Fundsmith
Equity Fund

Fundsmith Equity Fund

Short Form Report

For the year ended 31 December 2024

Fundsmith
Buy good companies
Don't overpay
Do nothing

Profile of the Fund

Investment objective and policy

The investment objective of the Fundsmith Equity Fund (the "Fund") is to achieve long-term growth (over 5 years) in value.

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

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

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

Risk profile

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

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

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

Operational risk: Failures or delays in operational processes may negatively affect the Fund. There is a risk that any company responsible for the safekeeping of the assets of the Fund may fail to do so properly or may become insolvent, which could cause loss to the Fund.

Risk warning

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

Risk and reward profile

Lower risk
Typically lower rewards

Higher risk
Typically higher rewards

1	2	3	4	5	6	7

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

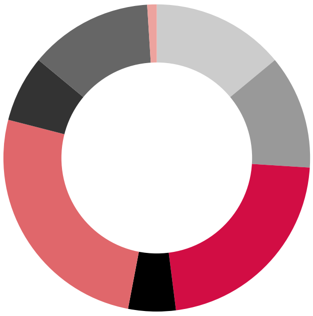
Generally, the higher the risk category, the greater the potential for higher returns but also the higher the risk of losing money. This fund is ranked at 5 because funds of this type have experienced medium to high rises and falls in value in the past. The underlying investments are, however, in large companies with shares that are, in most cases, highly liquid. During the year the risk category reduced from a 6 to a 5.

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

Information on the Fund

Breakdown by geography*
as at 31 December 2024

Breakdown by sector
as at 31 December 2024



The figures in brackets show comparative figures at 31 December 2023.

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

Summary of Significant Changes

For the year 1 January 2024 to 31 December 2024		For the year 1 January 2023 to 31 December 2023	
Largest purchases	**Cost (£)**	**Largest purchases**	**Cost (£)**
Texas Instruments	211,429,769	Marriott International	635,445,163
Atlas Copco	210,588,760	Procter & Gamble	497,938,082
Fortinet	185,134,808	Unilever	274,905,676
Unilever	78,427,622	Fortinet	189,583,548
Mettler-Toledo International	45,118,922	Church & Dwight	132,901,731
Total	**730,699,881**	**Total**	**1,730,774,200**
Total purchases for the year	**790,785,214**	**Total purchases for the year**	**2,065,192,461**
Largest sales	**Proceeds (£)**	**Largest sales**	**Proceeds (£)**
McCormick	834,716,546	Estee Lauder	690,135,386
Novo Nordisk	545,927,308	Adobe	551,281,458
Microsoft	517,091,066	Amazon.com	525,254,260
Diageo	490,027,416	Microsoft	300,329,861
Philip Morris International	294,212,809	IDEXX Laboratories	283,821,135
Total	**2,681,975,145**	**Total**	**2,350,822,100**
Total sales for the year	**3,701,644,422**	**Total sales for the year**	**3,110,969,182**

Investment Manager's review

This report reproduces the Annual Letter that was sent to investors and published on the website in mid-January.

Dear Fellow Investor,

This is the fifteenth annual letter to owners of the Fundsmith Equity Fund ('Fund').

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

% Total Return	1st Jan to 31st Dec 2024	Inception to 31st Dec 2024		Sortino Ratio[6]
		Cumulative	Annualised	
Fundsmith Equity Fund[1]	+8.9	+607.3	+14.8	0.87
Equities[2]	+20.8	+403.4	+12.1	0.60
IA Global Sector[3]	+12.6	+254.0	9.3	0.42
UK Bonds[4]	-2.3	+23.6	+1.5	n/a
Cash[5]	+5.1	+18.5	+1.2	n/a

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

[1] T Class Accumulation shares, net of fees, priced at noon UK time, source: Bloomberg.

[2] MSCI World Index, £ net, priced at US market close, source: Bloomberg.

[3] Source: Financial Express Analytics

[4] Bloomberg Series-E UK Govt 5-10 yr Bond Index, source: Bloomberg.

[5] £ Interest Rate, source: Bloomberg.

[6] Sortino Ratio is since inception to 31.12.24, 3.5% risk free rate, source: Financial Express Analytics.

The table shows the performance of the T Class Accumulation shares, the most commonly held share class and one in which I am invested, which rose by 8.9% in 2024.

This compares with a rise of 20.8% for the MSCI World Index ('Index') in sterling with dividends reinvested. The Fund therefore underperformed this comparator in 2024 but a longer-term perspective may be useful and is certainly more consistent with our investment aims and strategy. Since inception, the Fund has returned 2.7% p.a. more than the Index and has done so with significantly less downside price volatility as shown by the Sortino Ratio of 0.87 versus 0.60 for the Index. This simply means that the Fund has returned about 45%, ((0.87÷0.60)-1) x100, more than the Index for each unit of price volatility, of which more later.

Our Fund is the second best performer since its inception in November 2010 in the Investment Association Global sector of 162 funds, with a return 353 percentage points above the sector average which has delivered just 254% over the same timeframe.

Outperforming the market or even making a positive return is not something you should expect from our Fund in every year or reporting period, and outperforming the market was more than usually challenging once again in 2024. Just five stocks (the 'Fab Five'?) Nvidia, Apple, Meta, Microsoft and Amazon provided 45% of the returns of the S&P 500 Index ('S&P 500') in 2024. This is similar to the concentration of returns provided by the so-called Magnificent Seven in 2023. Moreover, a single stock — Nvidia — produced over 20% of the S&P 500 returns in 2024.

Investment Manager's review (continued)

Nor is this concentration of returns in a few technology companies a purely US phenomenon. In Germany 41% of the return from the DAX Index came from a single stock – SAP, the software company whose share price rose by 69% so that it is now trading on a mere 97x earnings.

Our Fund owns some but not all of these stocks and it was difficult to perform even in line with the Index unless you owned them at least in line with their index weighting. I do not intend to give a narrative of why we do not own all of them, but I will give some more detail on this point later in this letter.

In looking at individual stock contribution to performance I prefer to start with the problems. The bottom five detractors from the Fund's performance in 2024 were:

Stock	Attribution
L'Oréal	-2.0%
IDEXX	-1.2%
Nike	-0.7%
Brown-Forman	-0.6%
Novo Nordisk	-0.6%

Source: State Street

L'Oréal was adversely affected by events in China where the economy is struggling under the weight of a moribund residential property sector and the associated credit problems. However, this does not alter our view that L'Oréal is fundamentally a very good business. This is not the first time that a major economy it operates in has mis-fired and we believe its management can cope.

IDEXX which makes veterinary diagnostic testing equipment and supplies is suffering from a slackening in the pace of vet visits after the scramble to adopt pets during the pandemic. As the industry leader in an area with real long-term growth prospects and a stock where we would probably struggle to buy back our position if we sold it, we intend to continue holding IDEXX and to try to smile through the pain of underperformance.

Nike is a stock we bought after the share price fall during the pandemic when investors seemed convinced there would be many fewer buyers of trainers. In fact, Nike had made great strides in online marketing and fulfilment. What we hadn't realised was that the then management would parlay this success into a problem by ignoring the traditional bricks & mortar retail channel, which has recovered as the pandemic passed, and in so doing open the door literally to competition. To be fair there have been other issues such as an increasing dependence on fashion and less on traditional exercise uses. However, the good news is that there has been a change of CEO this year. We see many commentators musing about the reasons why the US economy is so successful. Perhaps one reason is a quicker finger on the trigger when top executives do not deliver. In which context we note that Unilever's shares were up 20% in 2024. We await developments from Nike's new management who have after all inherited what is still the dominant market share in the sector.

Brown-Forman, one of the world's top five drinks companies and the distiller of Jack Daniel's Tennessee Whiskey has suffered from the fall in consumption from the pandemic highs and is probably seeing early signs of the adverse impact of weight loss drugs. We sold our Diageo stake during the year which I will cover later but retaining Brown-Forman keeps a foothold in what has long been a sector with good business characteristics and which has the potential benefits of family control, which can promote good long-term decision making, and a larger bias towards premium spirits than Diageo which may help obviate the impact of weight loss drugs ('drink less but better quality'). It is a company which survived Prohibition so we hope there is literally something in the DNA to help with these adverse circumstances.

Novo Nordisk was arguably our most surprising poor performer in 2024. It remains the market leader in weight loss drugs, which it pioneered, and the year was marked by a stream of news about other conditions which these drugs treat effectively and label expansion applications which drug regulators seem willing to approve. Yet not only did the share price fall 10% but it finished the year on a P/E ratio half that of its nearest competitor Eli Lilly.

In investment it is always better to travel hopefully than to arrive and there is certainly an arms race going on amongst drug companies to develop competitor drugs. Yet we are still dealing with a company in Novo which is the market leader and holds production and labelling advantages which should sustain that position, with revenues that are growing at 20% p.a. Moreover, we originally bought Novo because of its radical approach to drug discovery and would not rule out further developments.

Investment Manager's review (continued)

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

Stock	Attribution
Meta Platforms	+4.1%
Microsoft	+1.6%
Philip Morris	+1.5%
Automatic Data Processing	+1.3%
Stryker	+1.3%

Source: State Street

For Meta and Microsoft I am simply going to repeat my comment from last year's letter albeit with the number of times updated:

'Meta Platforms' (formerly Facebook) performance makes me wonder whether I should have a fund which invests solely in the one stock in our portfolio each year for which we have received the most critical comments. Meta makes its fourth appearance in this list of top contributors while Microsoft appears for the ninth time having attracted strident criticism when we started buying at about $25 a share in 2011 (2023 year end price $376).' 2024 year end price was $422.

Philip Morris makes its 4th appearance as it continues to show the benefits of its industry leading move into Reduced Risk Products ('RRPs') such as heat not burn tobacco products and its acquisition of Swedish Match with its nicotine pouch business. You can tell when some things are right by the people who oppose them. The governments and dysfunctional health organisations who have set their stance against these RRPs, which are proving to be an invaluable aid in reducing risk to smokers, is yet another indicator that Philip Morris is on the right track.

ADP which makes its 2nd appearance continues its metronomic performance. It rarely shoots the lights out in terms of performance but then neither does it disappoint which makes it a good stock for our strategy.

Stryker, which is making its 5th appearance, is benefitting from work on the backlog of elective surgical procedures which built up during the pandemic.

Given the number of repeat appearances in our top five contributors I am tempted to repeat one of our mantras which is that 'You make money with old friends'. However, three of those old friends which have been repeat contributors were detractors this year, namely L'Oréal, IDEXX and Novo Nordisk. However, if anything I would regard this as a blip in their long-term record and we intend to (mostly) patiently await a return to form. In our view they are simply too good to sell and risk being uninvested when the tide turns.

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 Equity Fund 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 also shows you how the portfolio has evolved over time.

Year ended	Fundsmith Equity Fund Portfolio								S&P 500	FTSE 100
	2017	2018	2019	2020	2021	2022	2023	2024	2024	2024
ROCE	28%	29%	29%	25%	28%	32%	32%	32%	16%	17%
Gross Margin	63%	65%	66%	65%	64%	64%	63%	64%	45%	42%
Operating Margin	26%	28%	27%	23%	26%	28%	29%	30%	16%	15%
Cash Conversion	102%	95%	97%	101%	95%	88%	91%	85%	85%	90%
Interest Cover	17x	17x	16x	16x	23x	20x	20x	27x	9x	9x

Source: Fundsmith LLP/Bloomberg.

ROCE (Return on Capital Employed), Gross Margin, Operating 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.

2017–2019 ratios are based on last reported fiscal year accounts as of 31st December and for 2020–24 are Trailing Twelve Months and as defined by Bloomberg.

Cash Conversion compares Free Cash Flow per Share with Net Income per Share.

Investment Manager's review (continued)

In 2024 operating profit margins were higher in the portfolio companies than in the past. Gross margins and return on capital were steady. Importantly all of these metrics remain significantly better than the companies in the main indices (which include our companies). Moreover, if you own shares in companies during a period of inflation it is better to own those with high returns and gross margins.

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 2024? The weighted average free cash flow (the cash the companies generate after paying for everything except the dividend, and our preferred measure) grew by 14% in 2024.

The only metric which continues to lag its historical performance is cash conversion — the degree to which profits are delivered in cash. Although this recovered slightly to 91% in 2023, this is still below its historical level of around 100% and it declined again in 2024 to 85%. This was due to a sharp rise in capital expenditure at a small group of companies: Alphabet, Microsoft, Meta and Novo Nordisk. Novo is racing to build production capacity to supply enough of its weight loss drug Wegovy and finished the year spending €10 billion purchasing three manufacturing sites. The tech companies are in a race to build capacity of Artificial Intelligence ('AI') in the form of GPU chips and data centres. Whether this arms race produces adequate profits and returns for the amounts expended remains an open question to which I will return later. At least Novo is building capacity to produce a drug for which there is established demand and profitability and in which it currently has a competitive advantage.

The average year of foundation of our portfolio companies at the year-end was 1920. Collectively they are over a century old.

The second leg of our strategy is about 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 2024 was 3.0% and ended the year at 3.1%. The year-end median FCF yield on the S&P 500 was 3.7%.

Our portfolio consists of companies that are fundamentally a lot better than the average of those in the S&P 500, so it is no surprise that they are valued more highly than the average S&P 500 company. In itself this does not necessarily make the stocks expensive, any more than a lowly rating makes a stock cheap. However, we expect some of this disparity in valuation to be eradicated in 2025 if, as we expect, the cash conversion of our portfolio companies improves.

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 3.2% during the period. It is perhaps more helpful to know that we spent a total of just 0.002% (one fifth of a basis point) of the Fund's average value over the year on voluntary dealing (which excludes dealing costs associated with subscriptions and redemptions as these are involuntary). We sold three companies and purchased two. As last year this may seem like a lot of names for what is not a lot of turnover as in some cases the size of the holding sold or bought was small. We have held four of the portfolio companies since inception in 2010, nine for more than ten years and 15 for over five years.

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 Fund. The OCF for 2024 for the T Class Accumulation shares was 1.04%. 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 2024 the TCI was 1.05%, including all costs of dealing for flows into and out of the Fund, not just our voluntary dealing. We are pleased that our TCI is just 0.01% (1 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. It is worth pointing out that the performance of our Fund tabled at the beginning of this letter is after charging all fees which should surely be the main focus.

Investment Manager's review (continued)

We sold our stakes in Diageo, McCormick and Apple during the year.

Diageo, which we had owned since inception, has exhibited problems with its new management, shown by a lack of information about its Latin American business which produced results far worse than the sector in this area. Moreover, we suspect the entire drinks sector is in the early stages of being impacted negatively by weight loss drugs. Indeed, it seems likely that the drugs will eventually be used to treat alcoholism such is their effect on consumption.

We sold McCormick as we had been disappointed by the slow response which the company exhibited in its ability to pass on input cost inflation so compressing its margins, together with its exposure to own label competition which has stiffened as inflation has caused consumers to trade down.

We began purchasing Apple two years ago at about $156 a share when its P/E was below the S&P 500 average and the growth in service revenues had somewhat convinced us that the much talked about ecosystem, tying its users to the products, might really exist. We correctly foresaw a number of reporting periods ahead when sales growth would be lacklustre and so bought a small stake hoping to add to it as the poor sales performance came to pass. We were right about the sales performance — its sales grew just 2% last year — but wrong about the share price which rose strongly, placing the shares on a rating about 50% higher than the S&P 500. We were not going to buy more stock against that background and it was occupying a place in our portfolio and so we sold our stake.

We started purchasing stakes in Atlas Copco and Texas Instruments during the year.

Atlas Copco is a Swedish industrial company which makes compressors, vacuum equipment, electrical and pneumatic tools and which has three characteristics which we find attractive:

- it outsources much of the manufacturing so making it capital light which enhances returns;
- it is highly decentralised with over 600 operating entities which have considerable autonomy in addressing their local market; and
- there is a controlling stake held by the Wallenberg family vehicle which should lead to good long-term decision-making since they have been in business for 151 years this year.

Texas Instruments is a manufacturer of analogue and embedded microprocessors which go into a wide range of consumer and industrial devices, automobiles, and communications equipment. It is investing ahead of a probable upturn in the semiconductor cycle although it is now apparent that there is not one cycle. Demand for GPUs of the sort made by Nvidia far from being in a down cycle has been on a lunar trajectory, and there are clear differences between the cycle for regular automotive chips and chips for electric vehicles or chips for other appliances, as well as between regions. However, Texas Instruments has a long history of investing well ahead of upswings in demand and producing handsome returns from it. It is also a beneficiary of the onshoring of semiconductor manufacturing to avoid the geopolitical risks of Taiwan and China.

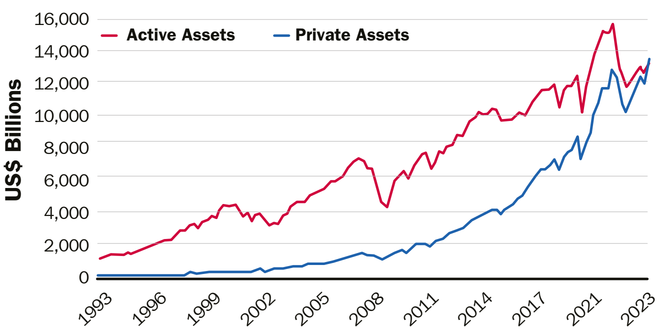
Last year I spent some time in this letter discussing the rise of interest in AI, as one of the driving forces behind the rise of most of the Magnificent Seven stocks and especially Nvidia. This boom/hype (you choose) continued in 2024, but some of its characteristics changed. One is that it may have become more focused. It had been seen as a driver of share prices of companies which we had previously held such as Adobe and Intuit, both of which had blotted their copybook with us by engaging in over-priced and seemingly ill-conceived acquisitions or attempted acquisitions. Both of them significantly underperformed the market in 2024 as reality seemed to dawn on investors that AI may not be of immediate and/or universal benefit and could actually be detrimental. Conversely, this has had the effect of focusing investors' attention on fewer real immediate beneficiaries of the AI boom such as Nvidia.

During this period commentators have frequently asked whether the AI boom is the same as the Dotcom era and therefore will have a similar ending. In response I am tempted to quote Mark Twain, 'History doesn't repeat itself, but it rhymes.' Undoubtedly some of the AI enthusiasm is hype, as was the Dotcom mania, but there are a couple of key differences:

1. The leading company in the AI boom, Nvidia, is very profitable, albeit with a history of some downturns, whereas in the Dotcom boom a lot of the share price performance was driven by reference to clicks and eyeballs in the absence of any profits or even revenues. Even companies which were to rise Phoenix-like from the ashes after the Dotcom meltdown, such as Amazon, were not yet profitable; and
2. The rise of so-called passive or index funds.

Investment Manager's review (continued)

The Rise of Index Funds



Source: Morningstar.

In late 2023 passive investment via index funds exceeded the amount of assets held in active funds for the first time. They are now more than half of Assets Under Management ('AUM'). However, during the Dotcom boom only about 10% of AUM was in passive funds. As ever we do not always aid understanding with the labels which we sometimes use in investment. Index funds are not truly a passive strategy. There may be no fund manager taking investment decisions, but such index investing is in fact a momentum strategy.

The vast majority of index funds are market capitalisation weighted, like the indices on which they are based. The size of holdings in companies in the index fund is based upon their market value compared with the market value of the index. So when there are inflows to index funds the largest portion goes to the largest companies, and vice versa when there are outflows.

The result is that as money flows out of active funds and into index funds, as it has been doing, it drives the performance of the largest companies which are companies whose shares have already performed well which is how they came to be the largest companies by market value.

This is a self-reinforcing feedback loop which will operate until it doesn't. For example, were there to be an economic downturn which led to a reduction in tech spending, which is now so large a proportion of overall spending that it cannot be non-cyclical, one area of vulnerability might be spending on AI as it is not currently generating much revenue. Were the largest companies then to produce disappointing results, their share prices are likely to react badly which will drag down the index performance more than that of those active managers who are underweight in these stocks. But even if some scenario like this awaits us in the future, what exactly will cause this and when it may occur is difficult or impossible to predict.

Which brings me back to the subject of volatility which was raised at the start of this letter. We don't agree that true volatility is measured by ratios such as the Sharpe or Sortino ratio which look at the volatility of fund prices or share prices, but they are widely accepted as a measure. Moreover, whilst investors should rationally focus on volatility in the fundamental value of the businesses they invest in and accept higher price volatility if this leads to higher returns, it is easier said than done.One problem is that it is difficult to remain calm and focus on the fundamental characteristics when the price volatility is sharply negative. Take a stock like Nvidia, which has been a spectacular performer for the past two years. The Nvidia share price fell by over two thirds as recently as 2021–2022. Would we or you feel comfortable owning it in such circumstances, and if not, might that share price performance cause us to make poor decisions? We have experience owning this sort of stock, as the performance of Meta demonstrates, but given how difficult they can be to own maybe one is enough for our portfolio at any one time. In 2021–2022 Meta's stock price fell by 76%, but whilst we continued to own it despite this, to our current benefit, there are several key differences between the situation of Meta then and Nvidia now:

- Meta serves some 3.3 billion consumers and several million advertisers. Nvidia's demand is dominated by a literal handful of so-called hyperscalers building data centres to handle Large Language Models for AI.
- People sometimes ask us whether it is dangerous to own consumer stocks in an economic downturn. To which we reply yes, but it is not as dangerous as not being close to the consumer in those circumstances. If you think the performance of consumer companies is a worry in a downturn wait until you see what happens to their suppliers, especially the suppliers of capital equipment like factory machinery. A 5-10% downturn in sales revenues at the consumer companies can translate into a cessation of orders for some suppliers. Nvidia supplies capital goods — its latest generation GPU server sells for about $3m each — and a significant downturn in demand from its clients who do service consumers would be interesting to watch from a safe distance.
- Before its share price fall Meta was on a P/E of 28x whereas Nvidia is currently on a P/E of 54x.

Investment Manager's review (continued)

All of which brings me to a reminder of what we are seeking to achieve with the Fundsmith Equity Fund and that is to produce a high likelihood of a satisfactory return rather than the chance of a spectacular return which could be spectacularly good or spectacularly bad.

Finally, once more I wish you a happy New Year and thank you for your continued support for our Fund.

Yours sincerely,

Terry Smith

Terry Smith
CEO
Fundsmith LLP

Disclaimer: A Key Investor Information Document and an English language prospectus for the Fundsmith Equity Fund are available via the Fundsmith website or on request and investors should consult these documents before purchasing shares in the fund. Past performance is not necessarily a guide to future performance. The value of investments and the income from them may fall as well as rise and be affected by changes in exchange rates, and you may not get back the amount of your original investment. Fundsmith LLP does not offer investment advice or make any recommendations regarding the suitability of its products. This document is a financial promotion and is communicated by Fundsmith LLP which is authorised and regulated by the Financial Conduct Authority.

The views and opinions expressed herein are those of Fundsmith as of the date hereof and are subject to change based on prevailing market and economic conditions and will not be updated or supplemented.

Sources: Fundsmith LLP, Bloomberg and FE Analytics unless otherwise stated.

Data is as at 31st December 2024 unless otherwise stated.

Portfolio turnover is a measure of the fund's trading activity and has been calculated by taking the total share purchases and sales less total creations and liquidations divided by the average net asset value of the fund.

P/E ratios and Free Cash Flow Yields are based on trailing twelve month data and as at 31st December 2024 unless otherwise stated. Percentage change is not calculated if the TTM period contains a net loss.

The MSCI World Index is a developed world index of global equities across all sectors and, as such, is a fair comparison given the fund's investment objective and policy.

The Investment Association Global Sector in Sterling is representative of funds that invest at least 80% of their assets globally in equities. This facilitates a comparison against funds with broadly similar characteristics.

The Bloomberg Bond Indices UK Govt 5-10 yr shows what you might have earnt if you had invested in UK Government Debt.

The £ Interest Rate shows what you might have earnt if you had invested in cash.

Performance Record

The per share net asset values in the table below are different from the published dealing prices that were available to investors. This is to comply with accounting rules that require the net asset values in this report to be based on close of day bid prices. The investment manager's review and factsheet uses dealing prices as the Fund could only be bought or sold at these prices.

	Share Class T - Accumulation		
Change in net asset value per share	**12 months to 31.12.24 (p)**	**12 months to 31.12.23 (p)**	**12 months to 31.12.22 (p)**
Opening net asset value per share	646.74	575.03	665.95
Return before operating charges	64.65	78.13	(84.92)
Operating charges	(7.31)	(6.42)	(6.00)
Return after operating charges	57.34	71.71	(90.92)
Distributions	(1.56)	(1.82)	(1.02)
Retained distributions on accumulation shares	1.56	1.82	1.02
Closing net asset value per share	704.08	646.74	575.03
After direct transaction costs of:	0.05	0.08	0.05
Performance			
Return after operating charges	8.87%	12.47%	(13.65%)
Other information	**£**	**£**	**£**
Closing net asset value	3,867,566,513	3,917,358,730	3,788,714,772
Closing number of shares	549,305,593	605,709,570	658,868,485
Ongoing charges figure*	1.04%	1.04%	1.04%
Direct transaction costs	0.01%	0.01%	0.01%
Prices	**(p)**	**(p)**	**(p)**
Highest share price	736.40	649.72	665.58
Lowest share price	636.23	581.80	523.76

*The Ongoing Charges Figure (OCF) is the share class's total annualised operating costs (excluding overdraft interest) expressed as a percentage of the average net assets of the share class.

Performance Record (continued)

The per share net asset values in the table below are different from the published dealing prices that were available to investors. This is to comply with accounting rules that require the net asset values in this report to be based on close of day bid prices. The investment manager's review and factsheet uses dealing prices as the Fund could only be bought or sold at these prices.

	Share Class T - Income		
Change in net asset value per share	**12 months to 31.12.24 (p)**	**12 months to 31.12.23 (p)**	**12 months to 31.12.22 (p)**
Opening net asset value per share	587.76	524.06	608.00
Return before operating charges	58.75	71.20	(77.53)
Operating charges	(6.64)	(5.85)	(5.48)
Return after operating charges	52.11	65.35	(83.01)
Distributions	(1.42)	(1.65)	(0.93)
Closing net asset value per share	638.45	587.76	524.06
After direct transaction costs of:	0.04	0.07	0.05
Performance			
Return after operating charges	8.87%	12.47%	(13.65%)
Other information	**£**	**£**	**£**
Closing net asset value	229,870,327	256,192,351	260,368,137
Closing number of shares	36,004,285	43,588,115	49,682,658
Ongoing charges figure*	1.04%	1.04%	1.04%
Direct transaction costs	0.01%	0.01%	0.01%
Prices	**(p)**	**(p)**	**(p)**
Highest share price	668.54	591.65	607.66
Lowest share price	578.20	530.24	478.18

*The Ongoing Charges Figure (OCF) is the share class's total annualised operating costs (excluding overdraft interest) expressed as a percentage of the average net assets of the share class.

Performance Record (continued)

The per share net asset values in the table below are different from the published dealing prices that were available to investors. This is to comply with accounting rules that require the net asset values in this report to be based on close of day bid prices. The investment manager's review and factsheet uses dealing prices as the Fund could only be bought or sold at these prices.

	Share Class R - Accumulation		
Change in net asset value per share	**12 months to 31.12.24 (p)**	**12 months to 31.12.23 (p)**	**12 months to 31.12.22 (p)**
Opening net asset value per share	605.54	541.09	629.77
Return before operating charges	60.49	73.36	(80.30)
Operating charges	(10.10)	(8.91)	(8.38)
Return after operating charges	50.39	64.45	(88.68)
Distributions	-	-	-
Closing net asset value per share	655.93	605.54	541.09
After direct transaction costs of:	0.05	0.08	0.05
Performance			
Return after operating charges	8.32%	11.91%	(14.08%)
Other information	**£**	**£**	**£**
Closing net asset value	576,483,129	557,410,151	507,931,300
Closing number of shares	87,887,910	92,051,376	93,871,572
Ongoing charges figure*	1.54%	1.54%	1.54%
Direct transaction costs	0.01%	0.01%	0.01%
Prices	**(p)**	**(p)**	**(p)**
Highest share price	686.21	608.33	629.38
Lowest share price	595.62	547.31	494.16

*The Ongoing Charges Figure (OCF) is the share class's total annualised operating costs (excluding overdraft interest) expressed as a percentage of the average net assets of the share class.

Performance Record (continued)

The per share net asset values in the table below are different from the published dealing prices that were available to investors. This is to comply with accounting rules that require the net asset values in this report to be based on close of day bid prices. The investment manager's review and factsheet uses dealing prices as the Fund could only be bought or sold at these prices.

	Share Class R - Income		
	12 months to 31.12.24	12 months to 31.12.23	12 months to 31.12.22
Change in net asset value per share	(p)	(p)	(p)
Opening net asset value per share	577.70	516.22	600.86
Return before operating charges	57.70	69.95	(76.59)
Operating charges	(9.64)	(8.47)	(8.05)
Return after operating charges	48.06	61.48	(84.64)
Distributions	-	-	-
Closing net asset value per share	625.76	577.70	516.22
After direct transaction costs of:	0.04	0.07	0.05
Performance			
Return after operating charges	8.32%	11.91%	(14.09%)
Other information	£	£	£
Closing net asset value	15,447,660	17,395,029	12,717,890
Closing number of shares	2,468,606	3,011,091	2,463,675
Ongoing charges figure*	1.54%	1.54%	1.54%
Direct transaction costs	0.01%	0.01%	0.01%
Prices	(p)	(p)	(p)
Highest share price	654.65	580.36	600.49
Lowest share price	568.23	522.15	471.46

*The Ongoing Charges Figure (OCF) is the share class's total annualised operating costs (excluding overdraft interest) expressed as a percentage of the average net assets of the share class.

Performance Record (continued)

The per share net asset values in the table below are different from the published dealing prices that were available to investors. This is to comply with accounting rules that require the net asset values in this report to be based on close of day bid prices. The investment manager's review and factsheet uses dealing prices as the Fund could only be bought or sold at these prices.

	Share Class I - Accumulation		
Change in net asset value per share	**12 months to 31.12.24 (p)**	**12 months to 31.12.23 (p)**	**12 months to 31.12.22 (p)**
Opening net asset value per share	655.28	582.05	673.40
Return before operating charges	65.52	79.11	(85.86)
Operating charges	(6.70)	(5.88)	(5.49)
Return after operating charges	58.82	73.23	(91.35)
Distributions	(2.29)	(2.46)	(1.60)
Retained distributions on accumulation shares	2.29	2.46	1.60
Closing net asset value per share	714.10	655.28	582.05
After direct transaction costs of:	0.05	0.08	0.05
Performance			
Return after operating charges	8.98%	12.58%	(13.57%)
Other information	**£**	**£**	**£**
Closing net asset value	13,670,761,344	14,396,580,306	13,360,761,660
Closing number of shares	1,914,406,892	2,197,009,381	2,295,475,309
Ongoing charges figure*	0.94%	0.94%	0.94%
Direct transaction costs	0.01%	0.01%	0.01%
Prices	**(p)**	**(p)**	**(p)**
Highest share price	746.84	658.30	673.03
Lowest share price	644.65	588.93	529.86

*The Ongoing Charges Figure (OCF) is the share class's total annualised operating costs (excluding overdraft interest) expressed as a percentage of the average net assets of the share class.

Performance Record (continued)

The per share net asset values in the table below are different from the published dealing prices that were available to investors. This is to comply with accounting rules that require the net asset values in this report to be based on close of day bid prices. The investment manager's review and factsheet uses dealing prices as the Fund could only be bought or sold at these prices.

	Share Class I - Income		
Change in net asset value per share	**12 months to 31.12.24 (p)**	**12 months to 31.12.23 (p)**	**12 months to 31.12.22 (p)**
Opening net asset value per share	588.20	524.43	608.45
Return before operating charges	58.80	71.28	(77.60)
Operating charges	(6.01)	(5.29)	(4.96)
Return after operating charges	52.79	65.99	(82.56)
Distributions	(2.06)	(2.22)	(1.46)
Closing net asset value per share	638.93	588.20	524.43
After direct transaction costs of:	0.05	0.07	0.05
Performance			
Return after operating charges	8.97%	12.58%	(13.57%)
Other information	**£**	**£**	**£**
Closing net asset value	4,003,505,598	4,430,073,025	4,379,634,649
Closing number of shares	626,591,440	753,161,164	835,121,053
Ongoing charges figure*	0.94%	0.94%	0.94%
Direct transaction costs	0.01%	0.01%	0.01%
Prices	**(p)**	**(p)**	**(p)**
Highest share price	669.46	592.48	608.12
Lowest share price	578.65	530.65	478.76

*The Ongoing Charges Figure (OCF) is the share class's total annualised operating costs (excluding overdraft interest) expressed as a percentage of the average net assets of the share class.

Remuneration Disclosure

Remuneration Disclosure

The ACD is required to make this remuneration disclosure to investors in Fundsmith Equity Fund in accordance with COLL 4.5.7 R (7) in the FCA Handbook.

The financial year of Fundsmith Equity Fund runs from 1 January to 31 December, whereas the financial year of the ACD, Fundsmith LLP (Fundsmith, or the Firm), runs from 1 April to 31 March. The latest financial year of Fundsmith is the year to 31 March 2024 and the remuneration figures below relate to that period. The Fundsmith Report and Accounts for the year to 31 March 2024 have been independently audited and filed with Companies House.

Under Fundsmith LLP's remuneration policy staff receive a basic salary, certain benefits (primarily pension contributions which are capped) and are eligible for an award of an annual discretionary bonus which is based on performance.

Fundsmith employed an average of 42 staff in the year, with total remuneration, including pension contributions, for those staff of £13.4 million comprising fixed remuneration (salaries and pension contributions) of £5.5 million and variable remuneration of £7.6 million.

The amount of profit awarded to the one Executive Member of the Firm which is treated as remuneration for the purposes of the Remuneration Codes is not included in the quantitative disclosures above and the ACD has not disclosed this amount for individual privacy reasons.

Amounts due to Members of the Firm because of their investment of capital and their ownership of the business are not related to individual or Fund performance and cannot be varied, and therefore are not variable remuneration under the Remuneration Codes and are not included in the quantitative disclosures above.

Fundsmith is subject to the UCITS (SYSC 19E), AIFM (SYSC 19B) Remuneration Codes. The Management Committee of Fundsmith considers which staff are Material Risk Takers under these codes and are therefore within the definition of Remuneration Code Staff.

There are only two Remuneration Code staff whose remuneration is included in the quantitative disclosures above. These two individuals are in different categories of Code Staff, and the ACD has not disclosed the amount of remuneration broken down by category of UCITS Remuneration Code Staff for individual privacy reasons.

The information above relates to Fundsmith as a whole, is not broken down by reference to Fundsmith Equity Fund or the other funds managed by Fundsmith and does not show the proportion of remuneration which relates to the income Fundsmith earns from the management of this fund, as this would not reflect the way Fundsmith is organised.

The Management Committee of Fundsmith has reviewed the Remuneration Policy and its implementation and is satisfied that no irregularities occurred during the period.

There have been no material changes made to the Remuneration Policy applicable for the Firm's financial year to 31 March 2024 compared with the policy applicable for the year to 31 March 2023.

Further Information

Reports and accounts

Each year, the ACD will publish on its website (www.fundsmith.co.uk) Annual and Interim Reports and Accounts for the Company discussing investment activity during the period and providing management commentary.

UK UCITS

The Company is an authorised Collective Investment Scheme constituted as a UK UCITS in accordance with the FCA rules.

Prospectus

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

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

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

All documents are available on the ACD's website.

Minimum investment

The Company has three different share classes:

I shares, R shares and T shares.

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

The following table summarises the investment levels for T shares.

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

Publication of prices

The prices of shares are published daily on the ACD's website at www.fundsmith.co.uk. Shareholders can also obtain the current price of their Shares by calling the ACD on 0330 123 1815.

Dealing Charges

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

Dilution Adjustment

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

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

Task Force on Climate-Related Financial Disclosures (TCFD)/Sustainability Reporting

The TCFD product report prepared by the ACD is published on the ACD's website at fundsmith.co.uk/documents

The relevant public product-level sustainability report prepared by the ACD will be published here when due.

Contact details

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FCA Reference Number 529093

Authorised Corporate Director

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