

# Fundsmith Equity Fund SICAV

(formerly named "Fundsmith Equity Fund Feeder")

*Société d'Investissement à Capital Variable*

Annual report including audited Financial Statements  
as at 31 December 2019

R.C.S. Luxembourg B 164404

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 accounts and interim reports and unaudited accounts, if published after such annual report and audited accounts.

## Fundsmith Equity Fund SICAV

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## Fundsmith Equity Fund SICAV

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### ORGANISATION OF THE SICAV

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#### REGISTERED OFFICE

49, Avenue J.F. Kennedy  
L-1855 Luxembourg  
Grand Duchy of Luxembourg

#### MANAGEMENT COMPANY

**FundRock Management Company S.A.**

(appointed 29 March 2019)

33, rue de Gasperich  
L-5826 Hesperange  
Grand Duchy of Luxembourg

#### INVESTMENT MANAGER, DISTRIBUTOR AND SPONSOR

**Fundsmith LLP**

33, Cavendish Square  
London, W1G 0PW  
United Kingdom

Authorised and regulated by The Financial Conduct Authority (FCA)  
FCA Registration Number 523102

#### BOARD OF DIRECTORS OF THE SICAV

<b>Chairman</b>	<b>Mr. Terry Smith</b> Fundsmith LLP
<b>Other Directors</b>	<b>Mr. Simon Godwin</b> Fundsmith LLP <b>Mr. Garry Pieters</b> Independent Director

#### CABINET DE REVISION AGRÉÉ

**Deloitte Audit, Société à responsabilité limitée**

20 Boulevard de Kockelscheuer  
L-1821 Luxembourg  
Grand Duchy of Luxembourg

#### LEGAL ADVISER

**Elvinger Hoss Prussen, S.A.**

2, place Winston Churchill  
L-1340 Luxembourg  
Grand Duchy of Luxembourg

## Fundsmith Equity Fund SICAV

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### ORGANISATION OF THE SICAV (continued)

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#### INVESTMENT ADVISOR

**Fundsmith Investment Services Limited**

(From 18 June 2019)

c/o Griffon Solutions Ltd

C2-401, 4th Floor, Grand Baie La Croisette

Grand Baie

Mauritius

(Up to 18 June 2019)

c/o Apex Fund Services (Mauritius) Ltd

4th Floor

19 Bank Street, Cybercity

Ebene

Mauritius

#### DEPOSITARY AND ADMINISTRATOR (CENTRAL ADMINISTRATION AGENT, DOMICILIARY AND CORPORATE AGENT, REGISTRAR AND TRANSFER AGENT)

**State Street Bank International GmbH,**

**Luxembourg Branch\***

49, Avenue J.F. Kennedy

L-1855 Luxembourg

Grand Duchy of Luxembourg

\* On 4 November 2019 State Street Bank Luxembourg S.C.A. merged into State Street Bank International GmbH, Luxembourg Branch.

## Fundsmith Equity Fund Feeder

### DIRECTORS' REPORT

The table below shows performance figures for the last calendar year and the cumulative and annualised performance for the main share classes of the Fundsmith Equity Fund SICAV ("the Fund") compared with various benchmarks.

Total return (%) I Class Accumulation Shares	2019	Since inception to 31 December 2019	Annualised since inception
Fundsmith Equity Fund SICAV EUR <sup>1</sup>	+32.5	+322.2	+19.3
MSCI World Index EUR <sup>2</sup>	+30.0	+189.5	+13.9
Fundsmith Equity Fund SICAV CHF <sup>1</sup>	+27.8	+228.4	+16.6
MSCI World Index CHF <sup>2</sup>	+26.3	+135.3	+11.7
Fundsmith Equity Fund SICAV USD <sup>1</sup>	+30.1	+166.5	+15.5
MSCI World Index USD <sup>2</sup>	+27.7	+88.1	+9.7
Fundsmith Equity Fund SICAV GBP <sup>1</sup>	+25.7	+184.1	+20.0
MSCI World Index GBP <sup>2</sup>	+22.7	+102.4	+13.1
European Bonds <sup>3</sup>	+15.4	+103.4	+9.1
Cash <sup>4</sup>	-0.4	-0.3	-0.0

<sup>1</sup> I Class Accumulation Shares, net of fees, priced at noon CET (source: Bloomberg)

<sup>2</sup> MSCI World Index priced at close of business US time (source: www.msci.com)

<sup>3</sup> Bloomberg/EFFAS Bond Indices Euro Government 10 years (source: Bloomberg)

<sup>4</sup> 3 Month EUR LIBOR Interest Rate (source: Bloomberg)

Launch dates:

- EUR: February 2, 2011
- CHF: April 5, 2012
- USD: March 13, 2013
- GBP: April 15, 2014

Since 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 between share classes is therefore similar and shows that the Fund outperformed the MSCI World Index in 2019. All of the classes have also significantly outperformed their benchmark since their dates of inception.

You have already received our Annual Letter, which is also available on the website. If you want more details on performance, we encourage you to read it.

As you have been informed, we have converted the Fund into a stand-alone equity fund and renamed it Fundsmith Equity Fund SICAV. At the same time a Luxembourg management company was appointed who perform management, administration and marketing functions. Please take note that the management and distribution of the Fund has not changed and we are happy to confirm that we are conducting business as usual.

## Fundsmith Equity Fund Feeder

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### DIRECTORS' REPORT (continued)

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The Covid-19 epidemic has resulted in difficult conditions in financial markets since the middle of February 2020. The short term impact is changing by the minute as governments introduce emergency measures, restrict business activities and implement rescue packages. Markets are reacting to these changes in, at times, a volatile way and we have seen a significant increase in volatility.

The crisis is impacting the Fundsmith Equity Fund SICAV as well, however, the portfolio has shown some resilience to date. Year to date (25 March) the Fund is down 20.9% versus 28.9% for the MSCI World. Year to date net inflows to the fund were 112million EUR. This includes a net outflow of 36million EUR in March 2020. Our operations have proven to be robust, and adapted well in these very testing circumstances. In spite of unusually large volumes of transactions and addressing various investor queries, we have processed all deals and payment obligations on time. We are continuously monitoring the situation and working closely with all of our partners to ensure the Fund can operate without disruption.

The long term effect is harder to assess, but we remain confident in the investment strategy and the portfolio.

## Fundsmith Equity Fund SICAV

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### GOVERNANCE REPORT

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In view of the recent changes in the organisation, increased fund-size and focus on substance, the Board has agreed to appoint another independent non-executive Director in the person of Mrs Sheenagh Gordon-Hart. Her appointment has been approved by the Luxembourg Regulator and we will seek your approval at the 2020 AGM.

At the end of the reporting period, the Board of Directors of the Fund (the "board") consisted of 3 members, including one independent Luxembourg resident Director who usually acts as the meeting's Chairman. The independent Director is remunerated, while the other two are not. Details of the remuneration can be found in the financial statements. At the close of the financial year, all Directors, except the independent Director, held shares in the Fund.

The board met four times physically in Luxembourg in March, June, October and December. On the Agenda, amongst others, were strategy, performance, operations, risk management and compliance and generally matters regarding good conduct and governance. In terms of governance the board confirms that it continues to aim for the best possible standards as evidenced by its continued adherence to the ALFI Code of Conduct. During the first quarter a lot of attention was given to the restructuring of the Fund, due diligence on new service providers and a smooth transition. We are happy to confirm that the transition was seamless.

The board is well informed through reports and updates from the various parties. Service providers are invited to each of the board meetings to update the board on administration, custody and transfer agency.

During the latter part of the year the role of MLRO (Money Laundering Reporting Officer) was transferred to the management company. The Board's role on anti money laundering and counter terrorist financing (AML/CTF) is now one concentrated on oversight. Neither the MLRO nor the Complaints Handling Officer have noted anything out of the ordinary during the course of the reporting year. During the third quarter, a complaint was brought to the Board's attention concerning the administrative handling of a change in address. This was dealt with satisfactorily including an apology for the time it took to complete the formalities. The regulatory environment continues to tighten. Issues relating to AML/CTF require service providers to perform more checks as we do seek to comply in an efficient manner.

The members of the Board of Directors of the Fund thank you for your continued support and continue to strive to provide you with the best possible services.

To the Shareholders of  
Fundsmith Equity Fund SICAV  
49 avenue John F. Kennedy  
L-1855 Luxembourg  
Luxembourg

## Independent Auditor's Report

### Opinion

We have audited the financial statements of Fundsmith Equity Fund SICAV (formerly named "Fundsmith Equity Fund Feeder") (the "SICAV"), which comprise the statement of net assets and the statement of investments and other net assets as at 31 December 2019 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 31 December 2019, 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 23 July 2016 on the audit profession (Law of 23 July 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 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the *Réviseur d'Entreprises Agréé* for the Audit of the Financial Statements" section of our report. We are also independent of the SICAV in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional 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 *Réviseur d'Entreprises Agréé* 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 financial 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.

## **Responsibilities of the *Réviseur d'Entreprises Agréé* for the Audit of the Financial Statements**

The objectives of our audit 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 *Réviseur d'Entreprises Agréé* 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 dated 23 July 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 dated 23 July 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 *Réviseur d'Entreprises Agréé* 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 *Réviseur d'Entreprises Agréé*. 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, *Réviseur d'entreprises agréé*  
Partner

31 March 2020

## Fundsmith Equity Fund SICAV

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### STATEMENT OF NET ASSETS AS AT 31 DECEMBER 2019

Fundsmith Equity Fund SICAV

	EUR
<b>Assets</b>	
Investments at market value (Note 2)	4,070,598,056
Cash at bank (Note 2)	29,027,373
Receivable on subscriptions	9,331,219
Receivable for investment securities sold	7,412,423
<b>Total assets</b>	<b>4,116,369,071</b>
<b>Liabilities</b>	
Management fees payable (Note 4)	3,403,432
Depositary and Administration fees payable (Note 6)	463,478
Taxe d'abonnement payable (Note 3)	278,572
Professional fees payable	39,298
Directors fees payable (Note 7)	12,500
Other liabilities	32,907
<b>Total liabilities</b>	<b>4,230,187</b>
<b>Total Net Assets</b>	<b>4,112,138,884</b>

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

## Fundsmith Equity Fund SICAV

### STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2019

Fundsmith Equity Fund SICAV

	EUR
<b>Net assets at the beginning of the year</b>	<b>2,034,772,341</b>
<b>Income</b>	
Dividend income (Note 2)	40,721,000
<b>Total income</b>	<b>40,721,000</b>
<b>Expenses</b>	
Management fees (Note 4)	25,175,246
Depository and Administration fees (Note 6)	2,010,520
Taxe d'abonnement (Note 3)	569,604
Professional fees	31,650
Directors fees (Note 7)	25,000
Other expenses	720,594
<b>Total expenses</b>	<b>28,532,614</b>
<b>Net investment income</b>	<b>12,188,386</b>
Net realised profit on	
- Investments (Note 2)	687,293,866
- Currencies (Note 2)	9,650,753
Change in unrealised appreciation/(depreciation) on	
- Investments	56,733,794
- Currencies	(26,969)
<b>Net result of operations for the year</b>	<b>765,839,830</b>
Subscriptions for the year	
Redemptions for the year	(1,034,350,537)
Distribution paid for the year (Note 9)	(1,180,333)
<b>Net assets at the end of the year</b>	<b>4,112,138,884</b>

The exchange rates used as at 31 December 2019 are:

- 1 EUR = 1.08553 CHF
- 1 EUR = 7.47101 DKK
- 1 EUR = 0.84999 GBP
- 1 EUR = 1.12275 USD

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

## Fundsmith Equity Fund SICAV

### STATISTICAL INFORMATION AS AT 31 DECEMBER 2019

	Currency	Total Net Assets As at 31 Dec 2019	Net Asset Value/Share As at 31 Dec 2019	Total Net Assets As at 31 Dec 2018	Net Asset Value/Share As at 31 Dec 2018	Total Net Assets As at 31 Dec 2017	Net Asset Value/Share As at 31 Dec 2017
<b>Fundsmith Equity Fund SICAV</b>							
<b>Euro Classes</b>							
T Class Accumulation	EUR		42.22		31.86		31.57
T Class Income	EUR		39.93		30.18		30.03
R Class Accumulation	EUR		40.66		30.85		30.72
R Class Income	EUR		39.92		30.27		30.15
I Class Accumulation	EUR		42.63		32.12		31.79
I Class Income	EUR		40.06		30.27		30.12
<b>Swiss Franc Classes</b>							
I Class Accumulation	CHF		32.84		25.69		26.39
I Class Income	CHF		30.80		24.16		24.95
<b>US Dollar Classes</b>							
I Class Accumulation	USD		26.65		20.49		21.23
I Class Income	USD		25.27		19.48		20.29
<b>GB Pound Classes</b>							
I Class Accumulation	GBP		28.41		22.60		22.12
I Class Income	GBP		27.23		21.71		21.37
<b>Total Net Assets</b>	<b>EUR</b>	<b>4,112,138,884</b>		<b>2,034,772,341</b>		<b>1,565,872,959</b>	

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

## Fundsmith Equity Fund SICAV

### STATEMENT OF CHANGES IN SHARES FOR THE YEAR ENDED 31 DECEMBER 2019

	Currency	Balance at 1 January 2019	Subscriptions	Redemptions	Balance at 31 December 2019
<b>Fundsmith Equity Fund SICAV</b>					
<b>Euro Classes</b>					
T Class Accumulation	EUR	5,837,445	12,672,652	6,693,322	11,816,775
T Class Income	EUR	397,644	1,393,220	355,291	1,435,573
R Class Accumulation	EUR	1,784,035	3,477,127	1,621,932	3,639,230
R Class Income	EUR	188,135	436,580	60,170	564,545
I Class Accumulation	EUR	13,214,983	19,672,931	5,214,227	27,673,687
I Class Income	EUR	3,869,232	1,372,558	329,097	4,912,693
<b>Swiss Franc Classes</b>					
I Class Accumulation	CHF	3,338,843	2,412,134	921,835	4,829,142
I Class Income	CHF	1,076,956	301,664	129,615	1,249,005
<b>US Dollar Classes</b>					
I Class Accumulation	USD	40,012,954	23,458,789	12,142,609	51,329,134
I Class Income	USD	9,850,776	1,737,291	3,840,125	7,747,942
<b>GB Pound Classes</b>					
I Class Accumulation	GBP	6,889,005	4,908,336	2,475,782	9,321,559
I Class Income	GBP	3,233,286	1,660,671	1,054,253	3,839,704
<b>Total</b>		<b>89,693,294</b>	<b>73,503,953</b>	<b>34,838,258</b>	<b>128,358,989</b>

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

## Fundsmith Equity Fund SICAV

### STATEMENT OF INVESTMENTS AND OTHER NET ASSETS AS AT 31 DECEMBER 2019

#### Transferable securities admitted to an official exchange listing

Quantity	Description	Currency	Acquisition Cost EUR	Market Value EUR	% of Net Assets
<b>Equity</b>					
<b>Denmark</b>					
1,044,152	Coloplast A/S - B	DKK	101,353,916	115,498,145	2.81
3,218,706	Novo Nordisk A/S - B	DKK	146,481,554	166,579,018	4.05
	Total		247,835,470	282,077,163	6.86
<b>Finland</b>					
2,719,619	Kone OYJ - B	EUR	130,817,171	158,499,395	3.85
	Total		130,817,171	158,499,395	3.85
<b>France</b>					
183,408	L'Oreal SA	EUR	43,733,638	48,410,542	1.18
400,312	L'Oreal SA	EUR	96,507,792	105,682,368	2.57
	Total		140,241,430	154,092,910	3.75
<b>Spain</b>					
2,282,370	Amadeus IT Group SA	EUR	159,267,851	166,339,126	4.05
	Total		159,267,851	166,339,126	4.05
<b>United Kingdom</b>					
3,978,222	Diageo PLC	GBP	148,086,699	149,629,827	3.64
1,708,282	InterContinental Hotels Group PLC	GBP	92,611,487	104,407,486	2.54
2,387,750	Intertek Group PLC	GBP	140,843,776	163,829,797	3.98
2,088,648	Reckitt Benckiser Group PLC	GBP	152,048,949	150,065,099	3.65
17,747,735	Sage Group PLC	GBP	145,215,345	156,223,788	3.80
2,610,466	Unilever PLC	GBP	137,532,546	133,273,640	3.24
	Total		816,338,802	857,429,637	20.85
<b>United States</b>					
927,453	Automatic Data Processing Inc	USD	131,976,997	140,090,593	3.41
453,293	Becton Dickinson and Co	USD	99,525,718	109,218,250	2.65
1,240,558	Brown-Forman Corp - B	USD	69,857,722	74,671,020	1.81
340,433	Clorox Co	USD	46,551,169	46,355,274	1.13
947,512	Estee Lauder Cos Inc - A	USD	143,095,743	174,185,194	4.24
937,838	Facebook Inc - A	USD	141,092,028	170,744,526	4.15
632,917	IDEXX Laboratories Inc	USD	130,716,346	147,469,200	3.59
641,994	Intuit Inc	USD	148,014,864	150,293,173	3.65
1,184,916	Johnson & Johnson	USD	144,818,682	153,345,135	3.73
1,051,716	McCormick & Co Inc	USD	142,385,182	159,600,379	3.88
1,426,747	Microsoft Corp	USD	149,551,673	200,259,187	4.87
1,779,480	Paypal Holdings Inc	USD	164,544,370	171,124,833	4.16
1,133,668	PepsiCo Inc	USD	126,108,810	138,140,351	3.36
2,494,191	Philip Morris International Inc	USD	188,083,595	190,382,644	4.63
813,648	Stryker Corp	USD	143,652,018	151,264,933	3.68
873,061	Visa Inc - A	USD	123,551,664	146,058,344	3.55
620,894	Waters Corp	USD	135,347,772	128,956,789	3.14
	Total		2,228,874,353	2,452,159,825	59.63
<b>Total for transferable securities admitted to an official exchange listing</b>			<b>3,723,375,077</b>	<b>4,070,598,056</b>	<b>98.99</b>
<b>Total Equity</b>			<b>3,723,375,077</b>	<b>4,070,598,056</b>	<b>98.99</b>
<b>Total Investments</b>			<b>3,723,375,077</b>	<b>4,070,598,056</b>	<b>98.99</b>
<b>Other Net Assets</b>				<b>41,540,828</b>	<b>1.01</b>
<b>Total Net Assets</b>				<b>4,112,138,884</b>	<b>100.00</b>

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



# Fundsmith Equity Fund SICAV

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## NOTES TO THE FINANCIAL STATEMENTS

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### 1. GENERAL INFORMATION

Fundsmith Equity Fund SICAV (formerly named "Fundsmith Equity Fund Feeder") 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 Equity Fund SICAV on 29 March 2019 and the Articles were amended on 22 March 2019. The SICAV is registered with the Luxembourg Trade and Companies Register under number B164404.

The investment objective of the SICAV is to achieve long term growth in value. The SICAV will invest in equities on a global basis. The SICAV's approach is to be a long-term investor in its chosen stocks. It will not adopt short-term trading strategies. The SICAV has stringent investment criteria which the Investment Manager adheres to in selecting securities for the SICAV's investment portfolio.

On 29 March 2019 the structure of the SICAV was changed from a feeder fund to a standalone fund. As part of this transition the Fundsmith Equity Fund SICAV appointed FundRock Management Company S.A. to serve as its management company within the meaning of the UCI Law. The Management Company is responsible, subject to the overall supervision of the Board of Directors of the SICAV, for the provision of investment management services, administrative services and marketing services to the SICAV.

The Investment Advisor will provide advice to the Investment Manager in relation to the SICAV's investment strategy. The recommendations of the Investment Advisor shall not be binding on the Investment Manager.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounts of the SICAV are maintained in Euro being the Reference Currency. Accordingly, as at 31 December 2019, the financial statements of the sub-fund represent the combined financial statements of the SICAV. The SICAV's financial statements were prepared in accordance with Luxembourg legal and regulatory requirements and generally accepted accounting principles relating to UCITS and in particular using the following valuation rules:

#### a) Valuation of cash and cash equivalents

Cash on hand or on deposit is valued at its nominal / face value plus accrued interest, where applicable, to the end of the relevant Valuation Day.

#### b) Valuation of investments

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

## Fundsmith Equity Fund SICAV

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### NOTES TO THE FINANCIAL STATEMENTS (continued)

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

any other relevant considerations, they consider that 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 with care and in good faith or by a competent person.

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.

##### c) Net realised profit/(loss) on investments

Realised profits or losses made on the sales of investments are calculated according to the average cost method.

The Net realised profit/(loss) on investments is recorded in the "Statement of Operations and Changes in Net Assets".

Realised and unrealised profits on investments are significantly higher than expected due to the change of the structure of the Fund and the in specie transfers.

##### d) Cost of purchase of investments

For investments in currencies other than the Reference Currency, the purchase price is calculated according to the closing exchange rate on the day of purchase.

##### e) Income

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

##### f) Conversion of items expressed in foreign currencies

Assets and liabilities in foreign currencies are converted into the Reference Currency of the SICAV at the closing exchange rate on the last day of the financial year.

Income and expenses in foreign currencies are converted into the Reference Currency of the SICAV at the closing exchange rate in force on the day of the transaction.

The Net realised profit/(loss) on currencies as well as the exchange rates as at 31 December 2019 are included in the "Statement of Operations and Changes in Net Assets".

##### g) Total Net Asset Value

The Total Net Asset Value, expressed in the Reference Currency, is equal to the difference between the total assets and the total liabilities of the SICAV.

## Fundsmith Equity Fund SICAV

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### NOTES TO THE FINANCIAL STATEMENTS (continued)

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Total Net Asset Value of each class is expressed in the relevant Reference Currency of the relevant class.

The Net Asset Value per Share is calculated as of each Valuation Day by dividing the Total Net Asset Value attributable to a Class by the total number of Shares in issue or deemed to be in issue in that 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.

##### h) 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.

#### 3. TAXE D'ABONNEMENT

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 and of 0.05% per annum of its Total Net Asset Value for retail shares, 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.

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

#### 4. MANAGEMENT FEES

The SICAV will remunerate the Management Company and the Investment Manager for their services out of an aggregate management fee, as specified for each Class of Shares in the following table, which is payable monthly in arrears and accrued as of each Valuation Day.

Annual Management Fee rate by Share Class:		
I	R	T
0.90%	1.50%	1.00%

#### 5. PERFORMANCE FEES

The SICAV is not subject to performance fees.

## Fundsmith Equity Fund SICAV

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 6. DEPOSITARY AND ADMINISTRATION FEES

The SICAV pays to the Depositary out of the assets of the SICAV an annual fee, accrued as of each Valuation Day and payable monthly in arrears, which is expressed as a percentage of the Total Net Assets, as specified in the following table:

Total Net Assets	Rate
EUR 0 - EUR 1 billion	0.012%
EUR 1 billion - EUR 2 billion	0.007%
From EUR 2 billion	0.000%

The SICAV pays to the Administrator out of the assets of the SICAV an annual fee, accrued as of each Valuation Day and payable monthly in arrears, which is expressed as a percentage of the Net Asset Value, concretely 0.05%.

#### 7. DIRECTORS FEES

Mr. Garry Pieters receives as compensation for services as Independent Director, an annual fee of EUR 25,000; subject to approval by the general meeting of shareholders of the SICAV. Mr. Terry Smith and Mr. Simon Godwin, who are Partners of Fundsmith LLP, do not receive a fee for acting as Directors.

#### 8. SHARE CAPITAL

The Share Classes available as at 31 December 2019 are the following:

	Currency	Minimum Subscription
Class T Accumulation Shares	EUR	EUR 2,000
Class T Income Shares	EUR	EUR 2,000
Class R Accumulation Shares	EUR	EUR 2,000
Class R Income Shares	EUR	EUR 2,000
Class I Accumulation Shares	EUR	EUR 5,000,000
Class I Income Shares	EUR	EUR 5,000,000
Class I Accumulation Shares	CHF	CHF 6,000,000
Class I Income Shares	CHF	CHF 6,000,000
Class I Accumulation Shares	USD	USD 6,000,000
Class I Income Shares	USD	USD 6,000,000
Class I Accumulation Shares	GBP	GBP 5,000,000
Class I Income Shares	GBP	GBP 5,000,000

#### 9. DISTRIBUTION PAID

A total amount of EUR 1,180,333 was distributed over the year.

## Fundsmith Equity Fund SICAV

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 10. AGGREGATE CHARGES AND TOTAL EXPENSE RATIO

During the period from 1 January 2019 until 29 March 2019 the SICAV has invested in Income Shares of the I Share Class of the Master Fund. At the Master Fund level the charges included an annual management charge paid to the Management Company and other expenses of the Master Fund.

At the SICAV level, the Management fees payable by the SICAV for each Share Class were set so that the aggregate amount of the Management fees corresponded with the annual management charge that would have been payable by an investor investing directly in the relevant Share Class of the Master Fund.

The aggregate charges of the SICAV and the Master Fund are detailed in the following table. The SICAV's Ongoing Charges ("OCF") are based on the average holdings by the SICAV in the Master during the period from 1 January 2019 until 29 March 2019.

Class		Charges at Class level		Charges at Master Fund level		Aggregate charges	
		Amount (in EUR)	OCF (%)	Amount (in EUR)	OCF (%)	Amount (in EUR)	OCF (%)
Class T Accumulation Shares	EUR	129,817	0.24*	517,562	0.95	647,379	1.19
Class T Income Shares	EUR	9,150	0.24*	36,480	0.95	45,631	1.19
Class R Accumulation Shares	EUR	123,307	0.74**	158,536	0.95	281,843	1.69
Class R Income Shares	EUR	11,937	0.74**	15,392	0.95	27,329	1.69
Class I Accumulation Shares	EUR	109,955	0.09	1,143,097	0.95	1,253,052	1.04
Class I Income Shares	EUR	30,121	0.09	312,554	0.95	342,675	1.04
Class I Accumulation Shares	CHF	17,940	0.09	186,374	0.95	204,314	1.04
Class I Income Shares	CHF	5,524	0.09	57,671	0.95	63,196	1.04
Class I Accumulation Shares	USD	181,069	0.09	1,890,942	0.95	2,072,011	1.04
Class I Income Shares	USD	41,766	0.09	434,982	0.95	476,748	1.04
Class I Accumulation Shares	GBP	46,235	0.09	478,722	0.95	524,957	1.04
Class I Income Shares	GBP	19,797	0.09	204,773	0.95	224,569	1.04
<b>Total at SICAV level</b>	<b>EUR</b>	<b>726,619</b>	<b>0.13</b>	<b>5,437,085</b>	<b>0.95</b>	<b>6,163,703</b>	<b>1.08</b>

\* These positions include 0.10% of management fee.

\*\* These positions include 0.60% of management fee.

The amount charged to the SICAV within the Master Fund has been calculated based on the Ongoing Charges Figure of the Master Fund for the period from 1 January 2019 until 29 March 2019.

## Fundsmith Equity Fund SICAV

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 10. AGGREGATE CHARGES AND TOTAL EXPENSE RATIO (continued)

The Total Expense Ratio of the SICAV for the period 30 March 2019 to 31 December 2019 is detailed in the following table:

Class		Average Net Asset	Expenses at Class level	
			Amount (in EUR)	Total Expenses Ratio (%)
Class T Accumulation Shares	EUR	389,291,867	3,283,612	1.12
Class T Income Shares	EUR	43,170,254	364,284	1.12
Class R Accumulation Shares	EUR	110,933,313	1,353,575	1.62
Class R Income Shares	EUR	13,132,084	160,713	1.62
Class I Accumulation Shares	EUR	947,604,336	6,959,617	0.97
Class I Income Shares	EUR	173,072,952	1,269,813	0.97
Class I Accumulation Shares	CHF	119,904,094	880,406	0.97
Class I Income Shares	CHF	31,146,184	228,514	0.97
Class I Accumulation Shares	USD	1,059,825,473	7,776,186	0.97
Class I Income Shares	USD	201,157,662	1,474,192	0.97
Class I Accumulation Shares	GBP	298,648,701	2,190,874	0.97
Class I Income Shares	GBP	113,483,231	832,143	0.97
<b>Total at SICAV level</b>	<b>EUR</b>	<b>3,501,370,151</b>	<b>26,773,929</b>	<b>1.01</b>

#### 11. TRANSACTION COSTS

For the year ended 31 December 2019, Fundsmith Equity Fund SICAV incurred transaction costs for EUR 2,451,725.

#### 12. SIGNIFICANT EVENTS

A new prospectus was issued on 29 March 2019. As per this prospectus and the shareholder meeting on 11 March 2019, Fundsmith Equity Fund SICAV (formerly named "Fundsmith Equity Fund Feeder"), does not follow a master feeder structure anymore. The SICAV has appointed FundRock Management Company S.A. as its management company.

As part of an internal restructuring with the aim to streamline State Street's banking entity structure across Europe, State Street Bank Luxembourg S.C.A. merged into State Street Bank International GmbH as from 4 November 2019 (the "Merger Date"). Since the Merger Date, State Street Bank International GmbH continues to carry out the depositary and central administration agent functions through State Street Bank International GmbH, Luxembourg Branch.

As legal successor of State Street Bank Luxembourg S.C.A., State Street Bank International GmbH, Luxembourg Branch has assumed the same duties and responsibilities, and has the same rights under the existing agreements with the SICAV. Any agreements in place with State Street Bank Luxembourg S.C.A. have been transferred to State Street Bank International GmbH, Luxembourg Branch by operation of law.

## Fundsmith Equity Fund SICAV

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### NOTES TO THE FINANCIAL STATEMENTS (continued)

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#### 12. SIGNIFICANT EVENTS (continued)

State Street Bank International GmbH, Luxembourg Branch, is supervised by the European Central Bank (ECB), the German Federal Financial Services Supervisory Authority (BaFin) and the German Central Bank and has been authorised to act as depositary and central administration agent by the *Commission de Surveillance du Secteur Financier* ("CSSF") in Luxembourg. State Street Bank International GmbH, Luxembourg Branch is registered in the Luxembourg Commercial and Companies' Register (RCS) under number B 148 186."

#### 13. SUBSEQUENT EVENTS

The difficult market conditions caused by the Covid-19 pandemic have been impacting the Fundsmith Equity Fund SICAV. Year to date (25 March 2020) the SICAV is down 20.9% versus 28.9% for the MSCI World. Year to date net inflows to the SICAV were 112million EUR, including a 36million EUR outflow in March 2020. See the Director's Report for more information.

## Fundsmith Equity Fund SICAV

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### APPENDIX I - REMUNERATION POLICY (unaudited)

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As described on note 1, on 29 March 2019 Fundsmith Equity Fund SICAV appointed FundRock Management Company S.A. to serve as its new management company. Until that date, Fundsmith LLP was the management company. Below you can find the remuneration policy disclosure of both entities:

#### **Fundsmith LLP**

We are required to make this remuneration disclosure to the Fund's 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 year ending 31 March 2019, Fundsmith LLP ('Fundsmith') had 26 members of personnel in total, including employees and Partners. The total amount of remuneration paid to Fundsmith personnel during this period was £34,106,798. Out of this figure, the total amount of remuneration paid to the Partners of Fundsmith LLP was £26,387,125 whilst the total amount of remuneration paid to the employees of Fundsmith LLP was £7,719,673.

Of the £7,719,673 paid to Fundsmith employees, £5,290,012 was variable remuneration and £2,429,661 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 £34,106,798 of total remuneration, £28,816,786 was fixed remuneration and £5,290,012 was variable remuneration.

The financial year of Fundsmith Equity Fund SICAV (FEFS) 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 2018 to 31 March 2019. 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 £26,387,125.

The information above relates to Fundsmith LLP as a whole, and we have not broken it down by reference to FEFS 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 FEFS. 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 FEFS. We have not included information relating to remuneration paid by Fundsmith Investment Services Limited, to whom Fundsmith LLP delegates certain portfolio management activities.



## Fundsmith Equity Fund SICAV

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### APPENDIX I - REMUNERATION POLICY (unaudited) (continued)

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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 FEFS.

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.

#### **FundRock Management Company S.A.**

FundRock Management Company S.A. ("FundRock") has established and applies a remuneration policy in accordance with the principles laid out under the AIFMD and UCITS V directive, and any related legal & 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 copy 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 2019 paid by FundRock to its staff: EUR 10,495,187

Fixed remuneration: EUR 10,042,867

Variable remuneration: EUR 452,319

Number of beneficiaries: 119

## Fundsmith Equity Fund SICAV

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### **APPENDIX I - REMUNERATION POLICY (unaudited) (continued)**

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The aggregated amount of remuneration for the financial year ending 31 December 2019 paid by FundRock to Identified staff/risk takers is as follows:

Identified staff/risk takers: EUR 1,196,213

Other risk takers: EUR Nil

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 Equity Fund SICAV**

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### **APPENDIX II – Securities Financing Transactions and of Reuse ("SFTR") DISCLOSURE (unaudited)**

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The SICAV does not use any instruments falling into the scope of Securities Financing Transactions and of Reuse ("SFTR") as per the European Regulation 2015/2365.

## **Fundsmith Equity Fund SICAV**

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### **APPENDIX III – RISK INFORMATION (unaudited)**

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As part of the risk-management process, the global exposure of the SICAV is measured and controlled by the absolute Value at Risk (“VaR”) approach.

## **Fundsmith Equity Fund SICAV**

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### **APPENDIX IV – PORTFOLIO TURNOVER RATIO (unaudited)**

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The portfolio turnover ratio compares the total share purchases and sales less total creations and liquidations with the average net asset value of the fund. The turnover of the Fundsmith Equity Fund SICAV for the period 1 April 2019 until 31 December 2019 was -22.86%.