

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)

Société d'Investissement à Capital Variable

Annual Report and Audited Financial Statements
for the year ended 31 December 2021

R.C.S. Luxembourg B164404

Subscriptions can only be made on the basis of the current Prospectus, the Key Investor Information Document (“KIID”) supplemented by the most recent annual report and audited financial statements or semi-annual report and unaudited financial statements, if published after such annual report and audited financial statements.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)
Annual Report and Audited Financial Statements
For the year ended 31 December 2021

Table of Contents	Page
Directory, Administration and Management	2
Directors' Report	3
Investment Manager's Report	4
Independent Auditor's Report	13
Statement of Net Assets	15
Statement of Operations and Changes in Net Assets	16
Statistical Information	17
Portfolio of Investments	
Fundsmith SICAV – Fundsmith Equity Fund	19
Fundsmith SICAV – Fundsmith Sustainable Equity Fund	21
Notes to the Financial Statements	22
Appendix I – Remuneration Disclosures (Unaudited)	28
Appendix II – Securities Financing Transaction Regulation (Unaudited)	29
Appendix III – Sustainable Finance Disclosure Regulation (Unaudited)	30
Appendix IV – Risk Information (Unaudited)	31
Appendix V – Portfolio Turnover Ratio (Unaudited)	32
Appendix VI – Total Expense Ratio (Unaudited)	33
Appendix VII – Information to Investors in Switzerland (Unaudited)	34

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)

Annual Report and Audited Financial Statements

For the year ended 31 December 2021

Directory, Administration and Management

Registered Office

10, rue du Château d'Eau
L-3364 Leudelange
Grand Duchy of Luxembourg

Board of Directors of the SICAV

Mr. Paul Mainwaring, Director,
Fundsmith LLP (*from 29 June 2021*)

Mr. Simon Godwin, Director, Fundsmith LLP
(*until 29 June 2021*)

Mr. Garry Pieters, Independent Director,
The Director's Office

Ms. Sheenagh Joy Gordon-Hart, Independent
Director, The Director's Office

Management Company

FundRock Management Company S.A.
33, rue de Gasperich
L-5826 Hesperange
Grand Duchy of Luxembourg

Investment Manager, Distributor and Promoter*

Fundsmith LLP
33, Cavendish Square
London, W1G 0PW
United Kingdom
Authorised and regulated by The Financial Conduct
Authority
FCA Registration Number 523102

Investment Advisor*

Fundsmith Investment Services Limited
c/o Griffon Solutions Ltd
C2-401, 4th Floor, Grand Baie La Croisette
Grand Baie
Mauritius

Independent Auditor

Deloitte Audit, *société à responsabilité limitée*
20, boulevard de Kockelscheuer
L-1821 Luxembourg
Grand Duchy of Luxembourg

**Administrator (Central Administration Agent,
Domiciliary Agent, Registrar and Transfer Agent)**

From 1 March 2021
Northern Trust Global Services SE
10, rue du Château d'Eau
L-3364 Leudelange
Grand Duchy of Luxembourg

Until 28 February 2021

State Street Bank International GmbH, Luxembourg Branch
49, avenue J.F. Kennedy
L-1855 Luxembourg
Grand Duchy of Luxembourg

Depository

From 1 March 2021
Northern Trust Global Services SE
10, rue du Château d'Eau
L-3364 Leudelange
Grand Duchy of Luxembourg

Until 28 February 2021

State Street Bank International GmbH, Luxembourg Branch
49, avenue J.F. Kennedy
L-1855 Luxembourg
Grand Duchy of Luxembourg

Legal Adviser

Elvinger Hoss Prussen, *société anonyme*
2, place Winston Churchill
L-1340 Luxembourg
Grand Duchy of Luxembourg

* With effect from 25 March 2022, Fundsmith Investment Services Limited is the Investment Manager and will cease to act as the Investment Advisor. Fundsmith LLP continues to act as the Distributor and Promoter.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)

Annual Report and Audited Financial Statements

For the year ended 31 December 2021

Directors' Report

The Board of Directors is pleased to provide you with its annual report for the year ended 31 December 2021.

The Board of Directors has adopted the ALFI Code of Conduct (the "Code") which sets out principles of good governance. The Board of Directors considers that Fundsmith SICAV (the "SICAV") has been in compliance with the Principles of the Code in all material aspects throughout the financial year ended 31 December 2021.

The Board is responsible for the overall management and control of the SICAV in accordance with its articles of association. The Board is further responsible for the implementation of each Sub-Fund's investment objective and policies as well as for oversight of the administration and operation of each Sub-Fund. The Board shall have the broadest powers to act in any circumstances on behalf of the SICAV, subject to the powers reserved by law to its Shareholders. The Board delegated certain authorities to the Management Company in accordance with the SICAV's articles of association, the Prospectus and applicable law. The Management Company is responsible, subject to the overall supervision of the Board, for the provision of investment management services, administrative services and marketing services to the SICAV.

The Directors are also responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations. The Directors consider that the annual report and the financial statements provide a fair, balanced and understandable assessment of the SICAV's position and performance and provides all necessary information for Shareholders.

To date the SICAV has the following active Sub-Funds:

Fundsmith SICAV – Fundsmith Equity Fund – launched on 28 October 2011

Fundsmith SICAV – Fundsmith Sustainable Equity Fund – launched on 1 March 2021

There is no evidence that the going concern assumption made by the Board of Directors when preparing the financial statements of the SICAV is inappropriate.

On behalf of the Board of Directors:



Director

Date: 29 April 2022

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)
Annual Report and Audited Financial Statements
For the year ended 31 December 2021

Investment Manager’s Report

This review pertains solely to the Fundsmith Equity Fund (the “Sub-Fund”), a sub-fund of the Fundsmith SICAV.

The table below shows performance figures for the last calendar year and the cumulative and annualised performance of the Sub-Fund and various comparators. Please note the differing start dates for the various share classes, noted below the table.

% Total Return	1 January 2021 to 31 December 2021	Inception to 31 December 2021 Cumulative	Annualised	Sharpe Ratio ⁵	Sortino Ratio ⁵
Fundsmith Equity Fund EUR T Class ¹	+28.9	+502.7	+19.3	1.35	1.22
MSCI World Index EUR ²	+31.1	+303.4	+14.7	0.90	0.81
Fundsmith Equity Fund CHF I Class ¹	+23.4	+347.4	+16.6		
MSCI World Index CHF ²	+26.5	+216.5	+12.6		
Fundsmith Equity Fund USD I Class ¹	+19.1	+284.5	+16.5		
MSCI World Index USD ²	+21.8	+165.6	+11.7		
Fundsmith Equity Fund GBP I Class ¹	+20.6	+301.8	+19.7		
MSCI World Index GBP ²	+22.9	+179.5	+14.3		
European Bonds ³	-7.0	+110.2	+7.6		
Cash ⁴	-0.6	-1.3	-0.1		

¹ Accumulation shares, net of fees, priced at 13:00 CET, launch dates, EUR T: 2 November 2011 – CHF I: 5 April 2012 – USD I: 13 March 2013 – GBP I: 15 April 2014, source: Bloomberg. N.B. Prior to March 2019, performance relates to Fundsmith Equity Fund Feeder

² MSCI World Index priced at close of business US time, source: Bloomberg

³ Bloomberg/EFFAS Bond Indices Euro Government 10 years, source: Bloomberg

⁴ EUR interest rate, source: Bloomberg

⁵ Sharpe and Sortino ratios are since inception on 2 November 2011 to 31 December 2021, 1.5% risk free rate, source: Financial Express Analytics

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

Given we do not hedge currency exposure, the main difference in performance between the currency share classes is the relative currency movements in the year. The relative performance compared to the MSCI World Index is therefore similar and shows the Sub-Fund underperformed in 2021. However all of the classes have healthily outperformed since their inception.

Whilst a period of underperformance against the MSCI World Index is never welcome it is nonetheless inevitable. No investment strategy will outperform in every reporting period and every type of market condition. So, as much as we may not like it, we can expect some periods of underperformance.

This is particularly so when we have a period like 2020–21 which was obviously heavily influenced by the pandemic. Our Sub-Fund outperformed the market in 2020 when the economic effects of the pandemic were at their height and most of the businesses we are invested in proved to be highly resilient. However, last year was more of a year of recovery and our companies had relatively little to recover from.

We find it difficult to outperform in particularly bullish periods where the market has a strong rise — 31.1% in euros in 2021 — as a rising tide floats all ships, including some which might otherwise have remained stranded and that we would not wish to own.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)

Annual Report and Audited Financial Statements

For the year ended 31 December 2021

Investment Manager's Report (continued)

In investment, as in life, you cannot have your cake and eat it, so it is difficult if not impossible to find companies which are resilient in a downturn but which also benefit fully from the subsequent recovery. Of course, you could try to trade out of the former and into the latter at an appropriate time but it is not what we seek to do as the vast majority of the returns which our Sub-Fund generates come from the ability of the companies we own to invest their retained earnings at a high rate of return because they own businesses with good returns and growth opportunities. In our view it would be a mistake to sell some of these good businesses in order to invest temporarily in companies which are much worse but which have greater recovery potential.

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

Microsoft	+3.1%
Intuit	+3.0%
Novo Nordisk	+2.3%
Estée Lauder	+1.9%
IDEXX	+1.8%

Microsoft makes its seventh appearance on this list, IDEXX its fifth and Intuit, Novo Nordisk and Estée Lauder their second. Someone once said that no one ever got poor by taking profits. This may be true but I doubt they got very rich by this approach either, as I've observed before. We continue to pursue a policy of trying to run our winners. The bottom five were:

PayPal	-0.2%
Undisclosed Position	0.0%
Kone	0.0%
Amadeus	0.0%
Unilever	0.0%

PayPal's performance last year was a clear exception to the benefits of running winners. The shares performed poorly amid concerns that its ambitions to construct a 'super app' to drive users to its payment systems might involve some value destruction, brought home by its apparent interest in acquiring social media operator Pinterest. We may be wrong but we would prefer if PayPal stuck to its knitting.

Kone was affected by the travails of the Chinese construction sector which represents its largest market.

Amadeus is clearly still suffering from the effects of the pandemic on travel which is hardly surprising given that airline reservations are its largest business segment. However, we remain convinced that Amadeus will both survive this downturn and emerge in a stronger market position.

Unilever seems to be labouring under the weight of a management which is obsessed with publicly displaying sustainability credentials at the expense of focusing on the fundamentals of the business. The most obvious manifestation of this is the public spat it has become embroiled in over the refusal to supply Ben & Jerry's ice cream in the West Bank. However, we think there are far more ludicrous examples which illustrate the problem. A company which feels it has to define the purpose of Hellmann's mayonnaise has in our view clearly lost the plot. The Hellmann's brand has existed since 1913 so we would guess that by now consumers have figured out its purpose (spoiler alert — salads and sandwiches). Although Unilever had by far the worst performance of our consumer staples stocks during the pandemic we continue to hold the shares because we think that its strong brands and distribution will triumph in the end.

We sold our stakes in Intertek, Sage, Becton Dickinson, InterContinental Hotels and purchased a stake in Amazon and an as yet undisclosed position during the year.

As three of our sales were companies which are listed in the UK I am sure some will see this as some clue that we are selling out of the UK, or that we have some view on the prospects for the FTSE 100 Index ('FTSE 100') versus the S&P 500 Index ('S&P 500') or some other market or macro view. This is not the case. We invest in companies not indices or countries and in our view the country where a company is listed is largely irrelevant, if of course it has a well regulated stock market, and certainly does not provide a good guide to where the company generates its revenues. For example, InterContinental Hotels is listed in the UK but its largest market is the United States, hence why it reports in US dollars.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)**Annual Report and Audited Financial Statements****For the year ended 31 December 2021**

Investment Manager's Report (continued)

I don't intend to go into the reasoning on every sale and purchase transaction but the purchase of Amazon has attracted a lot of attention as we had previously declined to purchase its shares. Rather than give a lengthy rationale I would rather summarise it with a quote from the economist (and successful fund manager) John Maynard Keynes who said, 'When the facts change, I change my mind.' Although it could be explained by the simpler aphorism 'Better late than never' or at least it will be if our purchase delivers the performance we expect.

We continue to apply a simple three step investment strategy:

- Buy good companies
- Don't overpay
- Do nothing

I will review how we are doing against each of those in turn.

As usual we seek to give some insight into the first and most important of these — whether we own good companies — by giving you the following 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 and the S&P 500. This shows you how the portfolio compares with the major indices and how it has evolved over time.

Year ended	Fundsmith Equity Fund Portfolio								S&P	FTSE
	2014	2015	2016	2017	2018	2019	2020	2021	500	100
ROCE	29%	26%	27%	28%	29%	29%	25%	28%	16%	14%
Gross margin	60%	61%	62%	63%	65%	66%	65%	63%	45%	45%
Operating margin	25%	25%	26%	26%	28%	27%	23%	26%	17%	15%
Cash conversion	102%	98%	99%	102%	95%	97%	101%	96%	106%	124%
Interest cover	15x	16x	17x	17x	17x	16x	16x	23x	9x	8x

Source: Fundsmith LLP/Bloomberg. ROCE, Gross Margin, Operating Profit Margin and Cash Conversion are the weighted mean of the underlying companies invested in by the Fundsmith Equity Fund and mean for the FTSE 100 and S&P 500 Indices. The FTSE 100 and S&P 500 numbers exclude financial stocks. Interest Cover is median. 2013-2019 ratios are based on last reported fiscal year accounts as at 31 December and for 2020 onwards are Trailing Twelve Months and as defined by Bloomberg. Cash Conversion compares Free Cash Flow per Share with Net Income per Share. Percentage change is not calculated if the TTM period contains a net loss.

Returns on capital and profit margins were higher in the portfolio companies in 2021 recovering from the downturn in 2020.

As a group our stocks still have excellent returns, profit margins and cash generation even in poor economic conditions. As you can see the same cannot be said for the major indices — with the exception of their current cash conversion which I suspect is a temporary phenomenon — if you can't get the stock you need because of supply chain problems, cash tied up in working capital is likely to be low. It's also worth remembering that the index numbers have the benefit of including our good companies.

The average year of foundation of our portfolio companies at the year-end was 1926. They are just under a century old collectively.

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 2021? The weighted average free cash flow (the cash the companies generate after paying for everything except the dividend, and our preferred measure) grew by 19% in 2021.

This leads onto the question of valuation. The weighted average free cash flow ('FCF') yield (the free cash flow generated as a percentage of the market value) of the portfolio at the outset of the year was 2.8% and ended it at 2.7%.

The year-end median FCF yield on the S&P 500 was 3.6%. The year-end median FCF yield on the FTSE 100 was 5.4%.

Our portfolio consists of companies that are fundamentally a lot better than the average of those in either index and are valued higher than the average S&P 500 company and much higher than the average FTSE 100 company. However, it is wise to bear in mind that despite the rather sloppy shorthand used by many commentators, highly rated does not equate to expensive any more than lowly rated equates to cheap.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)

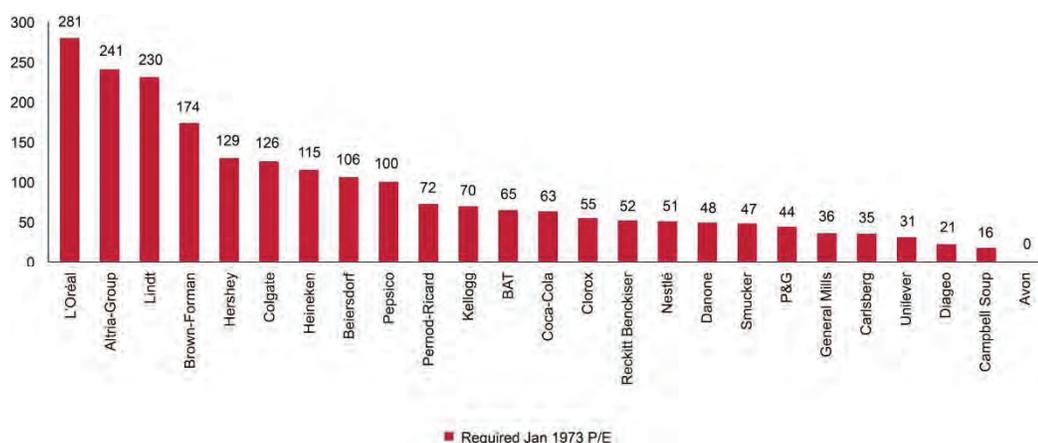
Annual Report and Audited Financial Statements

For the year ended 31 December 2021

Investment Manager's Report (continued)

The bar chart below may help to illustrate this point. It shows the 'Justified P/Es' of a number of stocks of the kind we invest in. What it shows is the Price/Earnings ratio (P/E) you could have paid for these stocks in 1973 and achieved a 7% compound annual growth rate (CAGR) over the next 46 years (to 2019), versus the 6.2% CAGR the MSCI World Index (USD) returned over the same period. In other words, you could have paid these prices for the stocks and beaten the index — something the perfect markets theorists would maintain you can't do.

Justified P/Es



Source: Ash Park Capital and Refinitiv Datastream, excludes dividends, in USD.

You could have paid a P/E of 281x for L'Oréal, 174x for Brown-Forman, 100x for PepsiCo, 44x for Procter & Gamble and a mere 31x for Unilever.

I am not suggesting we will pay those multiples but it puts the sloppy shorthand of high P/Es equating to expensive stocks into perspective.

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 -0.5% during the period. It is perhaps more helpful to know that we spent a total of just 0.009% (just under one basis point) of the Sub-Fund's average value over the year on voluntary dealing (which excludes dealing costs associated with subscriptions and redemptions as these are involuntary). We have held ten of our portfolio companies since inception in 2011.

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, or in some cases obsess about, 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 Sub-Fund. The OCF for 2021 for the T Class Accumulation Shares was 1.09% (I Class Shares 0.95%). 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, 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, transaction taxes such as stamp duty in the UK. 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 2021 this amounted to a TCI of 1.12% (I Class Shares 0.98%), including all costs of dealing for flows into and out of the Sub-Fund, not just our voluntary dealing. We are pleased that our TCI is just 0.03% (3 basis point) above our OCF when transaction costs are taken into account. However, we would again caution against becoming obsessed with charges to such an extent that you lose focus on the performance of funds. Some commentators state that an investor's primary focus should be on fees. To quote Charlie Munger (albeit in another context) this is 'Twaddle'. It is worth pointing out that the performance of our Sub-Fund tabled at the beginning of this letter is after charging all fees which should surely be the main focus.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)
Annual Report and Audited Financial Statements
For the year ended 31 December 2021

Investment Manager’s Report (continued)

Turning to the themes which dominated 2021, you may have heard a lot talked about the so-called ‘rotation’ from quality stocks of the sort we seek to own to so-called value stocks, which in many cases is simply taken as equating to lowly rated companies. Somewhat related to this there was periodic excitement over so-called reopening stocks which could be expected to benefit as and when we emerge from the pandemic — airlines and the hospitality industry, for example.

There are multiple problems with an approach which involves pursuing an investment in these stocks. Timing is obviously an issue. Another is that their share prices may already over anticipate the benefits of the so-called reopening. As Jim Chanos, the renowned short seller, observed ‘The worst thing that can happen to reopening stocks is that we reopen.’ It is often better to travel hopefully than to arrive.

In our view, the biggest problem with any investment in low quality businesses is that on the whole the return characteristics of businesses persist. Good sectors and businesses remain good and poor return businesses also have persistently poor returns as the charts below show:

Persistence in Profitability

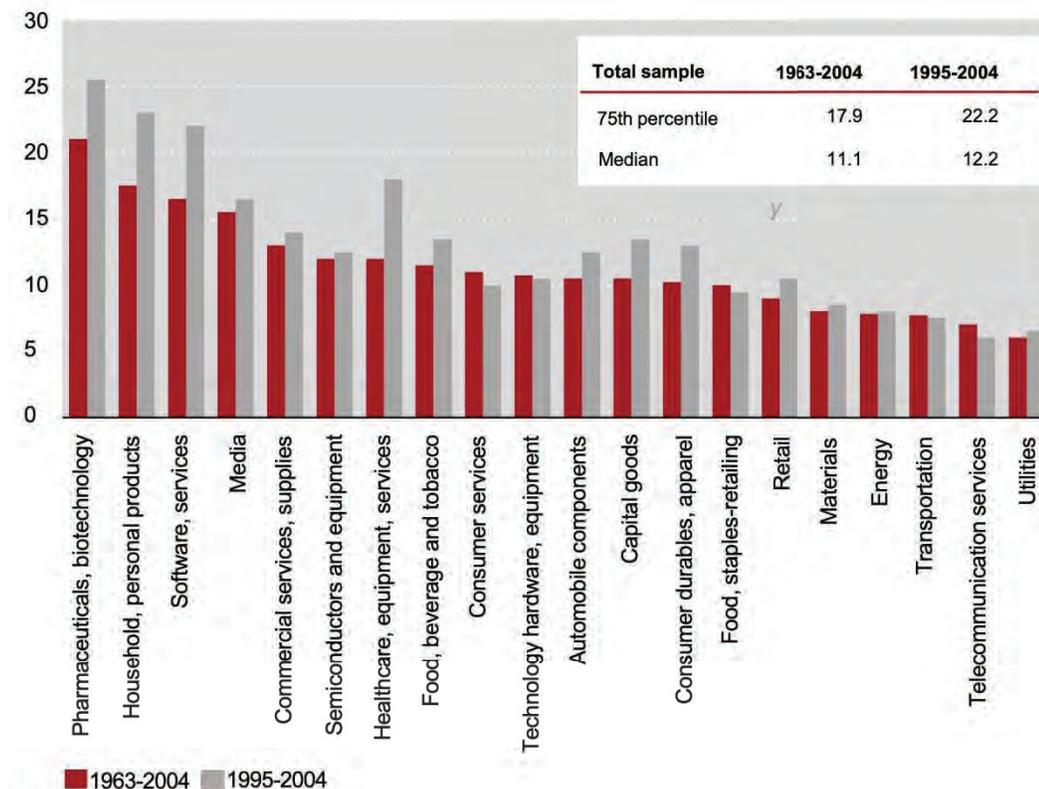


Source: GMO. The 1000 largest companies in the U.S. were sorted for each point in the graph into quartiles based on return on equity (ROE). Past Low Profits consists of those companies in the quartile with the lowest ROE. Past High Profits consists of those companies in the quartile with the greatest ROE.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)
Annual Report and Audited Financial Statements
For the year ended 31 December 2021

Investment Manager's Report (continued)

Median and Annual ROIC, Excluding Goodwill %



Source: McKinsey

These return characteristics persist because good businesses find ways to fend off the competition — what Warren Buffett calls ‘The Moat’ — strong brands; control of distribution; high spend on product development, innovation, marketing and promotion; patents and installed bases of equipment and/or software which are troublesome to change for example.

Poor returns also persist because companies which have many competitors, no control over pricing and/or input costs, and an ability for consumers to prolong the life of the product in a downturn (like cars) cannot suddenly throw off these poor characteristics just because they are lowly rated and/or benefit from an economic recovery.

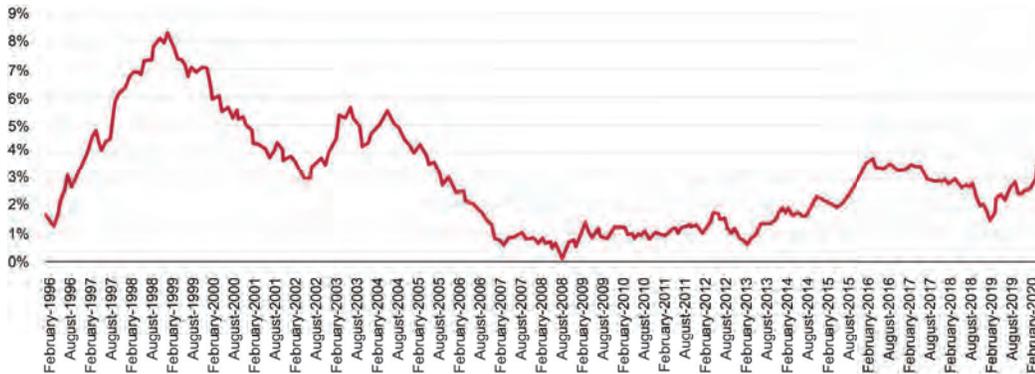
Contrary to the mantra that every fund has to recite, past returns of companies are a good guide to future returns.

Even if you manage to identify a truly cheap value or reopening stock and time the rotation into that stock correctly so as to make a profit, this will not transform it into a good long term investment. You need to sell it at a good moment — presumably when some of your fellow punters investors will also be doing so because its cheapness will not transform it into a good business and in the long run it is the quality of the business that you invest in which determines your returns.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)
Annual Report and Audited Financial Statements
For the year ended 31 December 2021

Investment Manager's Report (continued)

The chart below shows the excess returns — the amount by which it beats the index — of the MSCI World Quality Index (which I am taking as a surrogate for our strategy). Over the last 25 years there has never been a rolling 120 month (ten year) period when quality has not performed as well as or better than the MSCI World Index.



Source: MSCI

I know 10 years is a long time and well beyond the time horizon of most investors, but we are long term investors and aim to capture this inevitable outperformance by good companies. If this investment time horizon is too long for you then you may be invested in the wrong fund. Moreover, if anything this chart flatters the outcome of investing in low quality, cyclical, value or recovery stocks as the index with which the quality stocks are being compared includes those quality stocks. If they were taken out of the index, the relative outperformance would be even more pronounced.

You may have heard a lot about inflation over the past year and I suspect you will continue to hear more about it in 2022.

In some respects, we needn't discuss whether or not we have inflation — German wholesale prices were up 16.6% year on year in November but were easily trumped by Spain whose producer price index (PPI) rose 33.1% in the same period. However, that eye-catching statistic is far from the whole story.

It is not difficult to see potential causes of inflation. The expansion of central bank balance sheets with Quantitative Easing after the Credit Crisis has been followed by huge monetary and fiscal stimuli put in place to counter the economic effects of the pandemic. One might reason that given the growth in the money supply has vastly outstripped the increases in production of goods and services the price of those goods and services was sure to be bid up and ipso facto inflation must follow.

However, this omits another important element of the equation — the velocity of circulation of money. Are people more inclined to save the additional money or to spend it? The savings ratio leapt after the Credit Crisis and again during the pandemic partly no doubt due to caution but also because there were fewer opportunities to spend, for example on travel and vacations. However, it is now on its way back to pre-crisis levels so maybe we have all the ingredients for inflation to take hold.

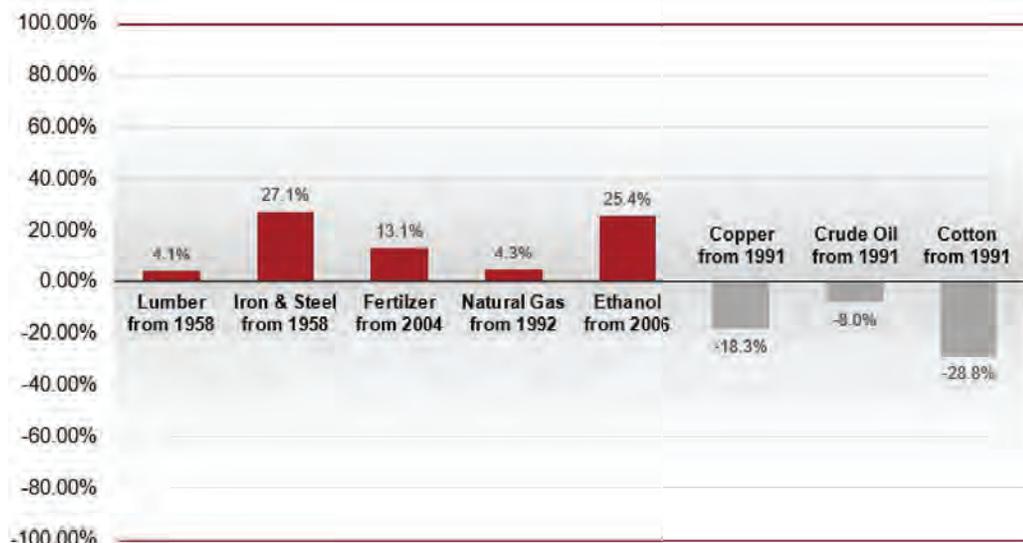
You might well be confused at this point (I know I am) particularly considering that the 'authorities' spent most of the decade post the Credit Crisis trying to generate inflation in order to negate the deflationary effects of the Credit Crisis and its causes. The trouble is that with inflation, as with so much else, you need to be careful what you wish for. It is a bit like trying to light a bonfire or a traditional BBQ on a damp day. If you put an accelerant like gasoline on it you can go from no fire to a loud 'Whoosh!' and find that you have also set fire to the garden fence. When inflation takes hold, it too may exceed your expectations.

In terms of how to react, if at all, there are also other factors to consider. Inflation in the cost of commodities does not necessarily equate to retail price inflation or asset inflation. The chart below attempts to correlate the price increases or decreases in a number of commodities with the Consumer Price Index over time.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)
Annual Report and Audited Financial Statements
For the year ended 31 December 2021

Investment Manager's Report (continued)

Correlation of Long Term Commodity Prices With Inflation



Source: Federal Reserve Economic Research. 100% = perfect positive correlation, 0% = no correlation, -100% = perfect negative correlation.

As you can see, there is no correlation. One of the reasons for this is that consumers do not buy commodities. They are bought by companies which make them into the goods which consumers buy. Interestingly, the eye-popping Spanish PPI rise of 33.1% in the year to November included an 88% increase in energy prices, 48% for basic metals and 16% for paper products but only 8.3% for food. Consumers don't buy basic metals.

So the initial impact of input cost inflation is not on consumer prices but on company profits. All companies are not equal in this regard. The higher a company's gross margin — the difference between its sales revenues and cost of goods sold — the better its profitability is protected from inflation.

The table below shows the impact of input cost inflation on two companies in the consumer sector — L'Oréal which we own and Campbell's Soup, which we do not own. L'Oréal has gross margins of 73% and Campbell's has 35%. A 5% rise in input cost inflation would cut L'Oréal's profits by 7% if it took no other action, whereas Campbell's profits would fall by 22%.

Impact of 5% Inflation

L'Oréal	Before	After	Campbell's	Before	After
% of revenues			% of revenues		
Revenue	100%	100%	Revenue	100%	100%
COGs	27%	28%	COGs	65%	68%
Gross profit	73%	72%	Gross profit	35%	32%
SG&A	55%	55%	SG&A	20%	20%
Operating profit	18%	17%	Operating profit	15%	12%
Decline in profit		-7%	Decline in profit		-22%

Source: Fundsmith Research

You will recall from the look-through table earlier that our portfolio companies have gross margins of over 60%, versus about 40% for the average company in the index. So, from a fundamental respect our companies are likely to be better able to weather inflation.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)
Annual Report and Audited Financial Statements
For the year ended 31 December 2021

Investment Manager's Report (continued)

However, inflation also affects valuations. Rises in inflation and interest rates also do not affect the valuation of all companies equally. In the bond market, the longer the maturity of a bond, the more sensitive its valuation is to rate changes. A short-dated bond soon matures and the proceeds can be reinvested at whatever the new rate is. The same is not true of a 10 or 30 year bond.

The equivalent to the duration of a bond in terms of equities is the valuation multiple whether it is expressed in terms of earnings or, as we would prefer, cash flows. The higher rated a company's shares are, the more it will be affected by changes in inflation or interest rates. This is one reason why the shares of the new wave of unprofitable tech companies have performed so poorly latterly. As they are loss-making more than 100% of their expected value is in the future (there are probably other reasons like the growing realisation that you are often being invited to invest in a business plan rather than a business).

So in brief, if inflation is seen to have taken hold rather more than some people, including the Federal Reserve Bank expects, then we are probably in for an uncomfortably bumpy ride in terms of valuations but we can be relatively sanguine in terms of the effect on the fundamental performance of our portfolio businesses which is our primary focus.

The good news is that we do not invest on the basis of our ability to forecast inflation or any other macroeconomic factor. We invest in companies not countries, indices or macroeconomic forecasts.

I would like to leave you with this thought: our Sub-Fund has prospered during the pandemic. The companies it invests in have endured much more — the Great Depression, World War II, the Great Inflation of 1965–82, the Dotcom meltdown and the Credit Crisis. They will probably survive whatever comes next and so will we if we stick to our principles and we have every intention of doing so.

Finally, thank you for your continued support for our Sub-Fund.

Yours sincerely,



Terry Smith,
CEO
Fundsmith LLP

Sources: Fundsmith LLP & Bloomberg unless otherwise stated.

Portfolio turnover has been calculated in accordance with the methodology laid down by the FCA. This compares the total share purchases and sales less total creations and liquidations with the average net asset value of the Sub-Fund.

P/E ratios and Free Cash Flow Yields are based on trailing twelve month data and as at 31 December 2021 unless otherwise stated.

MSCI World Index is the exclusive property of MSCI Inc. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or final products. This report is not approved, reviewed or produced by MSCI. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and Standard & Poor's and "GICS®" is a service mark of MSCI and Standard & Poor's.

To the Shareholders of
Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)
10, rue du Château d'Eau,
L-3364 Leudelange
Grand Duchy of Luxembourg

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV) (the "SICAV"), which comprise the statement of net assets and the statement of investments and other net assets as at December 31, 2021 and the statement of operations and changes in net assets for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the SICAV as at December 31, 2021 and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for Opinion

We conducted our audit in accordance with the Law of July 23, 2016 on the audit profession (Law of July 23, 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*" (CSSF). Our responsibilities under the Law of July 23, 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the independent auditor for the Audit of the Financial statements" section of our report. We are also independent of the SICAV in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors of the SICAV is responsible for the other information. The other information comprises the information stated in the annual report but does not include the financial statements and our report of the independent auditor thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors of the SICAV for the Financial Statements

The Board of Directors of the SICAV is responsible for the preparation and fair presentation of the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the statements, and for such internal control as the Board of Directors of the SICAV determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the SICAV's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the SICAV or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the independent auditor for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the independent auditor that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SICAV's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the SICAV.
- Conclude on the appropriateness of the Board of Directors of the SICAV's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the SICAV's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the independent auditor to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the independent auditor. However, future events or conditions may cause the SICAV to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For Deloitte Audit, *Cabinet de révision agréé*



Justin Griffiths

Justin Griffiths, *Réviseur d'entreprises agréé*
Partner

Luxembourg, April 29, 2022

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)
Annual Report and Audited Financial Statements
For the year ended 31 December 2021

Statement of Net Assets as at 31 December 2021

Assets	Notes	Combined EUR	Fundsmith Equity Fund EUR	Fundsmith Sustainable Equity Fund* EUR
Investments at market value	2(c)	9,001,348,275	8,807,544,401	193,803,874
Cash at bank	2(c)	281,339,754	275,672,578	5,667,176
Receivable on subscriptions	2(c)	16,638,336	16,608,790	29,546
Dividend income receivable	2(c,d)	5,889,800	5,823,510	66,290
Reclaims receivable		944,709	944,709	-
Other assets		153,055	149,644	3,411
Total assets		9,306,313,929	9,106,743,632	199,570,297
Liabilities				
Accrued bank charges		(50,935)	(50,228)	(707)
Payable on redemptions	2(c)	(2,942,487)	(2,942,487)	-
Management fees payable	3(a)	(6,885,036)	(6,776,803)	(108,233)
Depositary and administration fees payable	3(b,c)	(762,115)	(746,362)	(15,753)
Subscription tax payable	4	(401,926)	(396,830)	(5,096)
Professional fees payable		(104,165)	(102,739)	(1,426)
Other liabilities		(18,149)	(17,826)	(323)
Total liabilities		(11,164,813)	(11,033,275)	(131,538)
Total net assets		9,295,149,116	9,095,710,357	199,438,759

* This Sub-Fund was launched on 1 March 2021.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)
Annual Report and Audited Financial Statements
For the year ended 31 December 2021

Statement of Operations and Changes in Net Assets
for the year ended 31 December 2021

	Notes	Combined EUR	Fundsmith Equity Fund EUR	Fundsmith Sustainable Equity Fund* EUR
Net assets at the beginning of the year		5,525,102,355	5,525,102,355	-
Income				
Dividend income	2(d)	69,698,345	69,143,169	555,176
Other income		182,947	179,537	3,410
Total income		69,881,292	69,322,706	558,586
Expenses				
Management fees	3(a)	(64,950,526)	(64,377,726)	(572,800)
Depositary and administration fees	3(b,c)	(2,586,770)	(2,543,666)	(43,104)
Subscription tax	4	(1,260,154)	(1,249,563)	(10,591)
Net bank charges		(705,503)	(704,232)	(1,271)
Professional fees		(132,687)	(130,866)	(1,821)
Directors' fees	3(d)	(42,504)	(42,081)	(423)
Other expenses		(15,900)	(5,193)	(10,707)
Total expenses		(69,694,044)	(69,053,327)	(640,717)
Net investment income/(loss)		187,248	269,379	(82,131)
Net realised (loss)/gain on:				
Investments		(12,824,089)	(12,958,454)	134,365
Foreign currency		10,045,249	10,075,005	(29,756)
Net realised (loss)/gain for the year		(2,778,840)	(2,883,449)	104,609
Net change in unrealised gain on:				
Investments	2(c)	1,746,119,773	1,725,454,525	20,665,248
Foreign currency	2(b)	544,446	540,275	4,171
Net change in unrealised gain for the year		1,746,664,219	1,725,994,800	20,669,419
Increase in net assets as a result of operations		1,744,072,627	1,723,380,730	20,691,897
Movements in share capital				
Subscriptions		3,758,002,426	3,575,691,040	182,311,386
Redemptions		(1,730,341,458)	(1,726,776,944)	(3,564,514)
Distribution paid	5	(1,686,834)	(1,686,824)	(10)
Increase in net assets as a result of movements in share capital		2,025,974,134	1,847,227,272	178,746,862
Net assets at the end of the year		9,295,149,116	9,095,710,357	199,438,759

* This Sub-Fund was launched on 1 March 2021.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)
Annual Report and Audited Financial Statements
For the year ended 31 December 2021

Statistical Information

Net Assets

	Currency	31 December 2021	31 December 2020	31 December 2019
Fundsmith Equity Fund				
Net asset value per:				
T Class Accumulation Shares	EUR	60.27	46.75	42.22
T Class Income Shares	EUR	56.83	44.11	39.93
I Class Accumulation Shares	EUR	61.02	47.27	42.63
I Class Income Shares	EUR	57.02	44.25	40.06
CHF I Class Accumulation Shares	CHF	44.74	36.26	32.84
CHF I Class Income Shares	CHF	41.72	33.88	30.80
GBP I Class Accumulation Shares	GBP	40.18	33.32	28.41
GBP I Class Income Shares	GBP	38.29	31.82	27.23
USD I Class Accumulation Shares	USD	38.45	32.29	26.65
USD I Class Income Shares	USD	36.25	30.50	25.27
R Class Accumulation Shares	EUR	57.48	44.81	40.66
R Class Income Shares	EUR	56.40	43.97	39.92
Total net assets	EUR	9,095,710,357	5,525,102,355	4,112,138,884
Fundsmith Sustainable Equity Fund				
Net asset value per:				
T Class Accumulation Shares*	EUR	12.60	-	-
T Class Income Shares*	EUR	12.60	-	-
I Class Accumulation Shares*	EUR	12.61	-	-
I Class Income Shares*	EUR	12.61	-	-
CHF I Class Accumulation Shares*	CHF	11.86	-	-
CHF I Class Income Shares*	CHF	11.85	-	-
GBP I Class Accumulation Shares*	GBP	12.26	-	-
GBP I Class Income Shares*	GBP	12.26	-	-
USD I Class Accumulation Shares*	USD	11.85	-	-
USD I Class Income Shares*	USD	11.85	-	-
R Class Accumulation Shares*	EUR	12.55	-	-
R Class Income Shares*	EUR	12.55	-	-
Total net assets	EUR	199,438,759	-	-

* Share class launched during the year ended 31 December 2021. For share class specific launch dates, please refer to Note 1.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)
Annual Report and Audited Financial Statements
For the year ended 31 December 2021

Statistical Information (continued)

Changes in Shares Outstanding

	Currency	Balance as at 1 January 2021	Subscriptions	Redemptions	Balance as at 31 December 2021
Fundsmith Equity Fund					
T Class Accumulation Shares	EUR	17,153,084	11,769,068	7,447,072	21,475,080
T Class Income Shares	EUR	2,595,184	1,043,038	864,206	2,774,016
I Class Accumulation Shares	EUR	29,582,090	9,879,009	8,984,961	30,476,138
I Class Income Shares	EUR	6,445,322	2,221,664	1,882,264	6,784,722
CHF I Class Accumulation Shares	CHF	4,299,946	1,098,397	422,545	4,975,798
CHF I Class Income Shares	CHF	1,280,069	63,411	314,601	1,028,879
GBP I Class Accumulation Shares	GBP	10,346,709	3,620,141	2,643,723	11,323,127
GBP I Class Income Shares	GBP	4,212,981	1,254,617	781,150	4,686,448
USD I Class Accumulation Shares	USD	61,763,229	53,285,884	10,760,885	104,288,228
USD I Class Income Shares	USD	12,184,141	2,607,426	3,788,032	11,003,535
R Class Accumulation Shares	EUR	5,352,583	4,078,750	1,990,577	7,440,756
R Class Income Shares	EUR	924,519	368,947	190,454	1,103,012
Fundsmith Sustainable Equity Fund					
T Class Accumulation Shares*	EUR	-	270,281	19,387	250,894
T Class Income Shares*	EUR	-	1,439	-	1,439
I Class Accumulation Shares*	EUR	-	13,267,856	262,100	13,005,756
I Class Income Shares*	EUR	-	229,582	-	229,582
CHF I Class Accumulation Shares*	CHF	-	324,680	4,500	320,180
CHF I Class Income Shares*	CHF	-	1,000	-	1,000
GBP I Class Accumulation Shares*	GBP	-	32,867	-	32,867
GBP I Class Income Shares*	GBP	-	1,651	92	1,559
USD I Class Accumulation Shares*	USD	-	2,406,623	27,763	2,378,860
USD I Class Income Shares*	USD	-	3,000	-	3,000
R Class Accumulation Shares*	EUR	-	14,380	-	14,380
R Class Income Shares*	EUR	-	1,000	-	1,000

* Share class launched during the year ended 31 December 2021. For share class specific launch dates, please refer to Note 1.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)

Annual Report and Audited Financial Statements

For the year ended 31 December 2021

Portfolio of Investments as at 31 December 2021

Fundsmith Equity Fund

Currency	Holdings	Description	Market value EUR	% of net assets
Transferable securities and money market instruments admitted to an official stock exchange listing or dealt in on another regulated market				
Equities				
Denmark				
DKK	1,230,090	Coloplast A/S - B	190,380,106	2.10
DKK	4,511,671	Novo Nordisk A/S - B	445,896,553	4.90
Total Denmark			636,276,659	7.00
Finland				
EUR	3,015,845	Kone Oyj - B	190,118,869	2.09
Total Finland			190,118,869	2.09
France				
EUR	600,167	L'Oreal SA	251,499,981	2.77
EUR	437,889	LVMH Moet Hennessy Louis Vuitton SE	317,425,736	3.49
Total France			568,925,717	6.26
Spain				
EUR	2,293,255	Amadeus IT Group SA	136,769,728	1.50
Total Spain			136,769,728	1.50
United Kingdom				
GBP	5,974,340	Diageo PLC	285,984,249	3.15
GBP	5,062,317	Unilever PLC	236,872,149	2.60
Total United Kingdom			522,856,398	5.75
United States				
USD	76,538	Alphabet Inc - A	197,727,484	2.17
USD	86,528	Amazon.com Inc	257,851,653	2.83
USD	1,368,072	Automatic Data Processing Inc	296,809,403	3.26
USD	3,669,290	Brown-Forman Corp - B	234,710,047	2.58
USD	3,113,169	Church & Dwight Co Inc	278,957,074	3.07
USD	1,357,388	Estee Lauder Cos Inc - A	440,537,926	4.84
USD	610,731	IDEXX Laboratories Inc	356,839,316	3.92
USD	704,059	Intuit Inc	400,197,330	4.40
USD	1,454,594	Johnson & Johnson	221,443,711	2.43
USD	3,316,498	McCormick & Co Inc	280,035,056	3.08
USD	1,323,330	Meta Platforms Inc - A	402,616,838	4.43
USD	2,484,199	Microsoft Corp	744,743,835	8.19
USD	2,027,555	NIKE Inc - B	300,035,472	3.30
USD	2,508,910	PayPal Holdings Inc	425,329,855	4.68
USD	1,960,232	PepsiCo Inc	299,044,239	3.29
USD	3,974,052	Philip Morris International Inc	330,957,370	3.64
USD	2,535,555	Starbucks Corp	260,399,240	2.86
USD	1,372,830	Stryker Corp	328,322,049	3.61
USD	1,199,959	Visa Inc - A	230,980,287	2.54
USD	796,366	Waters Corp	261,745,004	2.88
Total United States			6,549,283,189	72.00
Total equities			8,604,230,560	94.60
Total transferable securities and money market instruments admitted to an official stock exchange listing or dealt in on another regulated market			8,604,230,560	94.60

The accompanying notes form an integral part of these financial statements.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)
Annual Report and Audited Financial Statements
For the year ended 31 December 2021

Portfolio of Investments as at 31 December 2021 (continued)

Fundsmith Equity Fund (continued)

Currency	Holdings	Description	Market value EUR	% of net assets
Other transferable securities				
Equities				
EUR	183,408	L'Oreal SA - Pref	76,857,122	0.84
EUR	301,770	L'Oreal SA - Pref 2022	126,456,719	1.39
		Total France	203,313,841	2.23
		Total equities	203,313,841	2.23
Total other transferable securities			203,313,841	2.23
Total portfolio			8,807,544,401	96.83
Other assets and liabilities			288,165,956	3.17
Net assets at the end of the year			9,095,710,357	100.00

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)
Annual Report and Audited Financial Statements
For the year ended 31 December 2021

Portfolio of Investments as at 31 December 2021 (continued)

Fundsmith Sustainable Equity Fund

Currency	Holdings	Description	Market value EUR	% of net assets
Transferable securities and money market instruments admitted to an official stock exchange listing or dealt in on another regulated market				
Equities				
Denmark				
DKK	97,272	Novo Nordisk A/S - B	9,613,567	4.82
DKK	53,184	Coloplast A/S - B	8,231,248	4.13
		Total Denmark	17,844,815	8.95
Finland				
EUR	58,758	Kone Oyj - B	3,704,104	1.86
		Total Finland	3,704,104	1.86
France				
EUR	26,667	L'Oreal SA	11,174,806	5.60
		Total France	11,174,806	5.60
Spain				
EUR	75,732	Amadeus IT Group SA	4,516,656	2.26
		Total Spain	4,516,656	2.26
United Kingdom				
GBP	162,134	Unilever PLC	7,586,453	3.80
		Total United Kingdom	7,586,453	3.80
United States				
USD	2,693	Alphabet Inc - A	6,957,069	3.49
USD	38,470	Automatic Data Processing Inc	8,346,240	4.18
USD	103,603	Church & Dwight Co Inc	9,283,399	4.65
USD	20,414	Colgate-Palmolive Co	1,525,662	0.76
USD	25,957	Estee Lauder Cos Inc - A	8,424,299	4.22
USD	24,617	Home Depot Inc	8,915,927	4.47
USD	13,053	IDEXX Laboratories Inc	7,626,637	3.82
USD	18,092	Intuit Inc	10,283,755	5.17
USD	51,460	Johnson & Johnson	7,834,140	3.93
USD	104,264	McCormick & Co Inc	8,803,737	4.41
USD	32,914	Microsoft Corp	9,867,365	4.95
USD	32,614	PayPal Holdings Inc	5,528,978	2.77
USD	43,744	PepsiCo Inc	6,673,389	3.35
USD	58,830	Procter & Gamble Co	8,460,271	4.24
USD	72,537	Starbucks Corp	7,449,485	3.74
USD	32,596	Stryker Corp	7,795,565	3.91
USD	39,388	Visa Inc - A	7,581,802	3.80
USD	26,069	Waters Corp	8,568,209	4.30
USD	41,787	Zoetis Inc	9,051,111	4.54
		Total United States	148,977,040	74.70
		Total equities	193,803,874	97.17
Total transferable securities and money market instruments admitted to an official stock exchange listing or dealt in on another regulated market			193,803,874	97.17
Total portfolio			193,803,874	97.17
Other assets and liabilities			5,634,885	2.83
Net assets at the end of the year			199,438,759	100.00

The accompanying notes form an integral part of these financial statements.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)

Annual Report and Audited Financial Statements

For the year ended 31 December 2021

Notes to the Financial Statements

1. The SICAV

Fundsmith SICAV (the “SICAV”), formerly Fundsmith Equity Fund SICAV, is an open-ended investment company incorporated under the laws of Luxembourg as a *Société d'Investissement à Capital Variable* in accordance with the provisions of Part I of the amended Law relating to Undertakings for Collective Investment of 17 December 2010 (“UCI Law”). The SICAV was incorporated for an unlimited period on 28 October 2011. The Articles of Incorporation were published in the *Mémorial C* on 14 November 2011. The SICAV changed its name to Fundsmith SICAV on 1 March 2021 and the Articles were amended with effect on 1 March 2021. The SICAV is registered with the Luxembourg Trade and Companies Register under number B164404.

The SICAV has appointed FundRock Management Company S.A. (the “Management Company”) as its management company.

As at 31 December 2021, the SICAV consisted of two active sub-funds (the “Sub-Funds”):

Sub-Fund	Currency	Launch date
Fundsmith Equity Fund	EUR	28 October 2011
Fundsmith Sustainable Equity Fund	EUR	1 March 2021

Investment Objective

The investment objective of the Sub-Funds is to achieve long term growth in value. The Sub-Funds will invest in equities on a global basis. The Sub-Funds’ approach is to be a long-term investor in their chosen stocks. They will not adopt short-term trading strategies. The Sub-Funds have stringent investment criteria which the Investment Manager adheres to in selecting securities for the Sub-Funds’ investment portfolios.

Share Classes Launched

The following share classes were launched during the year ended 31 December 2021:

Sub-Fund and share class	Currency	Launch date
Fundsmith Sustainable Equity Fund		
T Class Accumulation Shares	EUR	1 March 2021
T Class Income Shares	EUR	1 March 2021
I Class Accumulation Shares	EUR	1 March 2021
I Class Income Shares	EUR	1 March 2021
CHF I Class Accumulation Shares	CHF	1 March 2021
CHF I Class Income Shares	CHF	1 March 2021
GBP I Class Accumulation Shares	GBP	1 March 2021
GBP I Class Income Shares	GBP	1 March 2021
USD I Class Accumulation Shares	USD	1 March 2021
USD I Class Income Shares	USD	1 March 2021
R Class Accumulation Shares	EUR	1 March 2021
R Class Income Shares	EUR	1 March 2021

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

(a) Preparation of the Financial Statements

The combined primary statements of these financial statements (Statement of Net Assets and Statement of Operations and Changes in Net Assets) are the arithmetic sum of the financial statements of all Sub-Funds as at 31 December 2021.

These financial statements have been prepared in accordance with Luxembourg regulations relating to Undertakings for Collective Investment (“UCI”).

The reference currency of the SICAV and of each of its Sub-Funds is EUR and all the financial statements of the SICAV are presented in EUR.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)

Annual Report and Audited Financial Statements

For the year ended 31 December 2021

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(b) Foreign Currency Translation

Transactions and Balances

Foreign currency transactions are translated into the reference currency using the exchange rates prevailing on the dates of the transactions. Foreign currency assets and liabilities are translated into the base currency using the exchange rate prevailing at the Statement of Net Asset date and are detailed in Note 7.

Foreign exchange gains and losses arising from translation are included in the Statement of Operations and Changes in Net Assets.

(c) Valuation of Investments, Assets and Liabilities

The SICAV's investments, assets and liabilities are valued as follows:

(i) Investment Securities Valuation

In calculating a net asset value, the Administrator may consult the Management Company and the Investment Manager with respect to the valuation of certain investments. Whilst there is an inherent conflict of interest between the involvement of the Management Company/Investment Manager in determining the valuation price of the Sub-Funds' investments and the Management Company's/Investment Manager's other duties and responsibilities in relation to a Sub-Fund, the Management Company/Investment Manager will endeavour to resolve any such conflict of interest timely and fairly and in the interest of Shareholders.

The value of securities which are listed or dealt in on any stock exchange is based on the last available price.

The Board of Directors of the SICAV may adjust the value of any investment if having regard to its currency, marketability, applicable interest rates, anticipated rates of dividend, maturity, liquidity or any other relevant considerations, and deem such adjustment is required to reflect the fair value thereof.

Where the value of any investment is not ascertainable as described in the Articles, the value shall be the probable realisation value estimated by the Board of Directors of the SICAV, or by a competent person, with care and in good faith.

If the Board of Directors of the SICAV deem it necessary, a specific investment may be valued under an alternative method of valuation chosen by the Board of Directors of the SICAV.

(ii) Cash

Cash at bank includes cash on hand or on deposit and is valued at its nominal/face value.

(iii) Assets

Assets, which include dividend income receivable, receivable on subscriptions, prepaid expenses and reclaims receivable, are valued at nominal value unless it appears unlikely that such nominal amount is obtainable.

(iv) Liabilities

Liabilities, which include expenses payable and payable on redemptions, are valued at nominal value.

(d) Dividend Income

Dividends are recognised on the date on which the shares concerned are quoted "ex-dividend", net of withholding tax.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)
Annual Report and Audited Financial Statements
For the year ended 31 December 2021

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(e) Distributions

The SICAV may issue accumulation and/or income shares within each Sub-Fund. Accumulation shares do not pay any dividends whereas income shares give their owners the right to receive distributions.

(f) Total Net Asset Value

The total net asset value is equal to the difference between the total assets and the total liabilities of each Sub-Fund and the total net asset value of each share class is expressed in the reference currency of the relevant share class.

The net asset value per share is calculated as of each valuation day by dividing the total net asset value attributable to a share class by the total number of shares in issue or deemed to be in issue in that share class as of the relevant valuation day and rounding the resulting total to two decimal places or such number of decimal places as the Board of Directors of the SICAV may determine.

(g) Transaction Costs

Transaction costs are costs incurred to acquire financial assets or liabilities at market value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs for the year ended 31 December 2021 are disclosed in Note 6.

(h) Swing Pricing

A Sub-Fund may suffer a reduction in value of its investments as a result of the transaction costs incurred in the purchase and sale of its underlying investments and of the spread between the buying and selling prices of such investments caused by subscriptions, redemptions and/or conversions in and out of the Sub-Fund. This is known as “dilution”. In order to counter this and to protect Shareholders' interests, the Board of Directors may decide to apply “swing pricing” as part of the valuation policy. This will mean that in certain circumstances the Board of Directors may make adjustments in the calculations of the net asset values per share, to counter the impact of dealing and other costs on occasions when these are deemed to be significant.

If on any valuation day the aggregate value of transactions in shares of a Sub-Fund results in a net increase or decrease of shares which exceeds a threshold of 5% of such Sub-Fund's NAV (relating to the cost of market dealing for that Sub-Fund), the net asset value of the Sub-Fund will be adjusted by an amount (not exceeding 0.25% of the net asset value) which reflects both the estimated fiscal charges and dealing costs that may be incurred by the Sub-Fund and the estimated bid/offer spread of the assets in which the Sub-Fund invests. This maximum amount will not vary even in case of change in market conditions (i.e. it will not be increased in unusual market conditions). The adjustment will be an addition when the net movement results in an increase of all shares of a Sub-Fund and a deduction when it results in a decrease.

Both Sub-Funds are in scope of swing pricing and for both Sub-Funds swing pricing was applied during the year.

As at 31 December 2021, no swing pricing was applied.

(i) Use of Estimates

The preparation of the financial statements in conformity with the Luxembourg legal and regulatory requirements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. The Board of Directors of the SICAV may also disclose certain contingent assets and liabilities at the date of the financial statements which can affect income and expenses during the reported years. Actual results could differ from those estimates.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)**Annual Report and Audited Financial Statements****For the year ended 31 December 2021**

Notes to the Financial Statements (continued)**3. Fees****(a) Management Fees**

The SICAV remunerates the Management Company and the Investment Manager for their services out of an aggregate management fee, which is payable monthly in arrears and accrued as of each valuation day.

The annual management fee rates applicable to the share classes are expressed as a percentage of the total net assets of each share class and are specified in the following table:

Sub-Fund	T Class	I Class	R Class
Fundsmith Equity Fund	1.00%	0.90%	1.50%
Fundsmith Sustainable Equity Fund	1.00%	0.90%	1.50%

(b) Administration Fees

Northern Trust Global Services SE has been appointed as administrator (the “Administrator”) pursuant to the Central Administration Agreement. The Administrator provides the services of central administration agent, domiciliary and corporate agent, registrar and transfer agent to the SICAV.

The SICAV pays to the Administrator out of the assets of the Sub-Funds an annual fee, accrued as of each valuation day and payable monthly in arrears, for the fund accounting duties. Until 28 February 2021, the annual fee was calculated as 0.015% of the total net assets of each Sub-Fund and paid to the former Administrator, State Street Bank International GmbH, Luxembourg Branch. From 1 March 2021, the annual fee is calculated as 0.006% of the total net assets of each Sub-Fund and there is an additional charge of EUR 1,000 per annum for each share class, the first two share classes in each Sub-Fund being free of charge.

The Administrator is also entitled to a fee of EUR 9,000 per annum at umbrella level for acting as the domiciliary agent.

The SICAV also pays to the Administrator the following fees for the transfer agency services:

Until 28 February 2021:

Service	Fee
Initial set up fee	EUR 25,000
Annual fee	EUR 3,000/ISIN
Subscription/redemption	EUR 25/manual; EUR 10/automated transaction
Enquiry	EUR 25/written; EUR 5/telephone enquiry

From 1 March 2021:

Service	Fee
Fund maintenance charge	EUR 2,000/sub-fund/annum
Investor maintenance fee	EUR 25/investor account/annum
Dealing fee	EUR 15/manual; EUR 5/automated transaction
Fund distribution fee per Sub-Fund up to 2 share classes	EUR 500/distribution/sub-fund

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)
Annual Report and Audited Financial Statements
For the year ended 31 December 2021

Notes to the Financial Statements (continued)

3. Fees (continued)

(c) Depositary Fees

Northern Trust Global Services SE has been appointed as depositary of its assets (the “Depositary”) pursuant to the Depositary Agreement. The Depositary is entrusted with the safekeeping of the SICAV’s assets.

The SICAV pays to the Depositary out of the assets of the Sub-Funds an annual fee, accrued as of each valuation day and payable monthly in arrears. Until 28 February 2021, the annual rates applied, expressed as a percentage of the total net assets of each Sub-Fund, were as specified in the following table and paid to the former Depositary, State Street Bank International GmbH, Luxembourg Branch:

Total net assets	Rate
EUR 0 - EUR 1 billion	0.0120%
EUR 1 billion - EUR 2 billion	0.0070%
From EUR 2 billion	-

From 1 March 2021, the annual rates applied are as specified in the following table:

Total net assets	Rate
EUR 0 - EUR 0.5 billion	0.0100%
From EUR 0.5 billion	0.0075%

(d) Directors’ Fees

Mr. Garry Pieters and Ms. Sheenagh Joy Gordon-Hart receive, as compensation for their services as Independent Directors, an annual fee of EUR 30,000 each; subject to approval by the general meeting of Shareholders of the SICAV. Mr. Simon Godwin, who was a Partner of Fundsmith LLP, did not receive a fee for acting as a Director. Mr. Paul Mainwaring, who is an Officer of Fundsmith LLP, does not receive a fee for acting as a Director.

(e) Performance Fees

The SICAV is not subject to performance fees.

4. Taxation

Under current Law and practice, the SICAV is not liable to any Luxembourg tax on profits or income.

The SICAV is, however, liable in Luxembourg to a subscription tax (“*taxe d’abonnement*”) of 0.01% per annum of its total net asset value for institutional shares (I share classes) and of 0.05% per annum of its total net asset value for retail shares (T and R share classes), such tax being payable quarterly on the basis of the value of the aggregate total net asset value of the SICAV at the end of the relevant calendar quarter.

No Luxembourg tax is payable on the realised capital appreciation of the assets of the SICAV.

Dividend and interest income received by the SICAV on its investments may be subject to non-recoverable withholding or other taxes in the countries of origin.

5. Distribution Paid

During the year ended 31 December 2021, the Fundsmith Equity Fund distributed a total amount of EUR 1,686,824 and the Fundsmith Sustainable Equity Fund distributed a total amount of EUR 10.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)

Annual Report and Audited Financial Statements

For the year ended 31 December 2021

Notes to the Financial Statements (continued)

6. Transaction Costs

For the year under review, the Sub-Funds incurred transaction costs as specified in the following table:

Sub-Fund	Transaction costs
Fundsmith Equity Fund	EUR 2,084,435
Fundsmith Sustainable Equity Fund	EUR 141,843

7. Exchange Rates

The exchange rates used as at 31 December 2021 are as follows:

EUR 1 = CHF 1.033379
EUR 1 = DKK 7.436878
EUR 1 = GBP 0.839901
EUR 1 = USD 1.131850

8. Statement of Changes in the Portfolio

A statement of changes in the portfolio for the year ended 31 December 2021 is available upon request, free of charge, from the registered office of the SICAV.

9. Significant Events During the Year

The change of Depositary and Administrator from State Street Bank International GmbH, Luxembourg Branch to Northern Trust Global Services SE was effective from 1 March 2021. Additionally, the SICAV changed its name to Fundsmith SICAV on 1 March 2021 and the Articles were amended with effect on 1 March 2021.

As part of the process, an umbrella fund was formed - Fundsmith SICAV - which contains the Fundsmith Equity Fund and the Fundsmith Sustainable Equity Fund as a new Sub-Fund.

A new prospectus was issued in March 2021 and in December 2021.

With effect from 29 June 2021, Mr. Paul Mainwaring replaced Mr. Simon Godwin as a Director of the SICAV.

There were no other significant events during the year that require adjustment to, or disclosure in, the financial statements.

10. Subsequent Events

With effect from 25 March 2022, Fundsmith Investment Services Limited is the Investment Manager and will cease to act as the Investment Advisor. Fundsmith LLP continues to act as the Distributor and Promoter.

There were no other significant events subsequent to the year-end date that require adjustment to, or disclosure in, the financial statements.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)
Annual Report and Audited Financial Statements
For the year ended 31 December 2021

Appendix I – Remuneration Disclosures (Unaudited)

FundRock Management Company S.A. (“FundRock”) has established and applies a remuneration policy in accordance with the ESMA Guidelines on sound remuneration policies under the UCITS V Directive (ESMA 2016/575) and AIFMD (ESMA 2016/579) and any related legal and regulatory provisions applicable in Luxembourg. The remuneration policy is aligned with the business strategy, objectives, values and interests of the Management Company and the funds that it manages and of the investors in such funds, and which includes, inter alia, measures to avoid conflicts of interest; and it is consistent with and promotes sound and effective risk management and does not encourage risk taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the funds that the Management Company manages.

As an independent management company relying on a full-delegation model (i.e. delegation of the collective portfolio management function), FundRock ensures that its remuneration policy adequately reflects the predominance of its oversight activity within its core activities. As such, it should be noted that FundRock’s employees who are identified as risk-takers under UCITS V are not remunerated based on the performance of the funds under management.

A paper version of the remuneration policy is made available free of charge to investors at FundRock’s registered office.

The amount of remuneration for the financial year ending 31 December 2021 paid by FundRock to its staff was EUR 10,381,045.

Fixed remuneration: EUR 9,653,019

Variable remuneration: EUR 728,026

Number of beneficiaries: 135

The aggregated amount of remuneration for the financial year ending 31 December 2021 paid by FundRock to identified staff/risk takers was EUR 2,622,285.

The total amount of remuneration is based on a combination of the assessment of the performance of the individual, the overall results of FundRock, and when assessing individual performance, financial as well as non-financial criteria are taken into account.

The policy is subject to annual review by the compliance officer and the update is performed by HR department of FundRock and is presented for review to the remuneration committee and approval by the board of FundRock.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)
Annual Report and Audited Financial Statements
For the year ended 31 December 2021

Appendix II – Securities Financing Transaction Regulation (Unaudited)

The following information is presented with regard to Regulation (EU) 2015/2365 on transparency of securities financing transactions (SFTs) and of reuse.

During the year under review, the SICAV did not have any transactions falling into the scope of the Securities Financing Transaction Regulation.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)
Annual Report and Audited Financial Statements
For the year ended 31 December 2021

Appendix III – Sustainable Finance Disclosure Regulation (Unaudited)

Starting from 1 January 2022, Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("SFDR") requires detailed disclosures in the periodic reports of environmental, social and governance-focused products.

An environmental, social and governance ("ESG") assessment on investments is conducted in accordance with the Investment Manager's responsible investment approaches by using information provided by the companies as well as third-party data and applying exclusion criteria as further defined below.

Fundsmith Equity Fund

The Fundsmith Equity Fund takes sustainability risk and ESG characteristics into account as part of its selection process. In that respect, the Sub-Fund promotes environmental and/or social characteristics within the meaning of Article 8 of SFDR. For the assessment, areas like corporate strategy, corporate governance, transparency and the product and service range of a company are taken into account.

In accordance with its investment criteria, the Sub-Fund promotes environmental characteristics and may invest in one or more underlying investments that contribute to climate change mitigation and/or climate change adaptation.

Fundsmith Sustainable Equity Fund

The Fundsmith Sustainable Equity Fund takes sustainability risk and ESG characteristics into account as part of its selection process. In that respect, the Sub-Fund promotes environmental and/or social characteristics within the meaning of Article 8 of SFDR. For the assessment, areas like corporate strategy, corporate governance, transparency and the product and service range of a company are taken into account.

In accordance with its investment criteria, the Sub-Fund promotes environmental characteristics and may invest in one or more underlying investments that contribute to climate change mitigation and/or climate change adaptation.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)
Annual Report and Audited Financial Statements
For the year ended 31 December 2021

Appendix IV – Risk Information (Unaudited)

As part of the risk-management process, the global exposure of the Sub-Funds is calculated using the relative value at risk (“VaR”) approach. The benchmark used for the purpose of the calculation is MSCI World Index. The expected level of leverage for the Sub-Funds, calculated on the basis of the sum of the notionals, is 100% of the net asset value, although higher levels of leverage are possible.

VaR is calculated in the Sub-Fund’s currency using historical methodology with a one-year look back, 0.9950 decay, 20 day time horizon and 99% confidence interval.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)
Annual Report and Audited Financial Statements
For the year ended 31 December 2021

Appendix V – Portfolio Turnover Ratio (Unaudited)

The portfolio turnover ratio (“PTR”) compares the total investment purchases and sales less total subscriptions and redemptions with the average net asset value of each Sub-Fund. The PTR of the Fundsmith Equity Fund for the year ended 31 December 2021 and the PTR for the Fundsmith Sustainable Equity Fund for the period from 1 March 2021 to 31 December 2021 are specified in the table below:

Sub-Fund	PTR (%)
Fundsmith Equity Fund	-0.49
Fundsmith Sustainable Equity Fund	-2.08

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)**Annual Report and Audited Financial Statements****For the year ended 31 December 2021**

Appendix VI – Total Expense Ratio (Unaudited)

The total expense ratio (“TER”) compares all operating expenses with the average net asset value of each Sub-Fund. The annualised TERs for each share class of the Fundsmith Equity Fund for the year ended 31 December 2021 and for each share class of the Fundsmith Sustainable Equity Fund for the period from 1 March 2021 to 31 December 2021 are specified in the table below:

Sub-Fund and share class	Currency	TER (%)
Fundsmith Equity Fund		
T Class Accumulation Shares	EUR	1.09
T Class Income Shares	EUR	1.09
I Class Accumulation Shares	EUR	0.95
I Class Income Shares	EUR	0.95
CHF I Class Accumulation Shares	CHF	0.95
CHF I Class Income Shares	CHF	0.95
GBP I Class Accumulation Shares	GBP	0.95
GBP I Class Income Shares	GBP	0.95
USD I Class Accumulation Shares	USD	0.95
USD I Class Income Shares	USD	0.95
R Class Accumulation Shares	EUR	1.59
R Class Income Shares	EUR	1.59
Fundsmith Sustainable Equity Fund		
T Class Accumulation Shares	EUR	1.13
T Class Income Shares	EUR	1.13
I Class Accumulation Shares	EUR	1.00
I Class Income Shares	EUR	0.99
CHF I Class Accumulation Shares	CHF	1.00
CHF I Class Income Shares	CHF	0.99
GBP I Class Accumulation Shares	GBP	0.99
GBP I Class Income Shares	GBP	1.00
USD I Class Accumulation Shares	USD	0.99
USD I Class Income Shares	USD	0.99
R Class Accumulation Shares	EUR	1.64
R Class Income Shares	EUR	1.63

The TERs are calculated in accordance with the guidelines released in 2008, as amended, by the Swiss Funds and Asset Management Association (“SFAMA”), now known as the Asset Management Association Switzerland following the SFAMA’s merger with the Asset Management Platform Switzerland in 2020.

Fundsmith SICAV (formerly Fundsmith Equity Fund SICAV)
Annual Report and Audited Financial Statements
For the year ended 31 December 2021

Appendix VII – Information to Investors in Switzerland (Unaudited)

Representative in Switzerland

The representative in Switzerland is RBC Investor & Treasury Services S.A., Bleicherweg 7, CH-8027 Zürich.

Paying Agent in Switzerland

The paying agent in Switzerland is RBC Investor & Treasury Services S.A., Bleicherweg 7, CH-8027 Zürich.

Publications

Publications concerning the foreign collective investment scheme are made in Switzerland on www.fundinfo.com. Each time shares are issued or redeemed, the issue and the redemption prices or the net asset value together with a reference stating “excluding commissions” are published for all share classes on www.fundinfo.com. Prices are published daily.

Performance

The performance is defined as the total return of one share over a specified period, expressed as a percentage of the net asset value per share at the beginning of the observation period. The performance of each share class of the Fundsmith Equity Fund for the year ended 31 December 2021 and of each share class of the Fundsmith Sustainable Equity Fund for the period from 1 March 2021 to 31 December 2021 is detailed in the table below:

Sub-Fund and share class	Currency	Performance (%)
Fundsmith Equity Fund		
T Class Accumulation Shares	EUR	28.92
T Class Income Shares	EUR	28.92
I Class Accumulation Shares	EUR	29.10
I Class Income Shares	EUR	29.10
CHF I Class Accumulation Shares	CHF	23.38
CHF I Class Income Shares	CHF	23.39
GBP I Class Accumulation Shares	GBP	20.58
GBP I Class Income Shares	GBP	20.57
USD I Class Accumulation Shares	USD	19.07
USD I Class Income Shares	USD	19.07
R Class Accumulation Shares	EUR	28.27
R Class Income Shares	EUR	28.27
Fundsmith Sustainable Equity Fund		
T Class Accumulation Shares	EUR	25.99
T Class Income Shares	EUR	25.99
I Class Accumulation Shares	EUR	26.13
I Class Income Shares	EUR	26.13
CHF I Class Accumulation Shares	CHF	18.56
CHF I Class Income Shares	CHF	18.57
GBP I Class Accumulation Shares	GBP	22.62
GBP I Class Income Shares	GBP	22.62
USD I Class Accumulation Shares	USD	18.53
USD I Class Income Shares	USD	18.54
R Class Accumulation Shares	EUR	25.46
R Class Income Shares	EUR	25.47

The performance is calculated in accordance with the guidelines published in 2008 by the SFAMA, now known as the Asset Management Association Switzerland following the SFAMA’s merger with the Asset Management Platform Switzerland in autumn 2020.