

Order Execution Policy

1. INTRODUCTION

- 1.1.** Fundsmith LLP is authorised in the UK by the Financial Conduct Authority ("FCA") as a UCITS manager and a full scope UK alternative investment manager. Fundsmith LLP is the manager of the Fundsmith Equity Fund, the Fundsmith Equity Fund Sicav, and a number of funds following the same investment philosophy; Fundsmith LLP also has permission to act as an investment manager for clients on a separate portfolio basis.
- 1.2.** This document sets out the execution policy for Fundsmith LLP and Fundsmith Investment Services Limited (together "Fundsmith"). It describes Fundsmith's approach to providing best execution for its funds and other clients ("Clients"). Fundsmith's clients are the funds it manages and clients who have appointed Fundsmith as investment manager.
- 1.3.** Fundsmith is required to establish and implement a policy which allows it to obtain, when placing orders on behalf of Clients for execution, the best possible result for its Clients, taking into account certain prescribed factors. This Order Execution Policy is intended to satisfy those requirements.
- 1.4.** Fundsmith only acts as an investment manager in relation to equity investments; it does not manage or trade in other types of financial instrument. Fundsmith does not execute trades on behalf of its Clients directly.
- 1.5.** All Fundsmith's Clients are professional investors.

2. BEST EXECUTION, EXECUTION FACTORS AND CRITERIA

- 2.1.** When placing orders on behalf of Clients, Fundsmith must act in the Client's best interests and is required to take all sufficient steps to achieve the best possible result for its Clients, taking into account the execution factors. This is what is meant by "best execution".
- 2.2.** The execution factors which must be taken into account are: price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.
- 2.3.** The following criteria are taken into account when determining the relative importance of the execution factors to a particular trade, these are the best execution criteria:
 - 2.3.1.** the characteristics of the Client, including its categorisation as a professional client. Where the Client is the fund, Fundsmith will consider the objectives, investment policy and risks specific to that fund as set out in its prospectus;
 - 2.3.2.** the characteristics of the order;
 - 2.3.3.** the characteristics of the financial instruments that are the subject of that order; and
 - 2.3.4.** the characteristics of execution venues to which that order can be directed.

3. RELATIONSHIP WITH NORTHERN TRUST

- 3.1.** Fundsmith does not have specialist staff or systems dedicated to trade execution. It has, therefore, outsourced these functions to Northern Trust Securities LLP ("Northern Trust"). Northern Trust acts as Fundsmith's delegate for these purposes.
- 3.2.** Northern Trust is a leading provider of execution services with in-depth expertise of trade execution across global equity markets. Northern Trust was selected to undertake this function on behalf of Fundsmith following detailed due diligence and analysis of their execution capabilities, expertise, systems and controls. The delegation arrangement provides Fundsmith with comprehensive dealing desk functions which operate globally and facilitate access to all relevant brokers and execution venues. Northern Trust acts solely in an agency capacity on behalf of Fundsmith.
- 3.3.** Northern Trust is required to take all sufficient steps to achieve the best possible result for Fundsmith's Clients on a consistent basis taking into account the execution factors and the relative importance of those execution factors as agreed with Fundsmith. There are detailed trading protocols which Northern Trust adheres to when providing these dealing services.
- 3.4.** Northern Trust also provides Fundsmith with detailed execution data and analysis in relation to each trade undertaken.
- 3.5.** Fundsmith believes that the arrangements with Northern Trust ensure that Clients obtain the best possible results in relation to the execution of trades.

4. BEST EXECUTION PROCEDURES IN PRACTICE

- 4.1.** For every trade undertaken on behalf of a Client, Northern Trust considers the execution factors and the execution criteria set out above and determines the most appropriate approach to the execution of that order with a view to achieving the best possible result for the Client.
- 4.2.** Generally, Fundsmith's trading protocols place greater weight on the execution factors of price, likelihood of execution and settlement, size and nature of order and market impact.
- 4.3.** Fundsmith aims to build a position in its chosen stocks when the liquidity is available, for the best available price. Given our buy and hold investment philosophy, Fundsmith tends to place more importance on price and the likelihood of execution rather than speed of execution, whilst at the same time ensuring that other relevant factors are given due consideration. Fundsmith will also prioritise the impact its orders may have on the market as our standard trade and position size have grown in line with our AUM.
- 4.4.** In general, any unfilled orders will be cancelled at the end of the day. Occasionally, unfilled orders at the end of the day will be left open until completed, but only if this is agreed following a discussion between Fundsmith and Northern Trust.
- 4.5.** If Northern Trust were ever concerned that a particular order might impact the market price or cause any other form of market disturbance, it would refer back to Fundsmith before proceeding. This would be highly unlikely for our developed equity market portfolios, but could potentially be an issue with the emerging markets equity portfolio.

- 4.6.** Northern Trust arranges for the execution of trades through a number of brokers, trading platforms and venues including regulated markets, multilateral trading facilities, systematic internalisers and other venues. It is possible that trades will be executed outside of a regulated trading venue and in these circumstances the trade will carry additional counterparty risk. Fundsmith will provide further information on these types of trades if requested by a Client.
- 4.7.** Northern Trust uses a number of trading platforms and venues requesting competing quotations from potential counterparties and to assess market liquidity. Northern Trust use their expertise and judgement to assess the quotes and the execution factors are considered as a fundamental part of the process to determine the counterparty or execution venue which will best serve the Client's interests. When evaluating different counterparties Northern Trust takes into account a number of criteria including their market share, tenure in the market and breadth of market coverage, their ability to manage complex orders, their recent performance on other orders, any specialisations, the speed of execution and responsiveness and their credit worthiness.
- 4.8.** Northern Trust will select the execution venues, with and through whom we execute client orders, which enables us to obtain on a consistent basis the best possible result for Fundsmith, they will utilise their expertise and judgment to seek prices from available counterparties (including connected parties) which we consider will best serve our interest. The factors Northern Trust consider relevant to determine the number and appropriate counterparties from who to seek prices in connection with the execution of our orders include, but are not limited to:
- (a) Level of trading interest and depth of market;
 - (b) The quality of indicative bids and offers;
 - (c) Availability of dealers quoting a market;
 - (d) Ticket size; and
 - (e) Electronic execution capability.
 - (f) Regulatory status of the venue and the instrument, in particular in respect of pre- and post-trade transparency requirements
 - (g) The ability of the venue to meet any trading obligations applicable to the class of instrument to which the order relates.

When Northern Trust places an order for execution on behalf of Fundsmith, Northern Trust will ensure that the broker is under an obligation to provide best execution in relation to that trade.

- 4.9** Appendix 1 contains a list of the execution venues utilised; Northern Trust has ongoing and periodic venue and broker reviews.

5. SPECIFIC CLIENT INSTRUCTIONS

- 5.1.** The duty of best execution is modified to the extent that a Client gives a specific instruction concerning the execution of its order. Although it would be highly unusual for a Client to do this, if there is a specific instruction from the Client, Fundsmith in connection with Northern Trust must execute the order following the specific instruction.

- 5.2. Any specific instruction from the Client may prevent Fundsmith from taking the steps that it has designed and implemented in this Policy to obtain the best possible result for the execution of orders in respect of the elements covered by those instructions.
- 5.3. Even where the Client gives Fundsmith a specific instruction, Fundsmith must still obtain the best possible result for the Client Fundsmith must be able to explain to the Client or the FCA how it handled those parts of the order which were not subject to a specific instruction.

6. CLIENT DISCLOSURES, CONSENT AND NOTIFICATIONS

- 6.1. Fundsmith makes this Policy and any material changes to it available to investors in its funds via its website at www.fundsmith.co.uk. This Policy is also summarised in the Prospectus of the UCITS funds. Fundsmith will respond to all reasonable and proportionate requests from investors for information about this Policy or its order execution arrangements clearly and within a reasonable time.

7. MONITORING AND REVIEW

7.1. Ongoing monitoring and assessment

- 7.1.1. Fundsmith monitors on an ongoing basis the effectiveness of its order execution arrangements and this Policy in order to identify and, where appropriate correct, any deficiencies.
- 7.1.2. In addition, Fundsmith assesses, on a regular basis, whether the execution quality obtained is consistent with its obligation to provide for the best possible result for its Clients or whether changes to the execution arrangements are required. This includes assessing whether the execution venues used provide for the best possible result for its Clients. In making this assessment Fundsmith will take into account the information published by execution venues and by other firms in relation to the quality of execution of orders (including information about price, costs, speed and likelihood of execution for individual financial instruments).
- 7.1.3. A quarterly review of best execution is carried out with Northern Trust, Trade Informatics LLC an independent third party provides detailed reports and consultancy services for this purpose.
- 7.1.4. Fundsmith has appropriate procedures in place to obtain relevant data published and takes a proportionate approach to its assessment of such data.

7.2. Formal review of policy

- 7.2.1. Fundsmith reviews this Policy, and its order execution arrangements, on an annual basis. This review comprises a formal review of the relationship with Northern Trust, the execution venues and brokers used, the quality of execution obtained, and an analysis of the information published by brokers and execution venues.

7.2.2. Fundsmith will carry out an additional review should a material change occur which affects its ability to continue to obtain the best possible result for its Clients on a consistent basis using the arrangements, venues and brokers listed in this Policy, including considering making changes to the relative importance of the best execution factors or the execution venues in meeting the best interests requirements. A material change for these purposes is a significant event of an internal or external nature that could impact the parameters of best execution such as cost, price, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the order. As noted above, Fundsmith notifies its Clients of any material changes to this Policy.

APPENDIX 1 – NOV 2020 LIST OF NORTHERN TRUST EXECUTION VENUES FOR EQUITY TRADES

A. UK EXECUTION VENUES

LIT ORDER BOOKS AND PERIODIC AUCTION VENUES

a.) Regulated Markets

- Aquis Stock Exchange +
- Cboe Europe Equities Regulated Market +
- Euronext – Euronext London +
- London Stock Exchange +
- SIX Swiss Exchange (ROIE) (Switzerland) +

b.) Multilateral trading facilities

- Aquis MTF +
- Cboe Europe Equities MTF +
- o BXE Lit order books
- o CXE Lit order books
- o BXE Periodic Auctions
- Instinet Blockmatch – RFQ
- Virtu ITG POSIT - Periodic Auction (Ireland) +
- London Stock Exchange +
- o AIM MTF
- o Non-AIM MTF
- Sigma X MTF - Auction book +
- Turquoise +
- o Lit order book
- o Lit Auctions

DARK ORDER BOOKS AND LARGE IN SCALE VENUES

a.) Regulated Markets

- London Stock Exchange
- SIX SwissAtMid (Switzerland) +

b.) Multilateral Trading Facilities

- Cboe Europe Equities MTF +

- o BXE Dark order books
- o CXE Dark order books
- o CXE Large in Scale
 - Euronext Block MTF +
 - Instinet BlockMatch - Dark +
 - Virtu ITG POSIT - Dark (Ireland) +
 - Liquidnet Europe MTF +
 - Sigma X MTF - Reference price waiver book +
 - Turquoise +
- o Large in Scale
- o Plato
 - UBS MTF – Dark order book +

SYSTEMATIC INTERNALISERS AND OTHER VENUES

- a.) Systematic Internalisers
 - Credit Suisse Securities (Europe) Ltd
 - Exane SA, London branch
 - Goldman Sachs International
 - HSBC Bank plc
 - Jane Street Financial Ltd
 - J.P. Morgan Securities plc
 - Macquarie Capital (Europe) Limited
 - Morgan Stanley & Co. International plc
- b.) Other venues (Exchange Traded Products)
 - Bloomberg MTF
 - Tradeweb MTF

B. EU and EEA EXECUTION VENUES

LIT ORDER BOOKS AND PERIODIC AUCTION VENUES

- a.) Regulated Markets
 - Athens Exchange (Greece) +
 - Bolsa de Madrid (Spain) +
 - Borsa Italiana (Italy) +
 - Börse Berlin - Equiduct (Germany) +
 - Bourse de Luxembourg (Luxembourg) +
 - Bucharest Stock Exchange (Romania) +
 - Budapest Stock Exchange (Hungary) +
 - Bulgarian Stock Exchange-Sofia (Bulgaria) ++
 - Cboe Europe Regulated Market (Netherlands) +
 - Euronext Amsterdam (Netherlands) +
 - Euronext Brussels (Belgium) +
 - Euronext Dublin (Ireland) ++
 - Euronext Lisbon (Portugal) +
 - Euronext Paris (France) +
 - Frankfurt Stock Exchange (Germany) +
 - Frankfurt Stock Exchange - Xetra (Germany) +
 - Ljubljana Stock Exchange (Slovenia) +
 - NASDAQ Copenhagen (Denmark) +
 - NASDAQ Helsinki (Finland) +
 - NASDAQ Riga (Latvia) +

- NASDAQ Stockholm (Sweden) +
- NASDAQ Tallinn (Estonia) +
- NASDAQ Vilnius (Lithuania) +
- Oslo Børs (Norway) +
- Prague Stock Exchange (Czech Republic) +
- Warsaw Stock Exchange (Poland) +
- Wiener Börse (Austria) +
- Zagreb Stock Exchange (Croatia) ++
- b.) Multilateral trading facilities
 - Aquis Exchange Europe (France) +
 - Cboe Europe MTF (Netherlands) +
- o DXE Lit order books
- o DXE Periodic Auctions
 - Euronext Paris - Growth (France) +
 - Virtu ITG POSIT - Periodic Auction (Ireland) +
 - NASDAQ First North (Denmark, Finland, Latvia, Norway, Sweden) +
 - NASDAQ Nordic - Auction on Demand (Denmark, Finland, Sweden) +

DARK ORDER BOOKS AND LARGE IN SCALE VENUES

- a.) EU Regulated Markets
 - NASDAQ Copenhagen – Nordic@Mid (Denmark) +
 - NASDAQ Helsinki – Nordic@Mid (Finland) +
 - NASDAQ Stockholm – Nordic@Mid (Sweden) +
 - Oslo Børs – North Sea Dark Pool (Norway) +
- b.) EU Multilateral Trading Facilities
 - Cboe Europe MTF (Netherlands) +
- o DXE Dark order books
- o DXE Large in Scale
 - Euronext Blocki MTF (Belgium) +
 - ITG POSIT - Dark (Ireland) +
 - Liquidnet EU Equities MTF (Ireland) +
 - NASDAQ First North – Nordic@Mid (Denmark, Finland, Latvia, Norway, Sweden) +

SYSTEMATIC INTERNALISERS AND OTHER VENUES

- a.) EU Systematic Internalisers
 - Credit Suisse Securities Sociedad de Valores SA (Spain)
 - Exane SA (France)
 - Goldman Sachs Europe SE (Germany)
 - HSBC France (France)
 - J.P. Morgan AG (Germany)
 - Macquarie Bank Europe DAC (Ireland)
 - Morgan Stanley Europe SE (Germany)
- b.) Other venues (Exchange Traded Products)
 - Bloomberg Trading Facility (Netherlands)
 - Tradeweb EU MTF (Netherlands)

C. NON-MiFID EXECUTION VENUES – REST OF EMEA AND ASIA MARKETS

Rest of EMEA Trading Venues

a.) Stock Exchanges

- Abu Dhabi Securities Exchange (UAE) ++
- Amman Stock Exchange (Jordan) ++
- Bahrain Bourse (Bahrain) ++
- Beirut Stock Exchange (Lebanon) ++
- Borsa Istanbul (Turkey) +
- Botswana Stock Exchange ++
- BRVM - Bourse Régionale des Valeurs Mobilières (Benin, Burkina Faso, Guinea Bissau, Côte d'Ivoire, Mali, Niger, Senegal, Togo) ++
- Boursa Kuwait (Kuwait) ++
- Bourse de Tunis (Tunisia) ++
- Casablanca Stock Exchange (Morocco) +
- Dar es Salaam Stock Exchange (Tanzania) ++
- Dubai Financial Market (UAE) ++
- Egyptian Exchange (Egypt) ++
- Ghana Stock Exchange (Ghana) ++
- Johannesburg Stock Exchange (South Africa) +
- Lusaka Stock Exchange (Zambia) ++
- Malawi Stock Exchange (Malawi) ++
- Moscow Exchange (Russia) ++
- Muscat Securities Market (Oman) ++
- Nairobi Securities Exchange (Kenya) ++
- Namibian Stock Exchange (Namibia) ++
- NASDAQ Dubai (UAE) ++
- Nigerian Stock Exchange (Nigeria) ++
- Palestine Exchange ++
- Qatar Exchange (Qatar) ++
- Rwanda Stock Exchange (Rwanda) ++
- SIX Swiss Exchange (Switzerland) +
- SIX SwissAtMid (Switzerland) +
- Stock Exchange of Mauritius (Mauritius) ++
- Saudi Stock Exchange (Tadawul) (Saudi Arabia) ++
- Tel-Aviv Stock Exchange (Israel) +
- Uganda Securities Exchange (Uganda) ++
- Zimbabwe Stock Exchange (Zimbabwe) ++

Asia Trading Venues

a.) Stock Exchanges

- ASX (Australia) +
- ASX - Centre Point (Australia) +
- Bursa Malaysia (Malaysia) +
- Colombo Stock Exchange (Sri Lanka) ++
- Dhaka Stock Exchange (Bangladesh) ++
- Ho Chi Minh Stock Exchange (Viet Nam) ++
- Indonesia Stock Exchange ++
- Korea Exchange (South Korea) ++
- Nagoya Stock Exchange (Japan) +
- National Stock Exchange of India ++
- NZX (New Zealand) +
- Pakistan Stock Exchange ++

- Philippine Stock Exchange +
 - Shanghai Stock Exchange (China) ++
 - Shanghai-Hong Kong Stock Connect (China/Hong Kong) ++
 - Shenzhen Stock Exchange (China) ++
 - Singapore Exchange +
 - Stock Exchange of Hong Kong +
 - Stock Exchange of Thailand +
 - Taipei Exchange (Taiwan) ++
 - Taiwan Stock Exchange (Taiwan) ++
 - Tokyo Stock Exchange (Japan) +
- b.) Alternative Trading Systems
- Chi-X Australia +
 - Chi-X Japan +
 - Goldman Sachs - Sigma X Hong Kong +
 - Goldman Sachs - Sigma X Japan +
 - ITG Hong Kong - POSIT +
 - Macquarie Capital Securities - Crossing System (MAQJ) (Japan) +
 - Macquarie Securities - Crossing System (MAQX) (Australia) +
 - SBI Japannext - Japannext PTS (Japan) +

U.S Lit Trading Venues

a.) Stock Exchanges

- Cboe BYX U.S. Equities Exchange **
- Cboe BZX U.S. Exchange **
- Cboe EDGA Exchange **
- Cboe EDGX Exchange **
- Chicago Stock Exchange **
- NASDAQ Stock Market **
- NASDAQ BX **
- NASDAQ PSX **
- New York Stock Exchange **
- NYSE American **
- NYSE Arca **
- NYSE National **

b.) Alternative trading systems

- Global OTC ATS **
- OTC Link ATS **

U.S. Dark Trading Venues

a.) Stock Exchanges

- Cboe BYX U.S. Equities Exchange Dark **
- Cboe BZX U.S. Equities Exchange Dark **
- Cboe EDGA Exchange Dark **
- Cboe EDGX Exchange Dark **
- NASDAQ - NSDQ Dark **
- NASDAQ BX Dark **
- NYSE Dark **
- NYSE Arca Dark **

b.) Alternative trading systems

- Aqua Securities ATS **
- Bank of America Merrill Lynch Instinct X ATS **
- Barclays LX ATS **
- BIDS ATS **
- CitiBloc ATS **
- CitiCross ATS **
- CODA Markets ATS **
- Credit Suisse Securities - CrossFinder ATS **
- Deutsche Bank - SuperX ATS **
- Fidelity Capital Markets - CrossStream ATS **
- Goldman Sachs - Sigma X2 ATS **
- Instinet - Blockcross ATS **
- Instinet - CBX US ATS **
- IEX ATS **
- ITG POSIT ATS **
- JPM-X ATS **
- Level ATS **
- Liquidnet ATS **
- Morgan Stanley - MS Pool ATS **
- UBS ATS **
- Virtu MatchIt ATS **

Other trading venues

a.) Canadian venues

- Aequitas Neo Exchange **
- Canadian Securities Exchange **
- Lynx ATS **
- Instinet Canada Cross - CBX +
- Instinet Canada Cross - VWAPX +
- MATCHNow **
- NASDAQ Canada - CX2 **
- NASDAQ Canada - CXC **
- NASDAQ Canada - CXD **
- Omega ATS **
- Pure Trading **
- Toronto Stock Exchange **
- TSX Alpha Exchange **
- TSX Venture Exchange **

b.) Central and South American venues

- BM&F BOVESPA (Brazil) ++
- Bolsa de Valores de Caracas (Venezuela) **
- Bolsa de Valores de Columbia ++
- Bolsa de Valores de Lima (Peru) ++
- Bolsa Mexicana de Valores (Mexico) ++
- Santiago Exchange (Chile) ++

Legend

+ Execution venue accessed via third-party broker by executed by NTS LLP

++ “Step Out” market where trades are executed by a local broker

This policy was discussed and approved at the Fundsmith LLP Investment Risk Committee meeting on the following date, as evidenced by the minutes of that meeting:

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