, the MSCI World. The 61% of the portfolio aligned with the Paris Agreement can be compared to 19% of G7 listed companies, or 35% of the assets under management of Net Zero Asset Managers signatories. Hence, the companies within the fund are much further along the road to mitigating their contribution to climate change.

As an investor with an ideal holding period of forever, the impact companies have on the environment and society and the risks associated with these impacts are fundamental considerations during our analysis of a business. However, we view sustainability holistically, insofar as we see little point in assembling a portfolio of companies that perform well in assessments of environmental and social impact, whilst failing to implement the basic business disciplines necessary to ensure their longevity.

We also care about what a company actually does rather than what its management says. We are sensitive to issues of "greenwashing" – when a company tries to appear to be doing more good (or less bad) for the environment and society than it actually is in order to attract investor from the increasing sums invested on ESG mandates.

For example, a large source of plastic pollution in the oceans is small plastic sachets that many FMCG companies, including Unilever, use to sell single-use portions of its personal care and household products (e.g. shampoo, soap or detergent) in developing markets. Unilever was recently called out in the press for publicly calling for plastic sachets to be phased out while the company was privately lobbying governments not to ban them. Unilever CEO, Alan Jope, said the business "had to" stop using the sachets two years ago as they are not recyclable because they use multiple materials. Yet behind the scenes, the company privately lobbied against bans on the packaging that had been proposed in India, the Philippines and Sri Lanka. Following Unilever's lobbying efforts, India and the Philippines cancelled their proposals to ban the plastic packets. Sri Lanka pressed ahead, but the country's government later accused Unilever of trying to evade the ban on 6-millilitre sachets by presenting a pack of four sachets as one 24 millilitre unit.

A focus on public virtue signalling rather than positive action seems unlikely to produce a sustainable business.

We also engage with companies we own in areas where we think we can add value. In particular we vote on all of the proxies ourselves rather than relying on third party advisers. We have voted against 52% of the portfolio companies' remuneration policies in the 12 months to the end of June. This is in sharp contrast to the low percentage of remuneration policies rejected by some of the largest fund providers.

The structure of a management's remuneration policy is in our view the most effective way to influence a company's behaviour. To quote Charlie Munger "Show me the incentive and I will show you the outcome." We typically vote against policies that do not include a measure of both fundamental growth and returns in the Long Term Incentive Package (LTIP) as we believe that this is the most effective way to create long term sustainable value.

Recently, we have becoming increasingly uncomfortable with how excessively complicated remuneration plans have become and the increasing reliance on total shareholder return (TSR) in the LTIP, which is something management has no control over. Worse still is relative TSR, which compares the performance of the company's shares against a basket of 'competitors', which can include companies in completely different industries or of a significantly lower quality than those we invest in. This hardly seems an appropriate comparator to ensure the high-quality companies that we invest in remain so, although we sometimes suspect that the comparators are chosen because they are easy to beat.

Investment Manager's Report (continued)

Fundsmith Sustainable Equity Fund (continued)

Our portfolio turnover in the first half was 3.2%. Voluntary dealing (dealing not caused by redemptions or subscriptions) cost just EUR 9,695 during the half year. The Ongoing Charges Figure for the T Class Accumulation (EUR) shares was 1.12% and with the cost of all dealing added, the Total Cost of Investment was 1.14%.

The first half of 2022 marked the end, for the time being, of a long period during which the shares in our companies benefited not only from their underlying business performance but also from falling interest rates and thus rising valuations. Not only did this tailwind disappear but a significant headwind materialised in short order in the form of rising interest rates combined with fears about the impact of inflation and a possible recession.

We claim no insight into how far the headwind to valuations caused by rising interest rates will go, but we are confident that the companies in our portfolio will survive and prosper relatively well in such an environment. This has been and will continue to be our primary focus. If we get that right then our Sub-Fund will emerge with the intrinsic value of its investments maintained or enhanced. Sooner or later share prices reflect fundamentals, not the other way around.

In inflationary periods, an acronym which is sometimes used to describe the investment options is TINA — There Is No Alternative. It refers to the concept that equities will be the least poorly performing sector in such conditions because of the ability of at least some companies to continue to grow revenues in real terms and generate real returns on capital above the rate of inflation.

Bonds with fixed interest coupons are certainly not the place to be in these conditions. Real estate may provide some safety but it is a notoriously local market with poor liquidity and high frictional trading costs. Commodities have had a day in the sun at the start of this inflationary cycle and this may continue, or not. But there is no inherent return on commodities — no interest coupon, dividends or profits reinvested. Investing in them is pure Greater Fool Theory — you can only make money by selling them to someone willing to pay more than you did. I have no confidence in my ability to accomplish that. All of which may point to the fact that There Is No Alternative to equities even though they have performed poorly so far this year.

However, even if you accept that, it may be tempting to sell equities and go into cash as this may enable you to avoid further falls in the equity market. Timing is of the essence in doing this and if you haven't done it already I think we can safely say you missed the top. Getting the other side of the trade roughly right will almost certainly mean buying back into equities when economic conditions are at their most bleak. This is a skill which few, if any, possess. Meanwhile, time spent in cash whilst waiting is hardly a good bolt hole from inflation.

Finally, even if you accept the logic of the TINA mantra, maybe equities of the sort in our portfolio are still not the best place to be for a while. This is really a subset of the market timing approach: Sell quality equities, buy lowly-rated 'value' stocks and then reverse this when the time is right. I wish you luck if you intend to pursue this approach not least because I am fairly sure how lowly-rated stocks, most of which are heavily cyclical, have low profit margins and returns on capital, will fare in a recession.

We meanwhile will continue to do what we set out to do. Which is to assemble a portfolio of high-quality companies and hold onto them so that their inherent ability to compound in value will determine how we perform over the long term, not the vagaries of the market. I hope to see you on the other side.

Yours sincerely,

Terry Smith

Terry Smith

Investment Manager's Report (continued)

Fundsmith Sustainable Equity Fund (continued)

Disclaimer: A Key Investor Information Document for the Fundsmith Sustainable Equity Fund and an English language prospectus for the Fundsmith SICAV 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.

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Sources: Fundsmith LLP & Bloomberg unless otherwise stated.

Portfolio turnover compares the total share purchases and sales less total creations and liquidations with the average net asset value of the fund.

Price-to-earnings ratios and FCF Yields are based on trailing twelve-month data and as at 30 June 2022 unless otherwise stated.

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Statement of Net Assets as at 30 June 2022

	Notes	Combined EUR	Fundsmith Equity Fund EUR	Fundsmith Sustainable Equity Fund EUR
Assets				
Investments at market value	2(c)	8,072,462,036	7,877,841,224	194,620,812
Cash at bank	2(c)	232,952,802	225,132,871	7,819,931
Receivable on subscriptions	2(c)	10,005,881	9,832,283	173,598
Bank interest receivable		13,642	13,642	–
Dividend income receivable	2(c,d)	2,702,087	2,654,209	47,878
Reclaims receivable		961,062	961,062	–
Other assets		3,531	–	3,531
Total assets		**8,319,101,041**	**8,116,435,291**	**202,665,750**
Liabilities				
Accrued bank charges		(1,263)	–	(1,263)
Payable on redemptions	2(c)	(9,565,379)	(9,565,379)	–
Management fees payable	3(a)	(13,406,002)	(13,095,757)	(310,245)
Depositary and administration fees payable	3(b,c)	(642,111)	(616,397)	(25,714)
Subscription tax payable	4	(382,963)	(377,439)	(5,524)
Directors' fees payable	3(d)	(7,500)	(7,322)	(178)
Professional fees payable		(165,767)	(163,730)	(2,037)
Other liabilities		(35,749)	(30,387)	(5,362)
Total liabilities		**(24,206,734)**	**(23,856,411)**	**(350,323)**
Total net assets		**8,294,894,307**	**8,092,578,880**	**202,315,427**

The accompanying notes form an integral part of these financial statements.

Statement of Operations and Changes in Net Assets for the period ended 30 June 2022

	Notes	Combined EUR	Fundsmith Equity Fund EUR	Fundsmith Sustainable Equity Fund EUR
Net assets at the beginning of the period		**9,295,149,116**	**9,095,710,357**	**199,438,759**
Income				
Dividend income	2(d)	44,224,456	43,217,920	1,006,536
Other income		1,291	1,170	121
Total income		**44,225,747**	**43,219,090**	**1,006,657**
Expenses				
Management fees	3(a)	(40,758,373)	(39,876,883)	(881,490)
Depositary and administration fees	3(b,c)	(1,396,845)	(1,344,119)	(52,726)
Subscription tax	4	(812,840)	(801,360)	(11,480)
Net bank charges		(159,310)	(151,600)	(7,710)
Professional fees		(70,402)	(69,610)	(792)
Directors' fees	3(d)	(45,013)	(44,212)	(801)
Other expenses		(22,785)	(17,635)	(5,150)
Total expenses		**(43,265,568)**	**(42,305,419)**	**(960,149)**
Net investment income		**960,179**	**913,671**	**46,508**
Net realised gain/(loss) on:				
Investments		52,039,588	53,632,442	(1,592,854)
Foreign currency		13,876,231	13,794,161	82,070
Net realised gain/(loss) for the period		**65,915,819**	**67,426,603**	**(1,510,784)**
Net change in unrealised (loss)/gain on:				
Investments	2(c)	(1,861,719,312)	(1,829,161,441)	(32,557,871)
Foreign currency	2(b)	3,619,033	3,543,983	75,050
Net change in unrealised loss for the period		**(1,858,100,279)**	**(1,825,617,458)**	**(32,482,821)**
Decrease in net assets as a result of operations		**(1,791,224,281)**	**(1,757,277,184)**	**(33,947,097)**
Movements in share capital				
Subscriptions		2,229,236,289	2,187,952,031	41,284,258
Redemptions		(1,438,266,817)	(1,433,806,324)	(4,460,493)
Increase in net assets as a result of movements in share capital		**790,969,472**	**754,145,707**	**36,823,765**
Net assets at the end of the period		**8,294,894,307**	**8,092,578,880**	**202,315,427**

The accompanying notes form an integral part of these financial statements.

Statistical Information

Net Assets

	Currency	30 June 2022	31 December 2021	31 December 2020	31 December 2019
Fundsmith Equity Fund					
Net asset value per:					
T Class Accumulation Shares	EUR	49.15	60.27	46.75	42.22
T Class Income Shares	EUR	46.34	56.83	44.11	39.93
USD T Class Accumulation Shares*	USD	8.29	–	–	–
USD T Class Income Shares*	USD	8.29	–	–	–
I Class Accumulation Shares	EUR	49.80	61.02	47.27	42.63
I Class Income Shares	EUR	46.53	57.02	44.25	40.06
CHF I Class Accumulation Shares	CHF	35.25	44.74	36.26	32.84
CHF I Class Income Shares	CHF	32.87	41.72	33.88	30.80
GBP I Class Accumulation Shares	GBP	33.53	40.18	33.32	28.41
GBP I Class Income Shares	GBP	31.96	38.29	31.82	27.23
USD I Class Accumulation Shares	USD	28.83	38.45	32.29	26.65
USD I Class Income Shares	USD	27.19	36.25	30.50	25.27
R Class Accumulation Shares	EUR	46.76	57.48	44.81	40.66
R Class Income Shares	EUR	45.88	56.40	43.97	39.92
USD R Class Accumulation Shares*	USD	8.28	–	–	–
USD R Class Income Shares*	USD	8.28	–	–	–
Total net assets	**EUR**	**8,092,578,880**	**9,095,710,357**	**5,525,102,355**	**4,112,138,884**
Fundsmith Sustainable Equity Fund					
Net asset value per:					
T Class Accumulation Shares	EUR	10.56	12.60	–	–
T Class Income Shares	EUR	10.56	12.60	–	–
I Class Accumulation Shares	EUR	10.58	12.61	–	–
I Class Income Shares	EUR	10.58	12.61	–	–
CHF I Class Accumulation Shares	CHF	9.60	11.86	–	–
CHF I Class Income Shares**	CHF	–	11.85	–	–
GBP I Class Accumulation Shares	GBP	10.52	12.26	–	–
GBP I Class Income Shares	GBP	10.51	12.26	–	–
USD I Class Accumulation Shares	USD	9.14	11.85	–	–
USD I Class Income Shares	USD	9.14	11.85	–	–
R Class Accumulation Shares	EUR	10.49	12.55	–	–
R Class Income Shares	EUR	10.49	12.55	–	–
Total net assets	**EUR**	**202,315,427**	**199,438,759**	**–**	**–**

* Share class launched during the period ended 30 June 2022. For share class specific launch dates, please refer to Note 1.
** Share class became dormant during the period ended 30 June 2022. For share class specific last valuation date, please refer to Note 1.

Statistical Information (continued)

Changes in Shares Outstanding

	Currency	Balance as at 1 January 2022	Subscriptions	Redemptions	Balance as at 30 June 2022
Fundsmith Equity Fund					
T Class Accumulation Shares	EUR	21,475,080	4,217,441	5,321,397	20,371,124
T Class Income Shares	EUR	2,774,016	502,578	593,218	2,683,376
USD T Class Accumulation Shares*	USD	–	7,751,201	135,844	7,615,357
USD T Class Income Shares*	USD	–	490,664	–	490,664
I Class Accumulation Shares	EUR	30,476,138	5,368,429	5,993,414	29,851,153
I Class Income Shares	EUR	6,784,722	1,462,503	2,465,839	5,781,386
CHF I Class Accumulation Shares	CHF	4,975,798	541,979	715,482	4,802,295
CHF I Class Income Shares	CHF	1,028,879	37,328	125,834	940,373
GBP I Class Accumulation Shares	GBP	11,323,127	1,227,350	3,079,986	9,470,491
GBP I Class Income Shares	GBP	4,686,448	824,823	859,314	4,651,957
USD I Class Accumulation Shares	USD	104,288,228	41,062,956	12,123,125	133,228,059
USD I Class Income Shares	USD	11,003,535	502,609	1,276,649	10,229,495
R Class Accumulation Shares	EUR	7,440,756	2,811,020	1,970,340	8,281,436
R Class Income Shares	EUR	1,103,012	200,312	92,697	1,210,627
USD R Class Accumulation Shares*	USD	–	16,407	–	16,407
USD R Class Income Shares*	USD	–	1,000	–	1,000
Fundsmith Sustainable Equity Fund					
T Class Accumulation Shares	EUR	250,894	104,780	27,876	327,798
T Class Income Shares	EUR	1,439	1,738	–	3,177
I Class Accumulation Shares	EUR	13,005,756	3,171,338	292,156	15,884,938
I Class Income Shares	EUR	229,582	26,330	1,000	254,912
CHF I Class Accumulation Shares	CHF	320,180	81,310	82,160	319,330
CHF I Class Income Shares**	CHF	1,000	–	1,000	–
GBP I Class Accumulation Shares	GBP	32,867	–	1,000	31,867
GBP I Class Income Shares	GBP	1,559	2,762	1,790	2,531
USD I Class Accumulation Shares	USD	2,378,860	281,744	5,870	2,654,734
USD I Class Income Shares	USD	3,000	116,327	1,000	118,327
R Class Accumulation Shares	EUR	14,380	6,300	–	20,680
R Class Income Shares	EUR	1,000	–	–	1,000

* Share class launched during the period ended 30 June 2022. For share class specific launch dates, please refer to Note 1.
** Share class became dormant during the period ended 30 June 2022. For share class specific last valuation date, please refer to Note 1.

Portfolio of Investments as at 30 June 2022

Fundsmith Equity Fund

Currency	Holdings	Description	Market value EUR	% of net assets
Transferable securities and money market instruments admitted to an official stock exchange listing or dealt in on another regulated market				
		Equities		
		Denmark		
DKK	1,230,090	Coloplast A/S - B	131,258,517	1.62
DKK	4,662,161	Novo Nordisk A/S - B	482,880,227	5.97
		Total Denmark	**614,138,744**	**7.59**
		Finland		
EUR	3,015,845	Kone Oyj - B	133,330,508	1.65
		Total Finland	**133,330,508**	**1.65**
		France		
EUR	499,166	L'Oreal SA	160,631,619	1.98
EUR	469,188	LVMH Moet Hennessy Louis Vuitton SE	267,155,647	3.30
		Total France	**427,787,266**	**5.28**
		Spain		
EUR	2,293,255	Amadeus IT Group SA	118,653,014	1.47
		Total Spain	**118,653,014**	**1.47**
		United Kingdom		
GBP	5,974,340	Diageo PLC	244,297,230	3.02
GBP	5,062,317	Unilever PLC	217,670,571	2.69
		Total United Kingdom	**461,967,801**	**5.71**
		United States		
USD	663,669	Adobe Inc	235,121,859	2.90
USD	94,854	Alphabet Inc - A	203,727,020	2.52
USD	1,797,640	Amazon.com Inc	188,241,051	2.33
USD	1,368,072	Automatic Data Processing Inc	279,085,870	3.45
USD	3,941,664	Brown-Forman Corp - B	268,752,374	3.32
USD	3,113,169	Church & Dwight Co Inc	276,433,456	3.42
USD	1,584,316	Estee Lauder Cos Inc - A	391,437,127	4.84
USD	984,632	IDEXX Laboratories Inc	339,099,975	4.19
USD	739,439	Intuit Inc	277,007,904	3.42
USD	3,917,991	McCormick & Co Inc	322,547,262	3.98
USD	1,323,330	Meta Platforms Inc - A	208,572,512	2.58
USD	217,560	Mettler-Toledo International Inc	239,703,971	2.96
USD	2,705,892	Microsoft Corp	677,051,752	8.37
USD	2,195,166	NIKE Inc - B	217,902,097	2.69
USD	2,508,910	PayPal Holdings Inc	172,390,309	2.13
USD	2,042,575	PepsiCo Inc	327,412,868	4.04
USD	4,406,877	Philip Morris International Inc	427,363,013	5.28
USD	1,595,167	Stryker Corp	305,844,467	3.78
USD	1,416,066	Visa Inc - A	271,600,383	3.36
USD	796,366	Waters Corp	252,350,341	3.12
		Total United States	**5,881,645,611**	**72.68**
		Total equities	**7,637,522,944**	**94.38**
Total transferable securities and money market instruments admitted to an official stock exchange listing or dealt in on another regulated market			**7,637,522,944**	**94.38**

The accompanying notes form an integral part of these financial statements.

Portfolio of Investments as at 30 June 2022 (continued)

Fundsmith Equity Fund (continued)

Currency	Holdings	Description	Market value EUR	% of net assets
Other transferable securities				
		Equities		
		France		
EUR	485,178	L'Oreal SA - Pref	156,130,280	1.93
EUR	260,000	L'Oreal SA - Pref 2024	84,188,000	1.04
		Total France	**240,318,280**	**2.97**
		Total equities	**240,318,280**	**2.97**
Total other transferable securities			**240,318,280**	**2.97**
Total portfolio			**7,877,841,224**	**97.35**
Other assets and liabilities			214,737,656	2.65
Net assets at the end of the period			**8,092,578,880**	**100.00**

The accompanying notes form an integral part of these financial statements.

Portfolio of Investments as at 30 June 2022 (continued)

Fundsmith Sustainable Equity Fund

Currency	Holdings	Description	Market value EUR	% of net assets
Transferable securities and money market instruments admitted to an official stock exchange listing or dealt in on another regulated market				
		Equities		
		Denmark		
DKK	59,623	Coloplast A/S - B	6,362,158	3.15
DKK	109,048	Novo Nordisk A/S - B	11,294,574	5.58
		Total Denmark	**17,656,732**	**8.73**
		Finland		
EUR	65,872	Kone Oyj - B	2,912,201	1.44
		Total Finland	**2,912,201**	**1.44**
		France		
EUR	18,745	L'Oreal SA	6,032,141	2.98
		Total France	**6,032,141**	**2.98**
		Spain		
EUR	84,901	Amadeus IT Group SA	4,392,778	2.17
		Total Spain	**4,392,778**	**2.17**
		United Kingdom		
GBP	181,763	Unilever PLC	7,815,484	3.86
		Total United Kingdom	**7,815,484**	**3.86**
		United States		
USD	22,227	Adobe Inc	7,874,488	3.89
USD	3,264	Alphabet Inc - A	7,010,405	3.46
USD	43,127	Automatic Data Processing Inc	8,797,882	4.35
USD	116,146	Church & Dwight Co Inc	10,313,170	5.10
USD	38,256	Estee Lauder Cos Inc - A	9,451,914	4.67
USD	31,046	Home Depot Inc	8,174,366	4.04
USD	14,633	IDEXX Laboratories Inc	5,039,497	2.49
USD	20,282	Intuit Inc	7,598,023	3.76
USD	57,690	Johnson & Johnson	9,816,423	4.85
USD	116,887	McCormick & Co Inc	9,622,682	4.76
USD	6,412	Mettler-Toledo International Inc	7,064,635	3.49
USD	36,898	Microsoft Corp	9,232,392	4.56
USD	36,562	PayPal Holdings Inc	2,512,220	1.24
USD	49,040	PepsiCo Inc	7,860,826	3.89
USD	65,952	Procter & Gamble Co	9,016,366	4.46
USD	37,829	Stryker Corp	7,253,028	3.58
USD	44,156	Visa Inc - A	8,469,087	4.19
USD	29,225	Waters Corp	9,260,740	4.58
USD	46,846	Zoetis Inc	7,832,962	3.87
		Total United States	**152,201,106**	**75.23**
		Total equities	**191,010,442**	**94.41**
Total transferable securities and money market instruments admitted to an official stock exchange listing or dealt in on another regulated market			**191,010,442**	**94.41**

The accompanying notes form an integral part of these financial statements.

Portfolio of Investments as at 30 June 2022 (continued)

Fundsmith Sustainable Equity Fund (continued)

Currency	Holdings	Description	Market value EUR	% of net assets
Other transferable securities				
		Equity		
		France		
EUR	11,150	L'Oreal SA - Pref 2024	3,610,370	1.79
		Total France	**3,610,370**	**1.79**
		Total equity	**3,610,370**	**1.79**
Total other transferable securities			**3,610,370**	**1.79**
Total portfolio			**194,620,812**	**96.20**
Other assets and liabilities			7,694,615	3.80
Net assets at the end of the period			**202,315,427**	**100.00**

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

1. The SICAV

Fundsmith SICAV (the "SICAV"), formerly Fundsmith Equity Fund SICAV, is an open-ended investment company incorporated under the laws of Luxembourg as a *Société d'Investissement à Capital Variable* in accordance with the provisions of Part I of the amended Law relating to Undertakings for Collective Investment of 17 December 2010 ("UCI Law"). The SICAV was incorporated for an unlimited period on 28 October 2011. The Articles of Incorporation were published in the *Mémorial C* on 14 November 2011. The SICAV changed its name to Fundsmith SICAV on 1 March 2021 and the Articles were amended with effect on 1 March 2021. The SICAV is registered with the Luxembourg Trade and Companies Register under number B164404.

The SICAV has appointed FundRock Management Company S.A. (the "Management Company") as its management company.

As at 30 June 2022, the SICAV consisted of two active sub-funds (the "Sub-Funds"):

Sub-Fund	Currency	Launch date
Fundsmith Equity Fund	EUR	28 October 2011
Fundsmith Sustainable Equity Fund	EUR	1 March 2021

Investment Objective

The investment objective of the Sub-Funds is to achieve long-term growth in value. The Sub-Funds will invest in equities on a global basis. The Sub-Funds' approach is to be a long-term investor in its chosen stocks. They will not adopt short-term trading strategies. The Sub-Funds have stringent investment criteria which the Investment Manager adheres to in selecting securities for the Sub-Funds' investment portfolios.

Share Classes

The following share classes were launched during the period ended 30 June 2022:

Sub-Fund and share class	Currency	Launch date
Fundsmith Equity Fund		
USD T Class Accumulation Shares	USD	4 February 2022
USD T Class Income Shares	USD	4 February 2022
USD R Class Accumulation Shares	USD	4 February 2022
USD R Class Income Shares	USD	4 February 2022

The following share class was dormant during the period ended 30 June 2022:

Sub-Fund and share class	Currency	Last Valuation Date
Fundsmith Sustainable Equity Fund		
CHF I Class Income Shares	CHF	14 February 2022

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

(a) Preparation of the Financial Statements

The combined primary statements of these financial statements (Statement of Net Assets and Statement of Operations and Changes in Net Assets) are the arithmetic sum of the financial statements of all Sub-Funds as at 30 June 2022.

These financial statements have been prepared in accordance with Luxembourg regulations relating to Undertakings for Collective Investment ("UCI").

The reference currency of the SICAV and of each of its Sub-Funds is EUR and all the financial statements of the SICAV are presented in EUR.

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(b) Foreign Currency Translation

Transactions and Balances

Foreign currency transactions are translated into the reference currency using the exchange rates prevailing on the dates of the transactions. Foreign currency assets and liabilities are translated into the base currency using the exchange rate prevailing at the Statement of Net Assets date and are detailed in Note 7.

Foreign exchange gains and losses arising from translation are included in the Statement of Operations and Changes in Net Assets.

(c) Valuation of Investments, Assets and Liabilities

The SICAV's investments, assets and liabilities are valued as follows:

(i) Investment Securities Valuation

In calculating a net asset value, the Administrator may consult the Management Company and the Investment Manager with respect to the valuation of certain investments. Whilst there is an inherent conflict of interest between the involvement of the Management Company/Investment Manager in determining the valuation price of the Sub-Funds' investments and the Management Company's/Investment Manager's other duties and responsibilities in relation to a Sub-Fund, the Management Company/Investment Manager will endeavour to resolve any such conflict of interest timely and fairly and in the interest of Shareholders.

The value of securities which are listed or dealt in on any stock exchange is based on the last available price.

The Board of Directors of the SICAV may adjust the value of any investment if having regard to its currency, marketability, applicable interest rates, anticipated rates of dividend, maturity, liquidity or any other relevant considerations, and deem such adjustment is required to reflect the fair value thereof.

Where the value of any investment is not ascertainable as described in the Articles, the value shall be the probable realisation value estimated by the Board of Directors of the SICAV, or by a competent person, with care and in good faith.

If the Board of Directors of the SICAV deem it necessary, a specific investment may be valued under an alternative method of valuation chosen by the Board of Directors of the SICAV.

(ii) Cash

Cash at bank includes cash on hand or on deposit and is valued at its nominal/face value.

(iii) Assets

Assets, which include dividend income receivable, receivable on subscriptions, prepaid expenses and reclaims receivable, are valued at nominal value unless it appears unlikely that such nominal amount is obtainable.

(iv) Liabilities

Liabilities, which include expenses payable and payable on redemptions, are valued at nominal value.

(d) Dividend Income

Dividends are recognised on the date on which the shares concerned are quoted "ex-dividend", net of withholding tax.

(e) Distributions

The SICAV may issue accumulation and/or income shares within each Sub-Fund. Accumulation shares do not pay any dividends whereas income shares give their owners the right to receive distributions.

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(f) Total Net Asset Value

The total net asset value is equal to the difference between the total assets and the total liabilities of each Sub-Fund and the total net asset value of each share class is expressed in the reference currency of the relevant share class.

The net asset value per share is calculated as of each valuation day by dividing the total net asset value attributable to a share class by the total number of shares in issue or deemed to be in issue in that share class as of the relevant valuation day and rounding down the resulting total to two decimal places or such number of decimal places as the Board of Directors of the SICAV may determine.

(g) Transaction Costs

Transaction costs are costs incurred to acquire financial assets or liabilities at market value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs for the period ended 30 June 2022 are disclosed in Note 6.

(h) Swing Pricing

A Sub-Fund may suffer a reduction in value of its investments as a result of the transaction costs incurred in the purchase and sale of its underlying investments and of the spread between the buying and selling prices of such investments caused by subscriptions, redemptions and/or conversions in and out of the Sub-Fund. This is known as "dilution". In order to counter this and to protect Shareholders' interests, the Board of Directors may decide to apply "swing pricing" as part of the valuation policy. This will mean that in certain circumstances the Board of Directors may make adjustments in the calculations of the net asset values per share, to counter the impact of dealing and other costs on occasions when these are deemed to be significant.

If on any valuation day the aggregate value of transactions in shares of a Sub-Fund results in a net increase or decrease of shares which exceeds a threshold of 5% of such Sub-Fund's NAV (relating to the cost of market dealing for that Sub-Fund), the net asset value of the Sub-Fund will be adjusted by an amount (not exceeding 0.25% of the net asset value) which reflects both the estimated fiscal charges and dealing costs that may be incurred by the Sub-Fund and the estimated bid/offer spread of the assets in which the Sub-Fund invests. This maximum amount will not vary even in case of change in market conditions (i.e. it will not be increased in unusual market conditions). The adjustment will be an addition when the net movement results in an increase of all shares of a Sub-Fund and a deduction when it results in a decrease.

Both Sub-Funds are in scope of swing pricing and for both Sub-Funds no swing pricing was applied during the period.

As at 30 June 2022, no swing pricing was applied.

(i) Use of Estimates

The preparation of the financial statements in conformity with the Luxembourg legal and regulatory requirements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. The Board of Directors of the SICAV may also disclose certain contingent assets and liabilities at the date of the financial statements which can affect income and expenses during the reported years. Actual results could differ from those estimates.

3. Fees

(a) Management Fees

The SICAV remunerates the Management Company, the Investment Manager and the Distributor, for their services out of an aggregate management fee, which is payable monthly in arrears and accrued as of each valuation day.

The annual management fee rates applicable to the share classes are expressed as a percentage of the total net assets of each share class and are specified in the following table:

Notes to the Financial Statements (continued)

3. Fees (continued)

(a) Management Fees (continued)

Sub-Fund	T Class	I Class	R Class
Fundsmith Equity Fund	1.00%	0.90%	1.50%
Fundsmith Sustainable Equity Fund	1.00%	0.90%	1.50%

(b) Administration Fees

Northern Trust Global Services SE has been appointed as administrator (the "Administrator") pursuant to the Central Administration Agreement. The Administrator provides the services of central administration agent, domiciliary and corporate agent, registrar and transfer agent to the SICAV.

The SICAV pays to the Administrator out of the assets of the Sub-Funds an annual fee, accrued as of each valuation day and payable monthly in arrears, for the fund accounting duties.

The annual rates applied are as specified in the following table:

Tier	Rate
EUR 0 - EUR 500 million	0.0300%
EUR 500 million - EUR 750 million	0.0200%
EUR 750 million - EUR 1,500 million	0.0100%
EUR 1,500 million - EUR 6,500 million	0.0075%
EUR 6,500 million - EUR 16.500 million	0.0050%
Above 16,500 million	0.0025%

There is an additional charge of EUR 1,000 per annum for each share class, the first two share classes in each Sub-Fund being free of charge.

The Administrator is also entitled to a fee of EUR 9,000 per annum at umbrella level for acting as the domiciliary agent.

The SICAV also pays to the Administrator the following fees for the transfer agency services:

Service	Fee
Fund maintenance charge	EUR 2,000/sub-fund/annum
Investor maintenance fee	EUR 25/investor account/annum
Dealing fee	EUR 15/manual; EUR 5/automated transaction
Fund distribution fee per Sub-Fund up to 2 share classes	EUR 500/distribution/sub-fund

(c) Depositary Fees

Northern Trust Global Services SE has been appointed as depositary of its assets (the "Depositary") pursuant to the Depositary Agreement. The Depositary is entrusted with the safekeeping of the SICAV's assets.

The SICAV pays to the Depositary out of the assets of the Sub-Funds an annual fee, accrued as of each valuation day and payable monthly in arrears.

The annual rates applied are as specified in the following table:

Total net assets	Rate
EUR 0 - EUR 1 billion	0.0100%
EUR 1 billion - EUR 3 billion	0.0090%
EUR 3 billion - EUR 5 billion	0.0080%
EUR 5 billion - EUR 10 billion	0.0070%
EUR 10 billion - EUR 20 billion	0.0060%
Over EUR 20 billion	0.0050%

Notes to the Financial Statements (continued)

3. Fees (continued)

(d) Directors' Fees

Mr. Garry Pieters and Ms. Sheenagh Joy Gordon-Hart receive, as compensation for their services as Independent Directors, an annual fee of EUR 30,000 each; subject to approval by the general meeting of Shareholders of the SICAV. Mr. Paul Mainwaring, who is a Partner of Fundsmith LLP, does not receive a fee for acting as a Director.

(e) Performance Fees

The SICAV is not subject to performance fees.

4. Taxation

Under current Law and practice, the SICAV is not liable to any Luxembourg tax on profits or income.

The SICAV is, however, liable in Luxembourg to a subscription tax *("taxe d'abonnement"*) of 0.01% per annum of its total net asset value for institutional shares (I share classes) and of 0.05% per annum of its total net asset value for retail shares (T and R share classes), such tax being payable quarterly on the basis of the value of the aggregate total net asset value of the SICAV at the end of the relevant calendar quarter.

No Luxembourg tax is payable on the realised capital appreciation of the assets of the SICAV.

Dividend and interest income received by the SICAV on its investments may be subject to non-recoverable withholding or other taxes in the countries of origin.

5. Distribution Paid

During the period ended 30 June 2022, there were no distributions paid for the Fundsmith Equity Fund and the Fundsmith Sustainable Equity Fund.

6. Transaction Costs

During the period under review, the Sub-Funds incurred transaction costs as specified in the following table:

Sub-Fund	**Transaction costs**
Fundsmith Equity Fund	EUR 734,217
Fundsmith Sustainable Equity Fund	EUR 24,160

7. Exchange Rates

The exchange rates used as at 30 June 2022 are as follows:

EUR 1 = CHF	0.997764
EUR 1 = DKK	7.439102
EUR 1 = GBP	0.858989
EUR 1 = USD	1.040150

8. Statement of Changes in the Portfolio

A statement of changes in the portfolio for the period ended 30 June 2022 is available upon request, free of charge, from the registered office of the SICAV.

9. Significant Events During the Period

With effect from 25 March 2022, Fundsmith Investment Services Limited is the Investment Manager and ceased to act as the Investment Advisor. Fundsmith LLP continues to act as the Distributor and Promoter.

A new prospectus was issued in March 2022.

Notes to the Financial Statements (continued)

9. Significant Events During the Period (continued)

As at 30 June 2022, the Board approved the dividend distributions amounting to EUR 170,183 for the Fundsmith Equity Fund and EUR 475 for the Fundsmith Sustainable Equity Fund, with payment date of 31 August 2022.

There were no other significant events during the period that require adjustment to, or disclosure in, the financial statements.

10. Subsequent Events

There were no significant events subsequent to the period-end date that require adjustment to, or disclosure in, the financial statements.

Appendix I – Securities Financing Transactions Regulation

The following information is presented with regard to Regulation (EU) 2015/2365 on transparency of securities financing transactions (SFTs) and of reuse.

During the period under review, the SICAV did not have any transactions falling into the scope of the Securities Financing Transactions Regulation.

Appendix II – Risk Information

As part of the risk-management process, the global exposure of the Sub-Funds is calculated using the relative value at risk ("VaR") approach. The benchmark used for the purpose of the calculation is MSCI World Index. The expected level of leverage for the Sub-Funds, calculated on the basis of the sum of the notionals, is 100% of the net asset value, although higher levels of leverage are possible.

VaR is calculated in the Sub-Fund's currency using historical methodology with a one-year look back, 0.9950 decay, 20 day time horizon and 99% confidence interval.

Appendix III – Portfolio Turnover Ratio

The portfolio turnover ratio ("PTR") compares the total investment purchases and sales less total subscriptions and redemptions with the average net asset value of each Sub-Fund. The PTR of the Fundsmith Equity Fund and the Fundsmith Sustainable Equity Fund for the period from 1 January 2022 to 30 June 2022 are specified in the table below:

Sub-Fund	**PTR (%)**
Fundsmith Equity Fund	1.07
Fundsmith Sustainable Equity Fund	3.24

Appendix IV – Total Expense Ratio

The total expense ratio ("TER") compares all operating expenses with the average net asset value of each Sub-Fund. The TERs for the period from 1 January 2022 to 30 June 2022 for each share class of the Fundsmith Equity Fund and the Fundsmith Sustainable Equity Fund are specified in the table below:

Sub-Fund and share class	Currency	TER (%)
Fundsmith Equity Fund		
T Class Accumulation Shares	EUR	1.09
T Class Income Shares	EUR	1.09
USD T Class Accumulation Shares	USD	1.12
USD T Class Income Shares	USD	1.12
I Class Accumulation Shares	EUR	0.94
I Class Income Shares	EUR	0.94
CHF I Class Accumulation Shares	CHF	0.95
CHF I Class Income Shares	CHF	0.94
GBP I Class Accumulation Shares	GBP	0.94
GBP I Class Income Shares	GBP	0.94
USD I Class Accumulation Shares	USD	0.95
USD I Class Income Shares	USD	0.94
R Class Accumulation Shares	EUR	1.61
R Class Income Shares	EUR	1.61
USD R Class Accumulation Shares	USD	1.68
USD R Class Income Shares	USD	1.64
Fundsmith Sustainable Equity Fund		
T Class Accumulation Shares	EUR	1.12
T Class Income Shares	EUR	1.13
I Class Accumulation Shares	EUR	0.97
I Class Income Shares	EUR	0.97
CHF I Class Accumulation Shares	CHF	0.97
CHF I Class Income Shares	CHF	0.96
GBP I Class Accumulation Shares	GBP	0.97
GBP I Class Income Shares	GBP	0.98
USD I Class Accumulation Shares	USD	0.97
USD I Class Income Shares	USD	0.97
R Class Accumulation Shares	EUR	1.65
R Class Income Shares	EUR	1.65

Appendix V – Information to Investors in Switzerland

Representative in Switzerland

The representative in Switzerland is RBC Investor & Treasury Services S.A. Bleicherweg 7, CH-8027 Zürich.

Paying Agent in Switzerland

The paying agent in Switzerland is RBC Investor & Treasury Services S.A. Bleicherweg 7, CH-8027 Zürich.

Publications

Publications concerning the foreign collective investment scheme are made in Switzerland on www.fundinfo.com. Each time shares are issued or redeemed, the issue and the redemption prices or the net asset value together with a reference stating "excluding commissions" are published for all share classes on www.fundinfo.com. Prices are published daily.

Total Expense Ratio

The TER compares all operating expenses with the average net asset value of each Sub-Fund. The annualised TERs for each share class of the Fundsmith Equity Fund and the Fundsmith Sustainable Equity Fund for the twelve-month period from 1 July 2021 to 30 June 2022 are specified in the table below:

Sub-Fund and share class	Currency	TER (%)
Fundsmith Equity Fund		
T Class Accumulation Shares	EUR	1.09
T Class Income Shares	EUR	1.09
USD T Class Accumulation Shares	USD	1.12
USD T Class Income Shares	USD	1.12
I Class Accumulation Shares	EUR	0.94
I Class Income Shares	EUR	0.94
CHF I Class Accumulation Shares	CHF	0.94
CHF I Class Income Shares	CHF	0.94
GBP I Class Accumulation Shares	GBP	0.94
GBP I Class Income Shares	GBP	0.94
USD I Class Accumulation Shares	USD	0.95
USD I Class Income Shares	USD	0.94
R Class Accumulation Shares	EUR	1.61
R Class Income Shares	EUR	1.61
USD R Class Accumulation Shares	USD	1.68
USD R Class Income Shares	USD	1.62
Fundsmith Sustainable Equity Fund		
T Class Accumulation Shares	EUR	1.14
T Class Income Shares	EUR	1.14
I Class Accumulation Shares	EUR	0.99
I Class Income Shares	EUR	0.99
CHF I Class Accumulation Shares	CHF	0.99
CHF I Class Income Shares	CHF	0.99
GBP I Class Accumulation Shares	GBP	0.99
GBP I Class Income Shares	GBP	1.00
USD I Class Accumulation Shares	USD	0.99
USD I Class Income Shares	USD	0.99
R Class Accumulation Shares	EUR	1.67
R Class Income Shares	EUR	1.67

The TERs are calculated in accordance with the guidelines released in 2008, as amended, by the Swiss Funds and Asset Management Association ("SFAMA"), now known as the Asset Management Association Switzerland following the SFAMA's merger with the Asset Management Platform Switzerland in 2020.

Appendix V – Information to Investors in Switzerland (continued)

Performance

The performance is defined as the total return of one share over a specified period, expressed as a percentage of the net asset value per share at the beginning of the observation period. The performance of each share class of the Fundsmith Equity Fund and the Fundsmith Sustainable Equity Fund is detailed in the table below:

Sub-Fund and share class	Currency	Performance (%) 30 June 2022	Performance (%) 31 December 2021	Performance (%) 31 December 2020	Performance (%) 31 December 2019
Fundsmith Equity Fund					
T Class Accumulation Shares	EUR	(18.45)	28.92	10.73	32.50
T Class Income Shares	EUR	(18.45)	28.92	10.71	32.45
USD T Class Accumulation Shares*	USD	(17.07)	–	–	–
USD T Class Income Shares*	USD	(17.07)	–	–	–
I Class Accumulation Shares	EUR	(18.39)	29.10	10.88	32.71
I Class Income Shares	EUR	(18.39)	29.10	10.86	32.65
CHF I Class Accumulation Shares	CHF	(21.21)	23.38	10.40	27.84
CHF I Class Income Shares	CHF	(21.21)	23.39	10.41	27.81
GBP I Class Accumulation Shares	GBP	(16.54)	20.58	17.28	25.74
GBP I Class Income Shares	GBP	(16.54)	20.57	17.28	25.72
USD I Class Accumulation Shares	USD	(25.01)	19.07	21.18	30.09
USD I Class Income Shares	USD	(25.01)	19.07	21.17	30.06
R Class Accumulation Shares	EUR	(18.65)	28.27	10.20	31.82
R Class Income Shares	EUR	(18.65)	28.27	10.12	31.88
USD R Class Accumulation Shares*	USD	(17.23)	–	–	–
USD R Class Income Shares*	USD	(17.22)	–	–	–
Fundsmith Sustainable Equity Fund					
T Class Accumulation Shares	EUR	(16.18)	25.99	–	–
T Class Income Shares	EUR	(16.19)	25.99	–	–
I Class Accumulation Shares	EUR	(16.13)	26.13	–	–
I Class Income Shares	EUR	(16.13)	26.13	–	–
CHF I Class Accumulation Shares	CHF	(19.02)	18.56	–	–
CHF I Class Income Shares**	CHF	(10.52)	18.57	–	–
GBP I Class Accumulation Shares	GBP	(14.22)	22.62	–	–
GBP I Class Income Shares	GBP	(14.22)	22.62	–	–
USD I Class Accumulation Shares	USD	(22.92)	18.53	–	–
USD I Class Income Shares	USD	(22.92)	18.54	–	–
R Class Accumulation Shares	EUR	(16.39)	25.46	–	–
R Class Income Shares	EUR	(16.39)	25.47	–	–

The performance is calculated in accordance with the guidelines published in 2008 by the SFAMA, now known as the Asset Management Association Switzerland following the SFAMA's merger with the Asset Management Platform Switzerland in autumn 2020.

* Share class launched during the period ended 30 June 2022. For share class specific launch dates, please refer to Note 1.
** Share class became dormant during the period ended 30 June 2022. For share class specific last valuation date, please refer to Note 1.