Fundsmith Equity Fund
Short Form Report

For the year ended 31 December 2016

Fundsmith

Profile of the fund

Investment objective and policy

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

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

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

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

Risk profile

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

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

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

Risk warning

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

Risk and reward profile

Lower risk
Typically lower rewards

Higher risk
Typically higher rewards

1	2	3	4	5	6	7

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

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

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

Performance Record

As at 31 December 2016

Change in net assets per share	T Class (Accumulation shares) 31.12.16 (p)	31.12.15 (p)	31.12.14 (p)	T Class (Income shares) 31.12.16 (p)	31.12.15 (p)	31.12.14 (p)
Opening net asset value per share	231.35	199.97	162.16	217.80	190.37	156.18
Return before operating charges	66.24	33.65	39.70	62.21	31.80	37.97
Operating charges	(2.84)	(2.27)	(1.89)	(2.66)	(2.15)	(1.81)
Return after operating charges	63.40	31.38	37.81	59.55	29.65	36.16
Distributions	(2.21)	(2.34)	(2.05)	(2.07)	(2.22)	(1.97)
Retained distributions on accumulation shares	2.21	2.34	2.05	–	–	–
Closing net asset value per share	294.75	231.35	199.97	275.28	217.80	190.37
After direct transaction costs of:	0.13	0.13	0.16	0.12	0.12	0.15
Performance						
Return after operating charges	27.40%	15.70%	23.32%	27.34%	15.57%	23.16%
Other information	£	£	£	£	£	£
Closing net asset value	1,483,593,346	999,310,168	741,941,491	139,644,464	109,730,718	92,563,157
Closing number of shares	503,333,749	431,944,155	371,035,373	50,727,913	50,382,100	48,622,593
Ongoing charge figure*	1.06%	1.07%	1.09%	1.06%	1.07%	1.09%
Direct transaction costs	0.05%	0.06%	0.09%	0.05%	0.06%	0.09%
Prices						
Highest share price	305.18	233.13	202.30	285.76	220.17	193.31
Lowest share price	221.51	196.44	155.45	208.54	185.52	149.73

Change in net assets per share	R Class (Accumulation shares) 31.12.16 (p)	31.12.15 (p)	31.12.14 (p)	R Class (Income shares) 31.12.16 (p)	31.12.15 (p)	31.12.14 (p)
Opening net asset value per share	225.47	195.86	159.64	217.60	190.21	156.09
Return before operating charges	64.42	32.85	38.91	61.93	31.74	37.87
Operating charges	(4.07)	(3.24)	(2.69)	(3.79)	(3.14)	(2.62)
Return after operating charges	60.35	29.61	36.22	58.14	28.60	35.25
Distributions	(0.88)	(1.25)	(1.16)	(0.84)	(1.21)	(1.13)
Retained distributions on accumulation shares	0.88	1.25	1.16	–	–	–
Closing net asset value per share	285.82	225.47	195.86	274.90	217.60	190.21
After direct transaction costs of:	0.12	0.12	0.15	0.12	0.12	0.15
Performance						
Return after operating charges	26.77%	15.12%	22.69%	26.72%	15.03%	22.58%
Other information	£	£	£	£	£	£
Closing net asset value	151,796,524	91,894,710	114,715,949	18,124,119	43,076,791	45,962,297
Closing number of shares	53,108,693	40,756,530	58,569,039	6,592,971	19,796,535	24,163,678
Ongoing charge figure*	1.56%	1.57%	1.59%	1.58%	1.57%	1.59%
Direct transaction costs	0.05%	0.06%	0.09%	0.05%	0.06%	0.09%
Prices						
Highest share price	296.25	227.21	198.17	285.01	219.46	192.72
Lowest share price	215.83	191.78	152.95	208.29	185.24	149.57

Performance Record (continued)

As at 31 December 2016

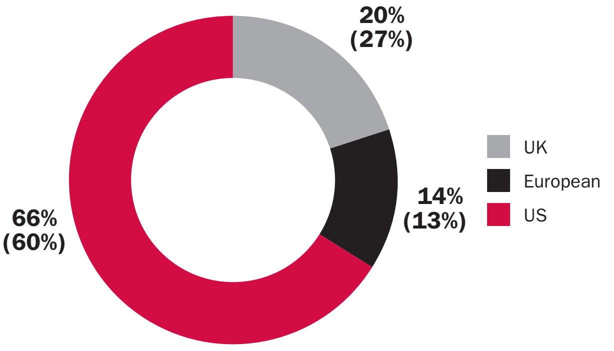
Change in net assets per share	I Class (Accumulation shares) 31.12.16 (p)	31.12.15 (p)	31.12.14 (p)	I Class (Income shares) 31.12.16 (p)	31.12.15 (p)	31.12.14 (p)
Opening net asset value per share	232.53	200.78	162.66	217.81	190.38	156.18
Return before operating charges	66.64	33.82	39.85	62.26	31.80	37.97
Operating charges	(2.61)	(2.07)	(1.73)	(2.43)	(1.95)	(1.64)
Return after operating charges	64.03	31.75	38.12	59.83	29.85	36.33
Distributions	(2.50)	(2.56)	(2.24)	(2.33)	(2.42)	(2.13)
Retained distributions on accumulation shares	2.50	2.56	2.24	–	–	–
Closing net asset value per share	296.56	232.53	200.78	275.31	217.81	190.38
After direct transaction costs of:	0.13	0.13	0.16	0.12	0.12	0.15
Performance						
Return after operating charges	27.54%	15.81%	23.44%	27.47%	15.68%	23.26%
Other information	£	£	£	£	£	£
Closing net asset value	4,038,574,367	1,665,042,251	843,461,107	3,231,524,070	1,645,010,538	1,161,061,308
Closing number of shares	1,361,786,758	716,047,119	420,087,945	1,173,767,633	755,248,320	609,850,760
Ongoing charge figure*	0.96%	0.97%	0.98%	0.96%	0.97%	0.98%
Direct transaction costs	0.05%	0.06%	0.09%	0.05%	0.06%	0.09%
Prices						
Highest share price	306.99	234.32	203.12	285.88	220.29	193.40
Lowest share price	222.66	197.37	155.94	208.56	185.56	149.74

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

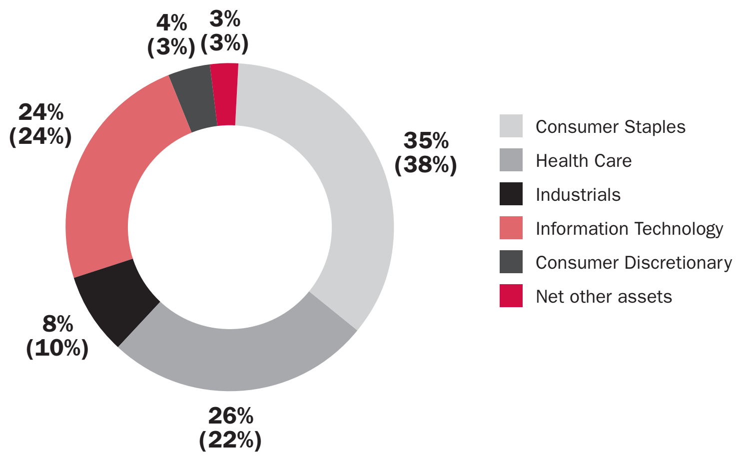
The prices in the above table are different from the published dealing prices that were available for investors on the 30 December. This is to comply with accounting rules that require us to publish the net asset value in this report based on close of day prices. The dealing prices were used in the investment managers review and the factsheet as the fund could only be bought or sold at those prices.

Information on the fund

**Breakdown by geography*
as at 31 December 2016**



**Breakdown by sector
as at 31 December 2016**



Summary of significant changes

For the year 1 January 2016 to 31 December 2016		For the year 1 January 2015 to 31 December 2015	
Largest purchases	**Cost (£)**	**Largest purchases**	**Cost (£)**
JM Smucker	241,170,472	IDEXX Laboratories	109,129,038
Estée Lauder Companies	226,304,913	Waters	93,270,105
Paypal	218,133,792	Sage	90,496,657
Amadeus IT	179,846,529	Intertek	83,835,387
Waters	179,253,315	Johnson & Johnson	75,164,952
Total	**1,044,709,021**	**Total**	**451,896,139**
Total purchases for the year	**2,998,662,360**	**Total purchases for the year**	**1,278,534,735**
Largest sales	**Proceeds (£)**	**Largest sales**	**Proceeds (£)**
Procter & Gamble	95,276,499	Domino's Pizza	154,775,231
		Ebay	73,808,490
		Choice Hotels International	37,344,360
		Becton Dickinson	21,156,869
		Procter & Gamble	2,997,193
Total	**95,276,499**	**Total**	**290,082,143**
Total sales for the year	**95,276,499**	**Total sales for the year**	**290,082,143**

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

Investment Manager's review

As in previous years, we sent our Annual letter to investors a few weeks ago. Given this, we have, as before, reproduced the relevant parts of that letter below.

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

	Total Return 1.1.16 to 31.12.16 %	Inception to 31.12.16 Cumulative %	Inception to 31.12.16 Annualised %
Fundsmith Equity Fund[1]	+28.2	+196.6	+19.3
Equities[2]	+28.2	+110.6	+12.8
UK Bonds[3]	+6.5	+32.4	+4.7
Cash[4]	+0.6	+4.0	+0.6

[1]T Class Acc shares, net of fees, priced at noon UK time.
[3]Bloomberg/EFFAS Bond Indices UK Govt 5-10 yr.
[1,3,4]Source: Bloomberg
[2]MSCI World Index, £ net, priced at close of business US time.
[4]3Month £ LIBOR Interest Rate.
[2]Source: www.msci.com

The table shows the performance of the T Class Accumulation shares, the most commonly held Class and one in which I am invested, which rose by +28.2% in 2016 and compares with +28.2% for the MSCI World Index in Sterling with dividends reinvested. The Fund therefore equalled the performance of this benchmark in 2016, and our Fund is still currently the No.1 performer since its inception in the Investment Association Global sector by a cumulative margin of 15% over the second best fund and 12.7% above the average. The performance of the other classes is shown on pages 4 and 5.

However, we realise that many or indeed most of our investors do not use the MSCI World Index as the natural benchmark for their investments.

Those of you who are based in the UK and look to the FTSE 100 Index as the natural yardstick for measuring your investments and/or who hold funds which are benchmarked to the FTSE 100 Index and often hug it will have had a much worse experience than the performance of the MSCI World Index. The FTSE 100 Index was up +14.4% in 2016 and the total return including dividends reinvested was +19.2%. The Fund outperformed this by +9%.

It is a commentator's cliché that football is a game of two halves, and that was certainly true of our relative performance in 2016. At half time on 30th June our Fund (T Class Accumulation shares) was up +16.4% versus +11.0% for the MSCI World Index, aided by the sharp fall in the Pound after the Brexit result in the referendum of 23rd June as the majority of the shares in our portfolio are listed in the United States. Even though this is not an accurate reflection of the Fund's currency exposure, which really depends upon where the companies generate their revenues and profits, the fact is that the US Dollar is still the largest currency exposure we have.

So what happened in the second half of the year? We experienced what stock market commentators often describe as a sector "rotation" in which the sectors we are invested mostly fell out of favour and share prices of those companies underperformed, whilst other sectors which we do not own performed well, and in particular the bank sector.

This "rotation" seems to have occurred as a result of expectations about a pick-up in economic growth which focused attention on a potential recovery in the performance of cyclical stocks. This became more intense after the election (it is common to qualify this with the word "surprise" – "surprising to some" might be a better descriptor as indeed it might for Brexit) of Donald Trump as

Investment Manager's review (continued)

US President in early November as a result of predictions that his economic policies would stimulate more rapid growth in the US economy.

I have no way of knowing whether this "rotation" will continue but then again neither do any of the analysts or commentators who are involved in opining on the matter.

When judging this situation I think it is worth bearing in mind a number of points:

I can trace back four years of market commentary which warned that shares of the sort we invest in, our strategy and our Fund would underperform. During that time the Fund has risen in value by about 100%. The fact that you would have foregone this gain if you had followed their advice will of course be forgotten by them at the very least.

Much of the commentary is simplistic, for example, concentrating on the Consumer Staples sector as an easily identifiable set of stocks of the sort we invest in, as in a recent note by Deutsche Bank which said "the party's over" in Consumer Staples. Even if this is true, these represent only about a third of our portfolio.

The predictions of underperformance also focus on so-called "bond proxies" – stocks of companies with relatively predictable returns – which investors have supposedly turned to as a substitute for bonds as bond yields have declined to even below zero. We are told that these bond proxies will do badly when rates rise and that they are starting to do so. As I write the US Federal Reserve has raised the Fed Funds rate by a total of 0.5% from its record low in a whole year (the first 0.25% rise was on 17th December 2015 – how time flies!). As I pointed out last year, this glacial rate of increase does not seem to justify the popular term 'hike' described in the dictionary as a sharp or unexpected increase – a description which clearly does not apply to the Fed's decision. Of course I have no idea when or by how much the Fed or any other central bank will subsequently increase interest rates. Neither I suspect do any of the commentators or analysts judging by their track record thus far, but that will not stop them making predictions and suggesting that you should make investment decisions based upon them.

There is also the question of what we might invest in as an alternative if we chose to sell the Fund's holdings in defensive so-called bond proxy stocks or if you chose to redeem your shares in our Fund. The obvious suggestion, and it is one which would have worked well in the second half of 2016, is that you should switch into cyclical stocks such as banks. Buying cyclical stocks in anticipation of a rise in interest rates does pose a fairly obvious problem – won't they perform worse than defensive stocks if the rise in rates causes an economic slowdown? There is also the fact that these stocks are in companies which over time do not create shareholder value by generating returns on capital above their cost of capital and growing by deploying more capital at such favourable returns, which is what the companies we seek to invest in accomplish. If you choose to invest in such companies then I would suggest it is not because you want to hold their shares indefinitely and allow them to compound in value but because you think you perceive an opportunity for a trade in which you buy them and then sell them for a higher price. If so I hope you have better luck with your timing in this game of Greater Fool Theory (in which you hope to buy from a seller who is less competent than you at spotting this opportunity and when the time comes you need to sell to a buyer who is similarly ill informed) than most people seem to have. As we do not profess to possess this skill, our Fund will not be attempting it.

I remain amazed (I could stop this sentence there) by the number of commentators, analysts, fund managers and investors who seem to be obsessed with trying to predict macro events on which to base their investment decisions. The fact that they are seemingly unable to predict events does not seem to stop them trying. During 2016 we had the spectacle of all the major polling organisations and the mainstream media failing to predict the outcome of the EU referendum in the UK or the US presidential election. Yet many of the same people are now busy telling us what the effect of Mr Trump's economic policies will be and how they will affect our investments.

Investment Manager's review (continued)

As at 31.12.16	Fundsmith Equity Fund*	FTSE 100 Index+	S&P 500 Index+
ROCE	26.7%	13.5%	14.7%
Gross Margin	61.9%	40.0%	43.2%
Operating Profit Margin	25.5%	12.9%	13.9%
Cash Conversion	99.4%	81.4%	83.6%
Leverage	37.7%	48.9%	52.1%
Interest Cover	17.0x	7.9x	7.9x

Note: ROCE, Gross Margin, Operating Margin and Cash Conversion are the weighted average for the Fundsmith Equity Fund and averages for the FTSE 100 Index and S&P 500 Index. The FTSE 100 and S&P 500 numbers exclude financial stocks. The Leverage and Interest Cover numbers are medians. All data as last reported.

I spend little time worrying about the macro trends and even less time trying to apply predictions about them in order to manage our portfolios. Here's a short list of possible macro factors which may affect companies and markets in the near future:

- Brexit
- China
- "Demonetisation" in India
- French presidential elections
- German elections
- Interest rates
- Korea
- President Trump
- Quantitative Easing by the European Central Bank
- Syria
- The oil price

Even if you could correctly predict how these matters would develop, and the timing of that, this would not enable you to use this as a basis of investment decisions. Markets are a so-called second-order system – to usefully employ your predictions you would not only have to make mostly correct predictions but you would also need to gauge what the markets expected to occur in order to predict how they would react. Good luck with that.

Rather like the management of some of the companies we most admire, I waste little or no time trying to guess what will happen to factors I cannot control or predict and deploy most of my time and effort on things I can control. Two of those are whether we own good companies and what valuation we pay to own their shares.

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

The companies in our portfolio have significantly higher returns on capital and better profit margins than the average for the indices. They convert more of their profits into cash and achieve this with a much lower level of borrowing than the average company. Nor is this a one off – they have been achieving these superior results for many years. The average year of foundation of our portfolio companies at the year end was 1912.

Consistently high returns on capital are one sign we look for when seeking companies to invest in. Another is a source of growth – high returns are not much use if the business is not able to grow and deploy more capital at these high rates. So how did our companies fare in that respect in 2016? The weighted average free cash flow (the cash the companies generate after paying for everything except the dividend, and our preferred measure) grew by just over 11%* in 2016. We regard this as a rather good result given the generally lackluster growth which the world is experiencing and which led to earnings falling on the FTSE 100 and S&P 500 companies in the past year.

Investment Manager's review (continued)

This leads onto the question of valuation. The Free Cash Flow ("FCF") yield (the free cash flow generated by the companies divided by their market value) on the portfolio at the outset of the year was 4.3%* and ended it at 4.4%* so they did not become any more highly rated. The mean FCF yield on the FTSE 100 is 4.7%+ and the median is 4.6%+. The mean FCF yield on the S&P 500 is 4.3%+ and the median 4.8%+. To try to cut through all these means and medians, our portfolio consists of companies which are fundamentally a lot better than those in the index and are valued a little more highly than the average FTSE 100 company and about the same as the average S&P 500 company, and they grew more rapidly in the past year. I would suggest that is not a bad situation for our portfolio to be in.

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

IDEXX Laboratories	+3.10%
Stryker	+2.54%
CR Bard	+2.06%
InterContinental Hotels	+1.71%
Johnson & Johnson	+1.68%

The bottom five were:

Estée Lauder Companies	-0.06%
Procter & Gamble	-0.02%
Novo Nordisk	+0.07%
Colgate Palmolive	+0.23%
Imperial Brands	+0.37%

The largest contributor, IDEXX Laboratories, is a company which we began buying in 2015. It is the world's largest maker of veterinary testing equipment. In contrast, we have held stakes in Stryker, InterContinental Hotels and Johnson & Johnson since inception.

Of the bottom five performers we sold our stake in Procter & Gamble in January 2016. You may note that out of the five worst contributors to our performance last year, four were consumer stocks and at least three are regularly cited as "bond proxies". It seems strange to be accused of having benefitted from the popularity of these stocks when in fact they have underperformed.

We only recently began buying stakes in Estée Lauder Companies, the US cosmetics business and even more recently in Novo Nordisk, a Danish company, which is the world's leading supplier of insulins.

Turning to the third leg of our strategy which we succinctly describe as "do nothing", minimising portfolio turnover remains one of our objectives and this was again achieved with a portfolio turnover of -15.6%* during the period. It is perhaps more helpful to know that we have held 14 of our portfolio companies since inception and we spent a total of £181,025 or just 0.003% (0.3 of a single basis point) of the Fund on voluntary dealing which excludes dealing costs associated with fund subscriptions and redemptions as these are involuntary.

Why is this important? It helps to minimise costs, and minimising the costs of investment is a vital contribution to achieving a satisfactory outcome as an investor. Too often investors, commentators and advisers focus on the Annual Management Charge ("AMC") or the Ongoing Charges Figure ("OCF"), which includes some costs over and above the AMC, which are charged to the Fund. The OCF for 2016 for the T Class Accumulation shares was 1.06%*. The trouble is that the OCF does not include an important element of costs – the costs of dealing. When a fund manager deals by buying or selling investments for a fund, the fund typically incurs the cost of commission paid to a broker, the bid-offer spread on the stocks dealt in and, in some cases, Stamp Duty. This can add significantly to the costs of a fund yet it is not included in the OCF.

We provide our own version of this total cost including dealing costs, which we have termed the Total Cost of Investment ("TCI"). For the T Class Accumulation shares in 2016 this amounted to a TCI of 1.11%*, including all costs of dealing for flows into and out of the Fund, not just our voluntary dealing. We think that figure will prove to be low if or when other funds produce comparable numbers. However, we would caution against becoming obsessed with charges to such an extent that you lose focus on the performance of a fund. It is worth pointing out that the performance of the Fund at the beginning of this review is after charging all fees.

Investment Manager's review (continued)

As a cautionary tale about the merits of doing nothing, you may recall that in 2015 we sold our holding in Domino's Pizza since it had reached a valuation which we felt was only justifiable if its rapid rate of growth was sustainable, which we doubted was likely. In my annual letter last year I said that I "sold it with some regret and trepidation. Regret since it is undoubtedly a fine business and had been our best performing share since the inception of our Fund. Trepidation since selling shares in good companies is something we are justifiably reluctant to do." Domino's managed to prove these fears right in the most painful way as the share price rose by +45%+ in 2016. Apart from demonstrating that I am, could we agree on "fallible" as a descriptor, I hope this illustrates why I am reluctant to agree with the commentators who suggest that you or I should sell our portfolio of great companies and invest in a portfolio of assorted junk in the hope that it will go up, the great companies share prices will go down and we can then profitably reverse the trade.

Terry Smith
CEO
Fundsmith LLP
17 February 2017

*Source: Fundsmith LLP

+Source: Bloomberg

Remuneration disclosure

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

During the financial year ending 31 March 2016, Fundsmith LLP had 17 members of personnel in total, including employees and Partners. The total amount of remuneration paid to Fundsmith LLP personnel during this period was £5,822,405. Out of this figure, the total amount of remuneration paid to the Partners of Fundsmith LLP was £2,809,759 whilst the total amount of remuneration paid to the employees of Fundsmith LLP was £3,012,646.

Of the £3,012,646 paid to Fundsmith employees, £1,943,938 was variable remuneration and £1,068,708 was fixed remuneration.

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

Overall, therefore, of the £5,822,405 of total remuneration, £3,878,467 was fixed remuneration and £1,943,938 was variable remuneration.

The financial year of Fundsmith Equity Fund (FEF) runs from 1 January to 31 December, whereas the financial year of Fundsmith LLP runs from 1 April to 31 March. The above figures are taken from the financial report and accounts of Fundsmith LLP for the period 1 April 2015 to 31 March 2016. These figures have been independently audited and filed with Companies House.

The rules require us to disclose both the amount of remuneration paid in total, and the amount paid to "Identified Staff" (broadly, senior management and/or risk takers). Fundsmith's only Identified Staff are the Partners. The Partners all fall within the category of "senior management"; two of the Partners also fall within the category of risk-takers and also one in the category of control staff. To avoid duplication all Partners' remuneration is disclosed within the category of senior management. The total remuneration therefore paid to senior management is £2,809,759.

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

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

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

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

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

Further information

Report and accounts

Each year, you will be sent annual and semi-annual reports discussing investment activity during the period and providing management commentary.

UCITS IV

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

Prospectus

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

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

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

Minimum investment

The company has three different types of share classes:

I shares, R shares and T shares.

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

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

The following table summarises the investment levels for T shares.

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

Publication of prices

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

Dealing charges

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

Dilution adjustment

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

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

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

Fundsmith

Contact details

Dealing and enquiries

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Registered office

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33 Cavendish Square
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United Kingdom

Authorised and regulated by The Financial Services Authority.
FCA Registration Number IC000846

Authorised Corporate Director

Fundsmith LLP
33 Cavendish Square
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W1G 0PW
United Kingdom

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

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9.00 am and 5.00 pm, Monday to Friday

Administrator

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London
E14 5HJ
United Kingdom

Depositary

State Street Trustees Limited
525 Ferry Road
Edinburgh
EH5 2AW
United Kingdom

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

Independent auditors

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Financial Services Authority

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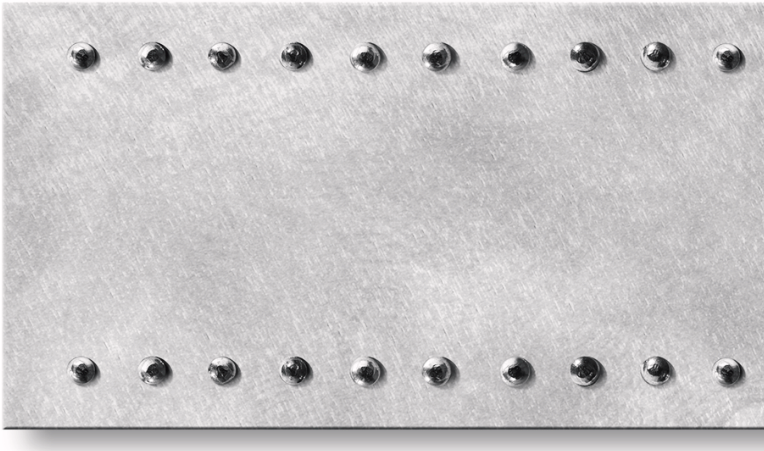

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