Fundsmith Equity Fund
Short Form Report

For the year ended 31 December 2018

Fundsmith

Profile of the fund

Investment objective and policy

The aim of Fundsmith Equity Fund (“the Fund”) is to achieve long term growth in value.

The Fund will invest in equities on a global basis. The Fund’s approach is to be a long-term investor in its chosen stocks. It will not adopt short-term trading strategies.

The Fund has stringent investment criteria which the Authorised Corporate Director (ACD) and any appointed investment manager adhere to in selecting securities for the Fund’s investment portfolio. These criteria aim to ensure that the Fund invests in businesses:

- that can sustain a high return on operating capital employed;
- whose advantages are difficult to replicate;
- which do not require significant leverage to generate returns;
- with a high degree of certainty of growth from reinvestment of their cash flows at high rates of return;
- that are resilient to change, particularly technological innovation; and
- whose valuation is considered by the Fund to be attractive.

Risk profile

The Fund has no exposure to derivatives and no borrowings. Further, the investments are all in large publicly quoted companies where there is significant liquidity in the stock. The principal risk factor is the market price of the securities held by the Fund which is kept under review in the light of the Fund’s objectives.

Currency risk: The Fund’s portfolio is a global share portfolio and many of the investments are not denominated in Sterling. There is no currency hedging in place and the price may therefore rise or fall purely on account of exchange rate movements.

Concentration risk: The investment criteria adopted by the Fund significantly limits the number of potential investments. The Fund generally holds 20 to 30 stocks and so it is more concentrated than many other funds. This means that the performance of a single stock within the portfolio has a greater effect on the price of the shares of the Fund.

Operational risk: Failures or delays in operational processes may negatively affect the fund. There is a risk that any company responsible for the safekeeping of the assets of the fund may fail to do so properly or may become insolvent, which could cause loss to the fund.

Risk warning

Any stock market investment involves risk. These risk factors are contained in the full Prospectus. Investors should be aware that the price of shares and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance.

Risk and reward profile

Lower risk
Typically lower rewards

Higher risk
Typically higher rewards

1	2	3	4	5	6	7

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

Generally, the higher the risk category, the greater the potential for higher returns but also the higher the risk of losing money. The Fund is in Category 5 reflecting the risks inherent in the Fund's investment portfolio, including that of capital losses. The underlying investments are, however, in large companies with shares that are highly liquid.

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

Performance Record

As at 31 December 2018

Change in net assets per share	T Class (Accumulation shares) 31.12.18 (p)	31.12.17 (p)	31.12.16 (p)	T Class (Income shares) 31.12.18 (p)	31.12.17 (p)	31.12.16 (p)
Opening net asset value per share	360.93	294.75	231.35	335.10	275.28	217.80
Return before operating charges	14.51	69.71	66.24	13.53	64.98	62.21
Operating charges	(3.98)	(3.53)	(2.84)	(3.69)	(3.29)	(2.66)
Return after operating charges	10.53	66.18	63.40	9.84	61.69	59.55
Distributions	(2.28)	(2.01)	(2.21)	(2.12)	(1.87)	(2.07)
Retained distributions on accumulation shares	2.28	2.01	2.21	–	–	–
Closing net asset value per share	371.46	360.93	294.75	342.82	335.10	275.28
After direct transaction costs of:	0.16	0.12	0.13	0.15	0.11	0.12
Performance						
Return after operating charges	2.92%	22.45%	27.40%	2.94%	22.41%	27.34%
Other information	£	£	£	£	£	£
Closing net asset value	2,303,460,161	1,995,229,262	1,483,593,346	178,131,608	169,761,429	139,644,464
Closing number of shares	620,116,294	552,805,417	503,333,749	51,960,169	50,659,894	50,727,913
Ongoing charge figure*	1.05%	1.05%	1.06%	1.05%	1.05%	1.06%
Direct transaction costs	0.04%	0.04%	0.05%	0.04%	0.04%	0.05%
Prices	(p)	(p)	(p)	(p)	(p)	(p)
Highest share price	412.58	364.77	305.18	381.27	338.89	285.76
Lowest share price	338.79	293.66	221.51	314.55	274.26	208.54
Change in net assets per share	**R Class (Accumulation shares) 31.12.18 (p)**	**31.12.17 (p)**	**31.12.16 (p)**	**R Class (Income shares) 31.12.18 (p)**	**31.12.17 (p)**	**31.12.16 (p)**
Opening net asset value per share	348.24	285.82	225.47	333.98	274.90	217.60
Return before operating charges	14.03	67.46	64.42	13.44	64.80	61.93
Operating charges	(5.66)	(5.04)	(4.07)	(5.38)	(4.83)	(3.79)
Return after operating charges	8.37	62.42	60.35	8.06	59.97	58.14
Distributions	(0.88)	(0.93)	(0.88)	(0.83)	(0.89)	(0.84)
Retained distributions on accumulation shares	0.88	0.93	0.88	–	–	–
Closing net asset value per share	356.61	348.24	285.82	341.21	333.98	274.90
After direct transaction costs of:	0.15	0.12	0.12	0.15	0.11	0.12
Performance						
Return after operating charges	2.40%	21.84%	26.77%	2.41%	21.81%	26.72%
Other information	£	£	£	£	£	£
Closing net asset value	260,349,983	214,534,477	151,796,524	17,692,621	21,617,959	18,124,119
Closing number of shares	73,006,152	61,605,186	53,108,693	5,185,301	6,472,856	6,592,971
Ongoing charge figure*	1.55%	1.55%	1.56%	1.55%	1.55%	1.58%
Direct transaction costs	0.04%	0.04%	0.05%	0.04%	0.04%	0.05%
Prices	(p)	(p)	(p)	(p)	(p)	(p)
Highest share price	396.77	352.00	296.25	379.62	337.59	285.01
Lowest share price	326.50	284.62	215.83	313.13	273.75	208.29

Performance Record (continued)

As at 31 December 2018

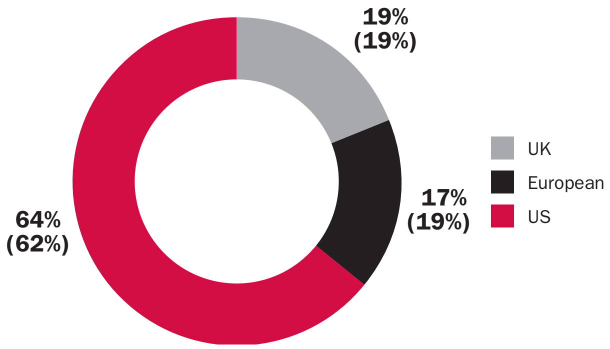
Change in net assets per share	I Class (Accumulation shares) 31.12.18 (p)	31.12.17 (p)	31.12.16 (p)	I Class (Income shares) 31.12.18 (p)	31.12.17 (p)	31.12.16 (p)
Opening net asset value per share	363.51	296.56	232.53	335.15	275.31	217.81
Return before operating charges	14.61	70.17	66.64	13.53	65.01	62.26
Operating charges	(3.63)	(3.22)	(2.61)	(3.34)	(2.98)	(2.43)
Return after operating charges	10.98	66.95	64.03	10.19	62.03	59.83
Distributions	(2.68)	(2.36)	(2.50)	(2.47)	(2.19)	(2.33)
Retained distributions on accumulation shares	2.68	2.36	2.50	–	–	–
Closing net asset value per share	374.49	363.51	296.56	342.87	335.15	275.31
After direct transaction costs of:	0.16	0.12	0.13	0.15	0.11	0.12
Performance						
Return after operating charges	3.02%	22.58%	27.54%	3.04%	22.53%	27.47%
Other information	£	£	£	£	£	£
Closing net asset value	7,750,488,126	6,420,742,471	4,038,574,367	5,347,487,079	4,589,257,018	3,231,524,070
Closing number of shares	2,069,631,156	1,766,325,585	1,361,786,758	1,559,619,238	1,369,311,709	1,173,767,633
Ongoing charge figure*	0.95%	0.95%	0.96%	0.95%	0.95%	0.96%
Direct transaction costs	0.04%	0.04%	0.05%	0.04%	0.04%	0.05%
Prices	(p)	(p)	(p)	(p)	(p)	(p)
Highest share price	415.80	367.36	306.99	381.40	339.10	285.88
Lowest share price	341.30	295.49	222.66	314.67	274.32	208.56

*The Ongoing Charge Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund.

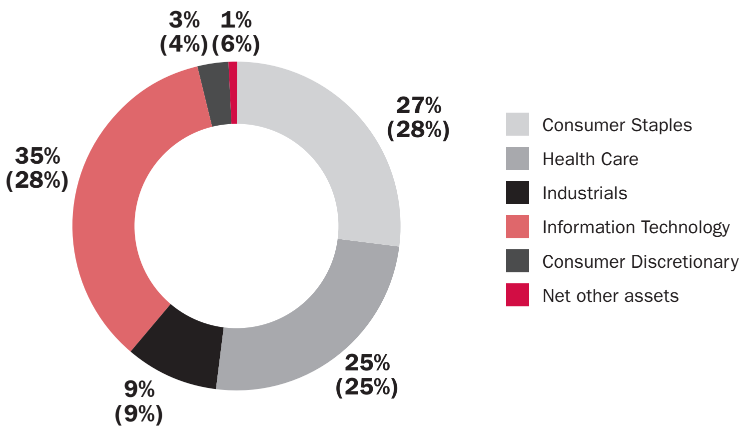
The prices in the above table are different from the published dealing prices that were available for investors on the 31 December. This is to comply with accounting rules that require us to publish the net asset value in this report based on close of day prices. The dealing prices were used in the investment manager's review and the factsheet as the fund could only be bought or sold at those prices.

Information on the fund

Breakdown by geography* as at 31 December 2018



Breakdown by sector as at 31 December 2018



The figures in brackets show comparative figures at 31 December 2017.

Summary of significant changes

For the year 1 January 2018 to 31 December 2018		For the year 1 January 2017 to 31 December 2017	
Largest purchases	**Cost (£)**	**Largest purchases**	**Cost (£)**
Facebook	767,051,580	Novo Nordisk	358,582,195
Reckitt Benckiser	375,206,481	Becton Dickinson and Company	300,046,157
Philip Morris International	310,152,936	Intuit	282,337,803
Coloplast	271,672,558	Dr Pepper Snapple	228,261,826
McCormick	270,269,295	Reckitt Benckiser	208,349,743
Total	**1,994,352,850**	**Total**	**1,377,577,724**
Total purchases for the year	**4,070,752,082**	**Total purchases for the year**	**3,010,703,590**
Largest sales	**Proceeds (£)**	**Largest sales**	**Proceeds (£)**
Dr Pepper Snapple	774,215,811	JM Smucker	324,420,720
Nestle	317,965,359	Imperial Brands	318,965,139
Colgate-Palmolive	142,149,412	CR Bard	286,731,951
Waters	6,679,414	Reckitt Benckiser	18,679,638
British American Tobacco	2,054,048		
Total	**1,243,064,044**	**Total**	**948,797,448**
Total sales for the year	**1,250,749,615**	**Total sales for the year**	**948,797,448**

*Breakdown by geography is by country listing and not reflective of breakdown by operations.

Investment Manager's review

This report reproduces, as you will be used to by now, in part, the Annual letter that was sent out in mid-January. The full version of the Annual letter is available on our website.

The table below shows performance figures for the last calendar year and the cumulative and annualised performance since inception on 1st November 2010 compared with various benchmarks.

	Total Return	Inception to 31.12.18	
	1.1.18 to 31.12.18	Cumulative	Annualised
	%	%	%
Fundsmith Equity Fund[1]	+2.2	+269.6	+17.4
Equities[2]	-3.0	+128.4	+10.6
UK Bonds[3]	+1.2	+35.7	+3.8
Cash[4]	+0.7	+5.1	+0.6

[1]T Class Acc shares, net of fees, priced at noon UK time.
[2]MSCI World Index, £ net, priced at US market close.
[3]Bloomberg/Barclays Bond Indices UK Gov. 5–10 yr.
[4]3 Month £ LIBOR Interest Rate.
Source: Bloomberg.

The table shows the performance of the T Class Accumulation shares, the most commonly held Class and one in which I am invested, which rose by +2.2% in 2018 and compares with a fall of -3.0% for the MSCI World Index in sterling with dividends reinvested. The Fund therefore beat this benchmark in 2018, and our Fund remains the No.1 performer since its inception in the Investment Association Global sector by a cumulative margin of 13 percentage points over the second best fund and 188 percentage points above the average for the sector which has delivered +81.9% over the same timeframe.

However, I realise that many or indeed most of our investors do not use the MSCI World Index as the natural benchmark for their investments. Those of you who are based in the UK may look to the FTSE 100 Index ('FTSE' or 'FTSE 100') as the yardstick for measuring your investments and may hold funds which are benchmarked to this index and often hug it. The FTSE delivered a total return of -8.7% in 2018 so our Fund outperformed this by a margin of 10.9 percentage points.

It would not be surprising if some of you are worried about the returns in 2018 which were our weakest in absolute terms since inception. However, I would suggest that the background needs to be taken into account and not just how the market indices performed but also other active funds.

There are 2,592 mutual funds in the Investment Association ('IA') universe in the UK. In 2018, 2,377 or 92% of these produced a negative return. 13 posted a return of exactly 0%. Just 202 had a positive return. Our Fund was in the 4th percentile — only 3% of funds performed better. Ironically, 2018 was not a great year for our absolute returns but it was actually our second best year relative to all IA mutual funds. 2011 when the market also fell was our best, probably not coincidentally.

2018 was a year in which we saw considerable anxiety from some market participants due to:

- The threat of a trade war between the USA and China
- Brexit
- The rise in US interest rates
- The US mid-term elections
- The Italian budget squabble (Italy is the third largest government bond market in the world)
- The US government shutdown

The response to this was a series of market jitters. The MSCI World Index (£ net) fell by 5.4% in October and after a rally this was followed by a fall of 7.4% in December. Despite the hysterical headlines this, in my opinion, falls well short of turmoil — a word frequently used to describe these events.

Investment Manager's review (continued)

	Fundsmith Equity Fund Portfolio								S&P 500	FTSE 100
Year ended	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2018**	**2018**
ROCE	28%	29%	31%	29%	26%	27%	28%	29%	16%	17%
Gross margin	58%	58%	63%	60%	61%	62%	63%	65%	45%	39%
Operating margin	22%	23%	24%	25%	25%	26%	26%	28%	15%	16%
Cash conversion	103%	101%	108%	102%	98%	99%	102%	95%	84%	96%
Leverage	15%	44%	40%	28%	29%	38%	37%	47%	46%	39%
Interest cover	27x	18x	16x	15x	16x	17x	17x	17x	7x	9x

Source: Fundsmith LLP/Bloomberg.

ROCE, Gross Margin, Operating Profit Margin and Cash Conversion are the weighted mean of the underlying companies invested in by the Fundsmith Equity Fund and mean for the FTSE 100 and S&P 500 Indices. The FTSE 100 and S&P 500 numbers exclude financial stocks. The Leverage and Interest Cover numbers are both median. All ratios are based on last reported fiscal year accounts as at 31st December and as defined by Bloomberg. Cash Conversion compares Free Cash Flow per Share with Net Income per Share.

October has been a notoriously bad month for stock markets in recent decades and an example of what might reasonably be described as market turmoil was so-called Black Monday 19th October 1987 when the Dow Jones Industrial Average Index ('Dow Jones' or 'Dow') fell 22.6% in a single day. That felt dramatic. I should know as I was in work that day on the trading floor of the investment bank BZW and when I went home I received a slew of sell orders from a large US client who rang me. I had to be careful writing them down as I only had candlelight since the power still had not been restored from the hurricane, which struck on the previous Friday, adding to the dramatic effect.

I can only imagine with some amusement how some of the commentators, 'investors' and market participants who are reeling from the events of this October and December would have performed in October 1987. A December 2018 Financial Times headline referred to 'Wild market swings' and whilst the author might like to blame the headline writers for hyperbole — they are trying to sell papers/pixels after all — the article described a recent one day fall in the Dow of 3.1% as 'eye-popping'. The fall of seven times that scale in 1987 would surely have led to them to exhaust the lexicon of hyperbole. Who knows what might have popped then?

As you hopefully know by now, we have a simple three step investment strategy:

- Buy good companies
- Don't overpay
- Do nothing

I will review how we are doing against each of these in turn.

As usual we seek to give some insight into the first of those — whether we own good companies — by giving you the following table which shows what Fundsmith would be like if instead of being a fund it was a company and accounted for the stakes which it owns in the portfolio on a 'look through' basis, and compares this with the market, in this case the FTSE 100 Index and the S&P 500 Index ('S&P 500').

We not only show you how the portfolio compares with the major indices but also how it has evolved over time.

As you can see, not much has changed. I would suggest ignoring the increase in Leverage — the amount of debt the portfolio companies have as a proportion of their capital. The arithmetic average of our portfolio companies would not be very meaningful as it would average a wide range between nine of our stocks which have net cash and three which have leverage of over 1,000% (as they have reduced their capital through share buybacks). Even the median which we use is not much better — the median is the average between the 14th and 15th stocks in order of leverage but those either side have widely differing leverage of 27% and 73% respectively. For those of you who glaze over at statistical explanations — the figure tells you virtually nothing about the actual financial characteristics of the businesses. You might therefore wonder why we include it, and latterly so do I, but I don't like taking figures out of tables we have provided in the past as it can cause suspicion about the reasons why (figures are rarely

Investment Manager's review (continued)

omitted when everything appears to be going well).

The interest cover — which remains stable at about 17x and twice the level of the index companies — is a much better guide to the financial stability of our portfolio companies.

What is more interesting is that the companies in our portfolio continue to have significantly higher returns on capital and better profit margins than the average for the indices. They convert more of their profits into cash and achieve this with at least no more leverage than the average company.

The average year of foundation of our portfolio companies at the year end was 1922.

Consistently high returns on capital are one sign we look for when seeking companies to invest in. Another is a source of growth — high returns are not much use if the business is not able to grow and deploy more capital at these high rates. So how did our companies fare in that respect in 2018? The weighted average free cash flow (the cash the companies generate after paying for everything except the dividend, and our preferred measure) grew by 8% in 2018. We regard this as a very good result given the generally subdued and patchy growth which the world continues to experience and the fact that the previous year the portfolio companies achieved growth of a remarkable 13%, so the starting base for comparison in 2018 was a tough one.

This leads onto the question of valuation. The weighted average free cash flow ('FCF') yield (the free cash flow generated by the companies divided by their market value) of the portfolio at the outset of the year was 3.7% and ended it at 4.0%, so they became cheaper or more lowly rated. Whilst this is not a good thing from the viewpoint of the performance of their shares or the Fund, it is inevitable that sooner or later the cash flows generated by our companies will grow faster than their share prices, rather than vice versa. This is far from an unhealthy development especially if we are investing more in the Fund, as most of us are, through the Accumulation shares.

The year-end median FCF yield on the S&P 500 was 4.7%. The year-end median FCF yield on the FTSE 100 was 5.2%. More of our stocks are in the former index than the latter and I will not repeat the explanation which I gave last year on why I think the FTSE 100 is not an appropriate benchmark or investment proxy for investors to use. Our portfolio consists of companies that are fundamentally a lot better than those in either index and are valued more highly than the average FTSE 100 company and a bit higher than the average S&P 500 company but with a significantly higher quality.

For the year the top five contributors to the Fund's performance were:

Microsoft	+1.3%
IDEXX	+1.0%
Intuit	+1.0%
PayPal	+1.0%
Dr Pepper Snapple	+0.9%

Intuit, the US leader in accounting and tax software, was a relatively new holding having been purchased in 2017. PayPal is putting in an appearance for the second year running and IDEXX is returning to this list after being in our top five contributors in 2016. Microsoft makes its fourth appearance after 2015, 2014 and 2013. So much for taking profits as a strategy. Dr Pepper Snapple was the recipient of a bid from Keurig Green Mountain.

The bottom five were:

Philip Morris Intl.	-1.5%
Sage	-0.8%
Facebook	-0.7%
3M	-0.5%
Novo Nordisk	-0.4%

Philip Morris was caught up in the noise and uncertainty which surrounds the new reduced-risk products — vaping and heat-not-burn technology — where Philip Morris has a market leading product in iQOS. I suspect we can tell that the company is on the right track not just in terms of introducing products which wean smokers off cigarettes and so make their consumption safer and give a new leg to its business but also by the number of regulators and commentators who oppose them.

Sage, the accounting software provider, was the subject of an unplanned change of CEO during the year, of which more later.

Investment Manager's review (continued)

Our purchase of a holding in Facebook is certainly one of our more controversial decisions in the light of the furore over its use of personal data and what role some Facebook users may have made of this in elections.

As pointed out earlier and on many other occasions, we tend to look for suitable investments from the numbers that they report. Facebook's historic numbers are certainly impressive. It has some 1.5 billion Daily Active Users ('DAU') and some 2.3 billion Monthly Active Users ('MAU'). Bearing in mind that Facebook has no presence in China these numbers suggest ubiquity.

In 2017 Facebook had a return on capital of 30%, gross margins of 87% and operating profit margins of 50%. Its revenue growth rate has averaged 49% p.a. for the past five years and over the same period operating profits have grown by 106% p.a. (one hundred and six percent per annum).

Of course, all that is in the past and the future for Facebook is likely to be different. When we started buying its shares we estimated that its revenue growth rate would halve to about 20% p.a. In the third quarter of 2018 they grew at 34% p.a., but the company has indicated that the growth rate would slow further to perhaps the mid 20% range in the fourth quarter, and the operating margin was down to a still impressive 42%. Against the background of the media furore over the use of personal data, this has been enough for some commentators on Facebook to experience very public attacks of the vapours.

Our Facebook holding has cost us some performance to date and no doubt it will continue to be a difficult stock to hold in terms of media attention, but we have often found that the only time you can hope to buy stock in great businesses at a cheap valuation is when they have a glitch.

Turning to the third leg of our strategy, which we succinctly describe as 'Do nothing', minimising portfolio turnover remains one of our objectives and this was again achieved with a portfolio turnover of 13.4% during the period. This is the highest level of annual turnover which we have undertaken to date, but it is still tiny in comparison with most funds. Moreover, it is somewhat exaggerated by the fact that we ran down the net cash as the market experienced some weakness later in the year. If this element of turnover was excluded the number would be about 11%. It is perhaps more helpful to know that we spent a total of just 0.018% (1.8 basis points or hundredths of a percent) of the Fund's average value over the year on voluntary dealing (which excludes dealing costs associated with fund subscriptions and redemptions as these are involuntary). We have held 11 of our portfolio companies since inception in 2010.

Why is this important? It helps to minimise costs and minimising the costs of investment is a vital contribution to achieving a satisfactory outcome as an investor. Too often investors, commentators and advisers focus on or in some cases obsess about the Annual Management Charge ('AMC') or the Ongoing Charges Figure ('OCF'), which includes some costs over and above the AMC, which are charged to the Fund. The OCF for 2018 for the T Class Accumulation shares was 1.05%. The trouble is that the OCF does not include an important element of costs — the costs of dealing. When a fund manager deals by buying or selling, the fund typically incurs the cost of commission paid to a broker, the bid-offer spread on the stocks dealt in and, in some cases, transaction taxes such as stamp duty in the UK. This can add significantly to the costs of a fund, yet it is not included in the OCF.

We provide our own version of this total cost including dealing costs, which we have termed the Total Cost of Investment ('TCI'). For the T Class Accumulation shares in 2018 this amounted to a TCI of 1.09%, including all costs of dealing for flows into and out of the Fund, not just our voluntary dealing.

We did undertake some activity in 2018. In particular we sold our holdings in Dr Pepper Snapple and Nestlé during the year.

Dr Pepper Snapple was a stock we have held since inception. We found the strategic rationale for the acquisition by Keurig Green Mountain difficult to comprehend and so took our leave of the situation. Commentators seem to forget that a similar combination was tried between Coca-Cola and Keurig which was unsuccessful and quietly abandoned.

Last year we wrote about the attention which Nestlé, amongst other portfolio companies, had attracted from activist investors. In Nestlé's case this was followed by the announcement of new margin and share buyback targets and then a deal to purchase

Investment Manager's review (continued)

Starbucks supermarket coffee products, excluding the 'Ready to Drink' ones, for $7.15bn. In other words, bags of coffee. Presumably we can also look forward to being able to purchase Starbucks Nespresso pods. Virtually no mention was made of the royalty which Nestlé will continue to pay to Starbucks on sales of these products. We rely on the management of our companies to allocate capital in ways which create value for us as investors, and this deal did not seem to meet those criteria, although it certainly seemed to fit the activist imperative to do something and looked like a good deal for Starbucks.

Finally, I wish you a happy New Year and thank you for your continued support for our Fund.

Terry Smith
CEO
Fundsmith LLP
25 February 2019

Remuneration disclosure

We are required to make this remuneration disclosure to the Funds' investors in accordance with the Undertakings for Collective Investment in Transferable Securities (UCITS) Directive as amended by Directive 2014/91/EU (UCITS V Directive).

During the year ending 31 March 2018, Fundsmith LLP ('Fundsmith') had 22 members of personnel in total, including employees and Partners. The total amount of remuneration paid to Fundsmith personnel during this period was £26,543,498. Out of this figure, the total amount of remuneration paid to the Partners of Fundsmith LLP was £20,957,629 whilst the total amount of remuneration paid to the employees of Fundsmith LLP was £5,585,869.

Of the £5,585,869 paid to Fundsmith employees, £3,860,000 was variable remuneration and £1,725,869 was fixed remuneration.

The partners of Fundsmith LLP are not paid a bonus. All of their remuneration is fixed as it is based on a fixed proportion of Fundsmith LLP's net profits.

Overall, therefore, of the £26,543,498 of total remuneration, £22,683,498 was fixed remuneration and £3,860,000 was variable remuneration.

The financial year of Fundsmith Equity Fund (FEF) runs from 1 January to 31 December, whereas the financial year of Fundsmith LLP runs from 1 April to 31 March. The above figures are taken from the financial report and accounts of Fundsmith LLP for the period 1 April 2017 to 31 March 2018. These figures have been independently audited and filed with Companies House.

The rules require us to disclose both the amount of remuneration paid in total, and the amount paid to "Identified Staff" (broadly, senior management and/or risk takers). Fundsmith's only Identified Staff are the Partners. The Partners all fall within the category of "senior management"; two of the Partners also fall within the category of risk-takers and also one in the category of control staff. To avoid duplication all Partners' remuneration is disclosed within the category of senior management. The total remuneration therefore paid to senior management is £20,957,629.

The information above relates to Fundsmith LLP as a whole, and we have not broken it down by reference to FEF or the other funds that we manage. Nor have we shown the proportion of remuneration which relates to the income we earn from our management of FEF. We have not provided such a breakdown because this does not reflect the way we work or the way we are organised at Fundsmith. All of the Partners and most of our employees are involved in the management of FEF. We have not included information relating to remuneration paid by Fundsmith Investment Services Limited, to whom Fundsmith LLP delegates certain portfolio management activities.

Remuneration at Fundsmith LLP is deliberately straightforward. Our employees are paid a competitive salary. At the end of each financial year, our employees' performance is reviewed by the Partners in order to determine whether or not a bonus should be paid. All bonus decisions are agreed unanimously by the Partners.

The Partners are each paid a fixed proportion of Fundsmith LLP's net profits. We consider that this is the best way to ensure that our Partners' interests are completely aligned with our investors' interests over the long term. This alignment of interest is reinforced by the fact that Fundsmith Partners have invested a significant amount in FEF.

The Management Committee of Fundsmith LLP has reviewed the Remuneration Policy and considers that it meets all regulatory requirements and is satisfied that no irregularities occurred during the period.

Any investor who would like more information on how we adhere to the Principles of the Remuneration Code may request a summary of our Remuneration Policy.

Further information

Reports and accounts

Each year, we will publish on our website (www.fundsmith.co.uk) annual and semi-annual reports discussing investment activity during the period and providing management commentary.

UCITS IV

The Fund is an Undertaking for Collective Investment in Transferable Securities ("UCITS IV") for the purpose of the Council Directives 2001/107/EC ("the Management Directive") and 2001/108/EC ("the Product Directive").

Prospectus

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

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

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

All documents are available on the website.

Minimum Investment

The company has three different types of share classes:

I shares, R shares and T shares.

The T share class has been used as the representative share class.

There are two types of share available in each class – Income shares or Accumulation shares.

The following table summarises the investment levels for T shares.

Minimum lump sum investment level	**£1,000**
Minimum regular sum investment level	**£100**
Minimum top-up investment amount	**£250**
Minimum holding level	**£1,000**

Publication of prices

The prices of Shares are published daily on the ACD's website at www.fundsmith.co.uk. 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.

Dealing Charges

There are no dealing charges on the purchase, sale or switching of shares.

Dilution Adjustment

The ACD may impose a dilution adjustment to the share price.

The dilution adjustment aims to mitigate the costs to the Company of making investments (when additional cash is available following new investment into the Company) or selling investments in order to meet redemption requests.

Further information regarding the circumstances in which a dilution adjustment may be applied is set out in the full Prospectus.

Contact details

Dealing and enquiries

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United Kingdom

Telephone: 0330 123 1815
Website: www.fundsmith.co.uk

Registered office

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33 Cavendish Square
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United Kingdom

Authorised and regulated by The Financial Conduct Authority.
FCA Registration Number IC00846

Authorised Corporate Director

Fundsmith LLP
33 Cavendish Square
London
W1G 0PW
United Kingdom

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

Registrar

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Phone 01268 44 3000

Administrator

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Depositary

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Quartermile 3
10 Nightingale Way
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EH3 9EG
United Kingdom

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

Independent auditors

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EC4A 3BZ
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Financial Conduct Authority

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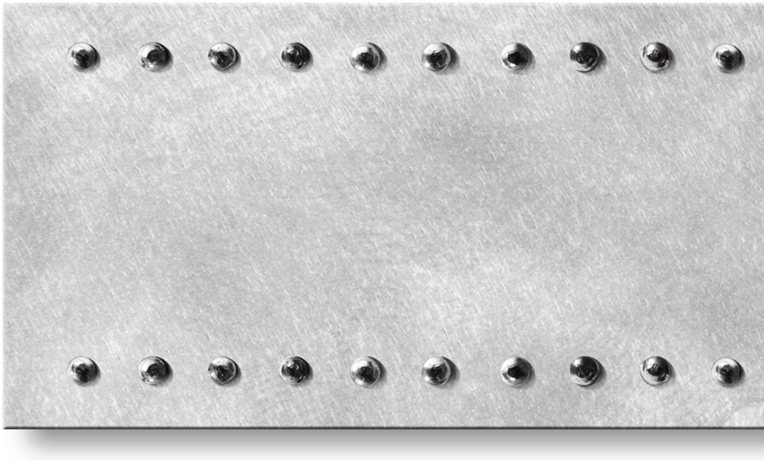

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