

A wide, horizontal band with a metallic, riveted texture, spanning the width of the page. It features two rows of small, dark, circular rivets, one near the top and one near the bottom.

Fundsmith Equity Fund

Short Form Report

For the six months ended 30 June 2021 (unaudited)

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



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. This Fund is ranked at 5 because funds of this type have experienced medium to high rises and falls in value in the past. The underlying investments are, however, in large companies with shares that are, in most cases, 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 2021

Change in net assets per share	30.06.21 (p)	Share Class T – Accumulation		
		31.12.20 (p)	31.12.19 (p)	31.12.18 (p)
Opening net asset value per share	551.66	464.49	371.46	360.93
Return before operating charges	72.40	92.43	97.68	14.51
Operating charges	(2.95)	(5.26)	(4.65)	(3.98)
Return after operating charges	69.45	87.17	93.03	10.53
Distributions	(0.77)	(1.78)	(2.81)	(2.28)
Retained distributions on accumulation shares	0.77	1.78	2.81	2.28
Closing net asset value per share	621.11	551.66	464.49	371.46
After direct transaction costs of:	0.04	0.13	0.06	0.16
Performance				
Return after operating charges	12.59%	18.77%	25.04%	2.92%
Other information				
	£	£	£	£
Closing net asset value	4,210,397,812	3,565,093,281	3,092,139,869	2,303,460,161
Closing number of shares	677,877,365	646,250,706	665,708,093	620,116,294
Ongoing charge figure*	1.05%	1.06%	1.05%	1.05%
Direct transaction costs	0.01%	0.03%	0.01%	0.04%
Prices				
	(p)	(p)	(p)	(p)
Highest share price	621.83	559.05	487.25	412.58
Lowest share price	529.56	391.87	364.87	338.79

Change in net assets per share	30.06.21 (p)	Share Class T – Income		
		31.12.20 (p)	31.12.19 (p)	31.12.18 (p)
Opening net asset value per share	504.28	426.07	342.82	335.10
Return before operating charges	66.19	84.66	90.11	13.53
Operating charges	(2.70)	(4.82)	(4.27)	(3.69)
Return after operating charges	63.49	79.84	85.84	9.84
Distributions	(0.70)	(1.63)	(2.59)	(2.12)
Retained distributions on accumulation shares	-	-	-	-
Closing net asset value per share	567.07	504.28	426.07	342.82
After direct transaction costs of:	0.03	0.12	0.06	0.15
Performance				
Return after operating charges	12.59%	18.74%	25.04%	2.94%
Other information				
	£	£	£	£
Closing net asset value	303,280,720	270,883,618	233,484,538	178,131,608
Closing number of shares	53,481,835	53,716,790	54,799,379	51,960,169
Ongoing charge figure*	1.05%	1.06%	1.05%	1.05%
Direct transaction costs	0.01%	0.03%	0.01%	0.04%
Prices				
	(p)	(p)	(p)	(p)
Highest share price	568.42	511.48	447.54	381.27
Lowest share price	484.08	359.47	336.75	314.55

*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 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 manager's review and the factsheet as the fund could only be bought or sold at those prices.

Performance Record (continued)

As at 30 June 2021

Change in net assets per share	Share Class R – Accumulation			
	30.06.21 (p)	31.12.20 (p)	31.12.19 (p)	31.12.18 (p)
Opening net asset value per share	524.30	443.67	356.61	348.24
Return before operating charges	68.69	88.02	93.63	14.03
Operating charges	(4.13)	(7.39)	(6.57)	(5.66)
Return after operating charges	64.56	80.63	87.06	8.37
Distributions	-	(0.13)	(1.12)	(0.88)
Retained distributions on accumulation shares	-	0.13	1.12	0.88
Closing net asset value per share	588.86	524.30	443.67	356.61
After direct transaction costs of:	0.04	0.12	0.06	0.15
Performance				
Return after operating charges	12.31%	18.17%	24.41%	2.40%
Other information				
	£	£	£	£
Closing net asset value	500,310,596	434,889,985	356,739,479	260,349,983
Closing number of shares	84,963,251	82,946,393	80,406,670	73,006,152
Ongoing charge figure*	1.55%	1.56%	1.55%	1.55%
Direct transaction costs	0.01%	0.03%	0.01%	0.04%
Prices				
	(p)	(p)	(p)	(p)
Highest share price	589.54	531.40	466.39	396.77
Lowest share price	503.08	373.92	350.28	326.50

Change in net assets per share	Share Class R – Income			
	30.06.21 (p)	31.12.20 (p)	31.12.19 (p)	31.12.18 (p)
Opening net asset value per share	500.22	423.43	341.21	333.98
Return before operating charges	65.54	83.96	89.57	13.44
Operating charges	(3.94)	(7.05)	(6.28)	(5.38)
Return after operating charges	61.60	76.91	83.29	8.06
Distributions	-	(0.12)	(1.07)	(0.83)
Retained distributions on accumulation shares	-	-	-	-
Closing net asset value per share	561.82	500.22	423.43	341.21
After direct transaction costs of:	0.03	0.11	0.06	0.15
Performance				
Return after operating charges	12.31%	18.17%	24.41%	2.41%
Other information				
	£	£	£	£
Closing net asset value	25,609,586	22,730,205	19,830,762	17,692,621
Closing number of shares	4,558,333	4,543,999	4,683,340	5,185,301
Ongoing charge figure*	1.55%	1.56%	1.55%	1.55%
Direct transaction costs	0.01%	0.03%	0.01%	0.04%
Prices				
	(p)	(p)	(p)	(p)
Highest share price	562.47	506.99	445.13	379.62
Lowest share price	479.98	356.87	335.14	313.13

*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 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 manager's review and the factsheet as the fund could only be bought or sold at those prices.

Performance Record (continued)

As at 30 June 2021

Change in net assets per share	30.06.21 (p)	Share Class I – Accumulation		
		31.12.20 (p)	31.12.19 (p)	31.12.18 (p)
Opening net asset value per share	557.27	468.75	374.49	363.51
Return before operating charges	73.18	90.48	98.50	14.61
Operating charges	(2.70)	(1.96)	(4.24)	(3.63)
Return after operating charges	70.48	88.52	94.26	10.98
Distributions	(1.05)	(2.30)	(3.28)	(2.68)
Retained distributions on accumulation shares	1.05	2.30	3.28	2.68
Closing net asset value per share	627.75	557.27	468.75	374.49
After direct transaction costs of:	0.04	0.13	0.06	0.16
Performance				
Return after operating charges	12.65%	18.88%	25.17%	3.02%
Other information				
	£	£	£	£
Closing net asset value	15,134,853,365	13,346,652,955	10,695,659,299	7,750,488,126
Closing number of shares	2,410,978,927	2,394,992,157	2,281,756,847	2,069,631,156
Ongoing charge figure*	0.95%	0.96%	0.95%	0.95%
Direct transaction costs	0.01%	0.03%	0.01%	0.04%
Prices				
	(p)	(p)	(p)	(p)
Highest share price	628.47	564.72	491.51	415.80
Lowest share price	535.00	395.55	367.85	341.30

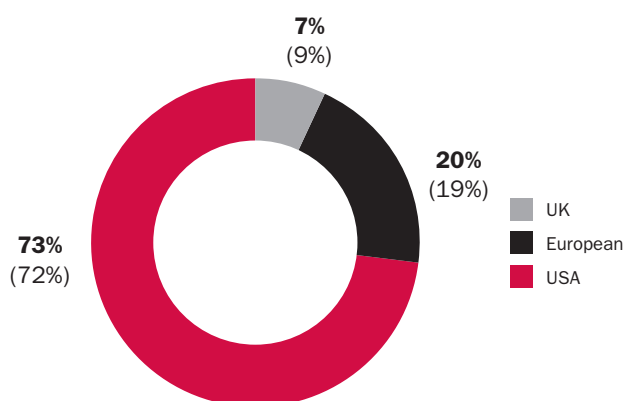
Change in net assets per share	30.06.21 (p)	Share Class I – Income		
		31.12.20 (p)	31.12.19 (p)	31.12.18 (p)
Opening net asset value per share	504.38	426.14	342.87	335.15
Return before operating charges	66.22	91.10	90.07	13.53
Operating charges	(2.44)	(10.77)	(3.82)	(3.34)
Return after operating charges	63.78	80.33	86.25	10.19
Distributions	(0.95)	(2.09)	(2.98)	(2.47)
Retained distributions on accumulation shares	-	-	-	-
Closing net asset value per share	567.21	504.38	426.14	342.87
After direct transaction costs of:	0.03	0.12	0.05	0.15
Performance				
Return after operating charges	12.65%	18.85%	25.16%	3.04%
Other information				
	£	£	£	£
Closing net asset value	5,800,480,444	5,608,167,634	4,433,567,455	5,347,487,079
Closing number of shares	1,022,641,174	1,111,892,454	1,040,390,315	1,559,619,238
Ongoing charge figure*	0.95%	0.96%	0.95%	0.95%
Direct transaction costs	0.01%	0.03%	0.01%	0.04%
Prices				
	(p)	(p)	(p)	(p)
Highest share price	568.81	511.82	447.65	381.40
Lowest share price	484.22	359.61	336.80	314.67

*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.

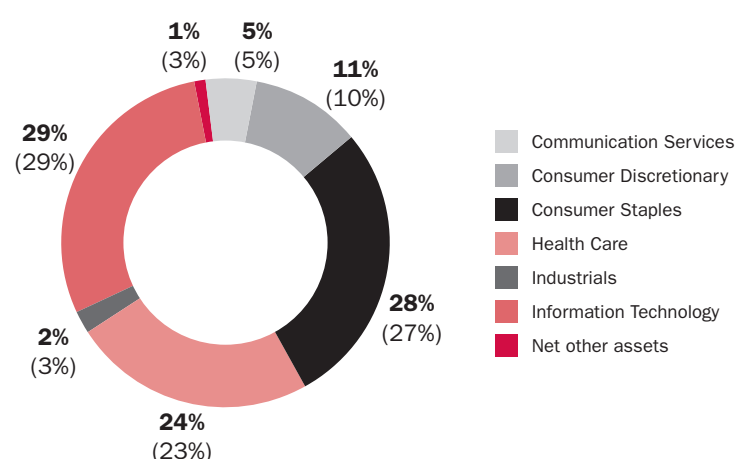
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Information on the fund

Breakdown by geography*
as at 30 June 2021



Breakdown by sector
as at 30 June 2021



The figures in brackets show comparative figures at 31 December 2020.

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

Summary of significant changes

For the six months to 30 June 2021		For the six months to 30 June 2020	
Largest purchases	Cost (£)	Largest purchases	Cost (£)
L'Oréal	140,873,177	Nike	335,774,969
Unilever	128,237,867	Starbucks	294,735,466
Church & Dwight	115,281,595	Philip Morris International	125,582,797
Nike	80,177,456	Clorox	82,108,169
Brown-Forman	77,088,229	Johnson & Johnson	80,296,206
Total	534,478,794	Total	918,497,607
Total purchases for the six months	846,013,252	Total purchases for the six months	1,312,593,820
Largest sales	Proceeds (£)	Largest sales	Proceeds (£)
Sage	323,015,610	Clorox	261,644,252
Intertek	135,450,945	PayPal	235,340,311
-	-	Waters	149,858,250
-	-	Reckitt Benckiser	147,832,023
-	-	Intuit	64,712,861
Total	458,466,555	Total	859,387,697
Total sales for the six months	458,466,555	Total sales for the six months	1,479,315,452

Investment Manager's review

The table below shows the performance of the Fund during the first half of 2021 and the cumulative and annualized performance since inception and various comparators:

	Total Return 1.1.21 to 30.6.21 %	Inception to 30.6.21 Cumulative %	Annualised %
Fundsmith Equity Fund¹	+13.1	+521.2	+18.7
Equities ²	+11.9	+252.2	+12.5
UK Bonds ³	-3.2	+42.7	+3.4
Cash ⁴	+0.0	+6.3	+0.6

¹ T class accumulation shares, net of fees priced at midday UK time, source: Bloomberg.

² MSCI World Index (£ Net) priced at close of business US time, source: www.msci.com. The MSCI World Index is a generic portfolio of global equities across all sectors and, as such, is a fair comparison given the Fund is also global and sector agnostic.

³ Bloomberg/Barclays Bond Indices UK Govt 5-10 yr, source: Bloomberg.

⁴ £ Interest Rate, source: Bloomberg.

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

Our Fund outperformed what is perhaps the most obvious comparator – the MSCI World Index – by a bit over 1% during the first half of 2021. It outperformed the FTSE100 Index which is relevant to many of our UK investors by over 2%.

If you have been reading what investment commentators have been saying during this period you might be rather surprised that our Fund has fared so well. You might even be surprised that we are still here.

Since markets started to sense an end to the economic disruption caused by the lockdowns in the final quarter of 2020 there has been a so-called 'rotation' from quality stocks of the sort we own into so-called value stocks and those expected to recover as the lockdowns end. In such a situation our Fund is always likely to underperform for a period, after all the companies we invest in mostly have little or nothing to recover from.

However, this inevitable blip was accompanied by lurid headlines and articles which seemed to suggest that we were in imminent danger of extinction:

Fundsmith Equity sees run of outflows as growth stocks slide (Citywire 19th May 2021) followed a week later by

Investors 'begin to drop' star stock picker Terry Smith as £360m flows out of UK's largest fund (City A.M. 26th May 2021)

I realise that some commentators do not want the facts to get in the way of a good story but our performance versus the 'value' stocks and Covid recovery plays tells its own story.

	Covid drawdown ¹ %	Covid recovery ² %	Pre-Covid High to 30 June 2021 %
Fundsmith	-21%	59%	25%
S&P 500 value index	-37%	79%	12%
American Airlines	-70%	135%	-30%
Exxon	-56%	101%	-11%
JP Morgan	-44%	97%	10%
FTSE 100 index	-35%	41%	-8%
BP	-62%	63%	-38%
Carnival Cruises	-84%	175%	-55%
Lloyds Bank	-62%	95%	-27%
Ryanair	-49%	95%	-1%

Note:

¹ Fall from 2020 high to Covid low.

² Increase from Covid low until 30 June 2021.

Source: Bloomberg. Returns in local currency.

You could have made some good gains by buying the value or recovery stocks at or close to the bottom, although of course this depends on getting your timing right, but if you ran the value/recovery stocks across the period of the downturn and recovery they would still have significantly underperformed our portfolio.

Investment Manager's review (continued)

There are several lessons to be learnt from this, not the least of which is that no amount of recovery or low valuation will turn a poor business into a good one and quality is the main determinant of long term performance.

Moreover, neither have we seen the kind of outflows which the headlines might lead you to imagine. Net outflows of £156m for the half year were somewhat dwarfed by the £3bn rise in the value of the Fund.

However, I am not expecting these facts to produce a change of heart amongst some commentators. As I believe former German Chancellor Helmut Kohl said 'Nothing so disappoints deserting rats as a ship which refuses to sink'.

Returning to the more important subject of our performance, the main contributors to our performance in the first half of 2021 were:

Top Five	Contribution %
PayPal	+1.8
Microsoft	+1.5
IDEXX Laboratories	+1.4
Facebook	+1.2
Intuit	+1.2

All of these have featured in our previous tables of Top Five contributors. So much for the idea of taking profits. I suppose a theme which connects at least four of these companies is the growth of everything digital.

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

Bottom Five	Contribution %
McCormick	-0.4
Amadeus	-0.2
Brown Forman	-0.1
Unilever	-0.1
Pepsico	0.0

There isn't much of a theme connecting the detractors. Amadeus continues to suffer unsurprisingly as an airline reservation company and Brown Forman has been affected by the loss of travel retail and on premise drinking. The comedown from 'pantry loading' in 2020 may also explain the performance of the consumer staples.

Our portfolio turnover was -2.69%. Voluntary dealing (dealing not caused by redemptions of subscriptions) cost £1,267,018 during the half year (0.005% or 0.5bps). The Ongoing Charges Figure was 1.05% and with the cost of dealing added, the Total Cost of Investment was 1.06%.

This time last year in this letter I wrote this:

We face an uncertain outlook given recent events, but 'twas ever thus. We have no crystal ball unlike the commentators who tell us that the recovery from the pandemic and resulting closure of economic activities deemed non-essential will be shaped like a V, a U, a W, a bathtub or the Nike swoosh (I'm not making this up). No one knows-as the economist J K Galbraith said 'The only function of economic forecasting is to make astrology look respectable'. However, what we know is that we have assembled a portfolio of high quality companies which have to date proven to be resilient. If you are a long term investor that is the most certain determinant of your future returns.

I am not sure I have anything to add.

Terry Smith
Fundsmith LLP
 31 August 2021

Further information

Reports and accounts

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

UCITS

The Company is an UK Undertaking for Collective Investment in Transferable Securities ("UK UCITS") in accordance with the FCA Rules.

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 Fund of making investments (when additional cash is available following new investment into the Fund) 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

Fundsmith LLP
PO Box 10846
Chelmsford
Essex
CM99 2BW
United Kingdom

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

Registered office

Fundsmith Equity Fund
33 Cavendish Square
London
W1G 0PW
United Kingdom

Authorised and regulated by The Financial Conduct Authority.
FCA Registration Number 529093

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

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

Administrator

State Street Bank and Trust Company
20 Churchill Place
London
E14 5HJ
United Kingdom

Depository

State Street Trustees Limited
Quatermile 3
10 Nightingale Way
Edinburgh
EH3 9EG
United Kingdom

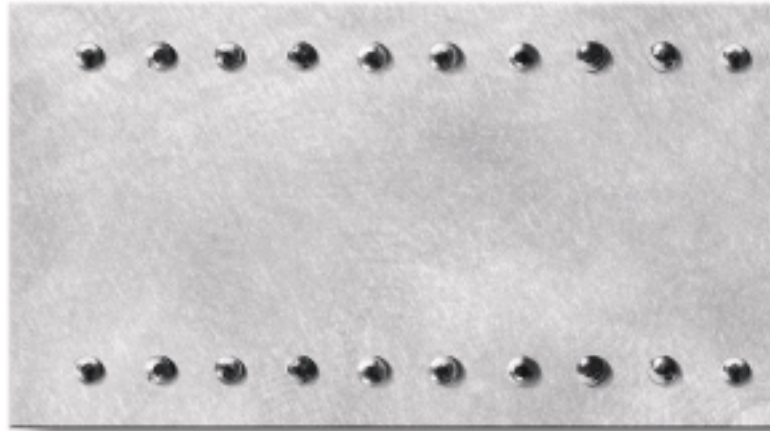
Authorised and regulated by The Financial Conduct Authority.
FCA Registration Number 186237

Independent auditors

Deloitte LLP
2 New Street Square
London
EC4A 3BZ
United Kingdom

Financial Conduct Authority

12 Endeavour Square
London
E20 1JN
United Kingdom
Telephone: 0845 606 1234
Website: www.fca.org.uk



Fundsmith

33 Cavendish Square
London
W1G 0PW
UK

T 0330 123 1815
E enquiries@fundsmith.co.uk
W www.fundsmith.co.uk