



Fundsmith Equity Fund
Short Form Report

For the six months ended 30 June 2017



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.

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

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

Generally, the higher the risk category, the greater the potential for higher returns but also the higher the risk of losing money. 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 30 June 2017

Change in net assets per share	30.06.17 (p)	T Class (Accumulation shares)		
		31.12.16 (p)	31.12.15 (p)	31.12.14 (p)
Opening net asset value per share	294.75	231.35	199.97	162.16
Return before operating charges	44.70	66.24	33.65	39.70
Operating charges	(3.38)	(2.84)	(2.27)	(1.89)
Return after operating charges	41.32	63.40	31.38	37.81
Distributions	(1.76)	(2.21)	(2.34)	(2.05)
Retained distributions on accumulation shares	1.76	2.21	2.34	2.05
Closing net asset value per share	336.07	294.75	231.35	199.97
After direct transaction costs of:	0.04	0.13	0.13	0.16
Performance				
Return after operating charges	14.02%	27.40%	15.70%	23.32%
Other information				
	£	£	£	£
Closing net asset value	1,843,712,833	1,483,593,346	999,310,168	741,941,491
Closing number of shares	548,616,574	503,333,749	431,944,155	371,035,373
Ongoing charge figure*	1.05%	1.06%	1.07%	1.09%
Direct transaction costs	0.01%	0.05%	0.06%	0.09%
Prices				
	(p)	(p)	(p)	(p)
Highest share price	349.68	305.18	233.13	202.30
Lowest share price	293.66	221.51	196.44	155.45

Change in net assets per share	30.06.17 (p)	T Class (Income shares)		
		31.12.16 (p)	31.12.15 (p)	31.12.14 (p)
Opening net asset value per share	275.28	217.80	190.37	156.18
Return before operating charges	41.74	62.21	31.80	37.97
Operating charges	(3.15)	(2.66)	(2.15)	(1.81)
Return after operating charges	38.59	59.55	29.65	36.16
Distributions	(1.64)	(2.07)	(2.22)	(1.97)
Retained distributions on accumulation shares	-	-	-	-
Closing net asset value per share	312.23	275.28	217.80	190.37
After direct transaction costs of:	0.03	0.12	0.12	0.15
Performance				
Return after operating charges	14.02%	27.34%	15.57%	23.16%
Other information				
	£	£	£	£
Closing net asset value	161,510,539	139,644,464	109,730,718	92,563,157
Closing number of shares	51,728,414	50,727,913	50,382,100	48,622,593
Ongoing charge figure*	1.05%	1.06%	1.07%	1.09%
Direct transaction costs	0.01%	0.05%	0.06%	0.09%
Prices				
	(p)	(p)	(p)	(p)
Highest share price	326.59	285.76	220.17	193.31
Lowest share price	274.26	208.54	185.52	149.73

*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 net asset value figures in the above table are different from the published dealing prices that were available for investors on the 30 June. 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 managers review and the factsheet as the fund could only be bought or sold at those prices.

Performance Record (continued)

As at 30 June 2017

Change in net assets per share	30.06.17 (p)	R Class (Accumulation shares)		
		31.12.16 (p)	31.12.15 (p)	31.12.14 (p)
Opening net asset value per share	285.82	225.47	195.86	159.64
Return before operating charges	44.07	64.42	32.85	38.91
Operating charges	(4.82)	(4.07)	(3.24)	(2.69)
Return after operating charges	39.25	60.35	29.61	36.22
Distributions	(0.93)	(0.88)	(1.25)	(1.16)
Retained distributions on accumulation shares	0.93	0.88	1.25	1.16
Closing net asset value per share	325.07	285.82	225.47	195.86
After direct transaction costs of:	0.03	0.12	0.12	0.15
Performance				
Return after operating charges	13.73%	26.77%	15.12%	22.69%
Other information				
	£	£	£	£
Closing net asset value	184,832,510	151,796,524	91,894,710	114,715,949
Closing number of shares	56,859,380	53,108,693	40,756,530	58,569,039
Ongoing charge figure*	1.55%	1.56%	1.57%	1.59%
Direct transaction costs	0.01%	0.05%	0.06%	0.09%
Prices				
	(p)	(p)	(p)	(p)
Highest share price	338.29	296.25	227.21	198.17
Lowest share price	284.62	215.83	191.78	152.95

Change in net assets per share	30.06.17 (p)	R Class (Income shares)		
		31.12.16 (p)	31.12.15 (p)	31.12.14 (p)
Opening net asset value per share	274.90	217.60	190.21	156.09
Return before operating charges	42.38	61.93	31.74	37.87
Operating charges	(4.63)	(3.79)	(3.14)	(2.62)
Return after operating charges	37.75	58.14	28.60	35.25
Distributions	(0.89)	(0.84)	(1.21)	(1.13)
Retained distributions on accumulation shares	-	-	-	-
Closing net asset value per share	311.76	274.90	217.60	190.21
After direct transaction costs of:	0.03	0.12	0.12	0.15
Performance				
Return after operating charges	13.73%	26.72%	15.03%	22.58%
Other information				
	£	£	£	£
Closing net asset value	19,611,747	18,124,119	43,076,791	45,962,297
Closing number of shares	6,290,728	6,592,971	19,796,535	24,163,678
Ongoing charge figure*	1.55%	1.58%	1.57%	1.59%
Direct transaction costs	0.01%	0.05%	0.06%	0.09%
Prices				
	(p)	(p)	(p)	(p)
Highest share price	325.36	285.01	219.46	192.72
Lowest share price	273.75	208.29	185.24	149.57

*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.

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Performance Record (continued)

As at 30 June 2017

Change in net assets per share	I Class (Accumulation shares)			
	30.06.17 (p)	31.12.16 (p)	31.12.15 (p)	31.12.14 (p)
Opening net asset value per share	296.56	232.53	200.78	162.66
Return before operating charges	44.81	66.64	33.82	39.85
Operating charges	(3.07)	(2.61)	(2.07)	(1.73)
Return after operating charges	41.74	64.03	31.75	38.12
Distributions	(1.93)	(2.50)	(2.56)	(2.24)
Retained distributions on accumulation shares	1.93	2.50	2.56	2.24
Closing net asset value per share	338.30	296.56	232.53	200.78
After direct transaction costs of:	0.04	0.13	0.13	0.16
Performance				
Return after operating charges	14.07%	27.54%	15.81%	23.44%
Other information				
	£	£	£	£
Closing net asset value	5,188,514,322	4,038,574,367	1,665,042,251	843,461,107
Closing number of shares	1,533,717,635	1,361,786,758	716,047,119	420,087,945
Ongoing charge figure*	0.95%	0.96%	0.97%	0.98%
Direct transaction costs	0.01%	0.05%	0.06%	0.09%
Prices				
	(p)	(p)	(p)	(p)
Highest share price	351.99	306.99	234.32	203.12
Lowest share price	295.49	222.66	197.37	155.94

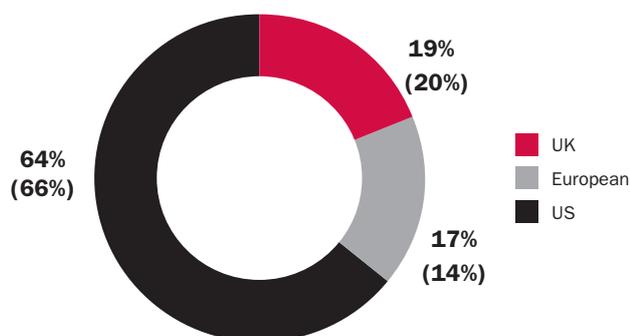
Change in net assets per share	I Class (Income shares)			
	30.06.17 (p)	31.12.16 (p)	31.12.15 (p)	31.12.14 (p)
Opening net asset value per share	275.31	217.81	190.38	156.18
Return before operating charges	41.60	62.26	31.80	37.97
Operating charges	(2.85)	(2.43)	(1.95)	(1.64)
Return after operating charges	38.75	59.83	29.85	36.33
Distributions	(1.79)	(2.33)	(2.42)	(2.13)
Retained distributions on accumulation shares	-	-	-	-
Closing net asset value per share	312.27	275.31	217.81	190.38
After direct transaction costs of:	0.03	0.12	0.12	0.15
Performance				
Return after operating charges	14.08%	27.47%	15.68%	23.26%
Other information				
	£	£	£	£
Closing net asset value	3,927,499,896	3,231,524,070	1,645,010,538	1,161,061,308
Closing number of shares	1,257,725,075	1,173,767,633	755,248,320	609,850,760
Ongoing charge figure*	0.95%	0.96%	0.97%	0.98%
Direct transaction costs	0.01%	0.05%	0.06%	0.09%
Prices				
	(p)	(p)	(p)	(p)
Highest share price	326.78	285.88	220.29	193.40
Lowest share price	274.32	208.56	185.56	149.74

*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.

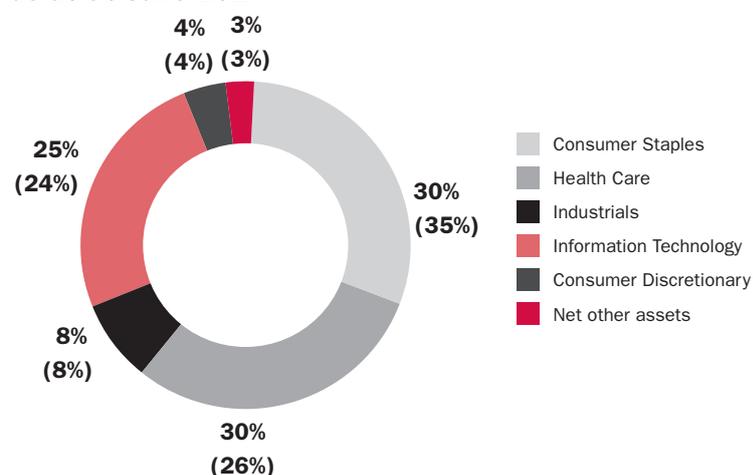
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Information on the fund

**Breakdown by geography*
as at 30 June 2017**



**Breakdown by sector
as at 30 June 2017**



The figures in brackets show comparative figures at 31 December 2016.

Summary of significant changes

For the six months to 30 June 2017		For the six months to 30 June 2016	
Largest purchases	Cost (£)	Largest purchases	Cost (£)
Novo Nordisk	250,633,332	JM Smucker	226,237,478
Intuit	109,941,712	Estee Lauder Companies	146,265,496
Automatic Data Processing	99,973,922	Paypal	145,088,440
Waters	93,003,605	Waters	110,474,383
Intertek	65,919,040	Amadeus IT	106,815,629
Total	619,471,611	Total	734,881,426
Total purchases for the six months	1,074,829,345	Total purchases for the six months	1,764,492,129
Largest sales	Proceeds (£)	Largest sales	Proceeds (£)
JM Smucker	140,182,067	Procter & Gamble	95,276,499
Reckitt Benckiser	18,679,638		-
Total	158,861,705	Total	95,276,499
Total sales for the six months	158,861,705	Total sales for the six months	95,276,499

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

Investment Manager's review

The table below shows the performance of the Fund during the first half of 2017 and since inception compared with a number of benchmark indices:

	01.01.17 –	Since inception	
	30.06.17	Cumulative	Annualised
	%	%	%
Fundsmith Equity Fund	13.4	236.3	20.0
MSCI World	5.3	121.7	12.7
FTSE100	4.7	66.9	8.0
UK Gilts	0.5	33.1	4.4
Cash	0.2	4.2	0.6

Our Fund outperformed what is perhaps the most obvious benchmark – the MSCI World Index – by a bit over 8% during the first half of 2017. It outperformed the FTSE100 Index which is relevant to many of our UK investors by a little more.

The main contributors to our performance in the first half of 2017:

TOP 5	% Contribution*
CR Bard Inc	1.59
Idexx Laboratories Inc	1.38
Amadeus IT Group SA	1.29
Waters Corp	1.13
Paypal Holdings Inc	1.11

CR Bard was bid for during the period by one of our other holdings Becton Dickinson. We believe that Bard is a good business and we will retain a holding in it through Becton Dickinson.

The top five detractors from our Fund's performance during the period were:

BOTTOM 5	% Contribution*
Jm Smucker Co/The	-0.28
Automatic Data Processing	-0.2
Dr Pepper Snapple Group Inc	-0.15
Intuit Inc	-0.02
Colgate Palmolive Co	0.08

At the moment J M Smucker is not reaping the benefits of its acquisition of Big Heart Pet Brands which we had expected. We are keen on investments in companies which supply goods and services for companion animals or pets as they are commonly known. Our investment in IDEXX which has performed well yet again is in the area. Big Heart is also a business which we had held and which made good returns for us before it was taken private, but at the moment Smucker is struggling to make it work.

With regard to portfolio changes, we did not make any outright sales of holdings during the period. We began purchasing a holding in Intuit. It is the leading provider of online accounting services to US businesses and as such is complementary to our holding in Sage which is the UK business we own in the same sector.

Our portfolio turnover was -0.44% (negative 0.44%). Once again I am faced with the task of trying to explain the concept of negative turnover. It is likely to arise during a period when we had flows into our Fund and relatively little dealing activity using the formula which we are obliged to use for this calculation.

Perhaps more meaningful is the question of how much we spent on dealing. Voluntary dealing – in which we made a decision to buy or sell a stock rather than deploying flows into the Fund – cost £301,837 in the first half of 2017 which is 0.003% or a third of a basis point (a basis point or bp or “bip” as it is pronounced being one hundredth of a percent) of the average value of the Fund in this period. This is very low.

*Contribution shows the gross contribution to the Fund's return by stock as calculated by State Street Investment Analytics.

Investment Manager's review (continued)

The Ongoing Charges Figure or OCF for our Fund was just 5bps over the Annual Management Charge down from 8bps in the first half of 2016. If you are paying 1% AMC, as I am for my investment in the Fund, then the OCF is 1.05% down from 1.08% last year. If you add the costs of all dealing to derive the Total Cost of Investment or TCI this rises to 1.06% down from 1.12%.

We eagerly await the outcome of the consultation which will follow the Financial Conduct Authority's ("FCA") recently published Asset Management Market Study because we are confident that the TCI on the Fundsmith Equity Fund will compare favourably with any disclosure of "all-in fees" including dealing costs by the remainder of the active asset management industry.

This is an important subject but more heat than light is generated by the discussion of fees. In order to maximise your returns you need to maximise the returns you can attain after the total cost of investment. Investors often seem to focus simply on the AMC or at most the OCF, which includes administrative costs charged to the fund, and work on the basis that minimising that is their primary goal. However, this is only part of the picture of what you pay before you get the benefit of the performance of the shares in your fund. You need to also take into account the costs of dealing as well as any fees paid to any intermediaries. Moreover, some investors focus on the fees but ignore the performance. There is not much point in minimising fees whilst accepting poor performance. I accept that a low fee poorly performing fund is better than one with high fees but that is a bit like saying it's better to be run over by a small car than by a lorry. Whilst it's hard to disagree, surely it's best to cross the road carefully and avoid getting hit at all.

We are confident that the TCI on the Fundsmith Equity Fund is very competitive partly because we deal so infrequently but we will have to await the outcome of the FCA's consultation in order to demonstrate that.

Terry Smith
Fundsmith LLP
22 August 2017

Further information

Report and accounts

Each year, we publish annual and semi-annual reports discussing investment activity during the period and providing management commentary. The reports are also available online at www.fundsmith.co.uk/documents.

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 Fund Smith 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 above documents are available online at www.fundsmith.co.uk/documents.

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

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 most recent share prices will be published daily in the Daily Telegraph or Financial Times.

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

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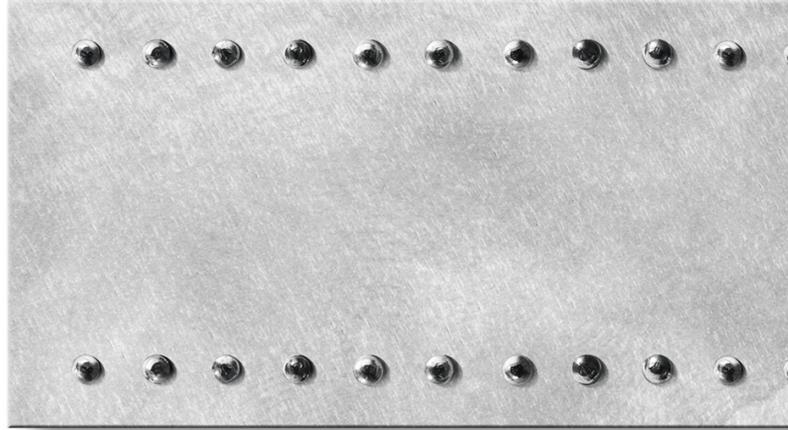
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