

# Half Year Report

for the six months ended 30 June 2022

Fundsmith Emerging Equities Trust plc



THYROCARE PERFORMED **>100M TESTS** IN 2019 - 20

INDIANS CONSUME **26M DABUR HAJMOLA TABLETS** PER DAY

DR LAL PATHLABS PROCESSED MORE THAN **30M SAMPLES** IN 2018

**INDIA**

ASIAN PAINTS CAN PRODUCE **1.8BN** LITRES OF PAINT P.A.

BRITANNIA PRODUCTS ARE IN MORE THAN **180M** HOUSEHOLDS  
**22** OFFICIAL LANGUAGES SPOKEN

HINDUSTAN UNILEVER SELLS **140M UNITS PER DAY**

2 OF THE TOP 10 MEGACITIES

**73M** DIABETIC PATIENTS

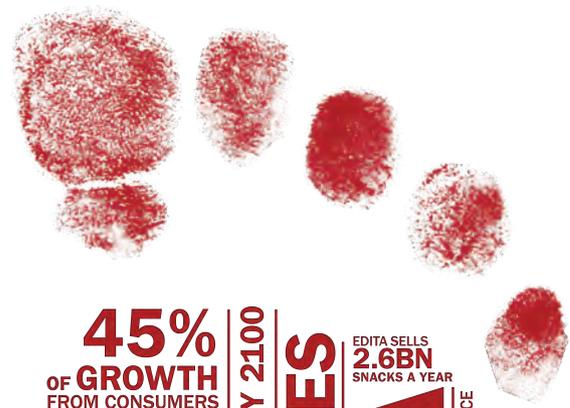
**2.5BN** PORTIONS OF MAGGI NOODLES ARE CONSUMED ANNUALLY

**LARGEST MILK PRODUCER**

**22M** PASSENGERS DAILY

**121,407 KM** OF RAILWAY LINES

**5.9M KM OF ROADS** 7 TAXPAYERS FOR EVERY 100 VOTES



**45%** OF GROWTH FROM CONSUMERS  
**MEDIAN AGE 19**  
**1.3BN PEOPLE**  
**2.5BN BY 2050**

800M NIGERIANS BY 2100

**54 COUNTRIES**

**AFRICA**

EDITA SELLS **2.6BN** SNACKS A YEAR

EAST AFRICA BREWERIES PRODUCE **108M LITRES** OF DRINKS P.A.

INTEGRATED DIAGNOSTICS HOLDINGS DID **30.5M** TESTS

CLICKS HAS **8.1M** ACTIVE LOYALTY CARD MEMBERS

CONSUMER SPENDING WILL REACH **\$2.2TN** BY 2030

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## Financial Calendar

|                                 |             |
|---------------------------------|-------------|
| Financial Year End              | 31 December |
| Final Results Announced         | March/April |
| Annual General Meeting          | May         |
| Half Year End                   | 30 June     |
| Half Year End Results Announced | July/August |

## Company Summary

### The Company

The Company is an investment trust and its shares are listed on the premium segment of the Official List and traded on the main market of the London Stock Exchange. The Company is a member of the Association of Investment Companies (“AIC”).

Total assets less liabilities as at 30 June 2022 were £332.2 million (30 June 2021: £395.4 million) and the market capitalisation was £283.9 million (30 June 2021: £370.9 million).

### Management

The Company employs Fundsmith LLP (“Fundsmith”) as Investment Manager and Alternative Investment Fund Manager (“AIFM”).

Performance is measured against the MSCI Emerging and Frontier Markets Index measured on a net sterling adjusted basis.

### Capital Structure

As at 30 June 2022 the Company had in issue 26,288,283 Ordinary Shares of 1p each (30 June 2021: 26,589,372 and 31 December 2021: 26,288,283) excluding 351,773 Ordinary Shares held in treasury (30 June 2021: 50,684 and 31 December 2021: 351,773).

### Gearing

The Company has the power to borrow using short-term banking facilities to raise funds for short-term liquidity purposes or for discount management purposes including the purchase of its own shares, provided that the maximum gearing represented by such borrowings shall be limited to 15% of the Company’s net assets at the time of drawdown of such borrowings. The Company is not currently geared.

### ISA Status

The Company’s shares are eligible for Individual Savings Accounts (“ISAs”) and for Junior ISAs.

### Retail Investors advised by IFAs

The Company currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers (“IFAs”) in the UK to ordinary retail investors in accordance with the Financial Conduct Authority (“FCA”) rules in relation to non-mainstream investment products and intends to continue to do so. The shares are excluded from the FCA’s restrictions which apply to non-mainstream investment products because they are shares in an investment trust.



## Financial Highlights

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### Performance Summary

|  | As at<br>30 June 2022 | As at<br>30 June 2021 | As at<br>31 December 2021 |
|--|-----------------------|-----------------------|---------------------------|
| <b>Net asset value per share - basic</b>                             | <b>1,263.7p</b>       | 1,487.0p              | 1,512.9p                  |
| <b>Net asset value per share - diluted</b>                           | <b>1,261.2p</b>       | 1,486.8p              | 1,510.9p                  |
| <b>Share price</b>   | <b>1,080.0p</b>       | 1,400.0p              | 1,365.0p                  |
| <b>Discount of the share price to the net asset value per share*</b> | <b>14.5%</b>          | 5.9%                  | 9.8%                      |
| <b>Ongoing charges ratio*</b>  | <b>1.3%</b>           | 1.3%                  | 1.3%                      |

|  | Six months to<br>30 June<br>2022 | Six months to<br>30 June<br>2021 | Year ended<br>31 December<br>2021 |
|--|----------------------------------|----------------------------------|-----------------------------------|
| <b>Net asset value per share total return*</b> | <b>-16.5%</b>                    | +2.0%                            | +3.8%                             |
| <b>Share price total return*</b>               | <b>-20.9%</b>                    | -0.9%                            | -3.4%                             |
| <b>Index† total return</b>                     | <b>-8.2%</b>                     | +6.4%                            | -1.4%                             |

\* Alternative Performance Measure (see Glossary beginning on page 23)

† MSCI Emerging and Frontier Markets Index, measured on a net total return, sterling adjusted basis

Please refer to the Glossary beginning on page 23 for definitions of these terms and the basis of their calculation.

## Introduction

I am pleased to report on your Company's activities in the six months to 30 June 2022 and on its financial position as at that date; now some eight years since its launch. Your attention is drawn to the Investment Manager's Review (beginning on page 7), which deals with investment performance and portfolio matters.



## Performance

Events in the first half of 2022 were somewhat different from what had been expected at the end of last year. At that time, it was anticipated that Covid restrictions would be relaxed and supply chain disruptions eased as a number of vaccines were showing their efficacy and hospitalisation rates began to decline. In addition, the US Federal Reserve began a cycle of raising interest rates and, while inflation was proving to be more permanent than had been first thought, the market seemed to have confidence that the measures being taken by central banks around the world would keep inflation under control.

However, in late February, Russia took the decision to invade Ukraine which triggered a full-scale war. Also, in early April, China locked down Shanghai and a number of other cities, making it clear that Covid was far from over, which seriously affected the level of China's exports. Global inflation was boosted by increased commodity prices and dislocated supply chains and is now at high single figures in the US, the Eurozone and the UK, although not in all jurisdictions.

The Company's net asset value ("NAV") per share total return\* was -16.5% (2021: +2.0%) and the share price total return\* was -20.9%

(2021: -0.9%) during the first half of the Company's financial year. At the period end, the shares stood at a 14.5% discount\* to the NAV per share (2021: 5.9% discount).

Over the same period, the Company's principal performance comparator, the MSCI Emerging & Frontier Markets Index, measured on a total return, net sterling adjusted basis, fell by 8.2% (2021: rose by 6.4%).

Further information regarding the Company's investments and performance can be found in the Investment Manager's Review beginning on page 7.

\* Alternative Performance Measure (see Glossary beginning on page 23)

## Management Arrangements

As we have seen a gradual return to the office for many firms, the Board has continued to keep in frequent contact with our Investment Manager and also with the Company's other principal service providers to ensure that the day-to-day business of the Company continues to run effectively. I would remind Shareholders that the Company itself has no employees. Your Board has continued its meetings on schedule, using video conferencing as well as face to face meetings and this regime is expected to continue for the foreseeable future.

## Revenue and Dividends

In the last Annual Report, it was noted that while the Company had made a small revenue profit for the year ended 31 December 2021, it was below the threshold that required the Company to pay a dividend (for the year ended 31 December 2020 a final dividend of 2.0 pence share was paid).

As we have reminded Shareholders in the past, the Company's principal objective is to provide Shareholder returns through capital growth, and neither the Board nor the Investment Manager target a

particular level of income. Therefore, the Board's current policy remains (as from inception) to pay only those dividends required to maintain UK investment trust status. Consequently, the Board has not declared an interim dividend.

### Share Price Discount

Shareholders will be aware of the Board's aspiration that the Company's shares would not trade at a price which, on average, represented a discount that was out of line with the Company's peer group (the AIC Global Emerging Markets Sector). The Board has continued to monitor the position very closely and, while no shares were repurchased during the period under review (2021: 15,000 shares were repurchased to be held in treasury), the Company has repurchased a total of 351,773 shares to be held in treasury at a total cost of £4.9m to 4 August 2022, the latest practicable date prior to publication of this report. The Board and its advisers continue to monitor the discount closely and the Company will make further purchases of shares if the Board deems it to be appropriate although it has become sceptical about whether this policy alone will serve to close the discount.

No new shares were issued nor were any treasury shares reissued during the period and to 4 August 2022.

As at 4 August 2022, the Company had 26,288,283 shares of 1p each in issue excluding 351,773 shares held in treasury (2021: 26,589,372 shares of 1p each in issue excluding 50,684 shares held in treasury).

### Investor Communications

It was good to be able to meet again with shareholders in person at the Company's Annual General Meeting in May after the imposed restrictions of the last two years. Many shareholders who were not able to attend made use of their voting rights to let us know their agreement with the resolutions that were proposed to the meeting. We hope that attendance numbers will go up next year to allow more investors to meet with the Board and the Investment Manager. An edited video of the Investment Manager's presentation has been made available on the Company's website [www.feetplc.co.uk](http://www.feetplc.co.uk).

Overall, our website displays the latest news, share prices and performance information, portfolio details and updates from the Investment Manager. I encourage all Shareholders to register for updates on our website and to make use of the materials available

thereon. Shareholders may also submit questions to the Board by sending an email to me at [FEETChairman@fundsmith.co.uk](mailto:FEETChairman@fundsmith.co.uk) or to the Investment Manager at [FEET@fundsmith.co.uk](mailto:FEET@fundsmith.co.uk).

### The Board

The Board refreshment process is continuing. David Potter retired from the Board at the conclusion of this year's Annual General Meeting. John Spencer succeeded David as the Senior Independent Director and Rachel de Gruchy now chairs the Management Engagement Committee.

John Spencer will retire at the conclusion of the 2023 Annual General Meeting and I will retire the year after that. Heather McGregor will take over as Chair of the Audit Committee following John's retirement.

The Board will keep shareholders informed of its progress to recruit new Directors. The Board considers that four Directors is appropriate for the size of this Company, although this number may increase on temporary basis as part of an orderly refreshment and succession process.

### Outlook

The outlook for the remainder of the year and beyond remains uncertain, with the possibility of a significant and protracted global recession. While both the Board and our Investment Manager continue to believe that the case for emerging markets has not diminished, with growing consuming classes, strong local brands, innovative business models and also the emergence of some high-quality management teams, we also acknowledge that several factors, including geopolitical developments and currency movements, mean that the Company operates in a challenging investment environment. As usual, and alongside our Investment Manager, the Board will continue to closely monitor the performance of the Company over the coming months.

### Martin Bralsford

Chairman

5 August 2022

## Investment Objective

To provide shareholders with an attractive return by investing in a portfolio of shares issued by listed or traded companies which have the majority of their operations in, or revenue derived from, Developing Economies\* and which provide direct exposure to the rise of the consumer classes in those countries or to the broader social and/or economic development of those countries.

\* See Glossary on page 23

## Investment Policy

The Company maintains a portfolio diversified by issuer concentration and it is anticipated that the Company's portfolio will comprise 25 to 40 investments.

The Company will comply with the following restrictions at the time each investment is made:

- (i) not more than 5% of the Company's gross assets can be invested in shares issued by any single company. This limit rises to 10% in respect of up to 40% of gross assets;
- (ii) not more than 40% of the Company's gross assets can be invested in shares issued by companies domiciled in any single jurisdiction. Where, as a result of investment performance, the total value of the companies in a particular jurisdiction exceeds 40% of gross assets, this restriction shall not apply to a portfolio rebalancing transaction (an investment funded from the proceeds of a disposal of shares in a company domiciled in the same jurisdiction, executed at the same time);
- (iii) not more than 20% of the Company's gross assets can be in deposits held with a single bank or financial institution. In applying this limit all uninvested cash (except cash representing distributable income or credited to a distribution account that the Depositary holds) should be included;
- (iv) not more than 20% of the Company's gross assets can consist of shares and approved money market instruments issued by the same group. When applying the limits set out in (i) this provision would allow the Company to invest not more than 5% in the shares of each of four group member companies, or 10% in two of them (if applying the 40% limit);
- (v) the Company's holdings in any combination of shares or deposits issued by a single company or fund must not exceed 20% of the Company's gross assets overall;
- (vi) the Company must not acquire shares issued by a company and carrying rights to vote at a general meeting of that company if the Company has the power to influence significantly the conduct of business of that company (or would be able to do so after the acquisition of the shares). The Company is to be taken to have the power to influence significantly if it exercises or controls the exercise of 20% or more of the voting rights in that company; and
- (vii) the Company must not acquire shares which do not carry a right to vote on any matter at a general meeting of the company that issued them and represent more than 10% of these securities issued by that company.

Uninvested cash or surplus capital or assets may be invested on a temporary basis in:

- cash or cash equivalents, money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a single-A (or equivalent) or higher credit rating as determined by an internationally recognised rating agency; or
- any "government and public securities" as defined for the purposes of the FCA rules.

In general, the Company will not use portfolio management techniques such as interest rate hedging and credit default swaps. However, the Company may use currency hedging, through derivatives if necessary, as a portfolio management technique. Whilst the Company, generally, will not hedge its currency exposure, it does reserve the right to do so in the circumstances where, in the opinion of the Investment Manager, a significant depreciation of a currency has become likely but the Investment Manager wishes to continue owning the companies in the portfolio denominated in that currency and where the cost of hedging that currency is unlikely, in the opinion of the Investment Manager, to extinguish any gains from hedging.



### Fund and Market Commentary

|                     | <b>Total Return<br/>01.01.22 to<br/>30.06.22<br/>%</b> | <b>Inception to<br/>30.06.22<br/>Cumulative<br/>%</b> | <b>Inception to<br/>30.06.22<br/>Annualised<br/>%</b> |
|---------------------|--|---|---|
| FEET NAV per share* | -16.5  | +27.7   | +3.1%   |
| FEET share price*   | -20.9  | +8.7  | +1.0%   |
| Emerging Markets    | -8.2   | +60.5   | +6.1%   |
| UK Bonds            | -7.1   | +14.3   | +1.7%   |
| UK Cash             | +0.3   | +4.0  | +0.5%   |

During the first half of the year, the Company's NAV per share total return\* was -16.5%. The Company's share price total return\* was -20.9%, resulting in a widening of the discount of the share price to the NAV per share to 14.5% as at the 30 June 2022.

The Company underperformed the MSCI Emerging and Frontier Markets Index, which fell by 8.2% in the period. Since inception, the Company has recorded an annualised NAV per share total return\* of +3.1 (to 30 June 2022) against one of +6.1% for the index. As of 30 June 2022, the Company's NAV per share total return\* was +27.7% since inception, against a return for the index of +60.5%.

The Company underperformed the index during the period under review, primarily due to investor sentiment moving away from more expensive 'growth' companies. There has also been a net outflow of funds from emerging markets in anticipation of US dollar strength in a rising interest rate environment. India, which had seen strong fund flows in 2021 into overly buoyant capital markets saw a sharp reversal in this trend.

\* Alternative Performance Measure (see Glossary beginning on page 23)

For reasons we have stated in the past, the Company is unlikely to invest in financials, materials, energy and real estate which were the four areas of the index to perform positively in the first half of the year. The Company's split of investments, as measured by the Global Industry Classification Standard (GICS), is shown below;

| <b>GICS Sector Split</b> | <b>%</b> |
|--------------------------|----------|
| Consumer Staples         | 45.4     |
| Information Technology   | 13.7     |
| Health Care              | 12.1     |
| Communication Services   | 10.9     |
| Materials                | 5.0      |
| Consumer Discretionary   | 4.8      |
| Industrials              | 4.7      |
| Financials               | 2.2      |
| Cash                     | 1.2      |

As at 30 June 2022, the geographical breakdown of where the portfolio was invested was;

| <b>Region</b>                        | <b>%</b> |
|--------------------------------------|----------|
| India                                | 45.8     |
| Asia (ex-India)                      | 33.3     |
| Eastern Europe, Middle East & Africa | 8.6      |
| Latin America                        | 11.1     |
| Cash                                 | 1.2      |

### Investment Backdrop

As we have consistently said, the Company does not seek to take deliberate geographical positions, instead focusing on buying the companies that we believe to be best suited for it to own.

The first half of 2022 saw a number of challenges for emerging markets, all of which we touch on in more detail later. Included in these are inflation, rising interest rates, leading to deteriorating terms of trade for a number of emerging market economies, the Russia-Ukraine War, China's Covid-zero policy and the continued dislocation of global supply chains.

Interest rates, after years of benign neglect by central banks are suddenly on the rise. Interest rates in general collapsed after the 2008 global financial crisis and left the world in a situation where aside from dislocations such as mortgages, which paid you, and sovereign or corporate debt you paid to own, the outcome was an asset price bubble as, in effect, capital (or at least to those who could access it) was somewhere between cheap to virtually free.

Anyhow, the party is now coming to an end with rates rising globally and, in some financially stressed developing countries, rate rises being fierce. Capital suddenly has a cost, and current financial liabilities and earnings weighted to the future have a cost. For emerging markets, this has also been exacerbated by the potential rate of increase of US interest rates, leading to capital outflows as investors chase a higher headline 'risk-free' dollar return.

Inflation has returned, driven by a combination of the impact of Covid stimulus and higher raw material prices. After being thought of as dead for the best part of two decades inflation, whether transitory, permanent (or more likely) a combination of both, is likely to remain an impact in emerging markets for the foreseeable future.

Inflation in emerging markets has also been driven by the impact of terms of trade on those countries that either do not have developed export economics (China, South Korea & Taiwan) or are major resource exporters (Indonesia, Brazil and South Africa). Terms of trade for an emerging (and frontier) market economy can deteriorate rapidly in a high inflationary environment, as countries which are net importers and running sustained deficits see higher import costs feeding through into a weaker currency, with the subsequent impact of a further increase in trade deficits and even further currency weakness. It is not uncommon for governments to then try to reduce the economic pressure on their populations by the use of subsidies - leading to both market distortion and increased government deficits, funded at ever-higher borrowing costs.

Inflation has typically been far more prevalent than in the developed world due to lower levels of integration into the global economy (and thus the cost benefits of globalisation) and also in a number of countries elevated inflationary pressures caused by domestic currency weakness. Second, most people in the developed world under 40 have not encountered the impact of inflation before. Although the economic concept of the value of what you own or earn becoming worth less is (hopefully) easy for them to understand, they will not be aware of the social impact (and in the case of prolonged inflation social dislocation) it brings. Although hyperinflation in Weimar Germany helped sow the seeds for the rise of Hitler in the 1930s, it would also be fair to say that hyperinflation is a real and present danger in a number of developing world economies where inflationary pressures can be exacerbated by weak currencies. Turkey, Sri Lanka and more recently Egypt are all countries where the Company has had very modest investment positions which have

been impacted by currency devaluations. In each case, we had reduced our exposure ahead of devaluation and were it not for the illiquidity of our Sri Lankan holding would have exited before that country's devaluation.

The nature of the companies we typically buy gives us a degree of insulation against inflation, although of course we are not immune. Despite us generally seeking to avoid comparison with the index, the companies which the Company owns have significantly higher gross margins than that of the index others seek to compare us with. Those gross margins help insulate a business against input cost pressures. All other things being equal, a 5% increase in the cost of goods sold for a business with 50% gross margins will reduce profit by 5%. A 5% increase for a business with a 20% gross margin will reduce profits by 20% - four times as much.

In addition, the majority of the businesses we own are less likely to see consumption forgone in more chastened economic times; you may opt not to go on holiday in more difficult financial times, but I strongly suspect you will continue to brush your teeth. The businesses we own also typically have strong market positions, giving them a degree of pricing power.

The businesses we own will also typically have professional procurement operations and will be major consumers of commodities. As well as giving them buying power and the ability to find alternate supply, we would also suggest that in times where raw material supplies are tight, they are at a significant sourcing advantage, both in terms of price and availability relative to smaller and, quite often, formal manufacturers.

The impact of the traditional remedy for inflation - higher interest rates - is not guaranteed to work this time as the majority of inflationary pressures appear to be coming from supply disruptions rather than excess demand. Sanctions on Russian resource exports, resource and food nationalism, drought and port disruptions are all factors that cannot be solved by the use of interest rates.

From a direct point of view, the Company has no Russian stocks, whether listed in Moscow or overseas. Only DP Eurasia (a c.1% holding) has any meaningful revenues derived from Russia at about 25% of the group total. The Russian business is a separate legal entity, locally financed and ultimately we believe well placed to benefit from competitor exits.

We retain the view that our portfolio remains well placed to benefit from three main trends which the pandemic will accelerate – digitalisation, formalisation and consolidation. A number of the Company’s holdings are already seeing a benefit from these.

## Performance

### Stocks

In terms of the contributors to performance, only five stocks the Company owned made a positive contribution in the first six months of the year and all were helped by currency.

| Top Five Contributors | Contribution (%) | Of which currency (%) |
|-----------------------|------------------|-----------------------|
| Hypera                | 1.02%            | 0.37%                 |
| Walmart de Mexico     | 0.10%            | 0.31%                 |
| Foshan Haitian        | 0.09%            | 0.32%                 |
| Nestlé Nigeria        | 0.03%            | 0.14%                 |
| NetEase               | 0.01%            | 0.18%                 |

The biggest contributor to performance was Hypera. The regulatory investigation into payments made by former executives of the company concluded with no cash cost to the company. To recap, when the group was raided as part of a wider corruption investigation in Brazil in 2018, it was speculated that the group could face a fine of several hundred million dollars (although we felt that this was unlikely). In the four years that the group has been under investigation, a much stronger business has emerged, helped by two sound acquisitions of drug portfolios from multinational companies. Capital allocation has also improved and there is a focus on reducing financial leverage, both of which offer the prospect for attractive returns for shareholders.

Walmart de Mexico was the second largest positive contributor to performance, although primarily due to currency. Walmex continues to execute its strategy well in spite of tough trading conditions in the Mexico City area. Quarter 1 same store sales growth, a much analysed metric for retailers, was up almost 10% in the first quarter of this year. The group continues to grow in both its price-led Bodega format and its Walmart Express concept. Omnichannel growth is being supported by the ever-increasing functionality of its Cash digital wallet.

Foshan Haitian saw a stabilised share price performance, in spite of higher soy bean prices. The condiments group continues to capture market share in a highly fragmented domestic market in China, although remains affected by the impact of sporadic

lockdowns on the catering trade (the main source of its revenue in spite of the development of retail channels).

Nestlé Nigeria is our sole holding in Nigeria after having exited the brewing sector in the country on fiscal concerns. Nigeria, in our opinion, remains very much a curate’s egg for investors – ticking all the demographic boxes (the country’s population is forecast to double to 400m by 2050) but consistently underperforming in policy implementation. The company reported very strong sales performance in the first half of the year and retains both attractive margins and returns.

NetEase is a relatively new holding and the attractions to us as investors – high returns, a strong balance sheet, a proven record of accomplishment in developing and internationalising gaming title franchises over a long period and helped by a management team which ignores the whims of quarterly stock market reporting.

| Top Five Detractors   | Contribution (%) | Of which currency (%) |
|-----------------------|------------------|-----------------------|
| MercadoLibre          | -2.74%           | 0.38%                 |
| Metropolis Healthcare | -1.66%           | 0.04%                 |
| Info Edge             | -1.27%           | 0.15%                 |
| Avenue Supermarts     | -1.09%           | 0.17%                 |
| Dr Lal Pathlabs       | -1.05%           | 0.07%                 |

The top five detractors from performance were led by MercadoLibre, a business where we have previously ‘top-sliced’ our holding on a number of occasions. MercadoLibre is a business we continue to like and in our view has been impacted by two factors. The first is competition, with both Amazon and Shopee announcing plans to expand into MercadoLibre’s established Latin American market. As a first mover, competition was always to be expected and we believe that the logistical challenges of the market, alongside MercadoLibre’s broad product and service offer will stand it in good stead against challengers. Second, MercadoLibre has been the stock most impacted in our portfolio by the increased discount rate placed on growth stocks in the current market environment.

The other four biggest detractors came from India, although we had reduced our stakes in a number of these in late 2021 on the back of valuation concerns. It has been commented on elsewhere that India has seen a reversal of the net inflows seen in 2021. The biggest detractor to performance from our Indian holdings in the first half of 2022 came from Metropolis Healthcare. Like Dr Lal, another medical diagnostics business, the shares came under pressure as Covid tests, which had helped spur strong share price

performance in both 2020 and 2021 reduced dramatically as infection levels in the country fell. Shares in both (alongside those of Thyrocare, our third medical diagnostic testing company in India) were bought well before the emergence of Covid. We retain our view that in a nation with a growing population which is getting richer, greater health consciousness (something which Covid will have likely accelerated) and a rising rate of lifestyle diseases such as diabetes and heart ailments, our investments are well placed to benefit from long-term secular trends.

InfoEdge is a business which has similarities to our holding in Tencent in the sense it combines running an established business with a number of investments in early stage technology related businesses. The latter element was the distinct reason behind the group's underperformance, with the share price performance of recent IPOs from its stable of investments being weak.

Avenue Supermarts was also one of the top detractors from performance, the stock suffering from a high rating, concerns about the impact of rising inflation in India on gross margins, alongside questions as to how quickly the business can grow non-food sales in a tougher retail environment, but produced good recent Q1 results.

#### Currencies

| Top 5 currencies | %    |
|------------------|------|
| India            | 1.81 |
| United States    | 1.36 |
| China            | 0.73 |
| Brazil           | 0.37 |
| Mexico           | 0.31 |

The first half of 2022 saw marked sterling weakness, with the British currency under pressure from deteriorating terms of trade, concerns over domestic growth and anticipated US interest rate rises. The impact of this was that there was a currency 'tailwind' in the period - the top five currencies contributed over 4.5% of performance with the Indian Rupee (unsurprising given the geographical weighting of the Company's holdings) contributing a positive 1.8% to performance, with the US dollar contributing 1.4% to performance, followed by China, Brazil and Mexico.

| Bottom 5 currencies | %     |
|---------------------|-------|
| Egypt               | -0.33 |
| Sri Lanka           | -0.13 |
| United Kingdom      | 0.00  |
| Philippines         | 0.03  |
| Bangladesh          | 0.04  |

Only two currencies produced a negative contribution in the period under review the Egyptian pound, which underwent a devaluation in March and the Sri Lankan Rupee. As commented on elsewhere, we have exited our last investment in Sri Lanka. After the disposal of EDITA Food Industries last year, the Company retains two holdings in Egypt.

#### Portfolio Turnover and Dealing Costs

Portfolio turnover in the period was 1.3%, down from 17.2% in the first half of 2021. No new shares were issued nor treasury shares re-issued, or shares bought back for treasury in the period.

Dealing costs in the period were £15,164 equivalent to 0.004% of the Company's NAV. This compares to dealing costs of £119,410 in the first half of 2021 (0.03% of the Company's NAV).

#### Sales and Purchases

Trading activity has been minimal. We exited our position in Ceylon Tobacco, reflecting our view that the country was entering a phase where it is uninvestible due to elevated levels of political risk and economic hubris. Setting aside the tendency of emerging market governments to tax 'sin' industries to make up for their own inadequacies, we believe that economic pressures will likely increase tobacco smuggling and Beedi from the informal sector, whilst a further material currency devaluation cannot be ruled out.

No new holdings were made in the first half of the financial year.

We topped up our holdings in NetEase, Tencent and Vitasoy. We felt all three offered attractive valuations, with Tencent having been adversely impacted by ongoing regulatory concerns, Vitasoy by the impact of a consumer boycott in China which has come to an end and reduced Covid measures in Hong Kong which is increasing demand in both the on-the-go and school based consumption segments.

## Environmental, Social and Governance (ESG)

ESG is an increasing area of investor interest and concern, although in developing markets access to information covering these facets can be somewhat harder to access than in the developed world. We believe our approach to investment produces favourable outcomes across all elements of the ESG spectrum in spite of the lack of objective ESG data prevalent in emerging markets.

We pay particular attention to governance when we look at whether a stock is worthy of inclusion in the Investible Universe from which we draw those companies in which the Company invests. As we have previously stated, when we consider governance, we do more than just look at board structure and remuneration. We look at aspects as diverse as shareholder structure, familial links within management and the business, whether there are differentiated voting rights, the transparency and level of disclosure, management integrity and the reasons for either a corporate fundraise or management share dealing.

Moreover, when we own a company, we regularly engage with management on business performance and governance issues. All proxies we receive are analysed and voted by ourselves, not an external agency. Fundsmith is also a signatory of the UN PRI and the Company's portfolio manager sits on Fundsmith's stewardship and sustainability committee.

The nature of the businesses in which we invest preclude the Company from investing in cyclical businesses that are asset intensive and offer lower returns. This means that we do not invest in mining, agribusinesses (such as palm oil or bioethanol production), oil and gas, heavy industries such as steel making, cement or chemical production. The low returns on invested capital prevalent in the banking sector means that we also have no interest in investing in those that finance these activities.

The majority of the businesses we own are brand owners, and thus have to protect their brands. As long-term investors we expect all of the businesses we own to be environmentally responsible in the sense that they do no damage to their operating environment to the long-term detriment of the business, we expect them to be stewards of their brands. Encompassed in this is the often, not immaterial, time and monetary investments put into helping the less fortunate in society as part of building brand value and awareness. Where, how and how much a business reinvests in social good is always

something we evaluate when we deem whether a company is appropriate to be a constituent of our Investible Universe.

## The Opportunity

The portfolio remains well placed to benefit from the long-term trends driving the growth of the consuming classes in emerging markets, most notably growing populations getting richer, consuming more and ultimately undergoing changing tastes which leads to both the development of premium products and the growth of new market segments. In spite of the current challenges facing emerging markets, we do not believe that these trends will change. In fact, we believe that one of the facets of a good company is that it will come out of such challenges in a strong position.

Although the Company amended its investment policy last year to allow it to take advantage of a broader range of investment opportunities, we retain a focus on four common traits which we expect our investments to have;

- High returns on operating capital employed in cash;
- Growth driven from the reinvestment of these cash flows at high rates of return;
- Revenues derived from a large number of everyday, small ticket, repeat, predictable transactions; and
- The ability to protect returns against competition.

The investment policy changes made in 2021 have allowed the Company to make a number of, albeit limited, new holdings.

The current emerging market environment is tough, with a number of events which you would not arguably expect to occur more than once in a generation (and in many cases much less frequently). These include material interest rate rises, stagflation, a major European war, a pandemic and major supply chain disruption all occurring within a period of a few months. In spite of these present challenges, we retain the view that the Company owns a portfolio of very good companies with significant potential.

### Michael O'Brien

Fundsmith LLP  
Investment Manager  
5 August 2022

### Principal Risks and Uncertainties

A review of the half-year and the outlook for the Company can be found in the Chairman's Statement and in the Investment Manager's Review.

The Directors continue to review the Company's key risk register which identifies the risks that the Company is exposed to, the controls in place and the actions being taken to mitigate them. This is set against the backdrop of increased risk levels within the global economy as a result of the disruptive impact and continuing uncertainty created by Covid, rising levels of inflation and interest rates, together with the consequences of the Russian invasion of Ukraine and the subsequent long-term effects on economies and international relations.

The principal risks and uncertainties faced by the Company fall into the following broad categories: corporate strategy; investment strategy and activity; operational (service providers); financial; and legal and regulatory. Information on these risks is given in the annual report for the year ended 31 December 2021. The Board believes that the Company's principal risks and uncertainties have not changed materially since the date of that report and are not expected to change materially for the remaining six months of the Company's financial year.

### Related Party Transactions

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or the performance of the Company.

### Going Concern

The Directors believe, having considered the Company's investment objective, risk management policies, capital management policies and procedures, and the nature of the portfolio and the expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future, and, more specifically, that there are no material uncertainties relating to the Company that would prevent its ability

to continue in such operational existence for at least 12 months from the date of approval of this half yearly financial report. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the financial statements. In reviewing the position as at the date of this report, the Board has considered the guidance on this matter issued by the Financial Reporting Council.

### Directors' Responsibilities

The Board of Directors confirms that, to the best of its knowledge:

- (i) the condensed set of financial statements contained within the half year report has been prepared in accordance with the applicable International Accounting Standards (IAS) 34 as adopted by the UK; and
- (ii) the interim management report includes a true and fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period.

The Half Year Report has not been audited by the Company's auditors.

On behalf of the Board of Directors

**Martin Bralsford**

Chairman

5 August 2022

## Investment Portfolio

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### Investments held as at 30 June 2022

| Security                            | Country of incorporation    | Fair value £'000 | % of investments |
|-------------------------------------|-----------------------------|------------------|------------------|
| Foshan Haitian Flavouring           | China                       | 21,963           | 6.6              |
| Asian Paints Ltd                    | India                       | 17,553           | 5.3              |
| Havells India Ltd                   | India                       | 16,455           | 4.9              |
| Nestlé India Ltd                    | India                       | 14,070           | 4.2              |
| Avenue Supermarts                   | India                       | 14,025           | 4.2              |
| Info Edge (India) Ltd               | India                       | 13,196           | 4.0              |
| Marico Ltd                          | India                       | 12,913           | 3.9              |
| MercadoLibre Inc                    | USA <sup>1</sup>            | 12,697           | 3.8              |
| Hindustan Unilever Ltd              | India                       | 12,236           | 3.7              |
| Tata Consultancy Services           | India                       | 11,992           | 3.6              |
| <b>Top 10 Investments</b>           |                             | <b>147,100</b>   | <b>44.2</b>      |
| WNS Holdings Ltd                    | Jersey <sup>2</sup>         | 11,884           | 3.6              |
| Tencent Holdings                    | Cayman Islands <sup>3</sup> | 11,837           | 3.5              |
| NetEase Inc                         | Cayman Islands <sup>3</sup> | 11,720           | 3.5              |
| Genpact                             | Bermuda <sup>4</sup>        | 11,074           | 3.3              |
| Taiwan Semiconductor Manufacturing  | Taiwan                      | 10,482           | 3.1              |
| Hypera SA                           | Brazil                      | 10,434           | 3.1              |
| Walmart De Mexico SAB de CV         | Mexico                      | 9,844            | 2.9              |
| Vitasoy International Holdings Ltd  | Hong Kong                   | 9,361            | 2.8              |
| Godrej Consumer Products Ltd        | India                       | 9,081            | 2.7              |
| Vietnam Dairy Products JSC          | Vietnam                     | 7,514            | 2.2              |
| <b>Top 20 Investments</b>           |                             | <b>250,331</b>   | <b>74.9</b>      |
| Clicks Group Ltd                    | South Africa                | 7,251            | 2.2              |
| Dr Lal Pathlabs Ltd                 | India                       | 6,681            | 2.0              |
| Integrated Diagnostics Holdings Plc | Jersey <sup>5</sup>         | 6,589            | 2.0              |
| Dabur India Ltd                     | India                       | 6,569            | 2.0              |
| British American Tobacco            | Bangladesh                  | 6,209            | 1.9              |
| Eastern Company S.A.E               | Egypt                       | 5,751            | 1.7              |
| Nestlé Nigeria Plc                  | Nigeria                     | 5,668            | 1.7              |
| Eris Lifesciences Ltd               | India                       | 5,467            | 1.6              |
| Metropolis Healthcare Ltd           | India                       | 5,062            | 1.5              |
| Procter + Gamble Hygiene            | India                       | 5,053            | 1.5              |
| <b>Top 30 Investments</b>           |                             | <b>310,631</b>   | <b>93.0</b>      |

## Investments held as at 30 June 2022 (continued)

| Security                      | Country of incorporation    | Fair value £'000 | % of investments |
|-------------------------------|-----------------------------|------------------|------------------|
| Philippine Seven Corp         | Philippines                 | 4,216            | 1.3              |
| Thyrocare Technologies Ltd    | India                       | 3,924            | 1.2              |
| XP Inc                        | Brazil                      | 3,747            | 1.1              |
| PB Fintech Ltd                | India                       | 3,488            | 1.0              |
| DP Eurasia NV                 | Netherlands <sup>6</sup>    | 3,353            | 1.0              |
| Medlive Technology Ltd        | China                       | 2,521            | 0.8              |
| Yihai International Holdings  | Cayman Islands <sup>3</sup> | 2,194            | 0.6              |
| <b>Total Investments (37)</b> |                             | <b>334,074</b>   | <b>100.0</b>     |

<sup>1</sup> Principal place of business Brazil

<sup>2</sup> Principal place of business India

<sup>3</sup> Principal place of business China

<sup>4</sup> Principal place of business USA

<sup>5</sup> Principal place of business Egypt

<sup>6</sup> Principal place of business Turkey

## Statement of Comprehensive Income

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### For the six months ended 30 June 2022

| Notes   | (Unaudited)<br>Six months ended<br>30 June 2022 |                  |                 | (Unaudited)<br>Six months ended<br>30 June 2021 |                  |                | (Audited)<br>Year ended<br>31 December 2021 |                  |                |              |
|---|---|------------------|-----------------|---|------------------|----------------|---|------------------|----------------|--------------|
|   | Revenue<br>£'000                                | Capital<br>£'000 | Total<br>£'000  | Revenue<br>£'000                                | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000                            | Capital<br>£'000 | Total<br>£'000 |              |
| Income from investments held at fair value through profit or loss       | 4   | 3,074            | -               | 3,074   | 2,499            | -              | 2,499                                       | 5,634            | -              | 5,634        |
| (Losses)/gains on investments held at fair value through profit or loss | 3   | -                | (70,175)        | (70,175)  | -                | 10,575         | 10,575                                      | -                | 19,800         | 19,800       |
| Foreign exchange losses   |   | -                | (65)            | (65)  | -                | (113)          | (113)                                       | -                | (60)           | (60)         |
| Management fees   |   | (1,762)          | -               | (1,762)   | (1,915)          | -              | (1,915)                                     | (3,941)          | -              | (3,941)      |
| Other expenses including transaction costs                              |   | (492)            | (15)            | (507)   | (480)            | (119)          | (599)                                       | (1,012)          | (251)          | (1,263)      |
| <b>Profit/(loss) before taxation</b>                                    |   | 820              | (70,255)        | (69,435)  | 104              | 10,343         | 10,447                                      | 681              | 19,489         | 20,170       |
| Taxation  |   | (269)            | 4,183           | 3,914   | (295)            | (2,505)        | (2,800)                                     | (533)            | (5,400)        | (5,933)      |
| <b>Profit/(loss) for the period/year</b>                                |   | 551              | (66,072)        | (65,521)  | (191)            | 7,838          | 7,647                                       | 148              | 14,089         | 14,237       |
| <b>Return/(loss) per share (basic) (p)</b>                              | 5   | <b>2.10</b>      | <b>(251.34)</b> | <b>(249.24)</b>                                 | <b>(0.72)</b>    | <b>29.47</b>   | <b>28.75</b>                                | <b>0.56</b>      | <b>53.22</b>   | <b>53.78</b> |
| <b>Return/(loss) per share (diluted) (p)</b>                            | 5   | <b>2.07</b>      | <b>(248.02)</b> | <b>(245.95)</b>                                 | <b>(0.72)</b>    | <b>29.42</b>   | <b>28.70</b>                                | <b>0.56</b>      | <b>52.88</b>   | <b>53.44</b> |

The Company does not have any income or expenses which are not included in the profit for the period/year.

All of the profit and total comprehensive income for the period/year is attributable to the owners of the Company.

The "Total" column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards ("IFRS"). The "Revenue" and "Capital" columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies ("AIC").

All items in the above statement derive from continuing operations.

The accompanying notes on pages 19 to 22 are an integral part of these financial statements.

## Statement of Changes in Equity

**For the six months ended 30 June 2022 (Unaudited)**

|                                | Share<br>Capital<br>£'000 | Share<br>Premium<br>£'000 | Capital*<br>Reserve<br>£'000 | Revenue<br>Reserve<br>£'000 | Total<br>£'000 |
|--------------------------------|---------------------------|---------------------------|------------------------------|-----------------------------|----------------|
| Balance at 1 January 2022      | 266                       | 81,595                    | 313,357                      | 2,502                       | 397,720        |
| (Loss)/profit for the period   | -                         | -                         | (66,072)                     | 551                         | (65,521)       |
| <b>Balance at 30 June 2022</b> | <b>266</b>                | <b>81,595</b>             | <b>247,285</b>               | <b>3,053</b>                | <b>332,199</b> |

**For the six months ended 30 June 2021 (Unaudited)**

|  | Share<br>Capital<br>£'000 | Share<br>Premium<br>£'000 | Capital*<br>Reserve<br>£'000 | Revenue<br>Reserve<br>£'000 | Total<br>£'000 |
|--|---------------------------|---------------------------|------------------------------|-----------------------------|----------------|
| Balance at 1 January 2021                        | 266                       | 81,595                    | 303,721                      | 2,886                       | 388,468        |
| Profit/(loss) for the period                     | -                         | -                         | 7,838                        | (191)                       | 7,647          |
| Ordinary shares bought back and held in treasury | 266                       | 81,595                    | 311,559                      | 2,695                       | 396,115        |
| Dividends paid                                   | -                         | -                         | (205)                        | -                           | (205)          |
|  | -                         | -                         | -                            | (532)                       | (532)          |
| <b>Balance at 30 June 2021</b>                   | <b>266</b>                | <b>81,595</b>             | <b>311,354</b>               | <b>2,163</b>                | <b>395,378</b> |

**For the year ended 31 December 2021 (Audited)**

|  | Share<br>Capital<br>£'000 | Share<br>Premium<br>£'000 | Capital*<br>Reserve<br>£'000 | Revenue<br>Reserve<br>£'000 | Total<br>£'000 |
|--|---------------------------|---------------------------|------------------------------|-----------------------------|----------------|
| Balance at 1 January 2021                        | 266                       | 81,595                    | 303,721                      | 2,886                       | 388,468        |
| Profit for the year                              | -                         | -                         | 14,089                       | 148                         | 14,237         |
| Ordinary shares bought back and held in treasury | 266                       | 81,595                    | 317,810                      | 3,034                       | 402,705        |
| Dividends paid                                   | -                         | -                         | (4,453)                      | -                           | (4,453)        |
|  | -                         | -                         | -                            | (532)                       | (532)          |
| <b>Balance at 31 December 2021</b>               | <b>266</b>                | <b>81,595</b>             | <b>313,357</b>               | <b>2,502</b>                | <b>397,720</b> |

\* Capital Reserve is considered distributable.

The accompanying notes on pages 19 to 22 are an integral part of these financial statements.

## Statement of Financial Position

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**As at 30 June 2022**

|   | Notes | (Unaudited)<br>30 June<br>2022<br>£'000 | (Unaudited)<br>30 June<br>2021<br>£'000 | (Audited)<br>31 December<br>2021<br>£'000 |
|---|-------|---|---|---|
| <b>Non-current assets</b>                             |       |   |   |   |
| Investments held at fair value through profit or loss |       | 334,074                                 | 392,627                                 | 401,935                                   |
|   |       | 334,074                                 | 392,627                                 | 401,935                                   |
| <b>Current assets</b>                                 |       |   |   |   |
| Receivables   |       | 1,562                                   | 537                                     | 705                                       |
| Cash and cash equivalents                             |       | 3,997                                   | 12,094                                  | 6,737                                     |
|   |       | 5,559                                   | 12,631                                  | 7,442                                     |
| <b>Total assets</b>                                   |       | <b>339,633</b>                          | <b>405,258</b>                          | <b>409,377</b>                            |
| <b>Current liabilities</b>                            |       |   |   |   |
| Trade and other payables                              |       | (1,521)                                 | (1,394)                                 | (1,558)                                   |
|   |       | (1,521)                                 | (1,394)                                 | (1,558)                                   |
| <b>Total assets less current liabilities</b>          |       | <b>338,112</b>                          | <b>403,864</b>                          | <b>407,819</b>                            |
| <b>Non-current liabilities</b>                        |       |   |   |   |
| Deferred tax liability                                |       | (5,913)                                 | (8,486)                                 | (10,099)                                  |
| <b>Net assets</b>                                     |       | <b>332,199</b>                          | <b>395,378</b>                          | <b>397,720</b>                            |
| <b>Equity attributable to equity shareholders</b>     |       |   |   |   |
| Ordinary share capital                                |       | 266                                     | 266                                     | 266                                       |
| Share premium   |       | 81,595                                  | 81,595                                  | 81,595                                    |
| Capital reserve                                       |       | 247,285                                 | 311,354                                 | 313,357                                   |
| Revenue reserve                                       |       | 3,053                                   | 2,163                                   | 2,502                                     |
| <b>Total equity</b>                                   |       | <b>332,199</b>                          | <b>395,378</b>                          | <b>397,720</b>                            |
| <b>Net asset value per share (p) - basic</b>          | 6     | <b>1,263.7</b>                          | <b>1,487.0</b>                          | <b>1,512.9</b>                            |
| <b>Net asset value per share (p) - diluted</b>        | 6     | <b>1,261.2</b>                          | <b>1,486.8</b>                          | <b>1,510.9</b>                            |

The accompanying notes on pages 19 to 22 are an integral part of these financial statements.

## Statement of Cash Flows

## For the six months ended 30 June 2022

|  | Notes | (Unaudited)<br>Six months<br>ended<br>30 June<br>2022<br>£'000 | (Unaudited)<br>Six months<br>ended<br>30 June<br>2021<br>£'000 | (Audited)<br>Year<br>ended<br>31 December<br>2021<br>£'000 |
|--|-------|--|--|--|
| <b>Cash flows from operating activities</b>                              |       |  |  |  |
| (Loss)/profit for the period/year before taxation                        |       | (69,435)   | 10,447   | 20,170   |
| <b>Adjustments for:</b>  |       |  |  |  |
| Net loss/(gain) on investments held at fair value through profit or loss | 3     | 70,190   | (10,575)   | (19,549)   |
| (Increase)/decrease in receivables                                       |       | (852)  | 252  | 33   |
| Decrease in payables   |       | (40)   | (840)  | (728)  |
| Overseas taxation paid   |       | (274)  | (299)  | (1,763)  |
| <b>Net cash flow from operating activities</b>                           |       | <b>(411)</b>   | <b>(1,015)</b>   | <b>(1,837)</b>   |
| <b>Investing activities</b>  |       |  |  |  |
| Sales of investments held at fair value through profit or loss           |       | 1,207  | 33,599   | 75,387   |
| Purchases of investments held at fair value through profit or loss       |       | (3,536)  | (33,163)   | (75,238)   |
| <b>Net cash flow from investing activities</b>                           |       | <b>(2,329)</b>   | <b>436</b>   | <b>149</b>   |
| <b>Financing activities</b>  |       |  |  |  |
| Purchase of shares to be held in treasury                                |       | -  | (205)  | (4,453)  |
| Dividends paid   |       | -  | (532)  | (532)  |
| <b>Net cash flow from financing activities</b>                           |       | <b>-</b>   | <b>(737)</b>   | <b>(4,985)</b>   |
| <b>Net decrease in cash and cash equivalents</b>                         |       | <b>(2,740)</b>   | <b>(1,316)</b>   | <b>(6,673)</b>   |
| Cash and Cash Equivalents at start of the period/year                    |       | 6,737  | 13,410   | 13,410   |
| <b>Cash and cash equivalents at end of the period/year</b>               |       | <b>3,997</b>   | <b>12,094</b>  | <b>6,737</b>   |
| <b>Comprised of: Cash at bank</b>  |       | <b>3,997</b>   | <b>12,094</b>  | <b>6,737</b>   |
| <b>Cash Flow from Operating Activities includes</b>                      |       |  |  |  |
| Dividends received   |       | <b>2,166</b>   | <b>2,789</b>   | <b>5,694</b>   |

The accompanying notes on pages 19 to 22 are an integral part of these financial statements.

## 1. General Information

Fundsmith Emerging Equities Trust plc is a company incorporated on 31 October 2013 in the United Kingdom under the Companies Act 2006.

### Principal Activity

The principal activity of the Company is that of an investment company within the meaning of Section 833 of the Companies Act 2006.

The Company commenced activities on admission to the London Stock Exchange on 25 June 2014.

## 2. Significant Accounting Policies

- A Basis of preparation – the financial statements have been prepared under the historical cost convention (modified to include investments at fair value through profit or loss) on a going concern basis and in accordance with applicable International Financial Reporting Standards as adopted by the UK (IFRS) and with the Statement of Recommended Practice ‘Financial Statements of Investment Trust Companies and Venture Capital Trusts’ issued by the Association of Investment Companies in November 2014 (and updated in April 2021). They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The Company is a UK listed company with a predominantly UK shareholder base. The results and the financial position of the Company are expressed in sterling, which is the functional and presentational currency of the Company. The accounting policies have been disclosed consistently and in line with Companies Act 2006.
- B Income from investments (other than capital dividends), including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex-dividend, or where no ex-dividend date is quoted, when the Company’s right to receive payment is established. Special dividends are credited to capital or revenue, according to the circumstances. Income from underwriting commission is recognised as earned.
- C Interest receivable and payable, management fees, and other expenses are treated on an accruals basis.
- D The management fee is recognised as a revenue item in the Income Statement. All other expenses are charged to revenue except expenditure of a capital nature, which is treated as capital. The Board will keep under review and amend this treatment if required.
- E Investments – investments have been designated upon initial recognition as fair value through profit or loss. Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured at fair value. Subsequent to initial recognition, investments are valued at fair value. For listed investments, this is deemed to be bid market prices. Gains and losses arising from changes in fair value are included in net profit or loss for the year as a capital item in the income statement and are ultimately recognised in the capital reserve.
- F Transaction costs incurred on the purchase and disposal of investments are recognised as a capital item in the Income Statement.
- G Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the balance sheet or at the related forward contract rate. Transactions in foreign currency are converted to sterling at the rate ruling at the date of the transaction or, where forward foreign currency contracts have been taken out, at contractual rates and included as an exchange gain or loss in the capital reserve or the revenue account depending on whether the gain or loss is of a capital or revenue nature.

- H Cash at bank and in hand comprises cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value. Other debtors and creditors (excluding borrowings) do not carry any interest, are short-term in nature and are accordingly stated at nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.
- I Equity dividends payable to shareholders are recognised when the shareholders right to receive them is established.
- J Capital reserve – This reserve reflects any:
- Shares repurchased and held in treasury
  - gains or losses on the disposal of investments
  - foreign exchange gains and losses of a capital nature
  - the increases and decreases in the fair value of investments which have been recognised in the capital column of the Income Statement
  - expenses which are capital in nature
- Any gains in the fair value of investments that are not readily convertible to cash are treated as unrealised gains in the capital reserve.
- K Issue costs – these have been offset against the proceeds of share issues and dealt with in the share premium account.
- L Taxation – the charge for taxation is based upon the revenue for the year and is allocated according to the marginal basis between revenue and capital using the Company's effective rate of corporation tax for the accounting period.
- M Deferred taxation – deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in future have occurred at the balance sheet date measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying temporary differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods. Due to the Company's status as an investment trust company, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred UK tax on any capital gains and losses arising on the revaluation or disposal of investments.
- The Company has made a provision for deferred tax for capital gains payable on Indian stocks.

### 3. (Losses)/Gains on Investments Held at Fair Value Through Profit or Loss

|  | (Unaudited)<br>Six months<br>ended<br>30 June<br>2022<br>£'000 | (Unaudited)<br>Six months<br>ended<br>30 June<br>2021<br>£'000 | (Audited)<br>Year<br>ended<br>31 December<br>2021<br>£'000 |
|--|--|--|--|
| <b>(Losses)/gains on investments held at fair value through profit or loss</b> |  |  |  |
| (Loss)/gain on sales of investments  | (2,436)  | 119  | 19,006   |
| Investment holding unrealised (loss)/gain                                      | (67,739)   | 10,456   | 794  |
|  | <b>(70,175)</b>  | <b>10,575</b>  | <b>19,800</b>  |

#### 4. Income from Investments Held at Fair Value Through Profit or Loss

|                              | (Unaudited)<br>Six months<br>ended<br>30 June<br>2022<br>£'000 | (Unaudited)<br>Six months<br>ended<br>30 June<br>2021<br>£'000 | (Audited)<br>Year<br>ended<br>31 December<br>2021<br>£'000 |
|------------------------------|--|--|--|
| Overseas dividends           | 3,073  | 2,203  | 5,136  |
| Overseas dividends - Special | -  | 295  | 497  |
| Fixed interest income        | 1  | 1  | 1  |
|                              | <b>3,074</b>   | <b>2,499</b>   | <b>5,634</b>   |

#### 5. Return per Share

|                                       | (Unaudited) Six months ended<br>30 June 2022 |          |          | (Unaudited) Six months ended<br>30 June 2021 |         |       | (Audited) Year ended<br>31 December 2021 |         |        |
|---------------------------------------|--|----------|----------|--|---------|-------|--|---------|--------|
|                                       | Revenue                                      | Capital  | Total    | Revenue                                      | Capital | Total | Revenue                                  | Capital | Total  |
| (Loss)/profit for the period/year     | 551  | (66,072) | (65,521) | (191)  | 7,838   | 7,647 | 148                                      | 14,089  | 14,237 |
| (Loss)/return per share (basic) (p)   | 2.10   | (251.34) | (249.24) | (0.72)                                       | 29.47   | 28.75 | 0.56                                     | 53.22   | 53.78  |
| (Loss)/return per share (diluted) (p) | 2.07   | (248.02) | (245.95) | (0.72)                                       | 29.42   | 28.70 | 0.56                                     | 52.88   | 53.44  |

Return per share is based on returns for the period and the weighted average number of ordinary shares in issue of 26,288,283 excluding treasury shares (30 June 2021: 26,602,733; 31 December 2021: 26,473,683).

Diluted return per share is based on returns for the period and the weighted average number of ordinary shares in issue of 26,640,056 (30 June 2021: 26,640,056; 31 December 2021: 26,640,056).

#### 6. Net Asset Value per Share

|  | (Unaudited)<br>Six months<br>ended<br>30 June<br>2022<br>£'000 | (Unaudited)<br>Six months<br>ended<br>30 June<br>2021<br>£'000 | (Audited)<br>Year<br>ended<br>31 December<br>2021<br>£'000 |
|--|--|--|--|
| <b>Net asset value per share - basic</b>   | <b>1,263.7</b>   | <b>1,487.0</b>   | <b>1,512.9</b>   |
| <b>Net asset value per share - diluted</b> | <b>1,261.2</b>   | <b>1,486.8</b>   | <b>1,510.9</b>   |

The net asset value per share is based on the net assets attributable to equity shareholders of £332,199,000 (30 June 2021: £395,378,000; 31 December 2021: £397,720,000) and on 26,288,283 excluding treasury shares in issue at 30 June 2022 (30 June 2021: 26,589,372; 31 December 2021: 26,288,283).

The diluted net asset value per share is based on the net assets attributable to equity shareholders of £335,981,000 (30 June 2021: £395,904,000; 31 December 2021: £402,504,000) and on 26,640,056 in issue at 30 June 2022 (30 June 2021: 26,640,056; 31 December 2021: 26,640,056).

There were no shares repurchased in the period to 30 June 2022. During the period ended 30 June 2021, the Company repurchased 15,000 shares of £0.01 each at a net consideration of £205,000. During the year ended 31 December 2021, the Company repurchased 316,089 shares of £0.01 each at a net consideration of £4,453,000. Details of the shareholder authorities to issue and buy back shares during the year are provided in the annual accounts.

These are not statutory accounts in terms of Section 434 of the Companies Act 2006 and are unaudited. Statutory accounts for the year to 31 December 2021, which received an unqualified audit report, have been lodged with the Registrar of Companies.

Earnings for the first six months should not be taken as a guide to the results for the full year.

## 7. Fair Value Hierarchy

Under IFRS 13 'Fair Value Measurement' an entity is required to classify investments using a fair value hierarchy that reflects the significance of the inputs used in making the measurement decision.

The following shows the analysis of financial assets recognised at fair value based on:

- Level 1 – quoted prices in active markets for identical instruments.
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, etc).
- Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments).

There are no level 3 investments.

During the period to 30 June 2022, Eastern Company S.A.E (30 June 2021: £6,985,000; 31 December 2021: £6,452,000) was transferred from level 1 to level 2. This was due to a lower frequency of trades. Also, during the period, Philippine Seven Corp (30 June 2021: £7,681,000; 31 December 2021: £6,832,000) was transferred from level 2 to level 1 due to a higher volume of trades.

### Fair value measurements recognised in the Statement of Financial Position

|                    | As at 30 June 2022 |                  |                  |                |
|--------------------|--------------------|------------------|------------------|----------------|
|                    | Level 1<br>£'000   | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
| Equity Investments | 312,712            | 21,362           | -                | 334,074        |
| <b>Total</b>       | <b>312,712</b>     | <b>21,362</b>    | <b>-</b>         | <b>334,074</b> |

|                    | As at 30 June 2021 |                  |                  |                |
|--------------------|--------------------|------------------|------------------|----------------|
|                    | Level 1<br>£'000   | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
| Equity Investments | 370,677            | 21,897           | -                | 392,574        |
| Debt Investments   | -                  | 53               | -                | 53             |
| <b>Total</b>       | <b>370,677</b>     | <b>21,950</b>    | <b>-</b>         | <b>392,627</b> |

|                    | As at 31 December 2021 |                  |                  |                |
|--------------------|------------------------|------------------|------------------|----------------|
|                    | Level 1<br>£'000       | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
| Equity Investments | 371,986                | 29,949           | -                | 401,935        |
| <b>Total</b>       | <b>371,986</b>         | <b>29,949</b>    | <b>-</b>         | <b>401,935</b> |

## Alternative Investment Fund Managers Directive (“AIFMD”)

A European Union Directive, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds (“AIFs”) and requires them to appoint an Alternative Investment Fund Manager (“AIFM”) and depositary to manage and oversee the operations of the investment vehicle. The Board of the Company retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

## Alternative Performance Measures (“APMs”)

The measures the Board of Directors uses to assess the Company’s performance, which are not specifically defined under the International Financial Reporting Standards but which are viewed as particularly relevant for investment trusts. Definitions of the terms used and the basis of calculation are set out in this Glossary and the APMs are indicated with an asterisk (\*).

## Developing Economy or Emerging Market

Any country other than those listed in the MSCI World Index (the countries listed in the MSCI World Index as at the date of this Half-Year Report being Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the UK and the US).

## Discount or Premium\*

A description of the difference between the share price and the net asset value per share. The size of the discount or premium is calculated by subtracting the share price from the net asset value per share and is usually expressed as a percentage (%) of the net asset value per share. If the share price is higher than the net asset value per share the result is a premium. If the share price is lower than the net asset value per share, the shares are trading at a discount.

## Gearing

In simple terms gearing is borrowing. An investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders’ assets is called ‘gearing’. If the Company’s assets grow shareholders’ assets grow proportionately more because the debt remains the same. But if the value of the Company’s assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

Gearing represents borrowings at par less cash and cash equivalents expressed as a percentage of shareholders’ funds.

Potential gearing is the company’s borrowings expressed as a percentage of shareholders’ funds.

## Leverage

For the purposes of the Alternative Investment Fund Managers (“AIFM”) Directive, leverage is any method which increases the Company’s exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company’s exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company’s positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

## Net Asset Value (“NAV”)

The value of the Company’s assets, principally investments made in other companies and cash being held, minus any liabilities. The NAV is also described as ‘shareholders’ funds’. The NAV is often expressed in pence per share after being divided by the number of shares which have been issued. The NAV per share is unlikely to be the same as the share price which is the price at which the Company’s shares can be bought or sold by an investor. The share price is determined by the relationship between the demand and supply of the shares.

## NAV Total Return\*

The theoretical total return on shareholders' funds per share, reflecting the change in NAV assuming that dividends paid to shareholders were reinvested at NAV at the time the shares were quoted ex-dividend. A way of measuring investment management performance of investment trusts which is not affected by movements in the share price.

|                                | 30 June<br>2022 | 30 June<br>2021 | 31 December<br>2021 |
|--------------------------------|-----------------|-----------------|---------------------|
| Opening NAV                    | 1,512.9p        | 1,460.2p        | 1,460.2p            |
| (Decrease)/increase in NAV     | (249.2p)        | 26.8p           | 52.7p               |
| <b>Closing NAV</b>             | <b>1,263.7p</b> | <b>1,487.0p</b> | <b>1,512.9p</b>     |
| % (decrease)/increase in NAV   | (16.5%)         | 1.8%            | 3.6%                |
| Impact of reinvested dividends | -               | 0.2%            | 0.2%                |
| <b>NAV Total Return</b>        | <b>(16.5%)</b>  | <b>2.0%</b>     | <b>3.8%</b>         |

## Diluted NAV Total Return\*

|                                      | 30 June<br>2022 | 30 June<br>2021 | 31 December<br>2021 |
|--------------------------------------|-----------------|-----------------|---------------------|
| Opening diluted NAV                  | 1,510.9p        | 1,460.1p        | 1,460.1p            |
| (Decrease)/increase in diluted NAV   | (249.7p)        | 26.7p           | 50.8p               |
| <b>Closing diluted NAV</b>           | <b>1,261.2p</b> | <b>1,486.8p</b> | <b>1,510.9p</b>     |
| % (decrease)/increase in diluted NAV | (16.5%)         | 1.8%            | 3.5%                |
| Impact of reinvested dividends       | -               | 0.2%            | 0.2%                |
| <b>Diluted NAV Total Return</b>      | <b>(16.5%)</b>  | <b>2.0%</b>     | <b>3.8%</b>         |

## Ongoing Charges\*

Ongoing charges are calculated by taking the Company's annualised operating expenses, and expressing them as a percentage of the average daily net asset value of the Company over the year. The costs of buying and selling investments are excluded, as are interest costs, taxation, costs of buying back or issuing shares and other non-recurring costs. These items are excluded because if included, they could distort the understanding of the Company's performance for the year and the comparability between periods.

|                                     | Six months<br>ended<br>30 June<br>2022 | Six months<br>ended<br>30 June<br>2021 | Year ended<br>31 December<br>2021 |
|-------------------------------------|--|--|-----------------------------------|
| Operating expenses                  | 4,571                                  | 4,857                                  | 4,953                             |
| Average net assets                  | 354,250                                | 386,311                                | 394,408                           |
| <b>Ongoing Charges (annualised)</b> | <b>1.3%</b>                            | <b>1.3%</b>                            | <b>1.3%</b>                       |

## Share Price Total Return\*

The return to the investor reflecting the change in the share price, on a last traded price to a last traded price basis, assuming that all dividends paid were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

|                                 | <b>Six months<br/>ended<br/>30 June<br/>2022</b> | <b>Six months<br/>ended<br/>30 June<br/>2021</b> | <b>Year ended<br/>31 December<br/>2021</b> |
|---------------------------------|--|--|--|
| Opening share price             | 1,365.0p   | 1,415.0p   | 1,415.0p                                   |
| Decrease in share price         | (285.0p)   | (15.0p)  | (50.0p)                                    |
| <b>Closing Share Price</b>      | <b>1,080.0p</b>                                  | <b>1,400.0p</b>                                  | <b>1,365.0p</b>                            |
| % decrease in share price       | (20.9%)  | (1.1%)   | (3.5%)                                     |
| Impact of reinvested dividends  | -  | 0.2%   | 0.1%                                       |
| <b>Share Price Total Return</b> | <b>(20.9%)</b>                                   | <b>(0.9%)</b>                                    | <b>(3.4%)</b>                              |

## Investment Platforms

The Company's shares are traded openly on the London Stock Exchange and can be purchased through a stockbroker or other financial intermediary. The shares are available through savings plans (including Investment Dealing Accounts, ISAs, Junior ISAs and SIPPs) which facilitate both regular monthly investments and lump sum investments in the Company's shares. There are a number of investment platforms that offer these facilities. A list of some of them, that is not comprehensive nor constitutes any form of recommendation, can be found below:

|                         |   |
|-------------------------|---|
| AJ Bell Youinvest       | <a href="http://www.youinvest.co.uk/">http://www.youinvest.co.uk/</a>   |
| Barclays Smart Investor | <a href="https://www.smartinvestor.barclays.co.uk/">https://www.smartinvestor.barclays.co.uk/</a>                                 |
| Bestinvest              | <a href="http://www.bestinvest.co.uk/">http://www.bestinvest.co.uk/</a>   |
| Charles Stanley Direct  | <a href="https://www.charles-stanley-direct.co.uk/">https://www.charles-stanley-direct.co.uk/</a>                                 |
| Halifax Share Dealing   | <a href="https://www.halifaxsharedealing-online.co.uk/">https://www.halifaxsharedealing-online.co.uk/</a>                         |
| Hargreaves Lansdown     | <a href="http://www.hl.co.uk/">http://www.hl.co.uk/</a>   |
| HSBC                    | <a href="https://www.hsbc.co.uk/investments/">https://www.hsbc.co.uk/investments/</a>   |
| iDealing                | <a href="http://www.idealing.com/">http://www.idealing.com/</a>   |
| Interactive Investor    | <a href="http://www.iii.co.uk/">http://www.iii.co.uk/</a>   |
| IWEB                    | <a href="http://www.iweb-sharedealing.co.uk/share-dealing-home.asp">http://www.iweb-sharedealing.co.uk/share-dealing-home.asp</a> |

## Risk Warnings

- Past performance is no guarantee of future performance.
- The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined, in part, by the changing conditions in the relevant stock markets in which the Company invests and by the supply and demand for the Company's shares.
- As the shares in an investment trust are traded on a stock market, the share price will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value of the shares; where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. For these reasons, investors may not get back the original amount invested.
- Although the Company's financial statements are denominated in sterling, most of the holdings in the portfolio are currently denominated in currencies other than sterling and therefore they may be affected by movements in exchange rates. As a result, the value of your investment may rise or fall with movements in exchange rates.
- Investors should note that tax rates and reliefs may change at any time in the future.
- The value of ISA and Junior ISA tax advantages will depend on personal circumstances. The favourable tax treatment of ISAs and Junior ISAs may not be maintained.

## Company Information

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### Directors

Martin Bralsford, (*Chairman*)  
Rachel de Gruchy (*Chair of the Management  
Engagement Committee*)  
Professor Heather McGregor CBE, FRSE, CGMA  
John Spencer (*Chairman of the Audit Committee and Senior  
Independent Director*)

The Chairman can be contacted by writing to The Company Secretary or by email: [FEETchairman@fundsmith.co.uk](mailto:FEETchairman@fundsmith.co.uk). The Senior Independent Director can be contacted by emailing [FEETSID@fundsmith.co.uk](mailto:FEETSID@fundsmith.co.uk)

### Registered Office

33 Cavendish Square  
London W1G 0PW

### Website

[www.feetplc.co.uk](http://www.feetplc.co.uk)

### Company Registration Number

08756681 (Registered in England and Wales)

The Company is an investment company as defined under Section 833 of the Companies Act 2006.

### Investment Manager and AIFM

Fundsmith LLP  
33 Cavendish Square  
London W1G 0PW  
Website: [www.fundsmith.co.uk](http://www.fundsmith.co.uk)  
*Authorised and regulated by the Financial Conduct Authority.*

### Company Secretary

Frostrow Capital LLP  
25 Southampton Buildings  
London WC2A 1AL  
Telephone: 0203 008 4910  
E-Mail: [info@frostrow.com](mailto:info@frostrow.com)  
Website: [www.frostrow.com](http://www.frostrow.com)  
*Authorised and regulated by the Financial Conduct Authority.*

If you have an enquiry about the Company, please contact Frostrow Capital using the stated e-mail address.

### Administrator

Northern Trust Global Services SE, UK Branch  
50 Bank Street  
Canary Wharf  
London E14 5NT

### Depository

Northern Trust Investor Services Limited  
50 Bank Street  
Canary Wharf  
London E14 5NT  
*Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.*

### Custodian and Banker

The Northern Trust Company  
50 Bank Street  
Canary Wharf  
London E14 5NT

### Independent Auditor

Deloitte LLP  
Statutory Auditor  
2 New Street Square  
London EC4A 3B2

### Registrars

Link Group  
10th Floor  
Central Square  
29 Wellington Street  
Leeds LS1 4DL  
Telephone (in UK): +44(0) 371 664 0300†  
E-Mail: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)  
Website: [www.linkgroup.eu](http://www.linkgroup.eu)

Please contact the Registrars if you have a query about a certificated holding in the Company's shares.

†Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable International rate. Lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday excluding public holidays in England and Wales.

### Brokers

Investec Bank plc  
2 Gresham Street  
London EC2V 7QP

### Solicitors

Travers Smith LLP  
10 Snow Hill  
London EC1A 2AL

**Further Information**

**Identification Codes**

|         |            |              |
|---------|------------|--------------|
| Shares: | SEDOL:     | BLSNND1      |
|         | ISIN:      | GB00BLSNND18 |
|         | BLOOMBERG: | FEET LN      |
|         | EPIC:      | FEET         |

**Foreign Account Tax Companies Act (“FATCA”)**

32RSE8.99999.SL.826

**Legal Entity Identifier**

2138003EL6XV8JYU8V55

  
The logo for the Association of Investment Companies (aic) consists of the lowercase letters 'aic' in a bold, sans-serif font.

The Association of  
Investment Companies

**A member of the Association of Investment Companies**

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