

# Prospectus

January 2026

## Important information

This document constitutes the Prospectus for Smithson Equity Fund (the "Company") which has been prepared in accordance with the Collective Investment Schemes Sourcebook published by the Financial Conduct Authority (the "FCA") as part of its Handbook of Rules and Guidance made under the Financial Services and Markets Act 2000 (the "Act").

Fundsmith LLP as the Authorised Corporate Director (the "ACD") of the Company is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus does not contain any untrue or misleading statement or omit any matters required by the FCA Rules to be included in it.

The provisions of the Instrument of Incorporation of the Company are binding on each of its Shareholders (who are taken to have notice of them).

This Prospectus has been approved for the purpose of section 21 of the Financial Services and Markets Act 2000 by Fundsmith LLP.

This Prospectus is currently only available in English. Copies of this Prospectus can be provided in large print upon request.

Copies of this Prospectus have been sent to the FCA and the Depositary.

If you are in any doubt about the contents of this Prospectus you should consult your professional adviser.

This Prospectus is dated and is valid as at January 2026.

The Prospectus is based on information, law and practice at the date hereof. The Company is not bound by any out of date prospectus when it has issued a new prospectus and potential investors should check that they have the most recently published prospectus.

As the Company is established in the United Kingdom, this Prospectus has been drafted for distribution in the United Kingdom and certain sections (for example those relating to tax) are intended for United Kingdom investors only. However, the Company may, subject to approval by the appropriate authority, be made available to investors in other jurisdictions. Supplementary information may

be made available to investors in such jurisdictions by way of a country-specific addendum, dependent upon the legal and regulatory requirements of each country or jurisdiction. The Prospectus may also be translated into the language of the country in which the Company is to be made available, dependent upon the legal and regulatory requirements of each country or jurisdiction. Potential investors who are based outside the United Kingdom should read Section 34 of this Prospectus on "Overseas Shareholders" and any country-specific addendum relevant to their jurisdiction which is referred to there. Notwithstanding the information provided in Section 34, potential investors based outside the United Kingdom are required to inform themselves of the legal requirements and restrictions in their own jurisdiction and act in accordance with them. This Prospectus does not amount to a solicitation or offer to any person in any jurisdiction in which such solicitation or offer would be unauthorised or unlawful.

The Company is offering its Shares on the basis of the information contained in this Prospectus. No person has been authorised by the Company to give any information or to make any representations in connection with the offering of the Shares other than those contained in this Prospectus, and, if given or made, such information or representations must not be relied upon.

Potential investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Shares.

Issued by Fundsmith LLP.

Registered in England and Wales no: OC354233.

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## Directory of contact details

### Shareholder administration

**Fundsmith LLP**  
PO Box 10846  
Chelmsford  
Essex CM99 2BW

**Telephone:** 0330 123 1815  
**Website:** [www.fundsmith.co.uk](http://www.fundsmith.co.uk)

### The Company

**Smithson Equity Fund**  
33 Cavendish Square, London W1G 0PW  
Registration Number – IC369034  
FCA Product Reference Number – 1050119

### Authorised Corporate Director

**Fundsmith LLP**  
33 Cavendish Square, London W1G 0PW  
FCA Registration Number – 523102

### Registrar

**SS&C Financial Services International Limited**  
SS&C House, St Nicholas Lane, Basildon, Essex SS15 5FS

### Depositary

**Northern Trust Investor Services Limited**  
50 Bank Street, London  
United Kingdom E14 5NT

### Auditors

**Deloitte LLP**  
London

### Financial Conduct Authority

The Company, ACD and Depositary are all authorised and regulated by the Financial Conduct Authority.

#### **The FCA can be contacted at:**

12 Endeavour Square, London E20 1JN

**Telephone:** 0800 111 6768 (Consumer helpline)  
**Website:** [www.fca.org.uk](http://www.fca.org.uk)

## Definitions

In this Prospectus the words and expressions set out in the first column below shall have the meanings set out opposite them unless the context otherwise requires.

<b>ACD</b>	Fundsmith LLP, the authorised corporate director of the Company;
<b>Act</b>	Financial Services and Markets Act 2000 as amended;
<b>Auditor</b>	Deloitte LLP, or such other entity as is appointed to act as auditor to the Company from time to time;
<b>Approved Bank</b>	any approved bank within the definition contained in the glossary of definitions to the FCA Handbook (as applied in COLL), including UK banks, building societies, banks supervised by the central bank or banking regulator of an OECD country, credit institutions within an EEA State, banks regulated in the Isle of Man or the Channel Islands and banks supervised by the South African Reserve Bank;
<b>Business Day</b>	any day on which the London Stock Exchange is open for business;
<b>Company</b>	Smithson Equity Fund;
<b>Dealing Day</b>	9.00 am to 5.00 pm on each Business Day excluding any day on which the ACD has notified the Depositary that it is not open for normal business or as otherwise agreed between the ACD and the Depositary;
<b>Depositary</b>	Northern Trust Investor Services Limited, the depositary of the Company or such other entity as is appointed to act as depositary;
<b>EEA State</b>	a member state of the European Union and any other state which is within the European Economic Area;

<b>Eligible Institution</b>	an eligible institution in accordance with the definition contained within the FCA Rules including certain credit institutions and investment firms;	<b>Regulations</b>	the OEIC Regulations, the FCA Rules, the Act, any regulations made under it and any retained EU law under the European Union (Withdrawal) Act 2018 which is directly applicable to the Company, the ACD or the Depositary;
<b>EU</b>	the European Union;	<b>Scheme Property</b>	the property of the Company to be given to the Depositary for safe-keeping;
<b>FCA</b>	the Financial Conduct Authority or any successor body which may assume its regulatory responsibilities from time to time;	<b>Share</b>	a share in the Company (including larger denomination shares and smaller denomination shares);
<b>FCA Handbook</b>	the FCA handbook of rules and guidance made under the Act, as amended from time to time;	<b>Shareholder</b>	the registered holder of a Share;
<b>FCA Rules</b>	the rules contained in the FCA Handbook which shall include the requisite parts of the Glossary but not include guidance or evidential requirements, as amended from time to time;	<b>UCITS</b>	an undertaking for collective investment in transferable securities established in the European Union in accordance with EC Council Directive of 13 July 2009;
<b>FISL</b>	Fundsmith Investment Services Limited;	<b>UK UCITS Scheme</b>	an authorised collective investment scheme constituted as a UK UCITS in accordance with the FCA Rules.
<b>MSCI World SMID Index</b>	the global equity index which captures mid and small cap representation across 23 developed market countries maintained by MSCI;	All terms not otherwise defined shall bear the meanings given to them in the FCA Rules.	
<b>Net Asset Value or NAV</b>	the value of the Scheme Property of the Company less all the liabilities of the Company as calculated in accordance with the Company's Instrument of Incorporation;		
<b>OECD</b>	the Organisation for Economic Co-operation and Development;		
<b>OEIC Regulations</b>	the Open-Ended Investment Companies Regulations 2001 as amended from time to time;		
<b>Register</b>	the register of Shareholders of the Company;		

# 1.

## The Company

- 1.1. The Company is incorporated in England and Wales as an open-ended investment company with variable capital, whose effective date of authorisation by the FCA was 16 January 2026. Its registration number is IC369034. Its FCA product reference number is 1050119. The Company has an unlimited duration.
- 1.2. The Head Office of the Company is at 33 Cavendish Square, London W1G 0PW and this is also the address of the place in the United Kingdom for service on the Company of notices or other documents required or authorised to be served on it.
- 1.3. The Company has been established as a UK UCITS Scheme.
- 1.4. The operation of the Company is governed by the Regulations, its Instrument of Incorporation and this Prospectus.
- 1.5. The base currency of the Company is pounds sterling.
- 1.6. The maximum share capital of the Company is currently £100,000,000,000 and the minimum is £100. Shares in the Company have no par value and therefore the share capital of the Company at all times equals the Company's current Net Asset Value.
- 1.7. Shareholders in the Company are not liable for the debts of the Company. Shareholders are not liable to make any further payment after they have paid the price on the purchase of Shares.
- 1.8. Generally, the profile of the typical investor for whom the Company has been designed is an investor wishing to invest in shares issued by small and mid-sized listed companies globally for the long term (over 5 years) and who is prepared to accept fluctuations in the value of their investment and the risks associated with investing in the Company as described in this Prospectus.

# 2.

## Investment objectives and policy

### Investment objective

- 2.1. The aim of the Company is to achieve long-term (over 5 years) growth in value through exposure to a diversified portfolio of shares issued by listed or traded companies.

### Investment policy

- 2.2. The Company will invest in shares issued by small and mid-sized listed or traded companies globally that (at the time of initial investment by the Company) have a market capitalisation within the range of the constituents of the MSCI World SMID Index. The Company is not limited to investing in companies which are constituents of the MSCI World SMID Index.
- 2.3. The Company's approach is to be a long-term investor in its chosen shares. It will not adopt short-term trading strategies.
- 2.4. The Company has stringent investment criteria which the ACD adheres to in selecting securities for the Company's investment portfolio. These criteria aim to ensure that the Company invests in high quality businesses, which in the opinion of the ACD are those:
  - that can sustain a high return on operating capital employed;
  - that generate substantial cashflow;
  - that have a clearly identifiable source of secular growth (growth that is driven by long-term forces in the market, rather than short-term, cyclical change) to enable retained cash to be invested at a high rate of return;
  - whose advantages are difficult to replicate;
  - which do not require significant leverage to generate returns;
  - that are resilient to change, particularly technological innovation; and
  - whose valuation is considered by the ACD to be attractive.
- 2.5. Investors should be aware that the application of these investment criteria significantly limits the number of potential investments which will be appropriate investments for the Company's portfolio. Accordingly, the investment

portfolio of the Company will be concentrated, generally comprising between 25 and 40 stocks.

- 2.6. Investors should refer to Section 4.3 below regarding aspects of the implementation of the investment policy which have been delegated by the ACD.

## Investment restrictions

- 2.7. There are additional investment restrictions applicable to the Company as follows:

- The Company will not invest in units of other UCITS or other collective investment schemes.
- The Company will not invest in derivatives and will not hedge any currency exposure arising from within the operations of an investee business nor from the holding of an investment denominated in a currency other than sterling.
- The Company will not engage in interest rate hedging.
- The Company does not intend to have an interest in immovable or tangible movable property.

- 2.8. The Company will not use securities financing transactions, total return swaps, nor credit default swaps.

## Comparisons

- 2.9. The Company is not managed with reference to any benchmark. In the ACD's fund factsheet and other marketing material, a number of comparisons are provided for ease of reference to enable the reader to have a general and consistent comparison for the Company's performance. The following are used:

- Equities – The ACD shows the performance of the MSCI World SMID Index, in Sterling with net dividends reinvested (priced at the close of US business and sourced from [www.msci.com](http://www.msci.com)). The MSCI World SMID Index is a market capitalisation weighted index of global developed world small and mid-cap equities. This shows what you might have earned if you had invested in a broad portfolio of global developed world small and mid-cap equities.

- Bonds – The ACD shows Bloomberg Bond Indices UK Govt 5-10 yr (source: Bloomberg). This shows what you might earn if you had invested in UK Government Debt.
- Cash – The ACD shows the SONIA Interest Rate (source: Bloomberg). This is a proxy for what you might be able to earn for cash deposits.

The ACD is not suggesting that these are the only comparisons that are relevant or, indeed, the best for an individual investor and investors may prefer others.

## UK UCITS investment and borrowing powers

- 2.10. In accordance with and subject to the investment objectives and policies set out above, the Company will utilise the investment and borrowing powers available to it for a UK UCITS Scheme, the relevant aspects of which are summarised below. The Scheme Property of a UK UCITS Scheme must be invested with the aim of providing a prudent spread of risk. There are strict limits on the types of investment that can be made, and on both the spread and concentration of investments held by the Company. The following is a brief summary of the investment and borrowing powers of a UK UCITS Scheme which are relevant to the Company given its investment objectives and policies. A full description of the investment and borrowing powers of a UK UCITS Scheme can be found within Chapter 5 of the Collective Investment Schemes Sourcebook of the FCA Handbook, which is available at [www.handbook.fca.org.uk](http://www.handbook.fca.org.uk).

### 2.10.1. Types of investment

As a UK UCITS Scheme, the Scheme Property of the Company may consist of:

- transferable securities;
- deposits held with an Approved Bank, cash or near cash.

The Company will normally be fully invested, but Scheme Property may be held in the form of cash or near cash when the ACD reasonably regards this as necessary in order to enable the redemption of Shares or for the efficient management of the Company.

## Transferable securities

Transferable securities include shares in companies and other securities equivalent to shares in companies.

The Company may only invest in transferable securities that fulfil the following criteria (and subject to the investment limits set out below):

- (i) the potential loss which the Company may incur with respect to holding the transferable security is limited to the amount paid for it;
- (ii) its liquidity does not compromise the ability of the Company to comply with its obligation to redeem Shares at the request of any Shareholder at a price based on NAV;
- (iii) a reliable valuation is available for it as follows:
  - (a) in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;
  - (b) in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;
- (iv) appropriate information is available for it as follows:
  - (a) in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security;
  - (b) in the case of a transferable security not admitted to or dealt with on an eligible

market, where there is regular and accurate information available to the ACD on the transferable security or, where relevant, on the portfolio of the transferable security;

- (v) it is negotiable; and
- (vi) its risks are adequately captured by the risk management process of the ACD.

Transferable securities admitted to or dealt in on an eligible market will be deemed to meet the conditions in (ii) and (v) unless the ACD has information that would lead to a different determination. The ACD will assess the liquidity risk that may result from investment in illiquid transferable securities in the light of the obligation to redeem Shares at the request of Shareholders at a price based on NAV.

Transferable securities held by the Company must generally be approved securities, that is securities admitted to or dealt on an eligible market, and must remain so until disposed of by the Company. No more than 10% in value of the Scheme Property may consist of transferable securities which are not approved securities and approved money market instruments. If a market ceases to be an eligible market, investments on that market cease to be approved securities and must then be included in the calculation of the 10% restriction on investing in non-approved securities. See Appendix 1 for details of the eligible markets of the Company.

A transferable security on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Company, at any time when payment is required, without contravening the FCA Rules.

## Deposits, near cash and liquidity management

The Company may invest in deposits only with an Approved Bank and which are repayable on demand or have the right to be withdrawn and mature in no more than 12 months.

The Company may invest in near cash (as defined in FCA Rules) which includes government and public securities, if redeemable at the option of the holder or bound to be redeemed within two years, for liquidity management purposes.

The ACD has adopted a risk management and liquidity management process that takes account of the investment objectives and policies of the Company and which enables the ACD to measure and monitor the risk of the Company's positions and their contribution to the overall risk and liquidity profile of the Company (See Section 23 below for further information).

#### 2.10.2. Investment limits

The spread requirements are as follows and for these purposes companies in the same group are regarded as a single body. The specific limits are:

- (i) the Company can invest up to 5% in value of its Scheme Property in transferable securities issued by any single body. This limit rises to 10% in respect of up to 40% in value of the Scheme Property. For these purposes certificates representing certain securities are treated as equivalent to the underlying security;
- (ii) not more than 20% in value of the Scheme Property can be in deposits held with a single body. In applying this limit all uninvested cash (except cash representing distributable income or credited to a distribution account that the Depositary holds) should be included;
- (iii) not more than 20% in value of the Scheme Property can consist of transferable securities and approved money market instruments issued by the same group. When applying the limits set out in (i) this provision would allow the Company to invest up to 5% in the transferable securities of each of four group member companies, or 10% in two of them (if applying the 40% limit); and
- (iv) the Company's holdings in any combination of transferable securities or deposits issued by a

single body must not exceed 20% in value of its Scheme Property overall.

The Company must not acquire transferable securities issued by a body corporate and carrying rights to vote at a general meeting of that body corporate if the Company has the power to influence significantly the conduct of business of that body corporate (or would be able to do so after the acquisition of the transferable securities). The Company is to be taken to have power to influence significantly if it exercises or controls the exercise of 20% or more of the voting rights in that body corporate.

The Company must not acquire transferable securities which do not carry a right to vote on any matter at a general meeting of the body corporate that issued them and represent more than 10% of these securities issued by that body corporate.

#### 2.10.3. Borrowing

The Company may, on the instructions of the ACD and subject to the FCA Rules, borrow money from an Eligible Institution or an Approved Bank for the use of the Company on terms that the borrowing is to be repayable out of the Scheme Property.

Borrowing must be on a temporary basis, must not be persistent, and in any event must not exceed three months without the prior consent of the Depositary, which may be given only on such conditions as appear appropriate to the Depositary to ensure that the borrowing does not cease to be on a temporary basis.

The ACD must ensure that borrowing does not, on any Business Day, exceed 10% of the value of the Scheme Property.

#### Eligible markets

- 2.11. The eligible securities markets for the Company are set out in Appendix 1.

# 3.

## Shares

- 3.1. The Company's Instrument of Incorporation provides for a single class of Share to be issued - the S Share class, which has an annual management charge of 0.9% (see Section 28 for more details).
- 3.2. The minimum initial investment, subsequent investment size, minimum holding level and minimum redemption size is set out at Section 9.4. These limits may be waived at the discretion of the ACD.
- 3.3. The Shares are accumulation shares. Accumulation shares mean that Shareholders are not entitled to be paid any dividend income attributed to their Shares, but that dividend income is instead automatically transferred to and retained as part of the capital assets of the Company attributable to the Shares. This is reflected in the price of a Share.
- 3.4. The Company only issues Accumulation Shares and the income is allocated to the capital account on 31 December and 30 June each year.
- 3.5. It is not possible under the OEIC Regulations and FCA Rules to have fractions of a Share. Accordingly, the rights attached to the Shares are expressed in two denominations – smaller denomination and larger denomination. The Shares include larger and smaller denomination Shares in the ratio of 1:1000. Rights of smaller denomination Shares are therefore in proportion to those of the larger denomination Shares in the same ratio. Whenever more than 1000 smaller denomination Shares are included in any registered holding the ACD shall consolidate 1000 of such Shares into a larger denomination Share.
- 3.6. The Shares are not listed or traded on any stock exchange.
- 3.7. Shares in the Company are, and will continue to be, widely available. The intended categories of investors are retail investors, pension funds, charities, educational establishments, local authorities, corporate and other institutional investors. Shares in the Company will be marketed and made available sufficiently widely to reach the intended categories of investors and in a manner appropriate to attract those categories of investors.

# 4.

## Management and administration

### 4.1. Authorised Corporate Director

- 4.1.1. The authorised corporate director of the Company is Fundsmith LLP which is a limited liability partnership incorporated in England and Wales under the Limited Liability Partnerships Act 2000. The ACD was incorporated on 16th April 2010. The ACD's registered office is at 33 Cavendish Square, London, W1G 0PW. The ACD's total members' capital is £8,251,053.
- 4.1.2. The ACD is authorised and regulated by the Financial Conduct Authority. The ACD is currently the sole director of the Company. The ACD is responsible for managing and administering the Company's affairs in compliance with the Regulations.
- 4.1.3. The main business activities of the ACD are, (i) acting as an authorised corporate director; and (ii) acting as an alternative investment fund manager. The ACD also acts as the authorised corporate director of the Fundsmith Equity Fund and the Fundsmith Stewardship Fund.
- 4.1.4. The senior managers of the ACD are listed in Appendix 2. The main business activities of the senior managers of the ACD other than those connected with the Company are set out in Appendix 2.
- 4.1.5. The ACD has delegated the following functions:
- (i) transfer agency and shareholder dealing to SS&C Financial Services Europe Limited;
  - (ii) registrar and shareholder administration to SS&C Financial Services International Limited;
  - (iii) accounting, valuation and pricing to The Northern Trust Company; and
  - (iv) certain aspects of investment management and related services to FISL, as more fully described in Section 4.3 below.

### 4.2. Terms of ACD's appointment

- 4.2.1. The ACD is appointed by an agreement between the Company and the ACD (the "ACD Agreement"). Under the ACD Agreement, the ACD is responsible

for the management and administration of the Company's affairs. Subject to the FCA Rules, the ACD has full power to delegate (and authorise its delegates to sub-delegate) all or any part of its duties as ACD.

- 4.2.2. The ACD Agreement is for an initial term of 12 months and thereafter the ACD's appointment may be terminated upon 6 months' written notice by either the ACD or the Company. In certain circumstances the ACD Agreement may be terminated immediately by notice in writing by either the ACD, the Company or the Depositary. Except in relation to the winding up of the Company, termination cannot take effect until the FCA has approved the appointment of another authorised corporate director in place of the ACD. On termination, the ACD is entitled to its pro rata fees and expenses up to but excluding the date of termination and any additional expenses necessarily incurred in settling or realising any outstanding obligations. No compensation for loss of office is provided for in the ACD Agreement.
- 4.2.3. Under the ACD Agreement the Company agrees, to the extent allowed under the Regulations, to indemnify and hold harmless the ACD against losses, liabilities, costs, claims, actions, damages, expenses or demands incurred by the ACD arising out of the performance of its duties as ACD except where caused by the fraud, negligence, wilful default, breach of duty or bad faith of the ACD.
- 4.2.4. The ACD is under no obligation to account to the Depositary or the Shareholders for any profit it makes from or in connection with its dealings in Shares, any transaction in Scheme Property or from the provision of services to the Company. The fees to which the ACD is entitled are set out in Section 28.
- 4.2.5. Copies of the ACD Agreement are available to Shareholders upon request.

#### 4.3. Delegation to Fundsmith Investment Services Limited

- 4.3.1. Under an agreement between the ACD and FISL (the "Delegation Agreement"), the ACD delegates responsibility for the creation, review and ongoing maintenance of a list of potential investments for the

Company, known as the "investible universe", from which the ACD will make specific stock selections. The investible universe will be constructed in accordance with the investment objective and investment policy of the Company and will always conform to the investment criteria set out in Section 2.4. Under the Delegation Agreement, FISL is also responsible for the management of trade execution which includes undertaking pre-trade checks, facilitating order transmission and monitoring each trade through to settlement.

- 4.3.2. The Delegation Agreement with FISL can be terminated by the ACD on giving FISL three years' notice in writing and at any time if in the ACD's discretion this would be in the interests of the Shareholders. The Delegation Agreement may also be terminated by the ACD: (1) on any shorter notice period as agreed between the ACD and FISL provided that compensation is paid to reflect the early termination, (2) immediately in the event of the insolvency of FISL, or (3) in the case of material breach of the agreement by FISL which is not remedied within 28 days of notice of the breach and in certain other circumstances.
- 4.3.3. FISL will exercise reasonable care and skill in the performance of its functions. Under the Delegation Agreement the ACD provides indemnities to FISL (except in the case of any matter arising as a direct result of its fraud, negligence, wilful default, bad faith, material breach of the Delegation Agreement or material breach of applicable law or regulation) to the extent that the ACD is able itself to recover such loss under the terms of the ACD Agreement with the Company. The ACD remains fully responsible to the Company for the acts or omissions of FISL. Any fees payable to FISL will be borne by the ACD out of its annual management charge. FISL is not liable to account for any profit it makes from or in connection with any transaction in the Scheme Property or from the provision of services to the ACD.

- 4.3.4. The ACD has entered into a further agreement with FISL (the "Services and Delegation Agreement") under which FISL undertakes, in relation to the Company, product control activities relating to the

first line control of investment risk, fund administration services relating to the provision of data and analytics and marketing and sales services consisting of introducing and relationship management activities in relation to the Company. The Services and Delegation Agreement may be terminated: (1) by either party at not less than 180 days written notice, (2) immediately by the ACD in the event of the insolvency of FISL, (3) by the ACD in the case of material breach of the agreement by FISL which is not remedied within 28 days of notice of the breach, and (4) in certain other circumstances. Under the Services and Delegation Agreement the ACD provides indemnities to FISL on equivalent terms to those contained in the Delegation Agreement. Any fees payable to FISL under the Services and Delegation Agreement will be borne by the ACD out of its annual management charge.

- 4.3.5. FISL provides similar services (as well as additional portfolio management services) to the ACD in relation to other funds managed by the ACD and also acts as discretionary investment manager for its own clients. FISL is a member of the same group as the ACD for the purposes of the COLL Rules.

# 5.

## The depositary

### 5.1. The depositary

- 5.1.1. The depositary of the Company is Northern Trust Investor Services Limited, a UK private limited liability company, incorporated on 29 April 2020 with company number 12578024. Its registered office and principal place of business is at 50 Bank Street, London E14 5NT.
- 5.1.2. The Depositary is authorised and regulated by the Financial Conduct Authority.
- 5.1.3. The Depositary's ultimate holding company is Northern Trust Corporation, a company which is incorporated in the State of Delaware, United States of America, with its headquarters at 50 South La Salle Street, Chicago, Illinois.

### 5.2. Terms of depositary's appointment

- 5.2.1. The appointment of the Depositary is made under an agreement between the Company, the ACD and the Depositary (the "Depositary Agreement").
- 5.2.2. The Depositary Agreement may be terminated on three months written notice by the Depositary or the Company. Termination will only be effective upon the appointment of a new depositary.

### 5.3. Depositary fees

- 5.3.1. The fees to which the Depositary is entitled are set out in Section 29.

### 5.4. Depositary's functions

- 5.4.1. The Depositary has been entrusted with following main functions:
- ensuring that the sale, issue, repurchase, redemption and cancellation of Shares are carried out in accordance with applicable law and the Company's Instrument of Incorporation;
  - ensuring that the value of the Shares is calculated in accordance with applicable law and the Company's Instrument of Incorporation;
  - carrying out the instructions of the ACD unless they conflict with applicable law and the Company's Instrument of Incorporation;

- ensuring that in transactions involving the assets of the Company any consideration is remitted within the usual time limits;
- ensuring that the income of the Company is applied in accordance with applicable law and the Company's Instrument of Incorporation;
- monitoring of the Company's cash and cash flows; and
- safe-keeping of financial instruments to be held in custody and ownership verification and record keeping in relation to other assets.

## 5.5. Depositary's liability

- 5.5.1.** In carrying out its duties the Depositary shall act honestly, fairly, professionally, independently and solely in the interests of the Company and its Shareholders.
- 5.5.2.** In the event of a loss of a financial instrument held in custody, determined in accordance with the Regulations, the Depositary shall return financial instruments of identical type or the corresponding amount to the Company without undue delay.
- 5.5.3.** The Depositary shall not be liable if it can prove that the loss of a financial instrument held in custody has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary pursuant to the Regulations.
- 5.5.4.** In case of a loss of financial instruments held in custody, the Shareholders may invoke the liability of the Depositary directly or indirectly through the ACD, provided that this does not lead to a duplication of redress or to unequal treatment of the Shareholders.
- 5.5.5.** The Depositary will be liable to the Company for other losses suffered by the Company to the extent they result from the Depositary's negligent, fraudulent or intentional failure to properly fulfil its obligations pursuant to the Regulations or, in certain circumstances, breach of the Depositary Agreement.
- 5.5.6.** The Depositary is indemnified by the Company against all liabilities suffered or incurred by the Depositary in respect of which the Depositary is not

liable or responsible for except where any such liabilities arise as a result of the Depositary's negligence, fraud or wilful default.

- 5.5.7.** The Depositary shall not be liable for certain losses including consequential, indirect, punitive or special damages or losses, loss of profit, loss of goodwill, loss of opportunity and losses arising from the insolvency of a third party engaged in connection with the provision of the Depositary's services other than a delegate of the Depositary.

## 5.6. Delegation

- 5.6.1.** Subject to applicable law, the Depositary has full power under the Depositary Agreement to delegate (and authorise its delegate to sub-delegate) any part of its safekeeping duties as Depositary. As a general rule, where the Depositary delegates any of its custody functions to a delegate, the Depositary will remain liable for any losses suffered as a result of an act or omission of the delegate as if such loss had arisen as a result of an act or omission of the Depositary. The use of clearing or settlement systems or order routing systems, does not constitute a delegation by the Depositary of its functions.
- 5.6.2.** Information about the safe-keeping functions which have been delegated and the identification of the relevant delegates and sub-delegates are contained in Appendix 4 to the Prospectus.

## 5.7. Conflicts of interest

### 5.7.1. General

The Depositary may act as the depositary of other investment funds and as trustee or custodian of other collective investment schemes.

It is possible that the Depositary and/or its delegates and sub-delegates may in the course of its or their business be involved in other financial and professional activities which may on occasion have potential conflicts of interest with the Company and/or other funds managed by the ACD or other funds for which the Depositary acts as the depositary, trustee or custodian.

There may also be conflicts arising between the Depositary and the Company, the Shareholders or the ACD. However, the Depositary has a regulatory duty when undertaking its functions as depositary to act solely in the interests of Shareholders and the Company. In order to comply with this requirement, the Depositary may in some instances be required to take actions in the interests of Shareholders and the Company where such action may not be in the interests of the ACD.

#### 5.7.2. Affiliates

From time to time conflicts may arise from the appointment by the Depositary of any of its delegates.

The Depositary, and any other delegate, is required to manage any such conflict having regard to FCA Rules and its duties under the Depositary Agreement.

The Depositary will ensure that any such delegates or sub-delegates who are its affiliates are appointed on terms which require it to act in a way which is not materially less favourable to the Company than if the conflict or potential conflict had not existed. The Custodian and any other delegate are required to manage any such conflict having regard to the applicable law and its duties to the Depositary and the ACD.

#### 5.7.3. Conflicting commercial interests

The Depositary (and any of its affiliates) may effect, and make a profit from, transactions in which the Depositary (or its affiliates, or another client of the Depositary or its affiliates) has (directly or indirectly) a material interest or a relationship of any description and which involves or may involve a potential conflict with the Depositary's duty to the Company.

This includes circumstances in which the Depositary or any of its affiliates or connected persons: acts as market maker in the investments of the Company; provides broking services to the Company and/or to other funds or companies; acts as financial adviser, banker, derivatives counterparty or otherwise provides services to the issuer of the investments of

the Company; acts in the same transaction as agent for more than one client; has a material interest in the issue of the investments of the Company; or earns profits from or has a financial or business interest in any of these activities.

#### 5.7.4. Management of conflicts

The Depositary has a conflict of interest policy in place to identify, manage and monitor on an on-going basis any actual or potential conflict of interest. The Depositary has functionally and hierarchically separated the performance of its depositary tasks from its other potentially conflicting tasks. The system of internal controls, the different reporting lines, the allocation of tasks and the management reporting allow potential conflicts of interest and the Depositary issues to be properly identified, managed and monitored.

#### 5.8. Data Protection

Northern Trust's EMEA Data Privacy Notice sets out how the Depositary will process Shareholders' personal information as a data controller where these details are provided to it in connection with Shareholders' investment in the Company.

Northern Trust's EMEA Data Privacy Notice may be updated from time to time and readers should confirm that they hold the latest version which can be accessed at [www.northerntrust.com/united-kingdom/privacy/emea-privacy-notice](http://www.northerntrust.com/united-kingdom/privacy/emea-privacy-notice).

Any Shareholder who provides the ACD and its agents with personal information about another individual (such as a joint investor), must show Northern Trust's EMEA Data Privacy Notice to those individuals.

#### 5.9. Up-to-date information

Up-to-date information regarding the name of the Depositary, the description of its duties and any conflicts of interest that may arise between the Depositary and the Company, the Shareholders or the ACD and its delegation of its safekeeping function and related conflicts of interest is available from the ACD upon request.

# 6.

## The auditors

The auditors of the Company are Deloitte LLP.

# 7.

## Administration and register of Shareholders

- 7.1. The ACD has appointed SS&C Financial Services Europe Limited to act as the transfer agent to the Company with responsibility for administration functions in relation to dealings in Shares.
- 7.2. SS&C Financial Services International Limited has been appointed to provide administration services in relation to Shareholders and to maintain the Register of Shareholders. The Register may be inspected at SS&C House, St Nicholas Lane, Basildon, Essex SS15 5FS during normal office hours.
- 7.3. The ACD has appointed The Northern Trust Company to undertake certain functions including Company accounting, valuation of the Scheme Property, calculation of the Net Asset Value of the Company and pricing of Shares.

# 8.

## Buying and selling Shares

### 8.1. Dealing hours

The dealing office of the ACD is open from 9.00 am until 5.00 pm on each Dealing Day to receive requests for the purchase and redemption of Shares. Investors may also place requests for the purchase and redemption of Shares via the ACD's website ([www.fundsmith.co.uk/smithson](http://www.fundsmith.co.uk/smithson)) at any time following launch of the Company. Any such requests received up to 12 noon on a Dealing Day will be dealt with on that day. Requests received after 12 noon on a Dealing Day will be dealt with on the following Dealing Day. All transactions will be effected at prices determined at the next valuation point following receipt of such request.

### 8.2. Basis of dealing

The ACD will usually facilitate the buying and selling of Shares for investors. When an investor wishes to buy Shares, the ACD will sell Shares to the investor. When an investor wishes to sell Shares, the ACD will buy those Shares from the investor. When buying and selling Shares from investors in this way, the ACD is dealing as a principal. The price at which Shares are bought and sold is determined by reference to the Net Asset Value of the Share (see Section 19 below). In the normal course of business, the ACD matches the aggregated net transactions in Shares undertaken each day with investors with a transaction which the ACD undertakes with the Company and does not hold any ongoing position in the Shares. In exceptional circumstances, the ACD may hold an ongoing position in Shares which it acquires using its own money and use this to satisfy investors' requests to buy and sell Shares. In these circumstances, the ACD may make a profit from dealing in Shares as principal. The ACD is not accountable to Shareholders for any profit it makes in dealing in Shares as principal. The Instrument of Incorporation of the Company grants powers to the ACD to allow the direct issue and cancellation of Shares by the Company. If these powers are utilised, the ACD will ensure that such issues and cancellations are made in accordance with the FCA Rules and that at each valuation point there are at least as many Shares in issue as there are Shares registered to Shareholders. The ACD will not, when arranging the issue or cancellation of Shares in these circumstances do, or omit to do, anything that would result in its or an associate's benefit to the detriment of Shareholders or that would otherwise result in the unfair treatment of Shareholders.

## 8.3. Anti-Money laundering

8.3.1. The Company is subject to various laws and regulations designed to combat money laundering and other financial crime. The ACD is responsible for ensuring compliance with the relevant legislation and regulations. The ACD operates anti-money laundering and anti-financial crime policies and procedures and will not knowingly allow the Company to be used to facilitate any form of money laundering or financial crime activity.

8.3.2. As a result, the ACD is required to perform risk assessments to identify any money laundering, proliferation financing or terrorist financing risks that it could face. The ACD will be required to identify and verify the identity of any applicant for Shares or of the person on whose behalf the application is being made. The ACD will also be required to identify, and where appropriate, verify the beneficial owner of the applicant. In any case, the ACD may be required to obtain information on the source of wealth and funds for the investment. To the extent that the applicant or, where relevant, the beneficial owner has been identified as a politically exposed person or an associate or family member of a politically exposed person, or where otherwise required to satisfy its regulatory obligations, the ACD may request additional information. The ACD has to apply these procedures at the time of investment and on an ad hoc basis.

8.3.3. Where such information has been requested, the ACD reserves the right to refuse to issue Shares, pay the proceeds of a redemption of Shares or terminate a regular income facility until sufficient information has been supplied to satisfy the ACD's anti-money laundering requirements.

8.3.4. If the ACD allows an applicant to purchase Shares pending completion of its anti-money laundering procedures and the applicant does not provide satisfactory evidence of identity or source of wealth and funds to the ACD within a reasonable period of the ACD's request for it, the ACD reserves the right to sell any Shares purchased by the applicant and return the proceeds of sale or take such other action

as may, in the reasonable opinion of the ACD, be appropriate in the circumstances. Any proceeds of sale returned may be less than the original investment.

8.3.5. If at any time the ACD determines that further documentary evidence of a Shareholder's or beneficial owner's identity or other relevant information is required, the ACD reserves the right to request this and to withhold the proceeds of a redemption of Shares or terminate a regular income facility until satisfactory evidence is provided. If the ACD has reasonable grounds for suspecting that the funds used to purchase Shares may represent the proceeds of crime, the ACD reserves the right to sell any Shares purchased by the applicant, and take such action with regard to the proceeds as it deems appropriate, taking relevant rules, regulations and official guidance into account.

## 8.4. Failure to prevent facilitation of tax evasion

8.4.1. Two corporate criminal offences for failure to prevent the facilitation of tax evasion were created by the Criminal Finances Act 2017. These offences impose criminal liability on a company if it fails to prevent the criminal facilitation of tax evasion by a "person associated" with the company. There is a defence to the charge if the company can show that it had in place "reasonable prevention procedures" at the time the facilitation took place. Consequently, it may be the case that applicants for Shares may be subject to additional verification and information requirements as part of these procedures.

# 9.

## Buying Shares

The Company has been formed pursuant to the conversion of Smithson Investment Trust plc ("Smithson") to an open-ended investment company operating as a UK UCITS fund. Smithson shareholders have been separately notified of the details regarding the conversion of their Smithson shares to Shares in the Company. The following paragraphs relate to the normal buying of shares post launch.

### 9.1. Procedure

- 9.1.1. Individual Investors:** Individual investors can make initial and subsequent investments via MyAccount on the ACD's website ([www.fundsmith.co.uk/smithson](http://www.fundsmith.co.uk/smithson)), by sending a completed application form to the ACD by post, or by telephone to the ACD on 0330 123 1815. Application forms are available from the ACD. Telephone calls may be recorded.
- 9.1.2. Other Investors:** Investors other than individuals must complete the account opening process before they can make an initial investment. Once account opening is complete, other investors can make initial and subsequent investments by sending a completed dealing form to the ACD by post, by telephone to the ACD on 0330 123 1815, by fax, or via a corporate dealing portal or other previously agreed electronic channel. Account opening and dealing forms are available from the ACD. Telephone calls may be recorded.
- 9.1.3. Payment for Shares** (whether for initial investments or subsequent subscription) will normally be made by bank transfer, direct debit, cheque or debit card. Payment will be made in Sterling and should accompany the application for Shares or be received by the ACD in cleared funds no later than the 4th Business Day following the Dealing Day. Transactions for the purchase of Shares settle on the 4th Business Day following the relevant Dealing Day and full payment must be made by that date. The ACD may cancel any purchase contract and may forfeit or redeem Shares which would have been issued in relation to that contract where the payment is not honoured in full within 4 Business Days of the relevant Dealing Day. The purchaser remains liable

for any loss incurred by the ACD in the case of non-settlement.

- 9.1.4.** The ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant any application for Shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant. In particular, the ACD may exercise this discretion if it reasonably believes the applicant's ownership of the Shares will lead to additional tax or regulatory requirements for the Company or the ACD, if the ACD determines that the applicant poses a money laundering, proliferation financing or terrorist financing risk, or if the applicant has been or intends to engage in market timing activities. For these purposes, market timing activities include investment techniques which involve short term trading in and out of Shares. Short term trading of this nature may often be detrimental to long term Shareholders, in particular the frequency of dealing may lead to additional dealing costs which can affect long term performance.
- 9.1.5.** The number of Shares issued will be the greatest number of larger denomination Shares with the balance of the subscription amount being used to purchase smaller denomination Shares.
- 9.1.6.** Monies received from you, will be held in segregated, non-interest bearing client money bank accounts by the ACD in accordance with the applicable FCA client money rules. On the day of settlement, these monies will be transferred into the ACD's own dealing account which will complete the applicant's purchase of the Shares. The ACD will separately pay the Company in relation to any Shares which it is acquiring from the Company. No interest payment will be made on any client money held by the ACD.
- 9.1.7.** Applicants for Shares who are retail clients may have the right to cancel the transaction within 14 days of receipt of a cancellation notice sent to them by the ACD. If a Shareholder cancels his contract, he will receive a refund of the amount invested either in full or adjusted to reflect any rise or fall in Share price since the date of investment. This may result in a loss

on the part of the Shareholder. If a Shareholder wishes to exercise his right to cancel, he should write to the ACD at Fundsmith LLP, PO Box 10846, Chelmsford, Essex CM99 2BW, or call 0330 123 1815. Shareholders will not be able to exercise their cancellation rights after 14 calendar days of receipt of their cancellation notice. Shareholders should note that in certain circumstances, there may be a delay in returning their investment.

- 9.1.8.** Shares may be bought through a regular savings plan. To invest in this way, Shareholders will need to complete the relevant application form and provide direct debit instructions to the ACD. Under the regular savings plan, the Shareholder agrees to make monthly contributions to the plan for investment in the Company. Monthly contributions may be increased, decreased (subject to maintaining the prescribed minimum level of contribution) or stopped at any time by notifying the ACD. If payments are not made into the regular savings plan for 3 consecutive months and the Shareholder holds less than the minimum holding, the ACD reserves the right to redeem the Shareholders' entire Shareholding. If the ACD is no longer able to contact a Shareholder, despite reasonable efforts to trace the Shareholder and obtain up to date contact details, the ACD will cease to take payments under the regular savings plan. Contract notes will not be issued to Shareholders investing through a regular savings plan, but individual statements of Shareholders' Shares will be issued semi-annually.
- 9.1.9.** Joint applications to purchase Shares may be made by more than one person, but the Company is not obliged to register a Share in the names of more than four joint Shareholders.

## **9.2. Documentation**

- 9.2.1.** Purchasers will receive a contract note setting out the details of the transaction including the number of, and the price paid, for their Shares except for Shares bought through a regular savings plan. In the case of joint Shareholders, this contract note will go to the first named Shareholder on the register, or their duly authorised agents. The contract note will normally be

issued no later than the close of business on the Business Day following the Dealing Day on which the purchase is made. Purchasers will also receive (if applicable) a notice of their right to cancel the purchase. Further details concerning cancellation rights are given above in Section 9.1.7.

**9.2.2.** Share certificates will not be issued in respect of Shares. Ownership of Shares will be evidenced by an entry on the Company's Register of Shareholders. Statements in respect of half yearly distributions of income will show the number of Shares held by the Shareholder in respect of which the distribution is made. Individual statements of a Shareholder's (or, when Shares are jointly held, the first named holder's) Shares will also be issued at any time on request by the registered holder.

### 9.3. In Specie purchases

The ACD's policy is not to accept an in specie transfer of securities as payment for a purchase of Shares. The ACD reserves the right to waive this policy at its absolute discretion.

### 9.4. Minimum subscriptions and holdings

**9.4.1.** The minimum, initial and subsequent subscription levels for, and the minimum holdings and redemption size for the Shares, are set out in the table above. The ACD may at its discretion accept subscriptions lower than the minimum amount.

**9.4.2.** If a holding is below the minimum holding level, the ACD has a discretion to require redemption of the entire holding.

Share class	S Shares
<b>Type of share</b>	
Accumulation	Yes
Income	No
<b>Dealing levels</b>	
Minimum initial lump sum subscription	£1,000
Minimum monthly regular savings plan investment	£100
Minimum holding	£1,000
Minimum subsequent investment size	£250
Minimum redemption	£250

### 9.5. Children

Children below the age of legal capacity (which is 18 years old in England and Wales and Northern Ireland and 16 years old in Scotland) cannot purchase Shares directly. If a person wishes to purchase Shares on behalf of a child he will need to purchase the Shares in his own name and hold them as trustee on behalf of the child. Once the child reaches the age of legal capacity the Shares can be transferred directly into the name of the child following the procedure set out in Section 13. Any person contemplating this should consider

the potential tax consequences and if necessary take professional tax advice.

# 10.

## Selling Shares

### 10.1. Procedure

- 10.1.1. Every Shareholder has the right to require that the ACD redeem his Shares on any Dealing Day except in circumstances described below in Sections 10.1.4 and 10.1.5.
- 10.1.2. Part of a Shareholder's holding may be sold but the ACD reserves the right to refuse a redemption request if the value of the Shares to be redeemed is less than any minimum redemption amount set out at Section 9.4, or would result in a Shareholder holding less than the minimum holding, also set out at Section 9.4. In the latter case the Shareholder may be asked to redeem his entire shareholding.
- 10.1.3. Requests to redeem Shares may be made to the ACD by telephone on 0330 123 1815, in writing to Fundsmith LLP, PO Box 10846, Chelmsford, Essex CM99 2BW, or for individuals via MyAccount at the ACD's website at [www.fundsmith.co.uk/smithson](http://www.fundsmith.co.uk/smithson). Telephone calls may be recorded. The ACD may require telephone instructions to be confirmed in writing on a renunciation form, which will be sent to the Shareholder. Once accepted by the ACD a redemption is irrevocable. For Shareholders other than individuals, if agreed with the ACD, requests to redeem Shares may also be made via fax, a corporate dealing portal or other previously agreed electronic channels.
- 10.1.4. Shares may not be redeemed during any period of suspension of dealing (see further Section 15 below). Shareholders requesting redemptions at such times will be notified of the suspension and, unless withdrawn, redemption requests will be considered as at the next Dealing Day following the end of such suspension.
- 10.1.5. The ACD may elect to defer redemptions at any valuation point to the next valuation point if requested redemptions exceed 10% of the Scheme Property. In such circumstances any redemption requests relating to the earlier valuation point will be dealt with in priority to redemption requests received at the next following valuation point.

## 10.2. Documentation

A contract note giving details of the number and price of Shares sold will be sent to the selling Shareholder (the first named on the register, in the case of joint Shareholders) or their duly authorised agents together (if sufficient written instructions have not already been given) with a form of renunciation for completion and execution by the Shareholder (and, in the case of a joint holding, by all the joint holders) not later than the end of the Business Day following the valuation point by reference to which the redemption price is determined.

## 10.3. Settlement

On the settlement day, a transfer of redemption monies will be made from the ACD's dealing account into a client money bank account and the redemption amount will be held in that account until payment is made to the redeeming Shareholder.

Settlement will be made by bank transfer, unless otherwise agreed by the ACD, and will be sent within four Business Days of the later of:

- satisfactory completion of the ACD's anti-money laundering, anti-proliferation financing and anti-terrorist financing procedures;
- if required, receipt by the ACD of the form of renunciation (or other sufficient written instructions) duly signed by all the relevant Shareholders and completed as to the appropriate number of Shares, together with any other appropriate evidence of title; or
- the valuation point following receipt by the ACD of the request to redeem.

Monies due to you from the ACD, will be held in segregated client money bank accounts by the ACD in accordance with the applicable FCA client money rules. No interest payment will be made on any client money held by the ACD.

## 10.4. In specie redemption

**10.4.1.** If a Shareholder requests the redemption of Shares, the ACD may, if it considers the deal is substantial in relation to the total size of the Company, arrange for the Company to cancel the Shares and transfer Scheme Property to the Shareholder instead of

paying the price of the Shares in cash, or, if required by the Shareholder, pay the net proceeds of sale of the relevant Scheme Property to the Shareholder. A deal involving Shares representing 5% or more in value of the Company will normally be considered substantial, although the ACD may in its discretion agree an in specie redemption with a Shareholder whose Shares represent less than 5% in value of the Company.

**10.4.2.** In such cases, the ACD will serve a notice on the Shareholder within two Business Days of receipt of the redemption instructions that it proposes to make an in specie redemption, setting out the Scheme Property to be transferred to the Shareholder. The Shareholder may within four Business Days of receiving the notice serve a notice on the ACD requiring the ACD to realise the selected Scheme Property and pay the proceeds to the Shareholder.

**10.4.3.** The ACD will select the property to be transferred (or sold) in consultation with the Depositary. They must ensure that the selection is made with a view to achieving no greater advantage or disadvantage to the redeeming Shareholder than to continuing Shareholders.

# 11.

## Dealing charges

**11.1. No preliminary or entry charges**

The ACD does not impose any charge on the issue or sale of Shares to investors.

**11.2. No redemption charge**

The ACD does not make any charge on the cancellation or redemption of Shares.

# 12.

## Other dealing information

### 12.1. Dilution adjustment

- 12.1.1. The basis on which the Scheme Property is valued for the purpose of calculating the price of Shares as stipulated in the FCA Rules and the Company's Instrument of Incorporation is summarised in Section 18. Many investments are valued for these purposes at their mid-market price. The actual cost of purchasing or selling investments comprising the Scheme Property may be higher or lower than the mid-market value used in calculating the Share price – for example, due to dealing charges, taxes or through dealing at prices other than the mid-market price. These costs may have an adverse effect on the Net Asset Value, known as "dilution". The FCA Rules allow the cost of dilution to be met by the Company or to be recovered from the Shareholders who are buying or selling Shares. The ACD has decided that its policy on dilution is that it will make a dilution adjustment to the price of Shares for those Shareholders who are buying or selling Shares in the circumstances set out below.
- 12.1.2. The dilution adjustment will be calculated by reference to the estimated costs of dealing in the underlying investments of the Company, including any dealing spreads, commission and transfer taxes.
- 12.1.3. The ACD may apply a dilution adjustment on the sale and redemption of Shares if, in its opinion, the existing Shareholders (for sales) or remaining Shareholders (for redemptions) might otherwise be adversely affected, and if in applying a dilution adjustment, so far as practicable, it is fair to all Shareholders and potential Shareholders.
- 12.1.4. The need to apply a dilution adjustment will depend on the volume of sales or redemptions. It is therefore not possible to predict accurately whether a dilution adjustment to the price of a Share will be made on any particular Dealing Day. The dilution adjustment will not normally be applied unless the net creations or redemptions exceed 5% of the value of the Company. If a dilution adjustment is not made there may be an adverse impact on the value of the Scheme Property. A positive dilution adjustment will increase the Share price from mid-price and will

typically apply where the Company is experiencing net purchases of Shares. A negative dilution adjustment will decrease the Share price from mid-price and will typically apply where the company is experiencing net redemptions of Shares. The ACD anticipates that any dilution adjustment would ordinarily be of the magnitude of +/- 0.15% of the price of a Share]. As the Company is recently launched, it is not possible to provide historic information on the frequency of the ACD's application of a dilution adjustment.

# 13.

## Transfer

Shareholders are entitled to transfer their Shares to another person or body, subject to the restrictions on Shareholders set out in the compulsory transfer and redemption provisions in Section 14, the transferee meeting the eligibility criteria for the Shares and satisfactory completion of anti-money laundering and financial crime procedures. All transfers must be in writing or submitted by previously agreed electronic channels. The ACD has a prescribed form for this purpose which can be obtained from the ACD on request or via the ACD's website at [www.fundsmith.co.uk/smithson](http://www.fundsmith.co.uk/smithson). Completed instruments of transfer must be sent to the ACD at Fundsmith LLP, PO Box 10846, Chelmsford, Essex CM99 2BW in order for the transfer to be registered. The ACD may require confirmation that any applicable Stamp Duty Reserve Tax has been paid in respect of the transfer and may refuse to register a transfer unless a provision for any such applicable Stamp Duty Reserve Tax has been paid.

# 14.

## Restrictions and compulsory transfer and redemption

14.1. The ACD may from time to time take such action and impose such restrictions as it may think necessary for the purpose of ensuring that no Shares are acquired or held by any person in breach of the law or regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory, including being used for the facilitation of money laundering, proliferation financing or terrorist financing, or in circumstances which would result in the Company incurring a tax liability or other adverse consequences including a requirement to register under any securities or investment laws or regulations. In this connection, the ACD may, inter alia, reject in its discretion any application for the purchase or transfer of Shares.

14.2. If it comes to the notice of the ACD or if the ACD reasonably believes it to be the case that any Share ("affected Shares"):

- (i) is owned directly or beneficially in breach of any law or regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or
- (ii) is held in a manner, or is owned by a person who does not provide the ACD with satisfactory information about their identity (or the identity of their owners or controlling persons), and where the holding or the refusal to provide the information may result in the Company incurring any liability to taxation which the Company would not be able to recoup itself, not being able to comply with its obligations under any tax information reporting regime (including the international Common Reporting Standard and the U.S. Foreign Account Tax Compliance Act (commonly known as "FATCA")), breaching any law or regulation or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory); or
- (iii) is held in any manner in respect of which the Shareholder in question is not qualified to hold such Shares;

If the ACD is not satisfied that the holding of any Share may not give rise to a situation discussed in (i), (ii) or (iii), the ACD may give notice to the Shareholder of the affected Shares requiring the transfer of such

Shares to a person who is qualified or entitled to own them or that a request in writing be given for the redemption or cancellation of such Shares in accordance with the FCA Rules. If any Shareholder upon whom such a notice is served does not within thirty days after the date of such notice transfer his affected Shares to a person qualified to own them or submit a written request for their redemption or cancellation to the ACD or establish to the satisfaction of the ACD (whose judgement is final and binding) that he or any beneficial owner is qualified and entitled to hold the affected Shares, he shall be deemed upon the expiry of that thirty day period to have given a request in writing for the redemption or cancellation (at the discretion of the ACD) of all the affected Shares.

The ACD may also redeem, cancel and/or withhold the proceeds of a redemption or cancellation of Shares held by any person who fails to provide satisfactory evidence of identity or source of wealth or funds or other information required in accordance with the ACD's anti-money laundering, anti-proliferation financing or anti-terrorist financing procedures within a reasonable period of the ACD's request for such information (where the length of the "reasonable period" shall be determined by, and at the discretion of, the ACD), or where the ACD has reasonable grounds for suspecting that the funds used to purchase the Shares may represent the proceeds of crime (where "reasonable grounds" for suspicion shall be determined by, and at the discretion of, the ACD, with reference to the applicable rules, regulations and official guidance).

- 14.3. A Shareholder who becomes aware that he is holding or owns affected Shares shall immediately, unless he has already received a notice as set out above, either transfer all his affected Shares to a person qualified to own them or submit a request in writing to the ACD for the redemption or cancellation of all his affected Shares. This may include a situation where a Shareholder has moved to a different jurisdiction which either does or may give rise to a situation described in Section 14.2(i), (ii) or (iii) above.

# 15.

## Suspension of dealings in the Company

- 15.1. The ACD may, with the prior agreement of the Depositary, or must if the Depositary so requires, temporarily suspend, without prior notice to Shareholders, the issue, cancellation, sale and redemption of Shares in the Company, if the ACD or the Depositary is of the opinion that due to exceptional circumstances there is good and sufficient reason to do so having regard to the interests of Shareholders (for example, but without limitation, on the closure or suspension of dealing on a relevant stock exchange, or the inability of the ACD to ascertain properly the value of any or all of the assets or realise any material part of the assets of the Company).
- 15.2. The ACD will notify Shareholders as soon as is practicable of any decision to suspend dealings and the exceptional circumstances which have led to the decision to do so. The ACD and Depositary will keep the suspension under ongoing review and will conduct a formal review of the reasons for the suspension at least every 28 days. Shareholders will be kept informed in writing of updates concerning any suspension. The FCA will be notified immediately of any suspension of dealing in Shares and will be kept informed of the results of the formal reviews conducted by the ACD and Depositary.
- 15.3. Re-calculation of the Share price for the purpose of dealings in Shares will commence on the next valuation point following the ending of the suspension.
- 15.4. During any suspension, the ACD will permit a Shareholder to withdraw any redemption request provided that this withdrawal is in writing and is received before the period of suspension ends. Any redemption request not withdrawn will be dealt with on the next Dealing Day following the end of the suspension.

# 16.

## Governing law

All deals in Shares are governed by English law.

# 17.

## Valuation of the Company

- 17.1. The price of a Share in the Company is calculated by reference to the Net Asset Value of the Company. There is only a single price for Shares as determined from time to time by reference to a particular valuation point. The Net Asset Value of the Company is currently calculated daily on each Dealing Day at 12:00 noon in accordance with Section 18.
- 17.2. The ACD may at any time during a Business Day carry out an additional valuation if the ACD considers it desirable to do so. Additional valuations may be carried out in connection with any scheme of amalgamation or reconstruction or on the day the annual or half yearly accounting period ends.

# 18.

## Calculation of the net asset value

- 18.1. The Net Asset Value of the Company shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions.
- 18.2. All the Scheme Property (including receivables) of the Company is to be included, subject to the following provisions.
- 18.3. Scheme Property which is not cash (or other assets dealt with in Section 18.4) shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:
- (i) any transferable security:
    - (a) if a single price for buying and selling the security is quoted, at that price; or
    - (b) if separate buying and selling prices are quoted, at the average of those two prices; or
    - (c) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if the most recent price available does not reflect the ACD's best estimate of the value, at a value which in the opinion of the ACD is fair and reasonable;
  - (ii) property other than that described in (i) above shall be valued at a value which, in the opinion of the ACD, represents a fair and reasonable mid-market price.
- 18.4. Cash and amounts held in current and deposit accounts and in other time related deposits shall be valued at their nominal values.
- 18.5. In determining the value of the Scheme Property, all instructions given to issue or cancel Shares shall be assumed (unless the contrary is shown) to have been carried out and any cash paid or received and all consequential action required by the Regulations shall be assumed (unless the contrary is shown) to have been taken.
- 18.6. Subject to Section 18.7 below, agreements for the unconditional sale or purchase of property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes

place and, in the opinion of the ACD, their omission will not materially affect the final net asset amount.

- 18.7. All agreements are to be included under Section 18.6 which are, or ought reasonably to have been, known to the person valuing the property.
- 18.8. An estimated amount for anticipated tax liabilities at that point in time including (as applicable and without limitation) capital gains tax, income tax, corporation tax and value added tax, stamp duty and stamp duty reserve tax will be deducted.
- 18.9. An estimated amount for any liabilities payable out of the Scheme Property and any tax thereon treating periodic items as accruing from day to day will be deducted.
- 18.10. The principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings will be deducted.
- 18.11. An estimated amount for accrued claims for tax of whatever nature which may be recoverable and any stamp duty reserve tax provision anticipated to be released will be added.
- 18.12. Any other credits or amounts due to be paid into the Scheme Property will be added.
- 18.13. A sum representing any interest or any income accrued due or deemed to have accrued but not received will be added.
- 18.14. Currency or values in currencies other than the base currency shall be converted at a rate of exchange that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders. The ACD's current policy is to apply prevailing spot exchange rates.

# 19.

## Price per Share in the Company

The price per Share at which Shares are issued or sold to investors is the Net Asset Value per Share as adjusted by any dilution adjustment the ACD may apply. The price per Share at which Shares are cancelled or redeemed is the Net Asset Value per Share as adjusted by any dilution adjustment the ACD may apply. Details of the ACD's dilution adjustment policy are set out in Section 12.1 above.

# 20.

## Pricing basis

Dealing in Shares is on a forward pricing basis. A forward price is the price calculated at the next valuation point after the request to purchase or redeem is accepted by the ACD.

# 21.

## Publication of prices

- 21.1. The prices of Shares are published daily on the ACD's website at [www.fundsmith.co.uk/smithson](http://www.fundsmith.co.uk/smithson), the Daily Telegraph and in the Financial Times. Shareholders can also obtain the current price of their Shares by calling the ACD on 0330 123 1815.
- 21.2. Neither the ACD nor the Company can be held responsible for any errors in the publication of prices by any third party. As Shares in the Company will be issued or sold and cancelled or redeemed on a forward pricing basis, the price at which investors can deal will not necessarily be the same as the published price.

# 22.

## Risk factors

Potential investors should consider the following risk factors before investing in the Company.

### **22.1. General risks**

The investments of the Company are subject to market fluctuations and other risks inherent with investment in stocks and shares. As such, the price of Shares in the Company can go down as well as up and an investor may not get back the amount invested. There is no assurance that the investment objectives of the Company will actually be achieved. Potential investors should only invest in the Company if they can withstand a total loss of their investment. Inflation may occur over the duration of an investment in the Company which can reduce the value of the investment in real terms.

### **22.2. Long-term investment strategy**

The Company's investment philosophy is to seek to invest in companies which will provide higher than average risk adjusted returns over the long term. The Company does not seek to engage in short-term trading strategies to generate returns. Accordingly, any investment in the Company should be viewed as a long term (over 5 years) investment.

### **22.3. Concentration**

The Company's investment approach is to invest in a relatively small number of securities (subject to the spread and concentration limits set out above). This may result in portfolio concentration in sectors, countries, or other groupings. These potential concentrations mean that a loss arising in a single investment may cause a proportionately greater loss to the Company than if a larger number of investments were made. However, the portfolio is not considered to have high volatility.

### **22.4. Small and mid-sized company risk**

The shares of small and mid-sized companies may be more difficult to sell, more volatile and tend to carry greater financial risk than the shares of larger companies as a result of inadequate trading volume or restrictions on trading. Smaller and mid-sized companies may possess greater potential for growth, but can also involve greater risks, such as limited product lines and markets, and financial or managerial resources. Trading in such shares may be subject to more abrupt price movements and greater fluctuations in

available liquidity than trading in the shares of larger companies.

**22.5. Performance risk**

Investors are reminded that risk levels will depend on individual investment selections made by the ACD.

**22.6. Counterparty risk**

The Company will be subject to the risk of the inability of any counterparty to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes. In particular, it should be noted that transactions may not always be delivery versus payment and this may expose the Company to greater counterparty risk and potentially to loss in excess of the counterparty's obligations to the Company.

**22.7. Settlement risks**

Any investment in stocks and shares involves a level of settlement risk. This arises where a settlement in a transfer system does not take place as expected because a counterparty does not pay or deliver on time or as expected. Usually such transactions will settle later when the appropriate payment or delivery has been made but occasionally the transaction will fail. Delays or failures in settlement can cause loss to the Company.

**22.8. Custodian risks**

Certain assets within the Scheme Property may be held by a local custodian or securities depository rather than the Depository or global custodian. Although unlikely, there is a risk of loss of assets as a result of the insolvency, negligence or fraudulent action of the local custodian or securities depository or even the global custodian. The liability of the Depository is explained in Section 5.5 above.

**22.9. Liquidity risk**

There is a risk that an investment cannot be liquidated in a timely manner at a reasonable price. In certain circumstances this could lead to the Company being unable to meet redemptions requests. There is also a potential risk that low levels of liquidity in relation to investee companies can impact their value and this could affect the performance of the Company as a whole. Please see Section 23.4 for

further information in relation to the ACD's approach to liquidity risk management.

**22.10. Investment currency risks**

In addition, the values, in pounds sterling terms, of investments that are not denominated in pounds sterling may rise and fall purely on account of exchange rate fluctuations, which will have a related effect on the price of Shares. The Company will not hedge currency exposures.

**22.11. Political risks**

Political risks exist which can affect all markets and businesses. Governmental actions can lead to economic or political crises which can cause market volatility and disruption to businesses which the Company may seek to invest in. Governmental actions in relation to trade arrangements, the imposition of tariffs and other controls can significantly affect the business environment for investee companies. The investee companies may operate in countries where the ownership rights may be uncertain and development of the resources of investee companies may be subject to disruption due to factors including civil disturbances, industrial action, interruption of power supplies.

**22.12. Geo-political and military risks**

Global geo-political and military events and civil unrest may also cause market disruption. As a result of continued political tensions and armed conflicts, including the Russian invasion of Ukraine, as well as other political and military events across the globe, including in North Korea, Taiwan, Venezuela, Iran, Syria, Israel, Palestine, Lebanon and other areas of the Middle East and increasing nationalist sentiment in certain parts of Europe and South America, there is a heightened risk of market disruption in the short to medium term.

**22.13. Environmental risks**

Many companies have at least some exposure to a wide range of environmental risks, including risks arising due to climate change.

There are a myriad of global, regional and national governmental initiatives being developed and implemented in response to these risks and in particular those related to

climate change and the desire to move to a greener, more sustainable economy. These risks and initiatives can affect companies and their businesses in a wide variety of different ways. For some companies responding to environmental and climate change related risks may involve substantial changes to their business activities including restructuring, substantial operational changes, significant new investment and additional costs, all of which could negatively affect the investee company's performance in the short to medium term. The Company's approach to assessing these risks in relation to its portfolio and engaging with portfolio companies in relation to them is set out in more detail in Sections 22.21 and 25 below.

#### **22.14. Cyber Security risk**

Cyber security incidents are an ongoing concern for the Company, the ACD and for all of those companies that make up the Company's investments. Such incidents are increasingly common and sophisticated and all companies around the world are needing to stay vigilant to prevent them, and institute robust policies to minimise the effects of any cyber security incident. Cyber security incidents affecting any of the Company, the ACD or its delegates, FISL, and the Depositary could have a detrimental impact on the capacity of the Company to continue its operations at that time and may have an impact on the value of its Shares. In addition, cyber security incidents at one or more of the Company's investments in the portfolio could have a detrimental impact on that investment's value and therefore impact the value of the Shares. Finally, cyber security incidents affecting counterparties with which the Company engages in a transaction, relevant governmental or regulatory authorities, exchange and other financial market operators, banks, brokers, dealers and other financial institutions may have a detrimental impact on the value of the Shares.

#### **22.15. Fraud risk**

Whilst the investment strategy of the Fund renders this risk unlikely, there is a risk that one or more companies that form the portfolio of the Company are found to be behaving fraudulently, including by artificially inflating their value. Where this is the case, the value of that investment is highly likely to be impacted.

#### **22.16. Public Health Emergencies**

Pandemics and other widespread public health emergencies, including the outbreak of COVID-19, can result in market volatility and disruption and have the potential to materially and adversely impact economic production and activity all of which may result in significant losses to the Company.

The extent of the impact of future pandemics on the Company's investments will depend on many factors, all of which are highly uncertain and cannot be accurately predicted.

#### **22.17. Cancellation risk**

If the value of the investment falls before notice of cancellation is given, a full refund of the original investment may not be provided but rather the original amount less the fall in value.

#### **22.18. Tax risk**

Any beneficial tax treatment that may apply to an investor at the time of investment may not be present for the duration of the investment period as a result of a change in policy, rule, law, interpretation or individual circumstances. The Company is exposed to similar risks which have the potential to adversely affect Shareholder returns.

#### **22.19. Financial Transaction Taxes**

Certain countries within the EU ("FTT jurisdictions") are proposing to introduce a financial transaction tax ("FTT") on certain financial transactions which have a connection with an FTT jurisdiction. A financial transaction may be connected with an FTT jurisdiction where one party is established (or deemed to be established) in an FTT jurisdiction. One of the factors that may be taken into account is where the transaction is of a financial instrument issued in an FTT jurisdiction. Many of the details relating to the FTT are still being discussed, and the timeline for any agreement on the FTT, and its subsequent implementation, remain subject to considerable uncertainty. However, certain EU member states have already introduced, and other jurisdictions may introduce, unilateral domestic financial transaction taxes independently or in anticipation of the FTT. The unilateral financial transaction taxes (and the FTT in the

participating EU member states, if implemented), may have an impact on the economic returns to the Company.

**22.20. The Base Erosion and Profit Shifting Project (the "BEPS Project")**

The Organisation for Economic Co-operation and Development, is currently undertaking a project, known as the BEPS Project, with the aim that jurisdictions should change their domestic tax laws and introduce additional or amended provisions in double taxation treaties. The ongoing implementation of the BEPS Project is likely to continue to produce significant tax legislative changes for the OECD jurisdictions in which the Company will be investing. While it remains unclear precisely what impact there may be to the Company as a result of such changes, legislation to adopt OECD rules in relation to the global minimum rate of tax (the "Pillar Two Regime") has been introduced in the UK and the EU (as well as a number of other OECD jurisdictions) and is in the process of being implemented by a number of other OECD jurisdictions. The Pillar Two Regime is highly complex and could lead to additional tax being suffered by the Company, and it is possible that increased taxation payable by investee businesses could reduce economic returns for the Company. The BEPS Project may also result in additional reporting and disclosure obligations for investors.

**22.21. Foreign withholding tax risk**

There is a risk that the Company may be subject to foreign withholding tax or other taxation on income it receives from, or amounts realised on the disposal of investments in, foreign countries. Whether or not the Company may be entitled to double tax relief for such foreign withholding tax or other taxation will depend upon the provisions of the appropriate double tax treaty, but it may be the case that the availability of relief to the Company will be restricted.

# 23.

## Investment due diligence, risk management and liquidity management

- 23.1. The ACD has a rigorous investment due diligence process. The investment criteria which the ACD adheres to in selecting securities for the Company's investment portfolio are summarised in Section 2.4.
- 23.2. The ACD supported by FISL operates a comprehensive, quantitative screening process which analyses the financial results of potential investments. As part of the due diligence process, the long-term sustainability of the business is considered in detail. As a long-term investor, the ACD approaches environmental, social and governance matters in the widest possible sense, considering all factors that may affect an investee company's ability to sustain returns for the long term. These processes identify potential investee companies which may meet the Company's investment criteria. Further research and due diligence is undertaken to determine whether or not the stock is suitable for the portfolio. Only a small percentage of the investment universe meets the Company's criteria. As a result, the Company's investment portfolio is concentrated, generally comprising between 25 and 40 stocks.
- 23.3. The ACD's risk management process reflects the investment objectives and policy of the Company. The Company does not invest in derivatives or undertake currency hedging. The market risk of the Company's investment portfolio is monitored regularly by the risk management function and procedures are in place to ensure that appropriate action is taken if the ACD's internal risk limits are breached.

Liquidity risk refers to the possibility that the Company may not be able to sell the shares in investee companies in a timely manner in order to raise sufficient cash to meet Shareholder redemption requests. The Company only invests in equities of small and mid-sized companies which are traded on eligible markets. These stocks may be less liquid than those of similarly traded large companies. However, liquidity profile of the investment portfolio is analysed and monitored regularly so as to ensure that it is appropriate for the Company's redemption policy. The ACD also carries out liquidity stress tests on a regular basis. The ACD includes information in relation to the liquidity profile of the investment portfolio in the Company's factsheet on its website at <https://www.fundsmith.co.uk/smithson>.

In exceptional circumstances, for example, if the Company received significant levels of Shareholder redemption requests and/or there was significant equity market volatility leading to substantial sales in the market of the shares in investee companies, the ACD may be required to use liquidity management tools which could impact Shareholder's rights to redeem their Shares. These tools include the ACD's ability to apply a dilution levy which will adjust the price at which Shares are redeemed to reflect the actual costs associated with selling the shares in investee companies (see Section 12.1), the possibility that the ACD may exercise its rights to temporarily borrow money in order to provide the cash required to meet redemption requests (see Section 2.10.3), the ability of the ACD to defer the processing of redemption requests by one business day to provide more time to sell shares in the investment portfolio (see Section 10.1.5 on deferred redemption) and the possibility that dealing in Shares will be suspended completely (see Section 15 on suspension). In the event of a shortage of liquidity, the ACD will consider both the interests of those Shareholders wishing to redeem and the interests of continuing Shareholders. The ACD's approach to a shortage of liquidity may vary depending on the circumstances giving rise to the liquidity shortage, but suspension of dealings will be considered to be a measure of last resort.

- 23.4. The ACD's policies and procedures, including those in relation to risk management and liquidity management, ensure that the Company's investment portfolio complies with the detailed investment rules applicable to UK UCITS Schemes.
- 23.5. Shareholders can receive further information in relation to liquidity management and risk management, including the quantitative limits applied, the methods used in relation to those quantitative limits, and any recent development of the risk and yields of the main categories of investment in the portfolio, on request from the ACD.

# 24.

## Execution policy

### 24.1. General

The following is intended to provide only a summary of the ACD's Order Execution Policy. The full version can be viewed in full on the ACD's website ([www.fundsmith.co.uk/smithson](http://www.fundsmith.co.uk/smithson)).

The ACD and FISL must act in the Company's best interests when placing orders for execution and take all sufficient steps to achieve the best possible result for the Company, taking into account the execution factors and criteria set out below.

The ACD via FISL uses Northern Trust Securities LLP for broker and trade execution services. Northern Trust Securities LLP is a global institution specialising in brokerage and trade execution.

Northern Trust Securities LLP provides comprehensive trade execution services which operate globally and facilitate access to all relevant brokers and execution venues. Northern Trust Securities LLP has sophisticated trading systems and techniques which allow the ACD via FISL to access liquidity whilst minimising market impact.

For each trade, Northern Trust Securities LLP considers the execution factors and the execution criteria set out below and determines the most appropriate approach to the execution of the order with a view to achieving the best possible result for the Company.

### 24.2. Execution criteria

The following execution criteria are taken into consideration:

- client categorisation;
- the characteristics of the order;
- the characteristics of the financial instrument; and
- the characteristics of the execution venue.

### 24.3. Execution factors

The execution factors include:

- price;
- liquidity (relative order size or financial instruments underlying liquidity);
- speed;
- cost;
- settlement reliability; and
- nature of the execution venue (regulated versus unregulated market venue).

Northern Trust Securities LLP will utilise its experience to determine the relative importance of each of the factors on a case-by-case basis.

Generally, greater weight is placed on the execution factors of price, likelihood of execution and settlement, size and nature of order and market impact. There may be circumstances where other factors may be more important or relevant.

### 24.4. Execution venues and techniques

In executing and/or transmitting orders a combination of different execution techniques may be used. Northern Trust Securities LLP can trade on a regulated exchange or a multi-lateral trading facility, cross the order with another client, or trade with another bank or broker to complete the trade. The execution venues include:

- regulated markets;
- multi-lateral trading facilities;
- systematic internalisers; and
- market makers, brokers, banks and other liquidity providers.

Northern Trust Securities LLP does not participate in any payment for order flow arrangements.

### 24.5. Monitoring and review

The ACD will assess the effectiveness of the execution arrangements on an ongoing basis and undertakes a formal review on an annual basis.

# 25.

## Corporate governance and voting strategy

- 25.1. The ACD assesses the corporate governance of portfolio companies as part of the investment due diligence process.
- 25.2. A key concern of the ACD is that the management of a portfolio company allocates capital in a logical manner designed to create value for Shareholders. In particular, the ACD monitors how free cash flow generated by portfolio companies is deployed between organic investment in the business, acquisitions and returned to Shareholders via dividends and share buybacks.
- 25.3. The ACD is also particularly interested in how management remuneration is structured in order to ensure that managements' interests coincide as closely as possible with those of Shareholders, and they are encouraged to make capital allocation and other decisions motivated by this principle.
- 25.4. The ACD is also concerned that the businesses, which the Company invests in, are run on a sustainable basis. A sustainable business is one that can generate and maintain a high return on the capital for the long term. Sustainable businesses avoid large, negative impacts on the environment and society as these would impair returns and are governed efficiently and effectively. This is particularly important, as the investment strategy is one of "buy and hold" meaning that the ACD, once it has purchased a stock, aims to hold that security for the long term. Returns to Shareholders are delivered by the value which the portfolio companies compound over time, rather than from buying and selling stocks.
- 25.5. The ACD engages directly with management on these issues and will generally exercise voting rights on all corporate governance and other matters through the Depositary. The ACD will ensure that all corporate actions and voting rights are exercised to the exclusive benefit of the Company.
- 25.6. Details of all corporate actions and voting decisions will be made available to Shareholders free of charge on request from the ACD.

# 26.

## Conflicts of interest

- 26.1. The ACD has a Conflicts of Interest Policy which contains the details of identified conflicts or potential conflicts of interest and the procedures it follows in order to avoid, minimise and manage such conflicts or potential conflicts. The ACD is structured and organised in a way so as to minimise the risks of a client's interests being prejudiced by conflicts of interest and will wherever possible try to ensure that a conflict of interest does not arise. In the event that a conflict of interest cannot be avoided the ACD will always act in the best interests of the Company and ensure that the Company is fairly treated. If circumstances arise such that the ACD's arrangements for avoiding and managing conflicts of interest are not sufficient to ensure with reasonable confidence that the risks of damage to the interests of the Company or its Shareholders will be prevented, the senior management of the ACD must act to ensure that appropriate action is taken in the best interests of the Company and its Shareholders. Any such situation will be disclosed to Shareholders in the next annual or half yearly report together with details of the action taken by the ACD to resolve the situation in the best interests of the Company.
- 26.2. The Conflicts of Interest Policy is reviewed by senior management of the ACD at least once a year or whenever there are material changes in the business services to be offered by the ACD. A copy of the current Conflicts of Interest Policy is available from the ACD on request.
- 26.3. The Depositary may act as the depositary of other open-ended investment companies and as trustee or custodian of other collective investment schemes. The Depositary when acting as such must act solely in the interests of the relevant investors. Further information in relation to the Depositary's approach to managing conflicts of interest is set out in Section 5.7.
- 26.4. The FCA Rules contain provisions governing any transaction with the Company, which is carried out by, or with any "affected person", which will include the ACD, an associate of the ACD, the Depositary and an associate of the Depositary. These provisions allow an affected person to buy from or sell property to the Company, lend money to the Company or accept a deposit of cash from the Company if certain conditions are met. The conditions vary depending on the type of transaction but are designed to ensure the Company is treated on a normal arms-length commercial basis.

# 27.

## Fees and expenses

### 27.1. General

27.1.1. To the extent permitted by FCA Rules, the Company may pay out of the Scheme Property charges and expenses incurred by the Company, which will include the following expenses:

- (i) the fees and expenses payable to the ACD as set out in Section 28 and to the Depositary (as set out in Section 29);
- (ii) expenses incurred in acquiring and disposing of investments, including broker's commission, fiscal charges (including stamp duty and/or stamp duty reserve tax) and other disbursements which are necessarily incurred in effecting transactions for the Company and normally shown in contract notes, confirmation notes and difference accounts as appropriate;
- (iii) fees and expenses of SS&C Financial Services Europe Limited and SS&C Financial Services International Limited (together "SS&C") in relation to their services including transfer agency, share dealing, share registration and Shareholder services generally. The fee for these services is fixed at £300,000 per annum for the period up to 31 December 2028. Charges for the costs of printing and mailing are also levied;
- (iv) any fees and expenses in respect of establishing and maintaining the Register and any sub-register of Shareholders which are not included within (iii) above;
- (v) fees and expenses for Company administration, pricing, valuation, fund accounting and related services. The Northern Trust Company's fees are charged based on the Net Asset Value of the Company on a sliding scale of 0.03% per annum on the first £250 million, 0.02% per annum on the next £250 million, 0.01% per annum on the next £1 billion, and 0.0075% per annum on Net Asset Value in excess of £1.5 billion up to £6.5 billion. These fees are calculated using the month end

Net Asset Value. Northern Trust may also receive reimbursement for reasonably and properly incurred expenses and other non-material fees for additional services. Fees are due monthly and are paid as soon as reasonably practicable after the end of the month;

- (vi) any costs incurred in publishing details of the Net Asset Value of the Company and the price of the Shares in a national or other newspaper or any other form of media;
- (vii) any cost incurred in producing, distributing and dispatching income distributions and other payments made by the Company;
- (viii) any cost incurred in preparing, printing and distributing reports, accounts, statements, contract notes and other like documentation;
- (ix) any fees, expenses or disbursements of any legal, tax or other professional adviser of the Company;
- (x) any costs incurred in respect of meetings of Shareholders convened for any purpose including those convened on a requisition by Shareholders not including the ACD or an associate of the ACD;
- (xi) liabilities arising on unitisation, amalgamation or reconstruction including certain liabilities arising after transfer of property to the Company in consideration for the issue of Shares;
- (xii) interest on permitted borrowings and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- (xiii) taxation and duties payable in respect of the Scheme Property or on the issue or redemption of Shares;
- (xiv) the audit fees of the Auditors and any properly incurred expenses of the Auditors. The Auditors' fees are agreed each year with the ACD and not more than £17,500 will be charged to the Company per annum;
- (xv) the fees of the FCA, in accordance with the Fees Manual, together with any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Shares in the Company are or may be marketed;
- (xvi) any expense incurred in relation to company secretarial duties including the cost of maintenance of minute books and other documentation required to be maintained by the Company;
- (xvii) any expenses incurred in relation to notary and consul services;
- (xviii) any payment otherwise due by virtue of a change to the Regulations;
- (xix) any costs incurred in amending the Instrument of Incorporation or this Prospectus including costs in respect of meetings of Shareholders convened for these purposes;
- (xx) any amount payable by the Company under any indemnity provisions contained in the Instrument of Incorporation or any agreement with any service provider to the Company;
- (xxi) payments or cost in relation to the preparation of any Key Investor Information Documents, Supplementary Information Documents or other similar documentation required to be prepared under the Regulations or in order to comply with relevant laws or regulations;
- (xxii) any costs incurred in the establishment and authorisation of the Company; and
- (xxiii) any other payments permitted to be paid out of the Scheme Property under the Regulations as provided for in the Instrument of Incorporation of the Company.

- 27.1.2.** A new type of payment out of Scheme Property may only be introduced if approved by an extraordinary resolution of Shareholders in the Company. Increases in payments to the ACD or material increases to payments to another party out of Scheme Property may only take effect following reasonable notice to Shareholders. Non-material increases in payments to a party other than the ACD will be notified to Shareholders; this may be post-event.
- 27.1.3.** Any value added tax payable on these fees, charges and expenses will be added to such fees, charges and expenses and paid out of the Scheme Property.
- 27.1.4.** Expenses are allocated between capital and income in accordance with FCA Rules and approved accounting standards. Charges and expenses incurred by the Company will be taken out of the income of the Company first. Where the amount of income received by the Company is insufficient to meet these fees, then some or all of such charges and expenses may be charged against the capital of the Company. This policy may result in capital erosion or constrain capital growth.
- 27.1.5.** To the extent permitted under FCA Rules, the ACD and the Depositary are permitted to be reimbursed for the set-up costs incurred in relation to the authorisation and establishment of the Company.

# 28.

## Charges payable to the ACD

- 28.1. In consideration for carrying out its duties and responsibilities the ACD is entitled to an annual management charge paid by the Company out of the Scheme Property. The ACD will be responsible for paying the fees of FISL.
- 28.2. The annual management charge is calculated and accrues daily and is payable in respect of each calendar month as soon as practicable after the month end and in any event within 15 Business Days of the date of the invoice. The annual management charge is calculated by reference to the Net Asset Value of the Company on the previous Business Day. The valuation for each day which is not a Business Day will be the value on the previous Business Day. The current annual management charge for the Shares is 0.9%.
- 28.3. The ACD is also entitled to reimbursement of all reasonable, properly documented, out of pocket expenses incurred in the performance of its duties.
- 28.4. The ACD's annual management charge is generally taken from income. However, where the amount of income received by the Company is insufficient to meet the annual management charge plus all other expenses attributable to the Company, then some or all of such charges and expenses may be charged against the capital of the Company. This will only be done with the approval of the Depositary and may constrain capital growth.
- 28.5. The ACD may not increase the current rate or amount of its remuneration payable out of the Scheme Property unless, not less than 60 days before the increase, the ACD gives notice in writing of the increase and the date of its commencement to all Shareholders and has revised and made available the Prospectus to reflect the new rate or amount and the date of its commencement.
- 28.6. Any value added tax on any fees, charges or expenses payable to the ACD will be added to such fees, charges and expenses and be paid out of the Scheme Property.

# 29.

## Depositary fees

- 29.1. The Depositary is entitled to receive a periodic fee out of the Scheme Property for its services as depositary. Northern Trust Investor Services Limited's fees are calculated daily on a sliding scale based on the Net Asset Value of the Company of 0.01% per annum on the first £1 billion, 0.009% per annum on the next £2 billion, 0.008% per annum on the next £2 billion, 0.007% on the next £5 billion, 0.006% on the next £10 billion and 0.0050% thereafter. The valuation for each day which is not a Business Day will be the value calculated on the previous Business Day. Fees are due monthly and are paid as soon as reasonably practicable after the end of the month.
- 29.2. In addition to the periodic fee referred to above, the Depositary shall also be entitled to be paid or reimbursed for transaction and custody charges in relation to transaction handling and safekeeping of the Scheme Property. These charges are within the range set out below.
- 29.3. Custody (safe keeping) charges vary by country ranging from 0.0016% to 0.025% for the countries in which the Company currently holds investments. These charges are calculated on month end market values and are payable monthly.
- 29.4. Custody (transaction handling) charges vary by country, accrue at the time the transactions are effected and are payable as soon as is reasonably practicable, and in any event not later than the last Business Day of the month when such charges arose or as otherwise agreed between the Depositary and the ACD. Transaction charges range from £5.00 to £20 per transaction for the countries in which the Company currently holds investments. Cash payments are charged at £5 per transaction for GBP payments and £10 per transaction for non-GBP payments.
- 29.5. The Depositary will also be entitled to payment from the Scheme Property for reimbursement of all costs, liabilities and expenses (together with any VAT thereon) properly incurred in the performance of, or arranging the performance of, functions or exercising powers conferred on it by the Depositary Agreement, Company's Instrument of Incorporation, the Regulations or by the general law.
- 29.6. Any value added tax on any fees, charges or expenses payable to the Depositary will be added to such fees, charges or expenses and be paid out of the Scheme Property.

29.7. In each such case such expenses and disbursements will also be payable if incurred by any person (including the ACD or any associate or nominee of the Depositary or of the ACD) who has had the relevant duty delegated to it in accordance with the FCA Rules by the Depositary.

# 30.

## Shareholder meetings and voting rights

### **30.1. Annual general meeting**

The Company will not hold annual general meetings.

### **30.2. Requisitions of meetings**

**30.2.1.** The ACD or the Depositary may requisition a general meeting at any time. Prior to each general meeting the Depositary shall nominate an individual to act as a chairman.

**30.2.2.** Shareholders may also requisition a general meeting of the Company. A requisition by Shareholders must state the objects of the meeting, be dated, be signed by Shareholders who, at the date of the requisition, are registered as holding not less than one-tenth in value of all Shares then in issue and the requisition must be deposited at the head office of the Company. The ACD must convene a general meeting no later than eight weeks after receipt of such requisition.

### **30.3. Notice of meetings**

Shareholders will receive at least 14 days' notice of a Shareholders' meeting. Where a general meeting is adjourned, such notice of the adjourned meeting shall be given to the Shareholders as the ACD shall determine is reasonable in the circumstances provided that when a meeting is adjourned for 30 days or more or for an indefinite period, not less than 7 days' notice of the adjourned meeting shall be given. Notices of meetings and adjourned meetings will be sent to Shareholders at their addresses on the Register.

### **30.4. Quorum**

The quorum for a meeting is two Shareholders, present in person or by proxy. If a quorum is not present within 15 minutes (which shall be deemed a reasonable time) after the time appointed for the start of the meeting, if the meeting was convened on the requisition of Shareholders, it shall be dissolved. In any other case the meeting will be adjourned. The quorum for an adjourned meeting is also two Shareholders present in person or by proxy, however if a quorum is not present within 15 minutes (which shall be deemed a reasonable time) after the time appointed for the adjourned meeting then one person entitled to be counted

in a quorum shall be the quorum and if there is no such person the meeting shall be dissolved.

### 30.5. Voting rights

- 30.5.1.** At a meeting of Shareholders, on a show of hands every Shareholder who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard, has one vote.
- 30.5.2.** On a poll the voting rights attaching to each Share are such proportion of the voting rights attached to all the Shares in issue that the price of the Share bears to the aggregate price(s) of all the Shares in issue. A poll may be demanded by the chairman of the meeting, by the Depositary or by two or more Shareholders present in person or by proxy.
- 30.5.3.** A Shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.
- 30.5.4.** Except where the Regulations or the Instrument of Incorporation of the Company require an extraordinary resolution (which needs 75% of the votes cast at the meeting to be in favour if the resolution is to be passed) any resolution will be passed by a simple majority of the votes validly cast for and against the resolution.
- 30.5.5.** In the case of joint Shareholders, the vote of the senior Shareholder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the other joint holders and for this purpose seniority is determined by the order in which the names stand in the Register.
- 30.5.6.** The ACD is entitled to receive notice of and attend any meeting of Shareholders but may not be counted in the quorum for a meeting. Neither the ACD nor any associate (as defined in the FCA Rules) of the ACD is entitled to vote at any meeting of the Company except in respect of Shares which the ACD or its associate holds on behalf of or jointly with a person who, if the registered Shareholder, would be entitled to vote and from whom the ACD or its associate has received voting instructions.

"Shareholders" in this context means those persons entered on the Register at a time determined by the ACD (which shall be not less than 48 hours before the time fixed for the meeting) which shall be stated in the notice of meeting.

# 31.

## Taxation

The following is only intended as a general summary of United Kingdom ("UK") tax law and HM Revenue & Customs ("HMRC") practice, as at the date of this Prospectus, which is applicable to the Company and to individuals who are solely resident in the UK for tax purposes, certain UK tax-exempt Shareholders and UK resident corporate Shareholders who are the absolute beneficial owners of a shareholding in the Company held as an investment. The summary's applicability will depend upon the particular circumstances of each Shareholder (for example, different rules may apply to certain institutional investors such as life insurance companies, pension funds, life reinsurance businesses or overseas life assurance businesses, who are subject to special tax regimes). It should not be treated as legal or tax advice. Accordingly, if Shareholders are in any doubt as to their taxation position or if they may be subject to tax in a jurisdiction other than the UK, they should consult their professional adviser. Levels and bases of, and reliefs from, taxation are subject to change in the future.

### **31.1. Taxation of the Company on chargeable gains**

The Company will be exempt from corporation tax on chargeable gains arising on the disposal of its investments provided such gains do not represent profits on a trading transaction. However, any gains realised on disposing of holdings in non-reporting offshore funds may be taxable as income not capital. The Company's investment strategy makes it highly unlikely that the Company should invest in a non-reporting offshore fund.

### **31.2. Taxation of the Company on income**

Dividends received by the Company from UK and non-UK companies will generally be exempt from corporation tax (subject to satisfying certain conditions). In relation to other income, the Company will be liable to corporation tax at a rate equal to the basic rate of income tax, currently 20%, on such income after deducting allowable expenses (which include fees payable to the ACD and to the Depositary).

### **31.3. Relief for the Company in respect of foreign withholding taxes**

To the extent that the Company receives income from, or realises amounts on the disposal of investments in, non-UK entities or assets it may be subject to non-UK withholding or other taxation in those jurisdictions. To the extent it relates to income, this non-UK tax may be able to be treated as an expense for UK corporation tax purposes, or it may be

treated, to the extent not relievable under a double tax treaty, as a credit against UK corporation tax up to certain limits and subject to certain conditions.

#### 31.4. Taxation of the Company – transfer taxes

The Company may be subject to UK or non-UK transfer taxes in respect of its investments.

#### 31.5. Taxation of the Shareholders – income distributions

Depending on their personal tax position, UK resident individual Shareholders may be liable to UK income tax on distributions of income ("distributions") that have been reinvested in the Company. No tax is deducted from, and there are no tax credits attached to, any distributions accumulated by the Company.

For individual Shareholders resident in the UK, the first £500 of dividends and dividend distributions received or accumulated will be free of income tax (the "dividend allowance"). Where an individual's dividends and dividend distributions from all sources exceed the dividend allowance, the excess will be liable to income tax at the dividend tax rates reflecting the Shareholder's highest rate of tax. These rates are currently 8.75% for basic rate taxpayers (rising to 10.75% in the 2026/27 tax year), 33.75% for higher rate taxpayers (rising to 35.75% in the 2026/27 tax year) and 39.35% for additional rate taxpayers. Dividends received within a Shareholder's dividend allowance count towards total taxable income and affect the rate of tax due on any dividends received exceeding it.

UK tax-exempt Shareholders, which include UK charities, UK registered pension funds and UK resident individuals who have invested via an ISA, should not be subject to UK income tax on dividends and other distributions of income by the Company.

Distributions to Shareholders within the charge to corporation tax are deemed to comprise two elements:

- where the Company's gross income is not wholly derived from franked investment income, part of any distribution should be deemed to be reclassified as an annual payment received by such Shareholders after deduction of income tax at the basic rate, currently 20% (the "deemed tax deducted"). Such Shareholders will be subject to corporation tax on the grossed-up amount of

the annual payment but will be entitled to a credit for the deemed tax deducted. This credit is, however, restricted to the lower of the deemed tax deducted and the Shareholder's share of the Company's corporation tax liability (after double tax relief on overseas income) for the period; and

- the remainder, which comprises franked investment income, is generally exempt from UK corporation tax (subject to satisfying certain conditions).

Details of the proportions of distributions comprising franked investment income and annual payments will be shown on the tax voucher issued to the corporate Shareholder.

These rules do not apply or are modified in relation to life insurance companies, in particular those with pensions and ISA businesses, life reinsurance businesses or overseas life assurance businesses.

#### 31.6. Taxation of Shareholders – capital gains

Individual Shareholders who are resident in the UK may be liable to UK taxation on capital gains arising from the sale or other disposal, including redemption, of Shares. Individuals generally compute their gains by deducting from the net sale proceeds the capital gains base cost in respect of their Shares. The resulting gains will be taxable at the capital gains tax rate applicable to the individual (currently 18% for basic rate taxpayers and 24% for those whose total income and chargeable gains are above the higher rate threshold), and may be reduced by capital losses brought forward from previous tax years or losses in the year, and by annual exemptions (the annual exemption from capital gains tax for UK resident individuals is £3,000). UK tax-exempt Shareholders, which include UK charities, UK registered pension funds, and UK resident individuals who have invested via an ISA, would not normally be expected to be liable to capital gains tax on their disposal of Shares.

Shareholders within the charge to corporation tax are taxed on the chargeable gains made, computed by deducting from the net sales proceeds the chargeable gains base cost in respect of their Shares. Shareholders within the charge to corporation tax do not qualify for the annual exemption.

All income distributions which have been accumulated to share capital (except any equalisation amount) should be deducted from this gain.

Special rules apply to life insurance companies who beneficially own Shares.

### **31.7. Taxation of the Shareholders – inheritance tax**

For Shareholders who are treated as being long-term resident in the UK for UK inheritance tax purposes (broadly, individuals who have been UK tax resident for at least 10 of the previous 20 tax years), a gift by a Shareholder of their shareholding in the Company, or the death of a Shareholder, will be treated as a transfer of value for the purposes of UK inheritance tax and so may give rise to a liability to UK inheritance tax (unless personal reliefs apply). For the purposes of UK inheritance tax, a transfer of Shares at less than their full market value may constitute a gift.

### **31.8. Stamp Duty Reserve Tax**

As a general rule, there is no charge to Stamp Duty Reserve Tax when Shareholders surrender or redeem their Shares. Such a charge may arise however where:

- a redemption takes the form of a non-pro rata in specie redemption; or
- a Shareholder transfers their Shares to a third party and the ACD is not notified of such a transfer (Shareholders should note that legal title to Shares can only transfer following notification to the ACD).

### **31.9. Tax information reporting regimes**

In order to comply with legislation implementing the UK's obligations under various intergovernmental agreements relating to the automatic exchange of information to improve international tax compliance (including the international Common Reporting Standard and FATCA), the Company or the ACD will collect and report information about Shareholders for this purpose, including information to verify their identity, tax residence and tax status. The Company may also have to report information about a Shareholder's beneficial owners, indirect owners or other types of account holders in circumstances where the relevant Shareholder is not an individual holding Shares on their own behalf.

When requested to do so by the Company or the ACD, Shareholders must provide information to be passed on to HM Revenue & Customs, and, by them, to any relevant overseas tax authorities. If a Shareholder does not provide the necessary information, the ACD may take appropriate action against such Shareholders, including invoking the compulsory transfer and redemptions provisions set out in Section 14.2.

### **31.10. Mandatory disclosure rules for cross-border arrangements**

The EU has introduced mandatory disclosure rules for cross-border arrangements which satisfy certain hallmarks, as part of a directive widely referred to as DAC 6. The scope of the arrangements and the hallmarks are very wide, and are not limited to aggressive tax planning.

Having previously legislated to implement DAC 6 in the UK (albeit under a narrowed scope by virtue of legislation introduced in 2021), on 28 March 2023 the regulations for the UK's Mandatory Disclosure Rules came into force to replace DAC 6 to transition from European to international rules.

Whilst the new UK Mandatory Disclosure Rules significantly reduce the number of arrangements that need to be reported to HMRC, reporting under full DAC 6 is now required in most EU member states.

Shareholders resident in the UK or EU member states may be subject to wide-ranging disclosure obligations under these rules in respect of their investment in the Company. All Shareholders should seek guidance from their own tax advisers in respect of the potential application of these rules.

# 32.

## Income equalisation

- 32.1. Income equalisation applies in relation to the Company.
- 32.2. Part of the purchase price of a Share reflects the value of income attributable to the Share which has accrued since the record date of the last deemed distribution. This income equalisation amount is returned to the Shareholder with the first allocation of income in respect of the Share after it was purchased.
- 32.3. The amount of income equalisation is either the actual amount of income included in the issue price of that Share or is calculated by dividing the aggregate of the amounts of income included in the price of Shares issued or sold to Shareholders in that annual or interim accounting period by the number of those Shares and applying the resultant average to each of the Shares in question.
- 32.4. The amount representing the income equalisation in the Share's price is a return of capital and is not taxable in the hands of the Shareholder. The equalisation amount is reinvested alongside the taxed income. This means no adjustment need be made to the cost of the Shares in calculating the relevant capital gains tax.

# 33.

## Winding up of the Company

- 33.1. The Company shall not be wound up except as an unregistered company under Part V of the Insolvency Act 1986 or under the FCA Rules.
- 33.2. The procedure for winding-up the Company pursuant to FCA Rules is only available where the Company is solvent; in an insolvency situation the Company must be wound up pursuant to Part V of the Insolvency Act 1986.
- 33.3. Where the Company is to be wound up under the FCA Rules, such winding up may only be commenced following approval by the FCA. The FCA may only give such approval if the ACD provides a statement (following an investigation into the affairs of the Company) that the Company will be able to meet its liabilities within 12 months of the date of the statement. The Company may not be wound up under the FCA Rules if there is a vacancy in the position of ACD at the relevant time.
- 33.4. The Company will be wound up under the FCA Rules if:
- (i) an extraordinary resolution to that effect is passed by Shareholders; or
  - (ii) the period (if any) fixed for the duration of the Company by the Instrument of Incorporation expires, or an event (if any) occurs on the occurrence of which the Instrument of Incorporation provides that the Company is to be wound up (for example, if the Share capital of the Company is below its prescribed minimum); or
  - (iii) the ACD or Depositary requests the FCA to revoke the order declaring the Company to be an authorised open-ended investment company with variable capital and the FCA has agreed that on the conclusion of the winding-up of the Company it will accede to that request; or
  - (iv) Shareholders approve a scheme of arrangement to effect an amalgamation of the Company with another body or scheme; or
  - (v) Shareholders approve a scheme of arrangement to effect a reconstruction which results in all the property of the reconstructed scheme becoming the property of two or more authorised or recognised schemes.

- 33.5.** On the occurrence of any of the above:
- (i) The parts of the FCA Rules and the Instrument of Incorporation relating to pricing, dealing and investment and borrowing will cease to apply to the Company.
  - (ii) The Company will cease to issue and cancel Shares in the Company and the ACD shall cease to sell or redeem Shares or arrange for the Company to issue or cancel them.
  - (iii) No transfer of a Share shall be registered and no other change to the Register shall be made without the sanction of the ACD.
  - (iv) The Company shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company.
  - (v) The corporate status and powers of the Company and, subject to the provisions of this Section, the powers of the ACD remain until the Company is dissolved.
- 33.6.** In the case of an amalgamation or reconstruction taking place by way of a scheme of arrangement, the ACD shall wind up the Company in accordance with the approved scheme of arrangement.
- 33.7.** In all other cases, the ACD shall, as soon as practicable after the Company falls to be wound up, realise the Scheme Property and meet the liabilities of the Company and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up, arrange for the Depositary to make one or more interim distributions out of the proceeds remaining (if any) to Shareholders proportionately to their rights to participate in the Scheme Property. When the ACD has caused all of the Scheme Property to be realised and all of the liabilities of the Company to be discharged, the ACD shall arrange for the Depositary to make a final distribution to Shareholders (if any Scheme Property remains to be distributed) on or prior to the date on which the final account is sent to Shareholders. The ACD shall arrange for all the Shares in the Company to be cancelled on or prior to the date on which the final account is sent to Shareholders.
- 33.8.** The Depositary must notify the FCA once the winding up of the Company is complete and at the same time either the ACD or the Depositary will request the FCA to revoke the Company's authorisation order.
- 33.9.** On completion of a winding up of the Company, the Company will be dissolved and any money (including unclaimed distributions) standing to the account of the Company, will be paid into court within one month of dissolution.
- 33.10.** Following the completion of the winding up of the Company, the ACD must prepare a final account showing how the winding up took place and how the Scheme Property was distributed. The auditors of the Company shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the auditors' report must be sent to the FCA and to each Shareholder within four months of the completion of the winding up.

# 34.

## Overseas Shareholders

### 34.1. General

This Prospectus is primarily intended for distribution in the United Kingdom. The distribution of this Prospectus and the offering of shares in the Company may be restricted in other jurisdictions. Potential investors are required to inform themselves of the legal requirements and restrictions of their own jurisdiction and act accordingly. This Prospectus does not amount to a solicitation or offer by any person in any jurisdiction in which such solicitation or offer would be unauthorised or unlawful.

As the Company is established in the UK, this Prospectus has been drafted for distribution in the United Kingdom and certain sections (for example those relating to tax) are intended for United Kingdom investors only. However, the ACD may in the future, subject to any approval by the appropriate authority, make the Company available to investors in other jurisdictions, both within and outside of the European Union. Supplementary information may be made available to investors in such jurisdictions by way of a country-specific addendum, dependent upon the legal and regulatory requirements of each country or jurisdiction. The Prospectus may also be translated into the language of the country in which the Company is to be made available, dependent upon the legal and regulatory requirements of each country or jurisdiction.

### 34.2. United States

The Shares have not been and will not be registered under the United States Securities Act of 1933, as amended. They may not be offered, sold or transferred in the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia or offered or sold to any U.S. Person (as defined in Rule 902 of Regulation S promulgated under the Securities Act of 1933, as amended). The Company has not and does not intend to be registered under the United States Investment Company Act of 1940, as amended. The Company will reject any application for Shares from a U.S. Person and may require a shareholder who is or may become a U.S. Person to redeem or transfer his shares in accordance with Section 14.2 or 14.3 of this Prospectus.

### 34.3. Isle of Man

In relation to Shareholders resident in the Isle of Man, Resilience Asset Management (IOM) Ltd (an investment adviser and manager licensed and regulated by the Isle of Man Financial Services Authority) has been appointed to act as the promoter of Smithson Equity Fund in the Isle of Man for the purposes of regulation 5(1) of the Isle of Man Collective Investment Schemes (Promotion of Schemes other than Authorised and Recognised Schemes) (Exemption) Regulations 2010.

### 34.4. Guernsey

The offer of Shares pursuant to this Prospectus is available, and is and may be made, in or from within the Bailiwick of Guernsey, and this Prospectus is being provided in or from within the Bailiwick of Guernsey only:

- 34.4.1. by persons licensed to do so by the Guernsey Financial Services Commission (the "GFSC") under the Protection of Investors (Bailiwick of Guernsey) Law, 2020 (as amended) (the "POI Law"); or
- 34.4.2. by non-Guernsey bodies who (a) carry on such promotion in a manner in which they are permitted to carry on promotion in or from within, and under the law of certain designated jurisdictions which, in the opinion of the GFSC, afford adequate protection to investors and (b) meet the criteria specified in section 44(c) of the POI Law; or
- 34.4.3. to persons licensed under the POI Law, the Banking Supervision (Bailiwick of Guernsey) Law, 2020, the Insurance Business (Bailiwick of Guernsey) Law, 2002, the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002, the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2020, by non-Guernsey bodies who (a) carry on such promotion in a manner in which they are permitted to carry on promotion in or from within, and under the law of certain designated jurisdictions which, in the opinion of the GFSC, afford adequate protection to investors and (b) meet the criteria specified in section 44(d) of the POI Law; or
- 34.4.4. as otherwise permitted by the GFSC.

### 34.5. Jersey

The offer of Shares pursuant to this Prospectus may only be made in Jersey where the offer is valid in the United Kingdom or Guernsey and is circulated in Jersey only to persons similar to those to whom, and in a manner similar to that in which, it is for the time being circulated in the United Kingdom or Guernsey as the case may be. Consent under the Control of Borrowing (Jersey) Order 1958 has not been obtained for the circulation of this offer and it must be distinctly understood that the Jersey Financial Services Commission does not accept any responsibility for the financial soundness of or any representations made in connection with the Company. By accepting this offer each prospective investor in Jersey represents and warrants that he or she is in possession of sufficient information to be able to make a reasonable evaluation of the offer.

# 35.

## General information

### **35.1. Accounting periods**

The annual accounting period of the Company ends each year on 31 December (the accounting reference date). The interim accounting period of the Company ends each year on 30 June.

### **35.2. Income allocations**

**35.2.1.** Allocations of income are made in respect of the income available for allocation in each annual and interim accounting period.

**35.2.2.** For all Shares, the net income is retained within the Company and reflected in the price of a Share.

**35.2.3.** The Company only issues Accumulation Shares and the income is allocated to the capital account on 31 December and 30 June each year.

**35.2.4.** The amount of income in any accounting period is calculated by taking the aggregate of the income received or receivable for the account of the Company in respect of that period, and deducting the charges and expenses paid or payable out of income in respect of that accounting period. The ACD then makes such other adjustments as it considers appropriate (and after consulting the auditors as appropriate) in relation to taxation, income equalisation, income unlikely to be received within 12 months following the relevant income allocation date, income which should not be accounted for on an accrual basis because of lack of information as to how it accrues, transfers between the income and capital account and any other adjustments which the ACD considers appropriate after consulting the auditors.

### **35.3. Annual reports**

Annual reports of the Company will be published within four months of the end of each annual accounting period and half-yearly reports will be published within two months of the end of each interim accounting period. These reports will be available, free of charge, upon request from the ACD or can be obtained via the ACD's website at [www.fundsmith.co.uk/smithson](http://www.fundsmith.co.uk/smithson).

## 35.4. Documents of the Company

35.4.1. The following documents may be inspected free of charge between 9.00 am and 5.00 pm every Business Day at the offices of the ACD at 33 Cavendish Square, London W1G 0PW:

- (a) the most recent annual and half-yearly reports of the Company;
- (b) the Prospectus; and
- (c) the Instrument of Incorporation (and any amending instrument of incorporation).

35.4.2. Copies of the above documents may also be requested. The ACD may make a charge at its discretion for copies of the Instrument of Incorporation.

## 35.5. Further information

In addition to this Prospectus, potential investors should also read the Key Investor Information Document and the Company's Supplementary Information Document. These documents are available, free of charge, on request from the ACD and the Company's sustainability disclosure document can be obtained via the ACD's website at [www.fundsmith.co.uk/smithson](http://www.fundsmith.co.uk/smithson).

## 35.6. Notices

Notices and documents will be sent to the Shareholders at their address in the Register. Shareholders should notify the ACD in writing at Fundsmith LLP, PO Box 10846, Chelmsford, Essex CM99 2BW of any change of address.

## 35.7. Complaints

Complaints concerning the operation of the Company should be referred to the ACD at Fundsmith LLP, Adams House, 2 Springfield Lyons Approach, Chelmsford, Essex, CM2 5LG, or call 0330 123 1815, or email [enquiries@fundsmith.co.uk](mailto:enquiries@fundsmith.co.uk), in the first instance. If the complaint is not dealt with satisfactorily then it may, subject to the status of the complainant, be referred to The Financial Ombudsman Service through their website: [financial-ombudsman.org.uk](http://financial-ombudsman.org.uk) or by telephone to 0800 023 4567.

# 36.

## Remuneration

### 36.1. Remuneration

The following is intended to provide only a brief summary of the ACD's remuneration policy. Further details on the up-to-date Remuneration Policy including a description on how the remuneration and benefits are calculated is available on the ACD's website (<https://www.fundsmith.com/remuneration-policy/>). A paper copy may also be obtained from the ACD free of charge upon request. All terms not otherwise defined in this Section 36 shall bear the meanings given to them in the Remuneration Policy.

The ACD is authorised by the FCA as a UK UCITS manager and a full scope UK AIFM. With respect to remuneration the ACD is therefore subject to: SYSC 19E: UCITS Remuneration Code contained in the FCA's Handbook (the "UCITS Remuneration Code"); and SYSC 19B: AIFM Remuneration Code contained in the FCA's Handbook and the accompanying FCA Finalised Guidance 14/02 (the "AIFM Remuneration Code").

In developing its Remuneration Policy, the ACD is required to consider each Remuneration Code and apply the most stringent rules. The ACD also takes into account the ESMA Guidelines on sound remuneration policies under the AIFM and UCITS Directives (2013/232 and 2016/575).

The ACD is a limited liability partnership. The business is wholly owned by its members.

The Management Committee of the ACD is the ultimate governing body of the ACD and is responsible for all aspects of the ACD's business. The non-executive members of the Management Committee are responsible for the annual review and approval of the ACD's Remuneration Policy and Remuneration Policy Statement, and for approval of the annual "independent internal" review of the implementation of the ACD's Remuneration Policy.

The ACD seeks to ensure that its remuneration policies and practices:

- are consistent with and promote sound and effective risk management;
- do not encourage risk taking which is inconsistent with the risk profiles and constitutions of the Company and the other funds managed by the ACD;

- include measures to avoid conflicts of interest;
- are gender neutral; and
- are in line with the business strategies, objectives, values and long-term interests of the ACD itself and the Company.

The ACD recognises that the ultimate objective of the Remuneration Codes is to ensure that remuneration practices, structures and incentives at the ACD do not encourage any behaviour or activity which could be detrimental to, or conflict with, the long-term interest of the Company and its Shareholders.

The ACD's structure and business model creates a strong, natural alignment of interests between the members, the ACD itself, the Company, and its Shareholders. The partners of the ACD are known as members of the LLP and they are the sole owners of the ACD. The ACD distinguishes its approach to remuneration between Founding Members, Executive Members, Capital Members, non-executive members of the Management Committee, and other staff.

Founding Members do not receive any form of variable remuneration from the ACD. The Founding Members are each entitled to a pre-determined, fixed proportion of the ACD's profit, in accordance with their ownership of the ACD.

An Executive Member's entitlement to the profit of the ACD is set out in a Letter of Entitlement. Executive Members receive a fixed amount of profit and are eligible for an annual discretionary amount of profit which is based on performance and are also entitled to a pre-determined, fixed proportion of the profit of the ACD in accordance with their ownership of the ACD.

Capital Members receive a salary, certain benefits, and are eligible for an award of an annual discretionary bonus. Capital Members are also eligible for an additional amount calculated by reference to profit in accordance with their ownership of the ACD.

The non-executive, independent members of the Management Committee receive a fixed fee for their services and are not eligible to receive any variable remuneration.

Staff who are not members of the ACD receive a salary, certain benefits, and are eligible for an award of a discretionary bonus which is based on performance.

The Management Committee considers which staff are material risk takers and determines which staff are within the definition of Remuneration Code Staff.

Performance related annual discretionary bonuses or discretionary profit shares awarded to Remuneration Code Staff over certain thresholds are subject to a requirement to invest part of the bonus in a relevant fund managed by the ACD, with an element of the bonus award being deferred, with vesting of it over three years.

# Appendix 1

## Eligible markets

A market is eligible for the purposes of the FCA rules if it is:

- (i) a regulated market as defined in the FCA Handbook;
- (ii) a market in the UK or an EEA State which is regulated, operates regularly and is open to the public; or
- (iii) any other market not falling within (i) or (ii) above if:
  - (a) the ACD, after consultation with the Depositary, decides that market is appropriate for these purposes on the basis that it is regulated, operates regularly, is recognised as a market or exchange by an overseas regulator, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors; and
  - (b) the Depositary has taken reasonable care to determine that:
    - (1) adequate custody arrangements can be provided for the investment dealt in on that market; and
    - (2) all reasonable steps have been taken by the ACD in deciding whether that market is eligible.

The ACD has determined that any market or exchange on which transferable securities admitted to official listing are dealt in or traded established in the countries below shall be an eligible market.

Austria	Italy
Belgium	Luxembourg
Denmark	Netherlands
Finland	Norway
France	Portugal
Germany	Spain
Greece	UK
Ireland	

In addition, the following securities markets are also eligible markets.

**1. Australia**

any member of The Australia Stock Exchange Limited

**2. Brazil**

Bolsa de Valores de São Paulo

Bolsa de Valores do Rio de Janeiro

**3. Canada**

any stock exchange prescribed for the purposes of the Canadian Income Tax Act, and, The Toronto Stock Exchange

**4. China**

Shanghai Stock Exchange

Shenzhen Stock Exchange

**5. Hong Kong**

The Hong Kong Exchanges

**6. India**

The Bombay Stock Exchange

The National Stock Exchange

**7. Japan**

The Tokyo Stock Exchange

The Osaka Securities Exchange

**8. Mexico**

The Mexican Stock Exchange

**9. New Zealand**

The New Zealand Stock Exchange

**10. Philippines**

The Philippine Stock Exchange

**11. Singapore**

The Singapore Exchange

**12. South Africa**

The JSE Securities Exchange

**13. Sweden**

The Stockholm Stock Exchange

**14. Switzerland**

SWX Swiss Exchange

The Zurich Stock Exchange

The Geneva Stock Exchange

The Basle Stock Exchange

**15. Taiwan**

The Taiwan Stock Exchange

**16. United States**

The American Stock Exchange

The New York Stock Exchange

The Philadelphia Stock Exchange

NASDAQ

and any exchange registered with the Securities & Exchange Commission as a national Stock Exchange.

# Appendix 2

## Senior managers

This Appendix lists the significant business activities of the senior managers of the ACD outside of their role as senior managers of the ACD.

### **Terry Smith**

Significant business activities:

- Director – Fundsmith Investment Services Limited

### **Mark Laurence**

No significant business activities

### **Paul Mainwaring**

No significant business activities

# Appendix 3

## Past performance

As the Company is recently incorporated, past performance information is not yet available.

# Appendix 4

## Delegation of Custody

As at the date of this Prospectus, the Depositary has delegated its safekeeping duties to The Northern Trust Company, London Branch (the “Custodian”) and the Custodian has sub-delegated custody services to sub-custodians in certain markets as listed below.

Market	Subcustodian
Argentina	Citibank, N.A., Buenos Aires Branch
Australia	The Hongkong and Shanghai Banking Corporation Limited
Austria	UniCredit Bank Austria AG
Bahrain	The Hongkong and Shanghai Banking Corporation Limited
Bangladesh	Standard Chartered Bank
Belgium	The Northern Trust Company
Bosnia and Herzegovina (Federation of Bosnia - Herzegovina)	Raiffeisen Bank International AG.
Bosnia and Herzegovina (Federation of Srpska)	Raiffeisen Bank International AG.
Botswana	Standard Chartered Bank Botswana Limited
Brazil	Citibank, N.A., Brazilian branch
Bulgaria	Citibank Europe plc, Bulgaria Branch
Canada	The Northern Trust Company, Canadian branch Royal Bank of Canada
Chile	Citibank N.A.
People's Republic of China – China A share	The Hongkong and Shanghai Banking Corporation Limited; Industrial and Commercial Bank of China Limited

Market	Subcustodian
People's Republic of China - China B share	The Hongkong and Shanghai Banking Corporation Limited
Clearstream	Clearstream Banking S.A
Colombia	Cititrust Colombia S.A. Sociedad Fiduciaria
Costa Rica	Banco Nacional de Costa Rica
Croatia	UniCredit Bank Austria AG
Cyprus	Citibank Europe PLC
Czech Republic	UniCredit Bank Czech Republic and Slovakia, a.s.
Denmark	Skandinaviska Enskilda Banken AB (publ)
Egypt	Citibank N.A., Cairo Branch
Estonia	Swedbank AS
Euroclear	Euroclear Bank S A/N.V
Finland	Skandinaviska Enskilda Banken AB (publ)
France	The Northern Trust Company
Germany	The Northern Trust Company
Ghana	Standard Chartered Bank Ghana Limited
Greece	Citibank Europe PLC
Hong Kong	The Hongkong and Shanghai Banking Corporation Limited
Hungary	Citibank Europe plc
Iceland	Landsbankinn hf.
India	Citibank N.A.
Indonesia	Standard Chartered Bank
Ireland	The Northern Trust Company, London

<b>Market</b>	<b>Subcustodian</b>
Israel	Citibank, N.A., Israel Branch
Italy	Citibank Europe plc
Japan	The Hongkong and Shanghai Banking Corporation Limited
Jordan	Bank of Jordan Plc
Kazakhstan	Citibank Kazakhstan JSC
Kenya	Standard Chartered Bank Kenya Limited
Kuwait	The Hongkong and Shanghai Banking Corporation Limited
Latvia	Swedbank AS
Lithuania	SEB Bankas
Luxembourg	Euroclear Bank S.A./N.V.
Malaysia	The Hongkong and Shanghai Banking Corporation Limited
Mauritius	The Hongkong and Shanghai Banking Corporation Limited
Mexico	Banco Citi México, S.A.
Morocco	Citibank Maghreb S.A.
Namibia	Standard Bank Namibia Limited
Netherlands	The Northern Trust Company
New Zealand	The Hongkong and Shanghai Banking Corporation Limited
Nigeria	Stanbic IBTC Bank Plc.
Norway	Skandinaviska Enskilda Banken AB (publ)
Oman	First Abu Dhabi Bank PJSC Oman branch
Pakistan	Citibank, N.A., Karachi branch
Panama	Citibank, N.A., Panama branch

Market	Subcustodian
Peru	Citibank del Perú, S.A.
Philippines	The Hongkong and Shanghai Banking Corporation Limited
Poland	Bank Handlowy w Warszawie S.A.
Portugal	BNP Paribas SA
Qatar	The Hongkong and Shanghai Banking Corporation Limited
Romania	Citibank Europe plc
Russia	AO Citibank
Saudi Arabia	The Northern Trust Company of Saudi Arabia
Serbia	UniCredit Bank Austria AG
Singapore	The Hongkong and Shanghai Banking Corporation Limited
Slovak Republic	Citibank Europe PLC.
Slovenia	UniCredit Banka Slovenija d.d.
South Africa	The Standard Chartered Bank, of South Africa Limited
Spain	Citibank Europe Plc
Sri Lanka	Standard Chartered Bank
Sweden	Skandinaviska Enskilda Banken AB (publ)
Switzerland	UBS AG Switzerland
Taiwan – R.O.C.	The Hongkong and Shanghai Banking Corporation Limited
Tanzania	Standard Chartered Bank (Mauritius) Limited
Thailand	Citibank N.A., Bangkok Branch
Tunisia	Union Internationale de Banques
Turkey	Citibank, A.Ş.

Market	Subcustodian
Uganda	Standard Chartered Bank Uganda Limited
Ukraine	JSC Citibank
United Arab Emirates (ADX)	The Hongkong and Shanghai Banking Corporation Limited
United Arab Emirates (DFM)	The Hongkong and Shanghai Banking Corporation Limited
United Arab Emirates (NASDAQ)	The Hongkong and Shanghai Banking Corporation Limited
United Kingdom	Euroclear UK & International Limited (Northern Trust self-custody)
United States	The Northern Trust Company
Uruguay	Banco Itaú Uruguay S.A.
Vietnam	The Hongkong and Shanghai Banking Corporation Limited
West Africa (UEMOA)	Standard Chartered Bank (Mauritius) Limited
Zambia	Standard Chartered Bank Zambia Plc
Zimbabwe	The Standard bank of South Africa Limited

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