Fundsmith Emerging Equities Trust plc

Investor Disclosure Document

Fundsmith
Buy good companies
Don't overpay
Do nothing

Fundsmith Emerging Equities Trust plc

Investor Disclosure Document

Fundsmith

This document is issued by Fundsmith LLP in order to make certain particular information available to investors in Fundsmith Emerging Equities Trust plc (the "Company") before they invest, in accordance with the requirements of the Financial Conduct Authority (the "FCA") Rules implementing the EU Alternative Investment Fund Managers Directive (Directive 2011/61/EU) (the "AIFM Directive" or "AIFMD") in the United Kingdom. It is made available to investors ("investors" or "shareholders") in the Company by being made available at **www.feetplc.co.uk.**

Potential investors in the Company's shares should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company.

Important information

Name of Alternative Investment Fund ('AIF'):	Fundsmith Emerging Equities Trust plc
Name of Alternative Investment Fund Manager ('AIFM'):	Fundsmith LLP
Name of Investment Manager:	Fundsmith LLP
Name of Depositary:	Northern Trust Global Services SE
Name of Auditor:	Deloitte LLP
Date of Disclosure:	31 January 2020
Latest share price & net asset value per share of the AIF:	This can be found on the FEET's website **www.feetplc.co.uk**

Regulatory and legal status of the Company

Fundsmith Emerging Equities Trust plc is an 'alternative investment fund' ("AIF") for the purposes of the AIFM Directive which has appointed Fundsmith LLP ("Fundsmith") as its Alternative Investment Fund Manager ("AIFM"). Fundsmith is authorised and regulated by the FCA as a "full scope UK AIFM" for the purposes of the AIFM Directive.

The Company is an investment trust and is incorporated as a public limited company in England and Wales. The Company's shares are listed on the premium segment of the Official List of the UK Listing Authority and are admitted to trading on the main market of the London Stock Exchange. The operation of the Company is subject to its Articles of Association, the FCA Listing Rules, the FCA Disclosure and Transparency Rules, the UK Corporate Governance Code issued by the Financial Reporting Council and the UK Companies Act 2006.

The provisions of the Company's Articles of Association, which are binding on the Company and all of its shareholders, set out the respective rights and restrictions attaching to the Company's shares. All shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the Company's Articles of Association.

Limited purpose of this document

This document, which is made available to investors in the Company by being made available at www.feetplc.co.uk , is not a prospectus. It is issued for the purpose of making certain regulatory disclosures to investors in accordance with the requirements of the AIFM Directive. The Company, its Directors and Fundsmith as its AIFM will not be responsible to persons other than the Company's shareholders for their use of this document, nor will they be responsible to any person (including the Company's shareholders) for any use which they may make of this document other than to inform a decision to invest in shares in the Company.

This document does not constitute, and may not be used for the purposes of, an offer or solicitation to buy or sell, or otherwise undertake investment activity in relation to, the Company's shares.

This document is not a prospectus and it is not intended to be an invitation or inducement to any person to engage in any investment activity. This document may not include (and it is not intended to include) all the information which investors and their professional advisers may require for the purpose of making an informed decision in relation to an investment in or disposal of the Company's shares.

No advice

None of the Company, its Directors or Fundsmith (as the Company's AIFM) are advising any person in relation to any investment or other transaction involving shares in the Company. Recipients must not treat the contents of this document or any subsequent communications from the Company, the AIFM or any of their respective affiliates, officers, directors, partners or employees or agents, as advice relating to financial, investment, taxation, accounting, legal, regulatory or any other matters. Prospective investors must rely on their own professional advisers, including their own legal advisers and accountants, as to legal, tax, accounting, regulatory, investment and any other related matters concerning the Company and an investment in the Company's shares.

Potential investors in the Company's shares should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company.

Important information continued

Overseas investors

The distribution of this document in certain jurisdictions will be restricted and accordingly any persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. In particular, the shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under any of the relevant securities laws of Canada, Australia or Japan. Accordingly, the shares may not (unless an exemption from such Act or such laws is available) be offered, sold or delivered, directly or indirectly, in or into the USA, Canada, Australia or Japan. The Company is not registered under the United States Investment Company Act of 1940 (as amended) and investors are not entitled to the benefits of such Act.

Prospective investors must inform themselves as to (a) the legal requirements within their own countries for the purchase, holding, transfer and other disposal of shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of shares.

Developing economies

Investors should note that the Company considers that the economy of any country other than those listed in the MSCI World Index (the countries listed in the MSCI World Index as at the date of this Prospectus being Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Switzerland, the UK and the US) is a "Developing Economy".

The Company

Investment objective and policy

Objective

The Company's investment objective is to provide shareholders with an attractive return by investing in a portfolio of shares issued by listed or traded companies which have the majority of their operations in, or revenue derived from, Developing Economies and which provide direct exposure to the rise of the consumer classes in those countries.

Policy

The Company's investment policy is to invest in shares issued by listed or traded companies which have the majority of their operations in, or revenue derived from, Developing Economies and which provide direct exposure to the rise of the consumer classes in those countries. It is anticipated that the Company's portfolio will comprise between 35 and 55 investments.

The Company will maintain a portfolio diversified by issuer concentration.

Before making any material change to this investment policy, the Company is required to obtain the prior approval of shareholders, by ordinary resolution. The Company will announce any such change through a Regulatory Information Service.

Investment restrictions and guidelines

The board of Directors of the Company (the "Board") sets guidelines for the AIFM under which the Company is managed. These can be varied from time to time and are currently as follows:

- The Company will maintain a portfolio diversified by issuer concentration and it is anticipated that the Company's portfolio will comprise 35 to 55 investments.
- The Company will comply with the following restrictions at the time each investment is made:
  - (i) not more than five per cent. of the Company's gross assets can be invested in shares issued by any single company. This limit rises to 10 per cent. in respect of up to 40 per cent. of gross assets;
  - (ii) not more than 40 per cent. of the Company's gross assets can be invested in shares issued by companies domiciled in any single jurisdiction;
  - (iii) not more than 20 per cent. of the Company's gross assets can be in deposits held with a single bank or financial institution. In applying this limit all uninvested cash (except cash representing distributable income or credited to a distribution account that the Depositary holds) should be included;
  - (iv) not more than 20 per cent. of the Company's gross assets can consist of shares and approved money market instruments issued by the same group. When applying the limits set out in (i) this provision would allow the Company to invest not more than five per cent. in the shares of each of four group member companies, or 10 per cent. in two of them (if applying the 40 per cent. limit);

The Company continued

(v) the Company's holdings in any combination of shares or deposits issued by a single company or fund must not exceed 20 per cent. of the Company's gross assets overall;

(vi) the Company must not acquire shares issued by a company and carrying rights to vote at a general meeting of that company if the Company has the power to influence significantly the conduct of business of that company (or would be able to do so after the acquisition of the shares). The Company is to be taken to have power to influence significantly if it exercises or controls the exercise of 20 per cent. or more of the voting rights in that company; and

(vii) the Company must not acquire shares which do not carry a right to vote on any matter at a general meeting of the company that issued them and represent more than 10 per cent. of these securities issued by that company.

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

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

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

Leverage

The Company has the power to borrow using short-term banking facilities to raise funds for short-term liquidity purposes or for discount management purposes including the purchase of its own shares. These facilities may be secured. The Company's gearing policy, set by the Board, is that it may borrow up to 15% of the Company's net assets at the time of draw-down of such borrowings.

The Board's guidelines are within the borrowing limits set by the Company's Articles of Association, being 1,000 times the adjusted total of the Company's capital and reserves.

The AIFMD prescribes two methods of measuring and expressing leverage (as opposed to gearing) and requires disclosure of the maximum amount of 'leverage' the Company might be subject to. The definition of leverage is wider than that of gearing and includes exposures that are not considered to contribute to gearing.

In accordance with the AIFM Directive the Board has set leverage limits of 115% under the gross method and 115% under the commitment method.

The Company will disclose the following on its website at the same time as it makes its annual report and accounts available to investors or more frequently at its discretion:

- any changes to the maximum level of leverage that the AIFM may employ on behalf of the Company;
- any changes to the right of reuse of collateral or any guarantee granted under the leveraging arrangements; and
- the total amount of leverage employed by the Company.

Investment techniques

(i) Seek high quality business with specific characteristics and intangible assets

Fundsmith, as the Company's Investment Manager seeks to invest the Company in businesses whose assets are intangible and difficult to replicate. These businesses will hopefully do something unusual: they will break the rule of mean reversion that states returns must revert to the average as new capital is attracted to business activities earning above average returns. They can do this because their most important assets are not physical assets, which can be replicated by anyone with access to capital, but intangible assets which can be very difficult to replicate, no matter how much capital a competitor is willing to spend.

Moreover, it is hard for companies to replicate these intangible assets using borrowed funds, as banks tend to favour the (often illusory) comfort of tangible collateral. This means that the business does not suffer from an increased number of competitors when credit is freely available.

The kinds of intangible assets that Fundsmith seek are brand names, trademarks, dominant market shares, patents, licenses, franchises, intellectual property or know how, distribution networks, client relationships and installed bases of equipment or software that lock-in clients for service, spares, repairs, renewals, consumables and transactions. Some combination of such intangibles defines a company's franchise. Since stock markets typically value companies on the assumption that their returns will regress to the mean, businesses whose returns do not do this can become undervalued. This presents an opportunity for the Company.

The Company only invests in companies that earn a high return on their capital on an unleveraged basis. Although the companies may have leverage, they do not require borrowed money to function. In assessing leverage, Fundsmith includes off-balance sheet finance in the form of operating leases, which are common in some sectors, such as retailing.

Fundsmith seeks businesses which have growth potential. Fundsmith views growth potential as the ability of a company to be able to reinvest at least a portion of its excess cash flow back into the business to grow, whilst generating a high return on the cash thus reinvested. Over time, this should compound their shareholders' wealth by generating more than a pound of stock-market value for each pound reinvested.

The source of growth is also a factor to consider. Growth in profits from increasing prices can simply build an umbrella beneath which competitors can flourish. Fundsmith focusses on companies which have physical growth in the merchandise or service sold rather than simply pricing power.

The Company continued

(ii) Avoid over paying for shares

The Company only invests in shares where Fundsmith believes the valuation is attractive. Fundsmith estimates the free cash flow of every company after tax and interest, but before dividends and other distributions, and after adding back any discretionary capital expenditure which is not needed to maintain the business. Fundsmith aims to invest only when free cash flow per share as a percentage of a company's share price (the "free cash flow yield") is high relative to long-term interest rates and when compared with the free cash flow yields of other investment candidates both within and outside the Company's portfolio. Fundsmith looks to buy securities that it believes will grow and compound in value, which bonds cannot, at yields that are similar to or better than what the Company would get from a bond.

(iii) Buy and hold

The Company seeks to be a long-term, buy-and-hold investor. Fundsmith recommends only stocks that will compound in value over the years. Even when Fundsmith is able to find a new company suitable for the Company, it will have to wait, sometimes forever, for a price and valuation it can justify investing in. The resulting low level of dealing activity also minimises the frictional costs of trading, a cost which is often overlooked by investors as it is not normally disclosed as part of the costs of running funds.

(iv) Not to attempt market timing

Fundsmith does not attempt to manage the percentage invested in equities in the Company's portfolio to reflect any view of market levels, timing or developments. Fundsmith's unwillingness to make investment decisions on the basis of market timing is one factor that will prevent the Company from investing in sectors that are highly cyclical.

(v) Corporate governance

Investment in Developing Economies has risks associated with it which might loosely be labelled as problems of corporate governance. There are examples of companies that have had assets confiscated by governments, which have had their know how taken by a local joint venture partner who set up in competition with them and of minority investment in business controlled by local families which have gone awry. As a minority investor, Fundsmith assumes that the corporate governance landscape applying to an investment made by the Company is one that will not change following investment and as such will exercise care in selecting the investments it makes having regard to the existing corporate governance landscape.

Risk in connection with derivatives

The Company may use various derivative instruments as part of its investment strategy in order to mitigate risk.

The Company will be exposed to the credit risk of the counterparty bank or other market maker writing any derivative instrument.

Dividend policy

It is the Company's policy to pursue capital growth for shareholders and to pay dividends to the extent required to maintain investment trust status.

Administration and management of the Company

The Alternative Investment Fund Manager (AIFM) and Investment Manager – Fundsmith LLP

Fundsmith LLP acts as both the Company's AIFM and its Investment Manager. It provides discretionary investment management services to the Company within the strategic guidelines set out in the Company's investment policy and subject to the oversight of the Board. Fundsmith LLP does not consider that any conflicts of interest arise from these appointments. As Investment Manager, Fundsmith has sole responsibility for managing the assets of the Company and advising the Company on a day to day basis, in each case in accordance with the Company's investment policy.

Fees

Fundsmith receives an annual fee of 1.00% per annum of the Company's net asset value.

The Depositary – Northern Trust Global Services SE

The services provided by Northern Trust Global Services SE as depositary for the Company include:

a) safe-keeping of the assets of the Company that can be held in custody (including book entry securities);

b) record-keeping of assets that cannot be held in custody in which case the Depositary must verify their ownership;

Administration and management of the Company continued

c) ensuring that the Company's cash flows are properly monitored, and shall in particular ensure that all payments made by or on behalf of investors upon subscription for shares in the Company have been received and that all cash of the Company has been booked in cash accounts in the name of the Company or in the name of the Depositary such that the Depositary can monitor and reconcile them;

d) ensuring that any sale, issue, buy-back, redemption or cancellation of the Company's shares are carried out in accordance with English law and the Articles of Association;

e) ensuring that the value of the Shares of the Company is calculated in accordance with English law, the Articles of Association and the valuation procedures;

f) carrying out the instructions of the AIFM and the Board of the Company, unless they conflict with English law;

g) ensuring that in transactions involving a Company's assets any consideration is remitted to the Company within the usual time limits; and

h) ensuring that the Company's income is applied in accordance with English law and the Articles of Association.

In relation to the duties of the Depositary regarding custody as referred to at paragraph (a) above, in respect of financial instruments which can be held in custody, (except to the extent that the Depositary has contractually transferred liability to a delegate in accordance with AIFMD) the Depositary is liable to the Company or the shareholders for any loss of such financial instruments held by the Depositary or any delegate.

In relation to all the other duties of the Depositary as referred to at paragraphs (b) - (h), the Depositary is liable to the Company or the shareholders for all other losses suffered by it or them as a result of negligent, fraudulent or intentional failure to properly fulfil such obligations.

The Depositary currently has no arrangements in place to contractually transfer its liability to a delegate.

Fees

The Depositary receives 1.5 basis points (0.015%) of the value of assets held by the Depositary. A minimum fee of £25,000 per annum in respect of depositary services applies. The fees for the delegated custody component of the Depositary's role are dependent on the number and nature of transactions undertaken by the Company.

The Administrator – Northern Trust Global Services Limited

The services provided by Northern Trust Global Services Limited as administrator for the Company include, but are not limited to:

Being responsible for the maintenance of the books and financial accounts of the Company and the calculation, in conjunction with the Investment Manager, of the Net Asset Value of the Company and the Ordinary Shares.

Fees

The Administrator receives an annual fee calculated by reference to the Company's NAV as follows: an amount equal to the aggregate of (i) three basis points of the NAV of the Company up to £500 million, and (ii) two basis points of the NAV of the Company in excess of £500 million. In addition, a further fee of £1,000 per day is payable in respect of all work carried out by the Administrator pursuant to regulatory changes. The Administrator is also entitled to reimbursement of all out of pocket costs, expenses and charges reasonably and properly incurred on behalf of the Company.

The Company Secretary – Frostrow Capital LLP

The services provided by Frostrow Capital LLP as Company Secretary to the Company include being responsible for production of the Company's annual and half yearly reports, regulatory compliance and providing support to the Board's corporate governance process and its continuing obligations under the Listing Rules and the Disclosure Guidance and Transparency Rules. In addition, the Company Secretary is responsible for liaising with the Company, the Investment Manager, the Registrar and the Administrator in relation to the payment of any dividends, as well as general secretarial functions required by the Companies Act (including but not limited to the maintenance of the Company's statutory books).

Fees

The Company Secretary receives an annual fee of £100,000.

The Auditor – Deloitte LLP

Deloitte LLP provides audit, audit-related assurance services and taxation compliance services to the Company.

The Auditor has a statutory responsibility to report to the members of the Company as a whole in relation to the truth and fairness of the Company's state of affairs and profit or loss as well as confirming that the Company accounts have been prepared in accordance with the Company's Articles of Association. The Auditor is also required to report by exception if there are certain matters on which they are not satisfied, including if adequate accounting records have not been kept by the Company or it has not received all the information and explanations required in order to carry out the audit.

Administration and management of the Company continued

Fees

The Auditor's fee for the statutory audit of the Company's 2019 financial statements is £32,500. Fees for any additional services provided by the Auditor will be agreed on a case by case basis.

The Registrar – Link Asset Services

The Registrar maintains the Company's register of members.

Fees

The Registrar is entitled to an annual base fee of £16,000 per annum. Other registrar activity is charged for in accordance with the Registrar's normal tariff as published from time to time.

The Broker – Investec Bank plc

Investec provides corporate broking services to the Company.

Fees

Under the terms of the Broker Agreement, Investec is entitled to an annual fee of £35,000. In addition, Investec receive a commission on all new share issues.

Ongoing fees and expenses payable by the Company

All ongoing operational expenses (excluding those fees paid to service providers as detailed above) of the Company will be borne by the Company including, without limitation, the incidental costs of making its investments and the implementation of its investment objective and policy; travel, accommodation and printing costs; the cost of directors' and officers' liability insurance and website maintenance; audit and legal fees; and annual listing fees. All out of pocket expenses that are reasonably and properly incurred, of the Investment Manager, the Administrator, the Company Secretary, the Depositary, the Registrar and the Directors relating to the Company will be borne by the Company.

No fees or expenses, including those listed above, will be borne by Investors.

Investors' rights in respect of the Company's service providers

Without prejudice to any potential right of action in common law that an investor may have to bring a claim against a service provider to the Company, each investor's contractual relationship in respect its investment in the Company will be with the Company only. Therefore, no investor will have any contractual claim against any service provider in respect of any such service provider's default or breach of the terms of any of the agreements outlined above.

The above is without prejudice to any right a shareholder may have to bring a claim against an FCA authorised service provider under section 13D of the Financial Services and Markets Act 2000 (which provides that breach of an FCA rule by such service provider is actionable by a private person who suffers loss as a result), or any tortious cause of action. Shareholders who believe they may have a claim under section 13D of the Financial Services and Markets Act 2000, or in tort, against any service provider in connection with their investment in the Company should consult a legal adviser.

Delegation of administration and management of the Company

Delegation by the Investment Manager

The Investment Manager is permitted, with the prior consent of the Company (such consent not to be unreasonably withheld or delayed) to delegate any of its functions under the investment management agreement to a delegate (whether such delegate is an associate of the Investment Manager or otherwise). Accordingly, the Investment Manager has delegated the provision of portfolio management and investment research services on certain of the companies in the Company's portfolio to Fundsmith Investment Services Limited, the company which employs Terry Smith.

All activities engaged in under the provisions of the investment management agreement by the Investment Manager or any of its delegates on behalf of the Company shall at all times be subject to the overall policies, supervision and review of the Board.

There are no conflicts of interest relevant to investors which arise as a result of the above delegations.

The Investment Manager also delegates to Northern Trust Global Services SE as administrator the valuation of the Company and the calculation of the Net Asset Value of the Company and the Ordinary Shares. Given that Northern Trust Global Services SE also acts as Depositary with oversight responsibility in relation to valuation functions, there is the potential for conflicts of interest to arise. Northern Trust Global Services Limited and Northern Trust Global Services SE maintain a strict functional and hierarchical separation between its functions as Administrator and its functions as Depositary.

Delegation by the Depositary

As noted above, the Depositary is permitted to delegate the whole or part of the performance of certain of its obligations, including the safe keeping of assets, subject to certain conditions being satisfied. As at the date of this Document, the Depositary has delegated certain of its obligations in respect of the safe keeping of the Company's investments to The Northern Trust Company ("TNTC"), which in turn has appointed sub-custodians in jurisdictions where the Company may make investments.

There are no conflicts of interest relevant to investors which arise as a result of the above delegations.

The identities of the appointed sub-custodians as at the date of this Document are as follows:

- **Argentina**
  Citibank N.A., Buenos Aires Branch, Argentina;
- **Australia**
  The Hong Kong and Shanghai Banking Corporation Ltd. (Subcustodian Delegate - HSBC Bank Australia Limited);
- **Austria**
  Unicredit Bank Austria AG
- **Bahrain**
  The Hong Kong and Shanghai Banking Corporation Ltd. (Subcustodian Delegate - HSBC Bank Middle East Limited);
- **Bangladesh**
  Standard Chartered Bank;
- **Belgium**
  Deutsche Bank AG;
- **Bermuda**
  The Hong Kong and Shanghai Banking Corporation Ltd. (Subcustodian Delegate - HSBC Bank Bermuda Limited);
- **Bosnia and Herzegovina**
  Raiffeisen Bank International AG (Subcustodian Delegate - Raiffeisen Bank International AG);
- **Botswana**
  Standard Chartered Bank Botswana Limited;
- **Brazil**
  Citibank N.A. – São Paulo Branch (Subcustodian Delegate - Citibank Distribuidora de Titulos e Valores Mobiliaros S.A);
- **Bulgaria**
  Citibank Europe plc, Bulgaria Branch
- **Canada**
  The Northern Trust Company, Canada
- **Chile**
  Citibank N.A. (Subcustodian Delegate – Banco de Chile);
- **China**
  The Hongkong and Shanghai Banking Corporation Limited (Subcustodian Delegate - HSBC Bank (China) Company Limited);
- **Columbia**
  Cititrust Colombia, S.A. Sociedad Fiduciaria;

Delegation of administration and management of the Company continued

- **Costa Rica**
  Banco Nacional de Costa Rica;
- **Croatia**
  UniCredit Bank Austria AG (Subcustodian Delegate - Zagrebacka Banka d.d.)
- **Cyprus**
  Citibank Europe Plc;
- **Czech Republic**
  UniCredit Bank Czech Republic and Slovenia, A.S.;
- **Denmark**
  Nordea Bank AB (publ);
- **Egypt**
  Citibank N.A., Cairo Branch;
- **Estonia**
  Swedbank AS;
- **Finland**
  Nordea Bank AB (publ);
- **France**
  Deutsche Bank AG;
- **Germany**
  Deutsche Bank AG;
- **Ghana**
  Standard Chartered Bank Ghana Limited;
- **Greece**
  Citibank Europe Plc;
- **Hong Kong**
  The Hongkong and Shanghai Banking Corporation Limited;
- **Hungary**
  UniCredit Bank Hungary Zrt.;
- **India**
  Citibank N.A.;
- **Indonesia**
  Standard Chartered Bank;
- **Ireland**
  Euroclear UK and Ireland Limited;
- **Israel**
  Bank Leumi Le-Israel B.M.;
- **Italy**
  Deutsche Bank SpA;
- **Japan**
  The Hongkong and Shanghai Banking Corporation Limited;
- **Jordan**
  Standard Chartered Bank;
- **Kazakhstan**
  Citibank Kazakhstan JSC;
- **Kenya**
  Standard Chartered Bank Kenya Limited
- **Kuwait**
  The Hongkong and Shanghai Banking Corporation Limited (Subcustodian Delegate – HSBC Bank Middle East Limited);
- **Latvia**
  Swedbank AS;

Delegation of administration and management of the Company continued

- **Lithuania**
  AB SEB Bankas;
- **Luxembourg**
  Euroclear Bank S.A./N.V.;
- **Malaysia**
  The Hongkong and Shanghai Banking Corporation Limited;
- **Mauritius**
  The Hongkong and Shanghai Banking Corporation Limited;
- **Mexico**
  Banco Nacional de México S.A.;
- **Morocco**
  Société Générale Marocaine de Banques;
- **Namibia**
  Standard Bank Namibia Ltd;
- **Netherlands**
  Deutsche Bank AG;
- **New Zealand**
  The Hongkong and Shanghai Banking Corporation Limited;
- **Nigeria**
  Stanbic IBTC Bank Plc;
- **Norway**
  Nordea Bank AB (publ);
- **Oman**
  The Hongkong and Shanghai Banking Corporation Limited;
- **Pakistan**
  Citibank N.A., Karachi Branch;
- **Panama**
  Citibank N.A., Panama Branch;
- **Peru**
  Citibank del Perú S.A.;
- **Philippines**
  The Hongkong and Shanghai Banking Corporation Limited;
- **Poland**
  Bank Polska Kasa Opieki Spółka Akcyjna;
- **Portugal**
  BNP Paribas Securities Services;
- **Qatar**
  The Hongkong and Shanghai Banking Corporation Ltd. (Subcustodian Delegate – HSBC Bank Middle East Limited);
- **Romania**
  Citibank Europe Plc;
- **Russia**
  AO Citbank;
- **Saudi Arabia**
  The Hongkong and Shanghai Banking Corporation Limited (Subcustodian Delegate – HSBC, Saudi Arabia);
- **Serbia**
  UniCredit Bank Austria A.G. (Subcustodian Delegate - UniCredit Bank Serbia JSC);
- **Singapore**
  DBS Bank Limited;
- **Slovakia**
  Citibank Europe Plc;

Delegation of administration and management of the Company continued

- **Slovenia**
  UniCredit Banka Slovenija d.d.;
- **South Africa**
  The Standard Bank of South Africa Limited;
- **South Korea**
  The Hongkong and Shanghai Banking Corporation Limited;
- **Spain**
  Deutsche Bank, SAE;
- **Sri Lanka**
  Standard Chartered Bank, Sri Lanka;
- **Sweden**
  Svenska Handelsbanken AB (publ);
- **Switzerland**
  Credit Suisse (Switzerland) Ltd;
- **Taiwan**
  Bank of Taiwan;
- **Tanzania**
  Standard Chartered Bank (Mauritius) Limited (Subcustodian Delegate - HSBC Bank (China) Company Limited);
- **Thailand**
  Citibank N.A., Bangkok Branch;
- **Tunisia**
  Banque Internationale Arabe de Tunisie;
- **Turkey**
  Deutsche Bank, AG and Deutsche Bank, A.Ş;
- **Uganda**
  Standard Chartered Bank Uganda Limited;
- **UAE**
  The Hongkong and Shanghai Banking Corporation Limited (Subcustodian Delegate - HSBC Bank Middle East Limited, (DIFC) Branch);
- **United Kingdom**
  Euroclear UK and Ireland Limited (Northern Trust self-custody);
- **United States**
  The Northern Trust Company;
- **Uruguay**
  Banco Itau Uruguay S.A.;
- **Vietnam**
  Hong Kong & Shanghai Banking Corporation Limited (Subcustodian Delegate - HSBC Bank (Vietnam) Limited); and
- **Zambia**
  Standard Chartered Bank Zambia Plc.

Shareholder information

Annual Reports and Accounts

Copies of the Company's latest Annual and Half Year Reports may be accessed at **www.feetplc.co.uk** or by writing to the Company Secretary at 25 Southampton Buildings London WC2A 1AL. The Company's most recent Annual Report (for the year ended 31 December 2018) was published on 21 March 2019, while the latest Half Yearly Report was published on 25 July 2019.

The Company's accounts and the annual report are drawn up in sterling and in accordance with IFRS as adopted by the European Union.

Publication of net asset values and share prices

The net asset value at the close of business for the previous business day is published each business day through a Regulatory Information Service by the Administrator and may also be accessed at **www.feetplc.co.uk**. The current share price is also published on the website.

If the Net Asset Value on any Dealing Day is outside the expected range agreed with the Investment Manager, the Administrator will obtain the Investment Manager's consent before making the Net Asset Value announcement.

Valuation Policy

The Company's portfolio of assets is valued on each Dealing Day by the Administrator in conjunction with the Investment Manager. All instructions to issue or cancel Ordinary Shares given for a prior Dealing Day will be assumed to have been carried out (and any cash paid or received).

The valuation is based on the following:

(a) Cash and amounts held in current and deposit accounts and in other time-related deposits are valued at their nominal value.

(b) All transferable securities are valued at fair value:

- (i) fair value for quoted investments is deemed to be bid market prices, or last traded price, depending on the convention of the exchange on which they are quoted; and
- (ii) unquoted investments are valued by the Directors using primary valuation techniques such as discounted multiple of revenue.

(c) All other property contained within the Company's portfolio of assets is priced at a value which, in the opinion of the AIFM, represents a fair and reasonable price.

(d) If there are any outstanding agreements to purchase or sell any of the Company's portfolio of assets which are incomplete, then the valuation will assume completion of the agreement.

(e) Added to the valuation are:

- (i) any accrued and anticipated tax repayments of the Company;
- (ii) any money due to the Company because of Ordinary Shares issued prior to the relevant Dealing Day;
- (iii) income due and attributed to the Company but not received; and
- (iv) any other credit of the Company due to be received by the Company

(f) Deducted from the valuation are:

- (i) any anticipated tax liabilities of the Company;
- (ii) any money due to be paid out by the Company because of Ordinary Shares bought back by the Company prior to the valuation;
- (iii) the principal amount and any accrued but unpaid interest on any borrowings; and
- (iv) any other liabilities of the Company, with periodic items accruing on a daily basis.

Amounts which are de minimis may be omitted from the valuation.

All of the Company's investments are listed and are valued at the closing prices. Valuations of Net Asset Value per Ordinary Share will be suspended only in any circumstances in which the underlying data necessary to value the investments of the Company cannot readily or without undue expenditure be obtained, however, given the nature of the Company's proposed investments, the Board does not envisage any circumstances in which valuations will be suspended.

If valuations are suspended, this will be announced to a Regulatory Information Service.

Historical performance of the Company

The Company was incorporated on 31 October 2013 and listed on 25 June 2014. Details of the Company' financial performance are provided in the Company's Annual Report & Accounts and Interim Report & Accounts further portfolio and performance information can be found in the Company's monthly factsheets All of these are available at **www.feetplc.co.uk**.

Investors should note that past performance of the Company is not necessarily indicative of future performance. Investors may not get back the amount invested.

Relationship between the Company and investors

Nature of shares in the Company

The Company is a public limited company which is registered in England and Wales. Its shares are admitted to the Official List of the UKLA and to trading on the premium segment of the main market of the London Stock Exchange. Accordingly, the Company's shares may be purchased and sold on the main market of the London Stock Exchange. The value at which shares trade on the London Stock Exchange may be below (at a "discount" to) or above (at a "premium" to) the net asset value per share of the Company.

The Company's shares are not redeemable. While the Company intends at each Annual General Meeting to request shareholder authority to issue and to buy back shares, shareholders do not have the right to have their shares re-purchased by the Company or to have new shares issued to them.

In addition, pursuant to the Articles of Association, if during the financial year ending 31 December 2018 or any subsequent year, the Ordinary Shares have traded, on average, at a discount in excess of 10 per cent. of Net Asset Value per Ordinary Share in that year, the Directors will consider proposing a special resolution at the Company's next annual general meeting that the Company ceases to continue in its present form. If such vote is proposed and passed, the Board will be required to formulate proposals to be put to shareholders within four months to wind up or otherwise reconstruct the Company, having regard to the illiquid nature of the Company's underlying assets. Any such proposals may incorporate arrangements which enable investors who wish to continue to be exposed to the Company's investment portfolio to maintain some or all of their existing exposure.

Purchases and sales of shares by investors

Shares may be bought or sold on the London Stock Exchange through a bank or stockbroker. There are no restrictions on transfers of shares or compulsory transfer powers for the directors to transfer shares held by investors in the European Union save where an investor has refused, having been asked, to confirm if he holds his shares on behalf of another person.

A shareholder who holds 0.25 per cent. or more of the entire issued ordinary share capital who fails to provide information may be blocked from transferring his shares.

Legal relationship between the Company and investors

Shareholders have no direct interest in the assets of the Company, nor are they liable for its debts and other obligations.

The rights, obligations and relationships of the members of the Company are governed by the laws of England and Wales (having regard to the Company's Articles of Association which constitute an agreement between the Company and its shareholders) and are subject to exclusive jurisdiction of the courts of England. Here the courts generally recognise judgments obtained in the courts of another jurisdiction but the exact rules, on the recognition and enforcement of foreign judgments, depend on the jurisdiction in which such judgments are obtained.

Until the expiry of the Implementation period for the withdrawal of the United Kingdom from the European Union, a foreign judgment obtained in an EU member state may be recognised and enforced in England pursuant to Council Regulation (EC) 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters. A judgment which has been certified as a European Enforcement Order pursuant to Regulation (EC) 805/2004 may also be recognised and enforced in England.

Fair treatment of investors

The legal and regulatory regime to which the Company and the Directors are subject ensures the fair treatment of investors. The FCA Listing Rules require that the Company treats all shareholders of the same class of shares equally.

In particular, each Director has statutory duties under the Companies Act 2006 with which they must comply, including a duty to act in the way he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

The AIFM maintains and operates organisational, procedural and administrative arrangements and implements policies and procedures designed to manage actual and potential conflicts of interest. In addition, as its shares are admitted to the Official List, the Company is required to comply with, among other things, the FCA's Listing Rules and Disclosure and Transparency Rules and the Takeover Code, all of which operate to ensure a fair treatment of investors.

Risk factors and risk management

Key risks

Risk relating to the Developing Economies sector

Investments in Developing Economies equities may be riskier than investments in more developed markets

The value of the equities in which the Company principally invests may fluctuate and there is no guarantee that the amounts invested by the Company will be returned in whole or in part. Developing Economy stock markets are inherently more volatile than developed market stock markets and may periodically experience increased short-term volatility and an investment in the Company should be regarded as long-term in nature. Companies in Developing Economies (and other markets) that offer a high dividend yield may be liable to diminish in capital value over time.

Investing in equity securities of companies with substantial assets in, or revenues derived from, Developing Economies involves considerations and risks which are not normally associated with more developed markets or economies. These may include:

- differences in auditing and financial reporting standards or the application thereof which may result in the unavailability or unreliability of material information about economies and companies;
- less stringent laws and practices in relation to the fiduciary duties of officers and directors and protection of investors;
- poor systems for the registration and custody of securities;
- a higher risk of dishonesty in commercial dealings;
- difficulty of bringing legal proceedings to enforce contractual rights;
- difficulty of enforcing judgments;
- the risk of nationalisation or expropriation of assets or confiscatory taxation;
- social, economic or political uncertainty (including war);
- dependence on exports and the corresponding importance of international trade and commodities prices;
- currency exchange rate fluctuations which affect both the sterling value of share prices and the competitiveness and profitability of issuers;
- limitations on foreign investors or repatriation of invested capital and foreign exchange controls;
- potentially higher rates of inflation (including hyperinflation);
- a potential risk of substantial deflation;
- a higher degree of governmental involvement in and control over economies;
- arbitrary government decisions resulting, inter alia, from a lower level of democratic accountability than is typical of developed nations;
- poor oversight of securities markets;
- poor liquidity in securities markets, including the potential suspension of securities markets, which could render it difficult or impossible for the Company to liquidate investments and therefore expose the Company to losses; and
- longer settlement periods for securities transactions.

Actual examples of these risks happening include the confiscation of Repsol assets by the Argentinean government, Danone's joint venture partner in China using Danone's know how to set up in direct competition with it in that market and the Bumi dispute following a minority investment in a business controlled by a local family in Indonesia.

A general economic downturn or the materialisation of one or a combination of the above risks could have a materially adverse effect on the Company's financial results. The risks associated with Developing Economies can generally be expected to result in increased volatility in the share prices of companies in Developing Economies and portfolios which invest in them when compared to companies and portfolios in developed markets. Investment trusts investing in Developing Economies, including the Company, can generally be expected to display greater share price and net asset value volatility than those investing in developed markets.

The laws and regulations of many Developing Economies are not well established or are at an early stage of development. These laws and regulations, and the applicable legal framework, may be vague, contradictory, not comprehensive and subject to varying interpretation. Accordingly there can be no assurance that the Company will be able to achieve effective enforcement of its rights by way of legal proceedings.

The Company is exposed to foreign exchange risks through its investment in Developing Economies

The shares of companies in Developing Economies are typically denominated in currencies other than sterling and their operations are conducted in currencies other than sterling. The Company will therefore have an exposure to foreign exchange risk as a result of changes in exchange rates between those currencies and sterling, which may be favourable or unfavourable. This foreign exchange risk may result in the increased volatility of the Net Asset Value per Ordinary Share. The Company considers hedging currencies in very limited circumstances where appropriate in order to mitigate foreign exchange risk.

Risk factors and risk management continued

The Company may face competition from domestic investors, other foreign investment funds and strategic investors

The Company's ability to continue to implement its strategy and achieve its desired returns will depend largely on its ability to identify and invest in suitable assets at satisfactory prices and on satisfactory terms. A growing number of funds of all descriptions are seeking investment opportunities with a focus on Developing Economies. The Company may face significant competition from domestic investors, other foreign investment funds and strategic investors. Many competitors have greater financial resources than the Company and a greater ability to borrow funds to acquire assets. Competition for attractive investment opportunities may lead to higher asset prices which may affect the Company's ability to invest on terms which the Investment Manager considers attractive. Such conditions may have a material adverse impact on the Company's ability to secure attractive investment opportunities and consequently may have an adverse effect on the Net Asset Value and the market price of the Ordinary Shares.

The corporate governance of companies in Developing Economies may not meet the standards of more established markets

Investment in Developing Economies has dangers which might loosely be labelled as problems of corporate governance. Corruption remains a significant issue in some Developing Economies. Its effects seriously constrain the development of local economies, can erode stability and trust and have large macro-economic and social costs. There remains, across some Developing Economies, insufficient effective anti-corruption legislation and insufficient co-ordination of anti-corruption initiatives. The Investment Manager fully assesses these risks and chooses investments very carefully, knowing that, as a minority shareholder, it is unlikely to be able to change the corporate governance landscape. Notwithstanding this, any corporate governance issues may adversely affect the value and prospects of the Company's investments.

The value of the Company's investments in or relating to Developing Economies may be affected by political and country risks

The value of the Company's investments in or relating to Developing Economies may be affected by changes in foreign exchange rates and controls, interest rates or government policy, as well as social and civil unrest and other political, economic and other developments in or affecting Developing Economies. Future political and economic conditions in a particular Developing Economy may result in its government adopting different policies with respect to foreign investment. Any such changes in policy may affect ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, with potentially adverse effects on the Company's investments. Future actions of the governments in Developing Economies could have a significant effect on the local economies, which could adversely affect private sector companies, market conditions and prices and yields of the Company's investments. The Company does not intend to obtain political risk insurance. In recent years Developing Economies have witnessed various terrorist attacks, civil unrest and other acts of violence or war, and it is possible that in the future such events as well as other adverse social, economic or political events in Developing Economies may adversely affect the value and prospects of the Company's investments.

Accounting and financial reporting standards in Developing Economies are generally less stringent than those applicable in the United Kingdom

Accounting, auditing and financial reporting standards, practices and disclosure requirements imposed on companies incorporated in Developing Economies are generally less stringent than those applicable in the United Kingdom. This may make it more difficult to obtain accurate information and carry out effective due diligence in respect of potential investments. In addition, there is generally less government supervision and regulation of stock exchanges, brokers and listed companies, which may lead to an increased risk of irregularities.

Securities' exchanges in Developing Economies can be less developed

The securities' exchanges in Developing Economies can be less developed than stock markets in the developed world. Trading volumes can be substantially lower so that accumulation and disposal of holdings may be time consuming and may need to be conducted at unfavourable prices. Prices may also be more volatile. Any significant extension of settlement periods in a sector of the Developing Economies' financial markets as a result of unforeseen circumstances may lead to delays in the receipt of proceeds from the sale of securities. It is possible that the Company could miss investment opportunities as a result of an inability of the Company to make intended securities purchases due to settlement problems. Securities' exchanges typically have the right to suspend or limit trading in any instrument traded on that exchange. Any suspension of any security held by the Company could make it impossible for the Company to liquidate positions and thereby expose the Company to losses. The value of the Company's investments may be affected generally by factors affecting securities' exchanges in Developing Economies, such as price and volume volatility in the capital markets, interest rates, changes in policies of the governments in Developing Economies, taxation laws or policies and other political and economic developments, including closure of stock exchanges, which may have an adverse bearing on individual securities, a specific sector, or all sectors including equity and debt markets.

Market transparency in some Developing Economies lags behind European and US standards with some Developing Economies still being very opaque

The level of information generally available in Developing Economies can be far behind European and US standards. Whilst the Board and the Investment Manager believe that Developing Economies possess great investment potential, they are also aware that they harbour greater risk due to a lack of transparency. Such a lack of transparency may impact the Investment Manager's ability to make investment decisions (whether in respect of further investment or divesting of an existing investment) as efficiently as it would expect to be able to do so in connection with European and US investments and any such delays may have a negative impact on the Net Asset Value of the Company and/or returns to investors.

Risk factors and risk management continued

Risks relating to the Company's business

The Company is reliant on the performance and retention of key personnel

The Company relies on key individuals at the Investment Manager to identify and select investment opportunities and to manage the day-to-day affairs of the Company. There can be no assurance as to the continued service of these key individuals at the Investment Manager. The death or departure of any of these from the Investment Manager without adequate replacement may have a material adverse effect on the Company's business prospects and results of operations. In particular, the death or incapacity of Terry Smith is likely to give rise to a significant public perception risk regarding the potential performance of the Company and such a perception could lead to volatile trading and a fall in the Company's share price. Accordingly, the ability of the Company to achieve its investment objective depends heavily on the experience of the Investment Manager's team, and more generally on the ability of the Investment Manager to attract and retain suitable staff. The Board has broad discretion to monitor the performance of the Investment Manager or to appoint a replacement but the performance of the Investment Manager or that of any replacement cannot be guaranteed.

There can be no assurance that the Investment Manager will be successful in implementing the Company's investment objectives

The Company is dependent upon the Investment Manager's successful implementation of the Company's investment policy and investment strategies, and ultimately on its ability to select an investment portfolio capable of generating attractive returns. This implementation in turn is subject to a number of factors, including market conditions and the timing of investments relative to market cycles, many of which are beyond the control of the Company and difficult to predict.

The Company's performance depends on investment market conditions

If conditions affecting the investment market negatively impact the price at which the Company is able to dispose of its assets, or if the Company suffers a material increase in its operating costs, this may have a material adverse effect on the Company's business and results of operations.

The Company is not constrained to investing in diversified sectors

The Company is not constrained from weighting to any sector. This may lead to the Company having significant exposure to portfolio companies from certain business sectors from time to time. Greater concentration of investments in any one sector may result in greater volatility in the value of the Company's investments and consequently its Net Asset Value and may materially and adversely affect the performance of the Company and returns to its shareholders.

The Company's due diligence may not identify all risks and liabilities in respect of an investment

Prior to investing in a company, the Company will perform due diligence on the proposed investment. In doing so, it would typically rely in part on information from third parties as a part of this due diligence. To the extent that the Company or other third parties underestimate or fail to identify risks and liabilities associated with the investment in question, this may impact on the profitability or valuation of the investment. For example, the Company may acquire an investment with unknown or undiscovered liabilities or investments may be acquired that are not consistent with the Company's strategy and which fail to perform in accordance with projections.

Interest rates may fluctuate

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on the Company's variable rate cash borrowings. In the event that interest rate movements lower the level of income receivable on cash deposits or raise the interest required to be paid by the Company, returns to investors will be reduced.

Risks relating to conflicts of interest

The services of the Investment Manager, its respective associates and their respective officers and employees, are not exclusive to the Company. Although the Investment Manager has in place a conflicts of interest policy, in fulfilling its responsibilities to the Company, it may be subject to certain conflicts of interest arising from its relations with third parties to whom it also owes duties or in whom it has an interest.

Risk factors and risk management continued

Risks relating to the Ordinary Shares

The market price of the Ordinary Shares may fluctuate widely in response to different factors and there can be no assurance that the Ordinary Shares of the Company will be repurchased by the Company even if they trade materially below their Net Asset Value.

The market price of the Ordinary Shares may not reflect the value of the underlying investments of the Company and may be subject to wide fluctuations in response to many factors, including, amongst other things, additional issuances or future sales of the Company's shares or other securities exchangeable for, or convertible into, its shares in the future, the addition or departure of Board members or key individuals at the Investment Manager, divergence in financial results from stock market expectations, changes in stock market analyst recommendations regarding the Developing Economies or investment trust sectors as a whole, the Company or any of its assets, a perception that other market sectors may have higher growth prospects, general economic conditions, prevailing interest rates, legislative changes affecting investment trusts or investments in Developing Economies and other events and factors within or outside the Company's control. Stock markets experience extreme price and volume volatility from time to time, and this, in addition to general economic, political and other conditions, may materially adversely affect the market price for the Ordinary Shares. The market value of the Ordinary Shares may vary considerably from the Company's underlying Net Asset Value. There can be no assurance, express or implied, that Shareholders will receive back the amount of their investment in the Ordinary Shares.

The Company seeks an annual shareholder authority to make market purchases of up to a maximum number of shares, representing approximately 14.99 per cent. of the issued share capital of the Company at the time the authority is sought and subject to the requirements of the Listing Rules, the Companies Act, the Articles and other applicable legislation, the Company may thus purchase Ordinary Shares in the market with the intention of, amongst other things, enhancing the Net Asset Value per Ordinary Share. The decision and timing of any such purchase of Ordinary Shares is at the absolute discretion of the Directors and there can be no assurance that any other purchases will take place or that any purchases will have the effect of narrowing any discount to Net Asset Value at which the Ordinary Shares may trade.

Further, the Directors may, but are not required by the Company's constitutional documents to, call a continuation vote in the event that, the Ordinary Shares have traded at an average discount in excess of 10 per cent. of the Net Asset Value per Ordinary Share in a relevant year. As such, there can be no assurance that a continuation vote will be held in circumstances where the Ordinary Shares have traded at such an average discount.

The market for the Ordinary Shares may cease to be liquid

The Company does not have a fixed winding up date and therefore, unless the Shareholders vote to wind up the Company, Shareholders will only be able to realise their investment through the market. Although the Ordinary Shares are listed on the Official List and traded on the Main Market, it is possible that there may not be a liquid secondary market for the existing and new Ordinary Shares. Over the last twelve months prior to the date of this Prospectus, the average daily trading volume for the Company has been 23,255 Ordinary Shares, representing 0.12 per cent. of the average number of Ordinary Shares in issue, as compared to a sector average of 0.07 per cent. Whilst the Company's daily liquidity may be greater than the sector average, it does indicate that liquidity in the Ordinary Shares historically has been limited. There is no guarantee that an active trading market in the Company's Ordinary Shares will be sustained. If an active trading market is not maintained, the liquidity and trading price of the Ordinary Shares may be adversely affected. Even if an active trading market continues, the market price of the Ordinary Shares may not reflect the value of the underlying investments of the Company.

The Company may in the future issue new Ordinary Shares or C Shares, which may dilute shareholders' equity

Further issues of Ordinary Shares or C Shares may, subject to compliance with the relevant provisions of the Companies Act and the Articles, be made on a non-pre-emptive basis. Existing holders of Ordinary Shares may, depending on the level of their participation in the relevant share issue, have the percentage of voting rights they hold in the Company diluted.

Sales of Ordinary Shares by members of the Board or the possibility of such sales, may affect the market price of the Ordinary Shares

Sales of Ordinary Shares or interests in Ordinary Shares by the Board could cause the market price of the Ordinary Shares to decline. Whilst the Directors have discretion to sell their Ordinary Shares in the market, a substantial amount of Ordinary Shares being sold, or the perception that sales of this type could occur, could cause the market price of the Ordinary Shares to decline. This may make it more difficult for shareholders to sell the Ordinary Shares at a time and price that they deem appropriate.

Risk factors and risk management continued

The Company's ability to pay dividends will depend upon its ability to generate sufficient earnings and certain legal and regulatory restrictions

The companys principal objective is to provide shareholders return through capital growth rather than income, Accordingly, subject to the requirement to make distributions in order to maintain investment trust status, any dividends and other distributions paid by the Company will be made entirely at the discretion of the Board. The payment of any such dividends or other distributions will in general depend on the Company's ability to generate realised profits, which, in turn, will depend on the Company's ability to acquire investments which pay dividends, its financial condition, its current and anticipated cash needs, its costs and net proceeds on sale of its investments, legal and regulatory restrictions and such other factors as the Board may deem relevant from time to time. As such, investors should have no expectation as to the amount of dividends or distributions that will be paid by the Company or that dividends or distributions will be paid at all.

The Company may use gearing in certain circumstances

Where an investment trust is geared, its net asset value and price performance would be expected to represent an amplification of any upward or downward movement in the investment trust's portfolio as a result of price changes of the investments contained therein. In the event that interest rates rise and the interest required to be paid by the Company increases, returns to investors will be reduced. The Company will only borrow for short-term liquidity purposes or for discount management purposes including purchase of its own shares. The Company's borrowings shall be limited to 15 per cent. of the Net Asset Value at the time of drawdown of such borrowings.

The Company has not and will not register as an investment company under the Investment Company Act

The Company is not, and does not intend to become, registered in the United States as an investment company under the Investment Company Act and related rules and regulations. The Investment Company Act provides certain protections to investors and imposes certain restrictions on companies that are registered as investment companies. As the Company is not so registered and does not plan to register, none of these protections or restrictions is or will be applicable to the Company. In addition, to avoid being required to register as an investment company under the Investment Company Act, the Board may, under the Articles and subject to certain conditions, compulsorily require the transfer of Ordinary Shares held by a person to whom the sale or transfer of shares may cause the Company to be classified as an investment company under the Investment Company Act. These procedures may materially affect certain shareholders' ability to transfer their shares.

The Ordinary Shares are subject to certain provisions that may cause the Board to refuse to register, or require the transfer of, Ordinary Shares

Although the Ordinary Shares are freely transferable, there are certain circumstances in which the Board may, under the Articles and subject to certain conditions, compulsorily require the transfer of the Ordinary Shares. These circumstances include where a transfer of Ordinary Shares would cause, or is likely to cause: (i) the assets of the Company to be considered "plan assets" under the Plan Asset Regulations; (ii) the Company to be required to register under the Investment Company Act, or members of the senior management of the Company to be required to register as "investment advisers" under the Investment Advisers Act; (iii) the Company to be required to register under the US Exchange Act or any similar legislation, amongst others; or (iv) the Company to be unable to comply with its obligations under the Foreign Account Tax Compliance Provisions (commonly known as FATCA).

The assets of the Company could be deemed to be "plan assets" that are subject to the requirements of ERISA or Section 4975 of the Internal Revenue Code, which could restrain the Company from making certain investments, and result in excise taxes and liabilities

Under the current Plan Asset Regulations, if interests held by Benefit Plan Investors are deemed to be "significant" within the meaning of the Plan Asset Regulations (broadly, if Benefit Plan Investors hold 25 per cent. or greater of any class of equity interest in the Company) then the assets of the Company may be deemed to be "plan assets" within the meaning of the Plan Asset Regulations. After the Placing Programme, the Company may be unable to monitor whether Benefit Plan Investors or investors acquire Ordinary Shares and therefore, there can be no assurance that Benefit Plan Investors will never acquire Ordinary Shares or that, if they do, the ownership of all Benefit Plan Investors will be below the 25 per cent. threshold discussed above or that the Company's assets will not otherwise constitute "plan assets" under Plan Asset Regulations. If the Company's assets were deemed to constitute "plan assets" within the meaning of the Plan Asset Regulations, certain transactions that the Company might enter into in the ordinary course of business and operation might constitute non-exempt prohibited transactions under ERISA or the Internal Revenue Code, resulting in excise taxes or other liabilities under ERISA or the Internal Revenue Code. In addition, any fiduciary of a Benefit Plan Investor or an employee benefit plan subject to Similar Law that is responsible for the Plan's investment in the Ordinary Shares could be liable for any ERISA violations or violations of such Similar Law relating to the Company.

Risk factors and risk management continued

Risk relating to regulation and taxation

Investment trust status

The Directors conduct the affairs of the Company so as to satisfy the conditions under section 1158 CTA 2010 and the Investment Trust Regulations 2011 and accordingly, the Company has been approved by HMRC as an investment trust on 23 June 2014 for accounting periods commencing on or after 26 June 2014. In respect of each period for which the Company is an approved investment trust, the Company will be exempt from UK corporation tax on its chargeable gains. There is a risk that if the Company fails to maintain its status as an investment trust, the Company would be subject to the normal rates of corporation tax on chargeable gains arising on the transfer or disposal of investments and other assets, which could adversely affect the Company's financial performance, its ability to provide returns to its Shareholders or the post-tax returns received by its Shareholders. In addition, it is not possible to guarantee that the Company will remain a non-close company, which is a requirement to maintain investment trust status, as the Ordinary Shares are freely transferable. In this regard, the Directors continually monitor the share register. The Company, in the unlikely event that it becomes aware that it is a close company, or otherwise fails to meet the criteria for maintaining investment trust status, will, as soon as reasonably practicable, notify Shareholders of this fact.

Overseas taxation

The Company may be subject to tax under the tax rules of the jurisdictions in which it invests. Although the Company will endeavour to minimise any such taxes this may affect the level of returns to shareholders.

Risks in connection with leverage

The Company can employ leverage, that is to seek to enhance returns to shareholders by borrowing funds for investment or entering into derivative transactions. Where the Company is levered, its net asset value and share price performance would be expected to represent an amplification of any upward or downward movement in the value of the portfolio as a result of price changes of the investments contained within. Shareholders should be aware that, whilst the use of leverage should enhance the returns to shareholders where the value of the Company's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling.

A fall in the value of the Company's investments may cause the Company to sell investments in order to reduce leverage, which in turn may give rise to a significant loss of value of the investments, as well as a reduction in income from investments.

Risk management

Risk profile and risk management systems

Details of the risks relating to the Company and its investments are set out above. The AIFM has established risk management systems in order to manage these key risks, as described in the annual report and audited accounts (which are available on the Company's website **www.feetplc.co.uk**).

The AIFM will ensure that the current risk profile of the Company and the risk management systems employed by the AIFM to manage those risks in relation to the Company's portfolio are published in the Company's annual report and audited accounts. These will be available on the Company's website and are expected to be published in March each year.

Liquidity risk management

The AIFM maintains a liquidity management policy to monitor the liquidity risk of the Company. Shareholders have no right to redeem their Ordinary Shares from the Company but may trade their Ordinary Shares on the secondary market. However, there is no guarantee that there will be a liquid market in the Ordinary Shares.

In accordance with the AIFM Rules, the AIFM will ensure that the following information in relation to the Company's portfolio is published in the Company's annual report and audited accounts each year. The annual rteport and audited accounts for the period ended 31 December 2018 are available on the Company's website www.feetplc.co.uk

- the percentage of the Company's assets which are subject to special arrangements arising from their illiquid nature; and
- any new arrangements for managing the liquidity of the Company.

The AIFM will also ensure that the following are disclosed on a regular basis:

- any changes to:
  - the maximum level of leverage that the AIFM may employ on behalf of the Company;
  - any right of reuse of collateral or any guarantee granted under any leveraging or any guarantee granted under any leveraging arrangements; and

    the total amount of levarge emplyed by the Company.

Professional negligence liability risks

The AIFM maintains professional indemnity insurance at the level required under the AIFM Rules in order to cover potential liability risks arising from professional negligence.

Disclosures relating to leverage

Information on the total amount of leverage employed by the Company and any relevant information relating to such leverage will be disclosed in the Company's annual report and its unaudited interim reports whenever the Company has borrowed money.

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