Fundsmith
Emerging Equities Trust

Annual Report

for the year ended 31 December 2020

Fundsmith Emerging Equities Trust plc

Fundsmith Emerging Equities Trust plc Annual Report for the year ended 31 December 2020

Contents

Fundsmith Emerging Equities Trust plc ("FEET" or the "Company") aims 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.

*See Fundsmith's Investment Philosophy beginning on page 27 for further information

Company Summary

The Company

The Company is an investment trust and its shares are listed on the premium segment of the Official List and traded on the main market of the London Stock Exchange. The Company is a member of the Association of Investment Companies.

Total assets less current liabilities as at 31 December 2020 were £388.5 million (2019: £323.1 million) and the market capitalisation was £376.5 million (2019: £293.0 million).

Management

The Company employs Fundsmith LLP ('Fundsmith') as Investment Manager and Alternative Investment Fund Manager ('AIFM'). Further details of the terms of these appointments are provided on page 30.

Performance is measured against the MSCI Emerging and Frontier Markets Index measured on a net sterling adjusted basis.

Capital Structure

The Company's capital structure is composed of Ordinary Shares. Further details are given in note 13 to the financial statements on page 82.

ISA Status

The Company's shares are eligible for Individual Savings Accounts ('ISAs') and for Junior ISAs.

Retail Investors advised by IFAs

The Company currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers ('IFAs') in the UK to ordinary retail investors in accordance with the Financial Conduct Authority ('FCA') rules in relation to non-mainstream investment products and intends to continue to do so. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Further details of the Company's investment policy are set out in the Strategic Report on page 9.

Fundsmith
Emerging Equities Trust

Performance Summary

	As at 31 December 2020	As at 31 December 2019
Net asset value per share - basic	**1,460.2p**	**1,213.0p**
Net asset value per share - diluted	**1,460.1p**	**1,213.0p**
Share price	**1,415.0p**	**1,100.0p**
Discount of the share price to the net asset value per share*	**3.1%**	**9.3%**
Ongoing charges ratio*	**1.3%**	**1.4%**

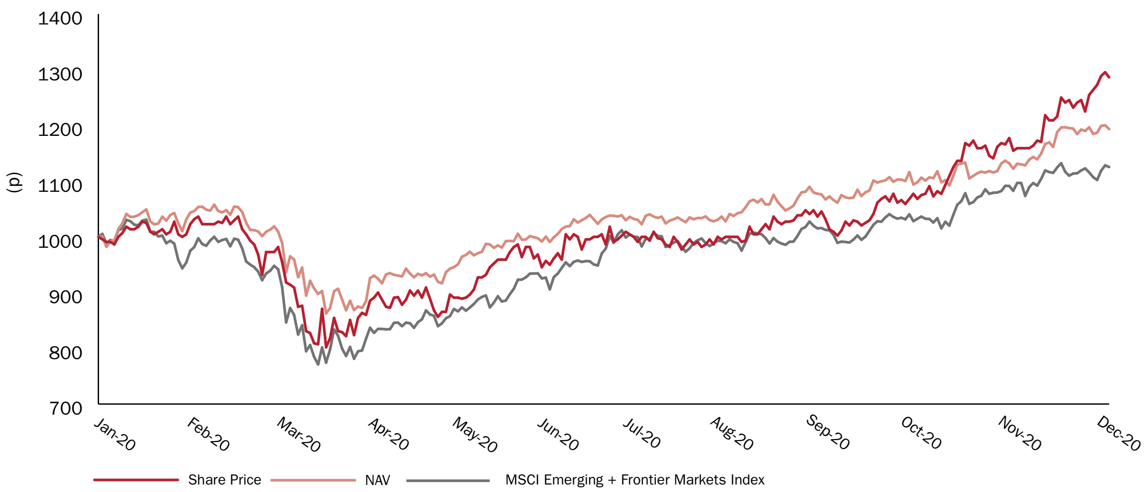
	For the year ended 31 December 2020	For the year ended 31 December 2019
Net asset value per share (total return)*	**+20.7%**	**-0.5%**
Share price (total return)*	**+29.1%**	**-7.4%**
Index† (total return)	**+14.4%**	**+13.9%**

*Alternative Performance Measure (see Glossary beginning on page 92)

[1]MSCI Emerging and Frontier Markets Index (measured on a net sterling adjusted basis)

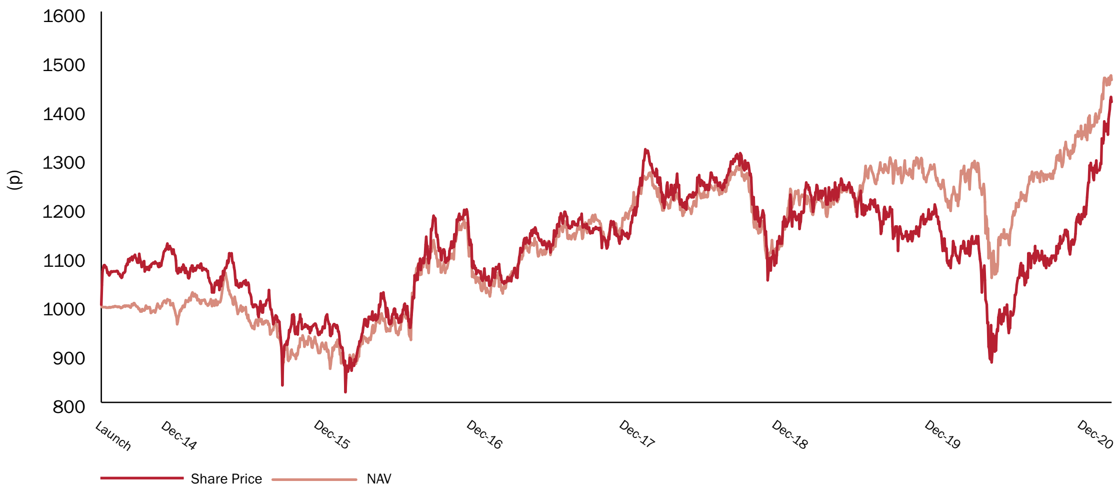
Please refer to the Glossary on pages 92 to 94 for definitions of these terms and the basis of their calculation.

Performance over one year



Source: MSCI/Bloomberg
Figures rebased to 1,000 as at 31 December 2019

Performance since launch



Source: MSCI/Bloomberg

Five Year Record

31 December	Shareholders' funds £'000	Net asset value per share – basic	Share price	Premium/ (discount) of the share price to the net asset value per share	Dividend per share	Ongoing charges
2015	**179,344**	**927.4p**	**955.0p**	**3.0%**	**N/A**	**1.7%**
2016	**238,583**	**1039.0p**	**1055.5p**	**1.6%**	**N/A**	**1.7%**
2017	**310,673**	**1259.7p**	**1314.0p**	**4.3%**	**N/A**	**1.7%**
2018	**322,486**	**1222.0p**	**1190.0p**	**(2.6)%**	**2.0p**	**1.5%**
2019	**323,143**	**1213.0p**	**1100.0p**	**(9.3)%**	**3.2p**	**1.4%**
2020	**388,468**	**1460.2p**	**1415.0p**	**(3.1)%**	**2.0p**	**1.3%**

Introduction

This is our seventh Annual Report which covers the year ended 31 December 2020 and also the Company's sixth full year.

Performance

I am pleased to report both strong absolute and relative performance for the Year. The Company's net asset value (NAV) per share total return* for the Year was +20.7% (2019: -0.5%) and the share price total return* was +29.1% (2019: -7.4%), both significantly outperforming the Emerging and Frontier Markets Index, measured on a total return, net sterling adjusted basis, which rose by 14.4% over the same period (2019: +13.9%). I am also pleased that partly as a result of the strong share price performance, the discount* of the Company's share price to the NAV per share narrowed to end the Year at 3.1% (2019: 9.3%)

* Alternative Performance Measure

The investee company portfolio benefitted from its holdings in businesses that demonstrated a high level of resilience in the COVID-19 pandemic. In addition, the portfolio's greater concentration, a reduced weighting in listed multinational subsidiaries, its underweight exposure to frontier markets and its higher weighting to healthcare and technology sectors were all key drivers of performance. Nevertheless the compound annual return of 6.1% since inception remains below our aspiration. Fundsmith LLP ('Fundsmith'), our Investment Manager, provides a comprehensive analysis of the performance of the Company's portfolio during the year, in their report which begins on page 12.

Capital Structure

I mentioned in my statement last year, the Board's desire that the Company's shares would not trade at a price which, on average, represented a discount that was out of line with the Company's peer group (the AIC Global Emerging Markets Sector). The Board monitored the position very closely and took note of the varying views of the Company's long-term shareholders during the year. As part of the Board's discount management strategy, the Company repurchased a total of 35,684 shares to be held in treasury at a total cost of £455,000. The Board and its advisers continue to monitor the discount closely and the Company will make further purchases of shares if the Board deems it to be appropriate. No new shares were issued during the year.

As at 31 December 2020, the Company had 26,604,372 shares of 1p each in issue excluding the shares held in treasury (2019: 26,640,056 – no shares held in treasury).

At the last Annual General Meeting in May 2020, shareholders granted the Board authority to repurchase up to 14.99% of the Company's issued share capital. The Board will ask for the same authority again at the forthcoming Annual General Meeting.

Dividend

The Company made a small revenue profit during the year and, as a result, the Board recommends to shareholders the payment of a dividend which both allows the Company to comply with the investment trust rules regarding distributable income and is also of a meaningful size for shareholders.

Subject to shareholder approval at the forthcoming Annual General Meeting, a final dividend of 2.0p per share (2019: 3.2p) will be paid on 3 June 2021 to shareholders on the register on 16 April 2021

(2019: 3.2p per share). The associated ex-dividend date will be 15 April 2021.

The Company's principal objective remains to provide shareholder returns through capital growth in its investments rather than income and the Board is maintaining its current policy to pay only those dividends required to maintain UK investment trust status. Subject to the investment trust rules, any dividends and distributions will continue to be at the discretion of the Board from time to time.

Board Renewal

The Board continues to be conscious of the need to refresh its own membership over the medium term. I am delighted that Professor Heather McGregor, CBE, will be joining the Board at the conclusion of this year's Annual General Meeting. Professor McGregor, a shareholder since the Company's launch, is a financial communications specialist, and has been Executive Dean of Edinburgh Business School, Heriot Watt University since 2016. The Board believes that her experience in journalism will offer a different and unique perspective to the Board and will provide an important contribution to the challenge needed to support good decision making. Professor McGregor's appointment will be proposed to shareholders for election at the Annual General Meeting of the Company to be held in May 2022.

In accordance with the Board's policy and the AIC Code of Corporate Governance, all current Directors will be standing for re-election at the forthcoming Annual General Meeting. You will find the appropriate resolutions in the Notice of the Annual General Meeting and a summary of the contribution each Director makes to the Board and the Company in the explanatory notes.

Continuation Vote

Shareholders may be aware of the requirement that the Directors may, but are not required by the Company's constitutional documents to, call a continuation vote in the event that, after the end of the fourth financial year of the Company's existence (being 31 December 2018), the Company's shares have traded at an average discount in excess of 10% of the Net Asset Value per share in a relevant year. The Board has considered this matter at length and, while the Company's shares traded at an average discount of 12.3% during the Year, it believes that such a vote should not be put before shareholders this year. This is due to the recent narrower level of discount of 6.5% (as at 30 March 2021), recent strong NAV performance together with the positive outlook for the sector. The Board will continue to keep this under close review on an annual basis.

Proposed Amendments to the Company's Investment Objective and Policy

The economies of the countries in which the Company can invest have shown significant development over the period of almost seven years since the Company was launched. This has created new investment opportunities in sectors which lie near the boundaries of our current investment remit. The Company's investment management team has identified a modest, albeit increasing, number of businesses which have the superior financial characteristics shared by our current portfolio holdings but in which our existing Investment Objective and Policy do not formally allow us to invest.

We are therefore proposing to shareholders a change in the Company's Investment Objective, for the first time since launch, to allow our Investment Manager to act on these opportunities. We propose that the Company's current Investment Objective:

"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" is broadened by adding at the end "or to the broader social and/or economic development of those countries".

Our Investment Manager believes that adopting this change will result in the short term in an increase in the Company's investable universe by only around half a dozen stocks given the additional rigorous qualitative criteria which it applies as part of its investment process; but importantly the amendment will provide our Investment Manager with a broader range of potential investments over time as countries and their economic infrastructures develop.

Alongside this we are proposing a change to the Company's Investment Policy to reduce the expected number of investments in the portfolio to a range of 25 to 40 stocks, from the current 35 to 55 stocks. This move towards a slightly more concentrated portfolio, with the Company holding the stocks in which it has the highest level of conviction, will still allow for the investment and management of assets in a way which is consistent with the objective of spreading investment risk.

The amended Investment Objective and Policy will apply, subject to shareholder approval (which is required by the Listing Rules as these changes are considered material), with effect from the Company's Annual General Meeting to be held on Wednesday, 26 May 2021; the FCA has already approved these proposed changes. Full details of the proposed amendments are set out in the appendix on page 108 of this Annual Report. The Board unanimously recommends that shareholders vote in favour of this resolution.

Outlook

The outlook for Emerging Markets looks to be positive albeit with considerable uncertainty; there has been a strong recovery since the lows in March and the roll-out of an effective vaccine against Covid-19 should help restore the sector's positive consumer and export characteristics. Whilst the pace of the recovery will vary across the markets, our Investment Manager believes that sectors such as technology and healthcare will continue to be beneficiaries of the changed consumer behaviour in the wake of the pandemic.

We continue to remain optimistic on the longer-term outlook for Emerging Markets and believe that the Company continues to offer investors exposure to some of the best companies available in the sector. The Board further believes that the long-term investor will be well rewarded.

Annual General Meeting (AGM)

The Company's AGM will be held at noon on Wednesday, 26 May 2021 at 33 Cavendish Square, London W1G 0PW. In view of the continuing Covid-19 related restrictions attendance will be kept to the minimum permitted by the Company's Articles of Association and shareholders will not be able to attend. I would remind shareholders that they are able to submit proxy voting forms before the applicable deadline and also to direct any questions or comments for the Board in advance of the meeting through our Company Secretary, Frostrow Capital at info@frostrow.com. Shareholders who hold their shares directly can vote online by visiting www.myfeetshares.co.uk and following instructions. Any shareholders who require a hard copy form of proxy may request one from the Registrar, Link Group. Shareholders who hold their shares through an investment platform or a nominee will need to contact them to enquire about voting arrangements. Given shareholders and third parties will be unable to attend the AGM in person, I strongly encourage shareholders to appoint the Chairman of the AGM as their proxy to vote on their behalf.

The votes on the resolutions to be proposed at the AGM will be conducted on a poll. The results of the proxy votes will be published immediately following the conclusion of the AGM by way of a stock exchange announcement and on the Company's website at www.feetplc.co.uk.

Whilst there will be no live presentation from our Investment Manager on the day of the AGM, they will record a presentation which will be available on the Company's website (www.feetplc.co.uk) shortly after the event.

The Board is committed to holding in person meetings in future when restrictions are not in place and they can be held safely. The Company is also proposing a resolution to shareholders at the Company's AGM to amend the Company's Articles of Association to enable a combination of virtual and in person shareholder meetings to be held. The proposed changes will provide the Board with the flexibility to hold virtual shareholder meetings in the future should the need arise.

Martin Bralsford
Chairman
31 March 2021

Investment Objective

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.

Investment Policy

The Company maintains a portfolio diversified by issuer concentration and the Company's portfolio will normally comprise 35 to 55 investments.

The Company complies with the following restrictions at the time each investment is made:

(i) not more than 5% of the Company's gross assets can be invested in shares issued by any single company. This limit rises to 10% in respect of up to 40% of gross assets;

(ii) not more than 40% of the Company's gross assets can be invested in shares issued by companies domiciled in any single jurisdiction. Where, as a result of investment performance, the total value of the companies in a particular jurisdiction exceeds 40% of gross assets, this restriction shall not apply to a portfolio rebalancing transaction (an investment funded from the proceeds of a disposal of shares in a company domiciled in the same jurisdiction, executed at the same time);

(iii) not more than 20% 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% 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 5% in the shares of each of four group member companies, or 10% in two of them (if applying the 40% limit);

(v) the Company's holdings in any combination of shares or deposits issued by a single company or fund must not exceed 20% 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% 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% 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.

Proposed Amendments to the Company's Investment Objective and Policy

As noted in the Chairman's Statement, a proposal is being put forward at the Company's Annual General Meeting to seek approval from shareholders to make amendments to the Investment Objective and Policy of the Company. The proposed amendments, if approved, shall come into effect from 26 May 2021. The proposed amendments are also described in the appendix on page 108.

*See Fundsmith's Investment Philosophy beginning on page 27 for further information

Investment Portfolio

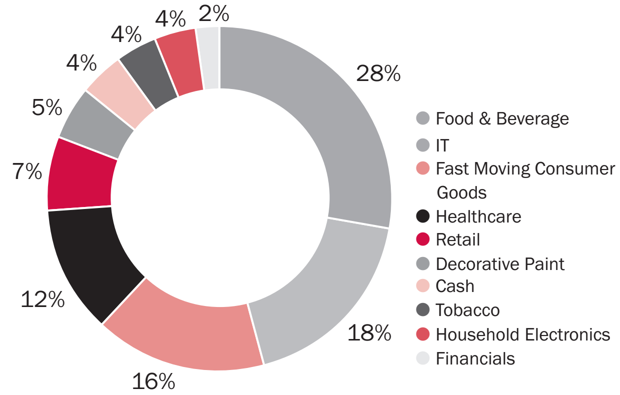
Investments held as at 31 December 2020

Security	Country of incorporation	Fair value £'000	% of investments
MercadoLibre Inc	USA[1]	34,860	9.1
Foshan Haitian Flavouring	China	31,002	8.1
Asian Paints Ltd	India	19,164	5.0
Info Edge (India) Ltd	India	18,325	4.8
Vitasoy International Holdings Ltd	Hong Kong	17,090	4.5
Havells India Ltd	India	14,714	3.8
Nestlé India Ltd	India	14,292	3.7
Avenue Supermarts	India	12,788	3.3
Hindustan Unilever Ltd	India	12,660	3.3
Metropolis Healthcare Ltd	India	12,251	3.2
Top 10 Investments		187,146	48.8
Marico Ltd	India	11,982	3.1
Dr Lal Pathlabs Ltd	India	10,534	2.8
Vietnam Dairy Products JSC	Vietnam	10,153	2.7
Philippine Seven Corp	Philippines	9,484	2.5
Godrej Consumer Products Ltd	India	9,435	2.5
Taiwan Semiconductor Manufacturing	Taiwan	9,410	2.5
Tencent Holdings	Cayman Islands[2]	8,807	2.3
Eris Lifesciences Ltd	India	8,570	2.2
Integrated Diagnostics Holdings Plc	Jersey[3]	8,563	2.2
Hypera SA	Brazil	8,412	2.2
Top 20 Investments		282,496	73.8
Eastern Company S.A.E	Egypt	7,829	2.0
Thyrocare Technologies Ltd	India	7,669	2.0
XP Inc	Brazil	7,344	1.9
Walmart De Mexico SAB de CV	Mexico	7,153	1.9
BIM Birlesik Magazalar AS	Turkey	6,939	1.8
Procter + Gamble Hygiene	India	6,788	1.8
Dabur India Ltd	India	6,780	1.8
Britannia Industries Ltd	India	6,721	1.8
Clicks Group Ltd	South Africa	6,642	1.7
Dali Foods Group Co Ltd	Cayman Islands[4]	6,120	1.6
Top 30 Investments		352,481	92.1
Nestlé Nigeria Plc	Nigeria	5,318	1.4
British American Tobacco	Bangladesh	4,740	1.2
Ceylon Tobacco Co Plc	Sri Lanka	4,388	1.1
East African Breweries Ltd	Kenya	4,037	1.1
PT Prodia Widyahusada Tbk	Indonesia	3,762	1.0
Lojas Renner	Brazil	3,010	0.8
DP Eurasia NV	Netherlands[5]	2,732	0.7
Edita Food Industries SAE	Egypt	2,067	0.6
Total Investments (38)		382,535	100.0

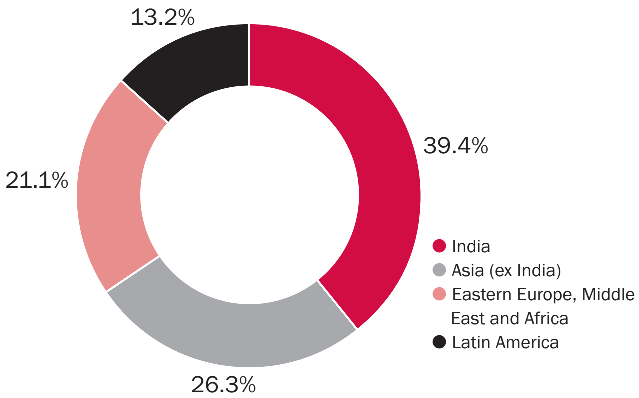
[1] Principal place of business Brazil [2] Principal place of business China [3] Principal place of business Egypt [4] Principal place of business China [5] Principal place of business Turkey

Portfolio Distribution
as at 31 December 2020

By Sector (based on net asset value)

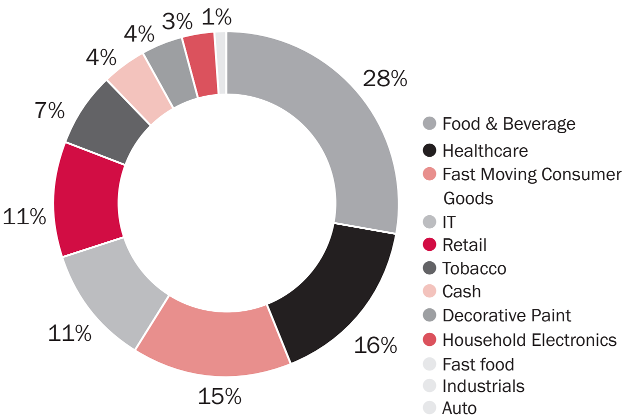


By Geography (by Country of Incorporation)

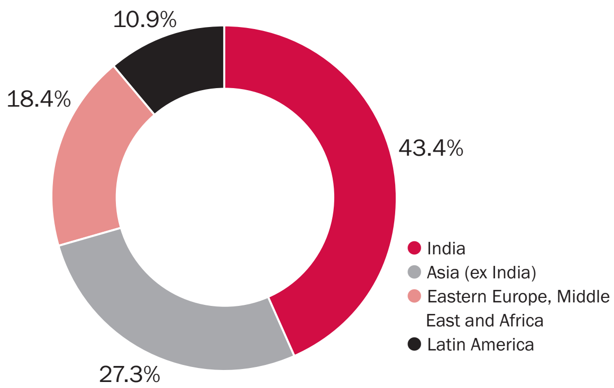


as at 31 December 2019

By Sector (based on net asset value)



By Geography (by Country of Incorporation)



Top Purchases and Sales in 2020

Top Purchases

	Security	Country of incorporation
1	Taiwan Semiconductor Manufacturing	Taiwan
2	Tencent Holdings	Cayman Islands[1]
3	XP Inc	Brazil
4	Avenue Supermarts	India
5	Lojas Renner	Brazil
6	Clicks Group Ltd	South Africa
7	Metropolis Healthcare Ltd	India
8	Havells India Ltd	India

Top Sales

	Security	Country of incorporation
1	Travelsky Technology Ltd	China
2	Eastern Company S.A.E	Egypt
3	MercadoLibre Inc	USA[2]
4	Britannia Industries Ltd	India
5	Tiger Brands Ltd	South Africa
6	Foshan Haitian Flavouring & Food	China
7	Godrej Consumer Products Ltd	India
8	Philippine Seven Corp	Philippines
9	Thyrocare Technologies Ltd	India
10	Eris Lifesciences Ltd	India

[1] Principal place of business China
[2] Principal place of business Brazil

Fundsmith Emerging Equities Trust "FEET" or the "Company" had a strong 2020, both in terms of absolute and relative performance.

Total return	1 January – 31 December 2020 %
FEET Net Asset Value Per Share	+20.7
FEET Share Price	+29.1
MSCI Emerging and Frontier Markets Index	+14.4

Table 1: Source: MSCI/Bloomberg

The net asset value ('NAV') increase of 20.7% compared to an increase in the MSCI Emerging & Frontier Markets Index ('the Index') of 14.4%. The share price increase was greater than the increase in the NAV as a result of the discount narrowing substantially in the year. Since launch to the end of 2020, the Company has (after fees) produced a cumulative NAV return of 47.3%, or a return of 6.1% on an annualised basis.

2020 was a year when global markets were impacted by a global pandemic, the impact of which I will touch on later, both in terms of overall market performance and the performance of the Company. Whereas in 2019 performance was poor in a year where the index rose and the Company's NAV fell marginally, 2020 was a strong year for emerging markets and we take great heart that the Company, which had previously lagged in strong periods of emerging market performance, comfortably outperformed on a relative basis.

Performance in more detail can be seen below:

	%							Since inception	Annualised
	2020	2019	2018	2017	2016	2015	2014		
FEET NAV	+20.7	-0.5	-3.0	+21.2	+12.0	-7.0	+0.1	+47.3	+6.1
FEET Share Price	+29.1	-7.4	-9.4	+24.5	+10.5	-10.9	+7.2	+42.2	+5.5
Emerging Markets	+14.4	+13.9	-9.3	+25.3	+32.4	-10.0	+0.5	+77.3	+9.2
UK bonds	+4.6	+3.8	+1.2	+1.4	+6.5	+1.0	+7.4	+28.7	+3.9
UK cash	+0.3	+0.8	+0.7	+0.4	+0.5	+0.6	+0.3	+3.6	+0.5

Table 2:

[1] Net of fees, priced at UK market close (source: Fundsmith)

[2] At LSE close (source: Fundsmith)

[3] MSCI Emerging & Frontier Markets Index (£ Net) priced at close of business US EST (source: www.msci.com)

[4] Bloomberg/EFFAS Bond Indices UK Govt 5-10yr (source: Bloomberg)

[5] 3m £ LIBOR Interest Rate (source: Bloomberg)

[*] From 25 June 2014

As we have previously stated, the composition of the Index is very different to our portfolio and we have regularly opined on the impact of flows into emerging market index funds. In 2019, net inflows into ETF funds into emerging markets were almost US$14 billion. In 2020, emerging markets experienced net outflows of $1.9 billion, with US$11.5 billion of outflows from ETFs and US$9.6 billion of inflows in active funds.

The constituents of the index are shown below:

Top 10 MSCI E+FM Index constituents	Weight %	ROCE %
Taiwan Semiconductor Manufacturing Corporation	5.8	27
Alibaba	5.5	9
Tencent	5.3	18
Samsung Electronics	4.5	11
Meituan Dianping	1.7	8
Naspers	1.1	-2
Reliance	1.0	10
JD.com	1.0	8
China Construction Bank	0.9	5
Ping An Insurance	0.9	3
Total Average	28	10

Table 3: Source: MSCI

[1] See Glossary beginning on page 92.

At the end of 2020 the top ten constituents of the Index accounted for 28% of the index, and thus are ongoing beneficiaries of any sustained ETF fund flows, yet the average return on capital employed ('ROCE') of those 10 holdings is just 10%. In the FEET portfolio, the top ten holdings accounted for 48% of the portfolio and had an average ROCE of 43%. The Company currently has investments in two of the top 10 Index constituents. Our active share (the proportion of our holdings which do not overlap with the index) at the end of December 2020 was 93.7%.

The two top-ten index constituents we own are Tencent and Taiwan Semiconductor, both of which were new investments made during the course of 2020, and we comment later on why we own both. As at the end of 2020, these two investments accounted for 4.7% of the Company's NAV.

We have previously commented on the high level of concentration at the top end of the Index (to put this into context, the top five constituents of the Index accounted for almost 23%, whilst for the MSCI World Index, which covers global developed markets, the respective percentage was 12.6%). Performance is also seemingly more concentrated. The top 5 constituents in the MSCI Emerging and Frontier Market Index accounted for 61% of its performance, whilst the top 5 holdings in the MSCI World Index accounted for 43% of that Index's performance.

In 2020, two stocks, Tencent and Taiwan Semiconductor, accounted for a third of the increase in the Index. At present these are the only two stocks in the top ten index constituents which are currently of the appropriate quality for our portfolio. We do of course continue to analyse some of the stocks which dominate the Index to see if they are developing into businesses we would be comfortable investing in but, as yet, we have not found this to be case.

Our Company remains underweight in China. Before we go on to explain why we are under-represented against China, I would like to remind readers that (as we said last year) 'the China element of the index is not predominantly, as you might think, made up of Chinese companies listed on Chinese markets. Instead it comprises, Chinese companies listed in the US, Chinese companies listed in Hong Kong, and Hong Kong companies. The smallest element of the index categorised as 'China' is Chinese companies listed in mainland China'.

There has been an inordinate percentage of 'Chinese' companies we have analysed that have had issues around corporate governance, accounting standards, shareholder structures and voting rights, legal ownership and regulation. The latter point is interesting as recent months have shown, particularly in relation to 'fintech' businesses a marked increase in regulation by the authorities, with little option for businesses subject to this regulation to do anything other than comply. This was most marked by the Ant Financial IPO getting pulled from the market at the last minute. The regulatory risk inherent in some Chinese companies also increased due to the Trump administration imposing investment sanctions on a number of these businesses.

We will not invest in a Chinese company just because it is a 'good business by Chinese standards', as those standards are not replicable across the range of emerging markets in which the Company has the ability to invest. Given their weight in the index, 'Chinese' companies continue (to us at least) to be skewed by the tendency of investors to hug the index and, increasingly, capital flows into Hong Kong listed companies from Chinese mainland investors, where quality and risk are not a primary concern. Instead our focus continues to be buying good companies and this will continue to be our one and only priority.

As a result of this focus, FEET owns stakes in companies which, as a whole, have superior financial characteristics to the Index. The Company offers emerging market investors the ability to invest in companies with higher returns and margins, stronger cash conversion and, typically, faster rates of cash flow growth than found in the Index. Our investments will typically have no debt, and if not, a conservative level of financial leverage. We believe that these characteristics will be reflected in the share prices of the companies that the Company owns. The characteristics of the FEET portfolio as of the 31 December 2020 compared with the index were:

	FEET %	MSCI E+FM Index (ex-financials) %
LTM ROCE	40	11
LTM Gross margin	52	33
LTM Operating Margin	18	11
LTM NFCF conversion	93	82
LFY NFCFE growth	21	8

Table 4: Source: Fundsmith, MSCI, Bloomberg
Abbreviations: LTM: last twelve months, LFY: last full year,
ROCE: return on capital employed, NFCF: neutral free cash flow.
See Glossary beginning on page 92.

Unsurprisingly, our stocks are significantly more highly rated than the index based upon either the measures of PE ratio or Neutral Free Cash Flow Yield (Neutral being is when capital expenditure is above the level of depreciation and is expansionary and can therefore be disregarded in this calculation).

	FEET	MSCI EM&FM (ex-financials)
LTM NFCF yield	2.5	3.6
LTM portfolio dividend yield	1.4	1.8

Table 5: Source: Fundsmith, MSCI, Bloomberg

Valuation is, we believe, unlikely to be the main determinant of the performance of our strategy in the long term. Instead, we believe quality, with continued reinvestment of earnings at high rates of return, will be the main determinant in the long term.

Portfolio turnover in the year was 21%, compared to 27% in 2019. The ongoing charges fee ('OCF') was 1.3% of net asset value, whilst dealing charges were 3 basis points. Taking into account the estimated spread on dealing prices, dealing costs were 14 basis points.

During the year we acquired four new holdings and exited two, taking us up from 36 holdings at the start of 2020 to 38 at the year end.

We made four new investments in the year; Lojas Renner, XP Inc, Taiwan Semiconductor Manufacturing Corporation and Tencent. The former two are businesses based in Brazil, whilst the latter two are based in Asia. With the exception of XP which only IPO-ed in late 2019, the other businesses are ones we have been following for a considerable period of time.

Lojas Renner is the largest fashion retailer in Brazil, with over 600 stores. The group is at the end of a seven-year investment programme that began in 2012 and saw the remodelling of the store network, a new logistics platform put in place and the development of the supply chain to reduce lead times. The group is now implementing an omni-channel strategy encompassing both online and offline retail, in order to increase revenues and improve efficiency. The online business is performing strongly in the COVID-19 environment, and given Renner's brand recognition in the local market could become a meaningful part of the business over time, helped by local sourcing to reduce the time it takes to get new lines to market.

Barriers to entry are provided by a combination of consistent execution and investment in physical and digital infrastructure, all of which discourage international entrants into a country with substantial logistical challenges. Efficiency, particularly speed to market is helped by having most of its supply chain within Brazil. The average customer spend per transaction is c £20.

XP Inc is the largest online investment platform for retail investors in Brazil and has a 5% share of the $2.1 trillion investment market in the country. The business listed in late 2019 and we took advantage of major share price weakness in the early part of 2020 to initiate a new holding in the business.

XP is 10 times larger than its nearest independent competitor in a market that is controlled by banks and has significant market share growth opportunities. Only 10% of retail investment assets in Brazil are in equities, giving the group scope for growth, and the penetration level of brokerage accounts (c 1.0%) is well below that of the developed world.

XP has more than 1.5 million retail clients on its platform who, by using XP, can invest in equity, fixed income and mutual funds. Only 10% of retail investment assets in Brazil are in equities (the vast majority are in fixed income products), giving the group scope for growth. XP also has a strong culture of employee share ownership which allows the business to attract and retain talent, whilst it also provides financial education to retail clients which helps grow its client base.

We also built a shareholding in Tencent, which is China's largest social networking, gaming and music streaming company. Its social media platform (WeChat) has over 1.2 billion users, while its QQ messaging service has over 600 million users. Around the WeChat infrastructure are a number of other services such as payments, utilities, gaming, information and news. Above all, we believe advertising is a major opportunity for the Group. Some 98% of Chinese internet users access the internet through smartphones, supporting Tencent's business model, which has focused on building a large user base with relatively low transaction values and a high proportion of revenues derived from subscriptions. Foreign entrants into the market are highly restricted by Chinese law.

Tencent also has a significant technology investment portfolio which we believe will produce meaningful value creation for investors over coming years, particularly when they allow the group to enter new geographies or new activities. It is increasingly clear to us that some of the technological innovation coming out of China is world-class. A business such as Tencent with a sizable commercial ventures arm and access to capital is well placed to capitalise on this, especially as it typically acts in collaboration with other partners which reduces regulatory risk (something we believe is increasing in China) and allows businesses in which Tencent is invested to strengthen their competitive position through being able to call on the expertise of several strategic investors.

We also acquired a stake in Taiwan Semiconductor Manufacturing Corporation (TSMC), our first investment in Taiwan and to us, one of the best businesses we have seen.

TSMC is the world's largest semiconductor contract manufacturer with a market share of over 50% (and growing). It is a business that we believe has built an unsurmountable lead in its industry which is now an effective duopoly with Samsung.

TSMC does not design or market any semiconductor products under its own name, ensuring that it does not compete with any of its customers. It has focused on developing its own technologies in both products and manufacturing processes and aims to be the foundry of choice. American and Japanese rivals have ceased developing the smaller chip sizes TSMC is bringing to market as they lack the capital and technological skills to do so, whilst China is several years behind TSMC in technology terms. As well as the physical cost of catching up with TSMC, it has considerable engineering and R&D strengths which money itself can't replicate. In addition, if its customers leave they risk product launch delays of months, and more likely years.

TSMC also has a strong balance sheet and publicly describes its financial position as being its 'fortress' allowing it to develop market positions in the more technically advanced 7nm, 5nm and 3nm segments, backed by continuing research and development expertise to back it up. TSMC tries to ensure that return on investment in each size of chip development is above that achieved in the previous one.

We made outright sales of two holdings, Tiger Brands and TravelSky.

We initially bought TravelSky because of its exposure to the growth of air passenger traffic in China because of its government-enforced monopoly position. As the Chinese middle class grows, incomes rise and consumption increases, there is an increasing propensity to travel, both domestically and internationally. We knew that TravelSky at the time of investment was a state-controlled enterprise, with a combination of China's central government and state-controlled airlines having majority control. Although as investors we could tolerate TravelSky's working capital cycle with its airline customers, we became increasingly concerned about how the group allocated capital outside of the business, most notably setting up joint ventures in the insurance and telecom sectors.

Tiger Brands is an investment where we exhibited patience, but in hindsight, probably too much. We owned the business due to its strong market positions in a number of South African food segments, alongside its exposure to a number of other fast-growing African markets. Unfortunately, the business did not show the level of resilience we would have liked in a weak South African consumer market with high levels of competition and price deflation and, as witnessed by the Listeria incident we have previously talked about, we increasingly took the view that management had lost control of the business and any recovery would be long and difficult.

By sector, the breakdown of FEET as at 31 December is as below:

FEET GICS Sector Split	%
Consumer Staples	52.0
Healthcare	15.1
Consumer Discretionary	10.5
Communication Services	6.8
Materials	4.7
Industrials	3.7
Cash	3.1
Technology	2.4
Financials	1.9
	100

Table 6: Source: Fundsmith, Bloomberg

Compared with the Index:

MSCI GICS Sector Split	%
Information Technology	20.3
Consumer Discretionary	18.2
Information Technology Financials	18.1
Communication Services	11.7
Materials	7.8
Consumer Staples	5.9
Energy	5.0
Health Care	4.7
Industrials	4.3
Real Estate	2.2
Utilities	2.0
	100

Table 7: Source: Fundsmith, Bloomberg

By sector, the breakdown of FEET at 31 December 2020 as we would describe the sectors rather than those used by the index (which are rather generic) was:

Sector (%)	2020	2019
Food & Beverage	24	28
Information Technology	20	11
Healthcare	15	16
Retail	12	11
Fast Moving Consumer Goods	12	15
Decorative Paint	5	4
Tobacco	4	7
Household Electricals	4	3
Fast Food	1	1
Auto	0	0
Industrials	0	0
Cash	3	4
	100	100

Table 8: Source: Fundsmith

As well as the constituent companies of the Index being distinctly different to those we would be willing to invest in, the geographical weightings of the Index remain very different to where the Company's portfolio is invested. The best performing emerging markets in 2020 were South Korea and Taiwan, markets where the Company has not historically invested due to high GDP levels and unattractive demographics limiting the opportunities available to the Company.

Our geographical weightings and those of the index are shown below:

FEET Country Breakdown	Weight (%)
India	42.9
China (incl. Hong Kong)	16.2
Argentina	9.0
Brazil	4.8
Egypt	4.7
Other Emerging Markets	11.9
Frontier Markets	7.4
Cash	3.1
TOTAL	100

Table 9: Source: Fundsmith

MSCI EM+FM Index Country Breakdown	Weight (%)
China (incl. Hong Kong)	38.7
South Korea	13.3
Taiwan	12.6
India	9.2
Brazil	5.1
Other Frontier & Emerging Markets	21.1
	100

Table 10: Source: MSCI, Bloomberg

In terms of contributors to performance, the tables below show the top five contributors and detractors from the Company’s performance:

Top 5 Contributors	Country	%
MercadoLibre	Argentina	7.9
Foshan Haitian	China	6.3
Info Edge	India	2.4
Asian Paints	India	1.7
Dr Lal Pathlabs	India	1.0

Table 11: Source: Fundsmith

In 2020, the top two performers, MercadoLibre and Foshan Haitian, were also in the top five in 2019. Both MercadoLibre and Foshan Haitian continue to execute well on their strategies. Although we touch on the Covid-19 situation later and its implications for the stocks in the portfolio, both MercadoLibre and Foshan Haitian are well placed to benefit from the three main trends we believe the pandemic will dramatically accelerate – digitalisation, formalisation and consolidation. MercadoLibre is an obvious beneficiary of the first of these whilst Foshan Haitian is likely to benefit from shifts towards formalisation and consolidation.

MercadoLibre’s management believe that the pandemic has accelerated growth by ‘maybe three to five years’. The Covid-19 outbreak led to a sharp increase in demand for home shopping, and Latin America remains an embryonic market for digital retailing. Even if the most optimistic estimates bear fruit and e-commerce doubles its penetration over the course of 2020, it would only account for around a tenth of retail sales, a significantly smaller percentage than either developed markets or China. MercadoLibre is well funded following both the recent PayPal investment and private placement issuance, and this will allow it not just to build its core payments and e-commerce platforms but to develop a broader, market leading offer to customers. We are already seeing signs of a significant increase in the penetration of digital payments.

Foshan Haitian continued the progress it has made since its IPO. The company has a simple business model, to take market share in the fragmented condiments market in China. Its advantages come from production efficiencies, increasing brand recognition, distribution and a fragmented competition, quite often operating on only a local or regional basis. In a country where food scandals are common. Foshan Haitian is benefiting from increasing awareness of the importance of food provenance. The business continues to introduce both new products with a premium focus but also new categories.

The next three largest positive contributors to performance were all Indian stocks.

Info Edge owns leading internet portals for jobs and property classified ads in India. The company’s operating performance struggled in the light of the impact of Covid-19 on its recruitment market and this was compounded by a slowdown in the real estate market. In spite of this, the group’s share price performed strongly in the latter stages of the year in anticipation of a strong recovery from the pandemic and the potential IPOs of Zomato (India’s leading food delivery platform) and PolicyBazaar.com (India’s largest marketplace for health and life insurance); Info Edge owns meaningful stakes in both the businesses.

Asian Paints has seen a very strong rebound in decorative paint consumption, with volume growth back to double digits, since the pandemic, and has also seen market share gains from informal players. The company is expanding its business beyond decorative paints into other areas of home improvement, including furniture and furnishings. The business retains a strong relationship with its distributors and contractor base helped by its industry leading supply chain.

Dr Lal Pathlabs performed strongly in the year. Branded players in India account for just 10-15% of the overall diagnostics market in the country. The ability of major labs to offer Covid-19 tests has led to a significant increase in brand awareness. Dr Lal (as with its larger peers) now have the opportunity to consolidate a fragmented market at a faster pace and benefit from economies of scale.

The top 5 detractors to performance are shown below:

Bottom 5 Contributors	Country	%
Hypera	Brazil	-1.1%
Philippine Seven	Philippines	-0.6%
Dali Foods	China (HK-listed)	-0.6%
East African Breweries Ltd	Kenya	-0.5%
Edita	Egypt	-0.5%

Table 12: Source: Fundsmith

Hypera was the worst performer, although the majority of the contribution of its underperformance to the portfolio came from currency rather than its stock price. The ongoing regulatory investigation made only limited progress during the year and overshadowed what to us appear to be two good acquisitions of products from major multinational pharmaceutical brands during 2020. Later on in the year the group, through its ventures arm, acquired a range of natural organic and vegan cosmetics. In spite of a sale of some smaller brands in the year, the acquisitions have driven debt up and we look forward to the group deleveraging.

Dali Foods was again a disappointing performer in the year and its share price failed to benefit from the rally a number of its listed peers enjoyed as China emerged from Covid. Dali's drinks businesses, in particularly its Hi-Tiger energy drink, suffered from reduced 'on the go' consumption, whilst lock-down measures in China slowed the growth of its soy milk category. The execution of the roll-out of the bread business continues and the business continues to develop the all-important e-commerce category in the PRC. The Group's balance sheet remains strong and our forecasts indicate that by the middle of the decade, the group will have over half of its current market capitalisation in cash.

The Philippines has been one of the hardest hit countries globally in economic terms from the Covid-19 pandemic. A combination of an elongated lockdown, lack of government stimulus and delays to vaccine procurement have all contributed to a decline in GDP of around 9% in 2020, with a more limited rebound in 2021. Our only holding in the Philippines, Philippine Seven will be a net beneficiary of Covid-19. Already limited store roll-out programmes from its less-well capitalised rivals have been severely disrupted in lockdown and there is strong evidence that there has been a marked increase in market share during the pandemic which we do not fully expect to reverse once the impact of the pandemic ends.

EABL has been another business impacted by Covid-19, with hotels, bars and restaurants in its main markets of Uganda, Tanzania and, in particular Kenya all subject to closure. As well as volume reductions, the business also had to deal with a mix change away from kegs and crates into bottles, cans and 6-packs as home consumption became a greater proportion of its sales.

The table overleaf shows the impact on of currencies on the Company in 2020. The overall impact of currencies in the year was to detract from performance by 5.7%.

Top Five	%	Bottom Five	%
China	0.2	India	-2.5
Philippines	0.2	United States	-1.1
Egypt	0.1	Brazil	-1.1
Indonesia	0.0	Turkey	-0.6
Bangladesh	0.0	South Africa	-0.3

Table 13: Source: Fundsmith

The positive contribution of currencies to the portfolio was limited. The Chinese Yuan performed strongly against other countries helped by a continued trade surplus and also a rapid return to economic growth after the Covid-19 outbreak was controlled. The Egyptian Pound continued to benefit from the IMF restructuring programme implemented previously, whilst the Philippine Peso benefited from a sharp fall in imports to the country.

In 2019 the Indian Rupee was the biggest single detractor from performance, both in terms of the currency impact and the total impact on portfolio performance (over 40% of the portfolio is in companies listed in India with their earnings overwhelmingly derived in Rupees). In 2020, this repeated itself and the Rupee was one of Asia's weakest currencies, primarily due to weakening economic data in India and aggressive rate cuts by the Reserve Bank during the year.

Elsewhere, Latin American currencies were weak (particularly the Brazilian Real) but also the US dollar (both MercadoLibre and XP are listed in the US in US dollars). The Turkish Lira was also weak on concerns about political interference in the country's economic institutions amidst continued high inflation. The South African Rand, like the Brazilian Real, suffered from both concerns over macroeconomic policies and lower resource prices.

We continue not to hedge currencies, primarily due to cost and complexity.

The regional Geographic breakdown of the portfolio as at the end of December 2020 is shown below:

Region	%
India	42.9
Asia (ex-India)	27.0
Latin America	15.7
Eastern Europe, Middle East and Africa	11.3
Cash	3.1
	100.0

Table 14: Source: Fundsmith

India experienced a severe disruption and slowdown in economic activity in the first half of 2020 because of strict and extended lockdown introduced by the government in light of the pandemic. Since September, the number of Covid-19 cases in the country has come down exponentially and economic activity has rebounded sharply. Prime Minister Narendra Modi also took the opportunity to make further reform to spur domestic manufacturing. Our portfolio in India has been a net beneficiary of the pandemic with those stronger consumer brands gaining market share and increased awareness around health and digitalisation. India returned to growth in the final quarter of calendar 2020. India is the largest manufacturer of vaccines in the world and has started its inoculation programme, which we hope will help to sustain the rebound in economic activity in 2021.

As always, the portfolio's weighting in India is not a deliberate judgment on the Indian economy, but more on the quality of company we have found and the opportunities open to them. India retains a large number of investment opportunities, whether it be listed multinational subsidiary, listed businesses operating across the country (and in some cases with international operations outside of India) and also regional businesses. As well as having a young and increasingly educated population, there remains significant scope for urbanisation (which in itself will bring a shift from informal markets and drive premiumisation) and, of course, India's institutions have proved to be resilient in the decades since independence.

Almost all of our consumer holdings in India saw an acceleration in market share gains from regional brands and informal players because of better execution, consumers gravitating towards trusted brands, more resilient supply chains, faster adoption of technology to interact with distributors and consumers and strong growth in digital channels.

Our healthcare portfolio in the country, mostly invested in diagnostic testing businesses like Dr Lal Pathlabs, Metropolis and Thyrocare, initially saw a significant impact on test volumes due to reduced prescription rates, delays in elective surgeries and patients reluctant to visit local labs. However, all three businesses rebounded strongly in the second half of the year with several structural changes taking place in the sector. These included an acceleration in market share gains from independent 'mom-n-pop' labs that control 85-90% of the overall market, significant growth in home collection of test samples, increased digital engagement with consumers from booking tests to collecting and analysing test results and consumers becoming more conscious about their health and choosing to do preventive or wellness tests. In fact, the founder of one of our portfolio companies said, "Covid-19 has been a big PR exercise for diagnostics." We believe Covid will drive faster consolidation of the fragmented diagnostics sector in India.

Our second largest exposure is China. We have four China exposed companies, three of which are listed in Hong Kong, which to us typically provides greater transparency when compared to mainland listed comparators. Two of the portfolio's three largest holdings at the end of 2020 were companies which derived the bulk of their revenues from the PRC.

China continues to have specific issues which reduce the number of investment opportunities available to the Company and if anything the investment environment in China has deteriorated. China lacks an independent legal system, ownership structures can be murky and biased against institutions, corporate governance can be poor, government guidance and regulation in the economy can be unhelpful and often enterprises do not naturally operate or allocate financial capital in a logical economic manner beneficial to all shareholders.

The last point can be brought to bear by a quick analysis of Kweichow Moutai, one of China's largest domestically listed businesses and widely held by a number of emerging market funds. In spite of the businesses' excellent returns and high margins, we have shied away from investing and the reasons why show some of the issues foreign investors in Chinese companies have to assess. 2020 saw the group carry out a substantial bond issue, not to develop its own business, but to refinance an indebted toll-road operator in its home province of Guizhou. Both businesses had the same controlling shareholder- the provincial government. And not stopping there, the provincial government has twice recently transferred 4% share stakes from the holding company to itself and subsequently sold them in the market. Of greater alarm to any shareholder in the group would be why at least 14 senior officials of the company and its CEO have been arrested or placed under investigation for corruption since Spring 2019 and persistent rumours of the provincial government looking at stripping the sales and marketing (and thus the main source of profitability) out of the listed entity. To us, even though these issues may not be unique in a Chinese context, they are certainly risks which rule out investing.

We are unwilling to invest in companies which are below the quality threshold of the fund just because they may be good companies in a Chinese context. Setting aside the 2020 impact of the Trump administration placing investment sanctions on a number of Chinese companies which it deemed to be military controlled, the year also saw a marked increase in regulatory intervention by the mainland authorities in the largest private companies, and most notably the major private internet businesses such as Tencent and Alibaba. Zhigang Tao, a professor of economics at the University of Hong Kong sums up the regulatory environment in China neatly, with state owned companies being 'the favourite kids of the socialist government of China', while private firms are 'adopted kids facing systematic discriminations and substantial constraints in business entries and subsequent operations'.

Alibaba (a business we do not own) to us proves an interesting example of what may be acceptable behaviour elsewhere but is not always acceptable to regulators in the PRC. Although we have always had concerns about Alibaba's governance and accounting policies, regulators in the PRC took intervention to a new level when they forced the spin-out of the group's Fintech business, Ant Financial, to be abandoned at the 11th hour. Setting aside the reputational impact on Alibaba and its founder Jack Ma, to us the whole intervention by the Peoples' Bank of China and other regulatory issues brings to bear two points.

First, and going back to the Kweichow Moutai example, we continue to be surprised at how little some emerging market investors (and of course almost all ETFs) look at what they are investing in. The extensive work we carried out on Ant Financial clearly suggested to us that it increasingly looked like a bank, smelt like a bank and therefore probably was a bank, and thus opening it up to regulatory risk, which ultimately came to pass. Second, regulatory processes in China are brutal. They are typically quick, lack the scope for any businesses to prove a case, have very limited consultation and implemented instantly. To us, if we see such risks, we won't invest.

The crackdown on Ant Financial highlights the issues in China's financial system of debt and the overall lack of transparency in the financial system. We see little change from our commentary of last year when we noted that 'China appears to have a triple bubble in investment, real estate and credit'.

To us, there are three areas of particular concern in China's debt structure- the scale of local government debt, debt held by property developers which needs refinancing (much of which is offshore in HK$ or US$) and the debt lent to overseas governments and projects as part of the 'Belt and Road' initiative which may not have the cash flow to cover the borrowings taken out. Our concerns remain amplified on the basis that Chinese businesses (and state entities) are often not the best allocators of capital. To us, one of the reasons behind the Ant Financial crackdown was a worry by the Chinese authorities that the more lending which went through a platform like Ant, the less clear debt risks in China became, increasing the risk to the financial system as a whole.

China has, however, managed one of the earliest and more sustained recoveries from the Covid-19 pandemic, in spite of and because of early quarantine measures taken in Q1 and Q2 last year. China recorded 2020 economic growth of 2.3% and forecasts for 2021 seem to suggest that GDP growth will come in at around 8%.

2020 was a difficult year for Vitasoy. One of its Chinese plants in Wuhan had to deal with the enforced closure of this for several months in the year. Consumption was impacted both in mainland China and Hong Kong, where the ‘on the go’ consumption which drives product sales was limited by quarantining and reduced overall footfall. In addition, the closure of Hong Kong’s schools for a large part of 2020 also hit the group’s sales. The recent results presentation indicated strong recovery in the Chinese market, and the group’s recently opened new plant in Dongguan in the PRC will help support future sales volumes.

Vietnam, like China helped by a combination of centralised control and a local party organisation (both of which support quarantining and tracking), has been relatively immune from Covid-19 cases. This has helped the economy perform better than almost all other economies, with 2020 GDP growth of 2.9%. Our one holding in the country remains Vietnam Dairy, and the business has been helped by the trends which have driven it over recent years- market share gains, new product launches and premiumisation. In 2019 the group took a controlling stake in rival dairy firm GTN, which not only gave it a stronger position in northern Vietnam but also allowed a number of cost savings and procurement synergies to be exploited.

The performance of our one remaining holding in Indonesia, Prodia, has been disappointing. The medical diagnostics business struggled due to the disruption caused by repeated lockdowns in the country whilst, it also suffered from a decline in day to day medical testing activity as customers shied away from visiting doctors or health centres during the pandemic. The development of higher cost diagnostic services and preventative screening procedures have failed to lift profitability in spite of opportunities offered by Covid testing.

Our remaining three tobacco investments are all seeing different trends impact their market. Ceylon Tobacco retains its monopoly position in Sri Lanka, and we see the election of a potentially more pro-business government as potentially helpful for the business. The cigarette market in Bangladesh, where we continue to hold BAT Bangladesh retains a number of growth drivers, in particularly premiumisation. BAT Bangladesh is, however seeing intensified competition from Japan Tobacco in its market. We retain a position in Egypt’s Eastern Company S.A.E, which is a business where we believe restructuring and better capital allocation can turn healthy returns into very attractive ones, although execution is dependent on the Egyptian government’s privatisation programme.

In terms of our other holdings in Egypt, EDITA saw a strong performance in bakery and cakes, but biscuits, candy and rusk sales suffered as consumers, particularly children, stayed at home. Integrated Diagnostic Holdings is looking at carrying out a joint listing on the Egypt exchange in a move to encourage local interest in the shares.

A similar move is also being considered by DP Eurasia which is evaluating a joint listing in its main market of business activity, Turkey. DP Eurasia was a frustrating performer for the fund in 2020, with Covid-19 hampering both trading and the group’s turnaround strategy in Russia. Although we invest in businesses rather than share prices taking a view that if a business performs strongly and consistently it will be reflected in its share price, the share-price performance of DP Eurasia is, to us, exacerbated by a listing in London where it is hard to garner new investor interest. Our other investment in Turkey, BIM, performed strongly in a tough consumer market and high inflation environment. To us, BIM has a very attractive counter-cyclical business model, operating in high-density residential areas with a limited range of value-orientated goods. Think Co-op store locations with an Aldi style product offer.

After the sale of Tiger Brands, we have only one holding in South Africa, Clicks. Clicks retains a strong market position and although sales of beauty products have suffered during South Africa’s lockdown, the business is well placed for future growth.

Both Nestlé Nigeria and EABL are, in our view, the best investments for two attractive themes our fund can benefit from- the rise of the Nigerian consumer and African beer consumption- within a western corporate governance structure. Nigeria’s population is forecast by the UN to double from c.200 million now to c.400 million by 2050 and then almost double again between 2050 and 2100, making it the third most populous country on earth by the mid-2040s.

In terms of our investments in Latin America, we have already touched on Hypera, MercadoLibre, XP and Lojas Renner. Walmart de Mexico performed strongly at the operational level, no doubt helped by the pandemic, but the shares weakened in the latter part of the year as it announced it was under investigation by Mexico’s competition authorities for anticompetitive behaviour, something which the group denies.

Covid-19 impact

At the time of writing, the ‘known’ global death toll from Covid-19 has reached over 2 million. Although with a mortality rate somewhat lower than past-pandemics, the economic disruption caused by the pandemic has been both severe and unprecedented in modern times. Our portfolio went into the pandemic with a high allocation to defensive businesses in areas such as consumer staples, grocery retail and healthcare. The majority of the businesses we own have no net debt, and where we do own businesses with debt we ensure that they are lightly geared.

We were also well placed to avoid businesses with characteristics which have struggled in the downturn, most notably financial leverage, an exposure to complicated cross-border supply chains, a dependency on discretionary consumer expenditure and operationally geared business models in sectors such as travel, leisure and hospitality (to put this into perspective we had just two stocks in these sectors at the outbreak of the pandemic).

Accompanying the severity of the disruption has been an acceleration of three structural changes which are going to become increasingly dominant over coming years:

- Formalisation
- Consolidation
- Digitalisation

We believe the FEET portfolio is well positioned to be a net beneficiary of these trends, no doubt accelerated by the pandemic. Although the rate of acceleration of these trends is uncertain, times of economic upheaval tend to magnify and accelerate social, economic and political change.

We believe that most of our companies will be beneficiaries of the three trends. First, formalisation will drive increasing post-pandemic awareness of food provenance, a desire to know that food and drink being consumed is safe and bought from a shopping environment which is clean and efficient. Our investments in branded food businesses and modern trade retail are well placed to benefit from this, whilst we would also include greater healthcare awareness as a beneficiary of post-pandemic formalisation. Again, we are well placed to benefit from this trend.

The pandemic has placed a huge number of businesses under both operational and financial strain. Those businesses with weaker business models or financially leveraged balance sheets are not going to be well placed relative to their competitors. Simply put, stronger businesses will get stronger, weaker ones will risk falling by the wayside. Given the strong market positions and high barriers to entry exhibited almost unanimously by the Company's holdings, we would expect that our portfolio companies will be able to benefit from opportunities to increase market share, either through acquisition, or far more likely organic growth.

The third trend accelerated by the pandemic is that of digitalisation. Digitalisation to us takes two main forms of investment opportunity- businesses which are outright digital businesses in the IT space, or non-digital businesses which can benefit from the rise of digitalisation, particularly in areas such as customer engagement and retail distribution. A large number of companies we own, many of which were bought at inception, are well placed to benefit from the latter trend. In terms of digital businesses, as such investment opportunities have become available over time, we have made selective investments in businesses such as MercadoLibre, Tencent, XP and Info Edge, all of which are digital businesses well placed to benefit from market leadership, innovation, disruption and the migration of previously off-line activities into the digital domain.

Summary

Obviously the Company had a strong 2020, both in absolute and relative terms, and also saw an appreciable narrowing of the discount to stand at 3.1% at the end of 2020.

The portfolio clearly benefited from being invested in businesses with a high degree of resilience in the pandemic- whether it be the sectors they serve, their generally sound financing or the ability of them to take advantage of the trends of formalisation, consolidation and, in particular, digitalisation the pandemic brought upon.

We also take the view that the Company benefitted in 2020 from having a lower exposure to frontier markets, a greater exposure to healthcare and technology (both sectors which performed strongly over the year), greater concentration and less reliance on listed multinational subsidiaries (we increasingly differentiate between those with high-calibre local management and those with 'revolving door' expat management where we typically have concerns over incentivisation and the ability of those businesses to innovate). In contrast to a reduced portfolio weighting in listed multinational subsidiaries, there had been an increase in businesses where those running them have considerable economic interests in those businesses, where we believe innovation has a higher priority and decisions can be taken in the long-term interest of the business without being swayed by the short-term.

To put how the portfolio has evolved over recent times into perspective, over the course of 2019 and 2020, the proportion of the portfolio invested in frontier markets fell from 12% to 7%, whilst the proportion of the portfolio invested in technology and healthcare rose from 19% to 36%, with the proportion of FEET invested in consumer sectors falling from 81% to 64%. Over the same time period, the proportion of businesses the fund is invested in outside of government or multinational control has increased from 53% to 76%. Over the number of stocks held by the fund decreased from 45 to 36, reflecting an increased focus on those stocks in which the managers have the greatest conviction.

Environmental, Social and Governance (ESG)

Fundsmith considers sustainability risks and the net impacts a portfolio company has on both the environment and society as much as is possible with the availability and consistency of reporting of non-financial data pertaining to ESG in emerging markets. As long term investors, we consider this a fundamental part of how we assess the long term sustainability of a company's returns in our investment process. As part of this, we engage with companies on a regular basis on areas that it can add value and vote all available proxies to promote the sustainability of long term returns.

Further information can be found in the Strategic Report on page 35.

Outlook

As managers we will continue to seek to invest in resilient companies, with high returns on capital, the ability to reinvest that capital at high rates of return in order to sustain those returns. On a relative basis, performance will always be influenced by ETF and Index fund flows, the bulk of which ends up in businesses we would never have any intention of owning.

As emerging markets have developed, increasing opportunities have presented themselves to invest in businesses that meet our exacting criteria in higher growth segments such as healthcare and technology. Although not exclusive to these sectors, we saw towards the end of 2020 increasing signs of valuations across emerging markets becoming more stretched, particularly in China-focused businesses where domestic and international institutional fund flows have had an impact, quite often on illiquid shareholder structures where there is scope for share price movements to be magnified. A sell-off in February 2021 seemed to suggest that our view held some credence, even though it did impact some of our holdings.

In spite of this, we believe that the Company continues to offer investors exposure to some of the best companies available to own in emerging markets and we look forward to reporting on how these businesses develop over time.

Michael O'Brien
Fundsmith LLP
Investment Manager
31 March 2021

Investment Philosophy

Fundsmith Emerging Equities Trust plc ('FEET') invests in 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.

Fundsmith LLP applies a three step investment process to implement that strategy:

1. We aim to invest in high quality businesses

In our view, a high quality business is one which can sustain a high return on operating capital employed in cash.

We are seeking a sustainable high rate of return. An important contributor to this is repeat business, usually from consumers. A company that sells many small items each day is better able to earn consistent returns over the years than a company whose business is cyclical, like a steel manufacturer, or "lumpy", like a property developer, a movie studio or even a drugs company. This approach rules out most businesses that do not sell directly to consumers or which make goods which are not consumed at short and regular intervals.

Capital goods companies and industrial suppliers make components, ingredients and packaging to sell to businesses. Business buyers are able to defer purchases of such products when the business cycle turns down. Moreover, business buyers employ staff whose sole *raison d'être* is to drive down the cost of purchase and lengthen their payment terms. In contrast we as consumers have no direct bargaining power.

An important contributor to resilience is a resistance to product obsolescence. This means that we try not to invest in industries which are subject to rapid technological innovation. Innovation is often sought by investors but does not always produce lasting value for them. Developments such as canals, railroads, aviation, microchips and the internet have transformed industries and people's lives. They have created value for some investors, but a lot of capital gets destroyed for others, just as the internet has destroyed the value of many traditional media industries, most notably newspapers, as well as quite a lot of capital invested in the internet companies that didn't make it and at the peak of bubbles such as the Dotcom boom.

Even when a company sells to consumers, it is unlikely to fit our criteria if its products have a life which can be extended. When consumers hit hard times, they can defer replacing their cars, houses and appliances, but not food, toiletries, cosmetics and cleaning products. Hence we do not intend to invest in manufacturers of consumer durables.

We seek to invest in businesses whose assets are intangible and difficult to replicate. It may seem counter-intuitive to seek businesses which do not rely upon tangible assets. The businesses we seek to invest in do something very unusual: they 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's 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 economically irrational (or at least innumerate) competitors when credit is freely available. To be fair, during equity market "bubbles", some irrational competition can be funded by equity which seems to require no foreseeable return, but such Dotcom style phenomena mostly seem to attract capital to technology, biotech, social networking, e-tailing and online businesses and not the less glamorous world of consumer non-durables.

The kinds of intangible assets we seek are brand names, trademarks, dominant market shares, patents, licenses, franchises, intellectual property or know how, distribution networks, supply chains, 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

**Where we refer to our investments in Developing Economies or Emerging Markets we mean countries other than those included in the MSCI World Index, i.e. in the widest possible sense. Clearly when referring to others' references to emerging markets, developing economies or the developing world their own definition applies.*

typically value companies on the not unreasonable assumption that their returns will regress to the mean, businesses whose returns do not do this can become undervalued. Therein lies our opportunity as investors.

We avoid companies that have to use leverage to make an adequate return on equity. We only invest in companies that earn a high return on their capital on an unleveraged basis. The companies we invest in may well have leverage, but they don't require borrowed money to function. For example, financial companies (such as banks, investment banks, credit card lenders or leasing companies) typically earn a low unleveraged return on their assets. They then have to lever up that capital several times over with money from lenders and depositors in order to earn what they deem to be an acceptable return on their shareholders' equity. This means that not only are their unlevered equity returns inadequate, but periodically the supply of credit is withdrawn, often with disastrous consequences given the illiquidity of their asset base. In assessing leverage, we include off-balance sheet finance in the form of operating leases, which are common in some sectors, such as retailing.

The businesses we seek must have growth potential. It is not enough for companies to earn a high unlevered rate of return. Our definition of growth is that they must also be able to reinvest at least a portion of their excess cash flow back into the business to grow, while generating a high return on the cash thus reinvested. Over time, this should compound shareholders' wealth by generating more than a pound of stock-market value for each pound reinvested. In our view, growth cannot be thought about sensibly in isolation from returns. Rapid growth may be good news or it may be bad news. It depends on how much capital you have to invest to generate that growth.

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. We are more interested in companies which have physical growth in the merchandise or service sold than simply pricing power, although having both is nice.

2. We try not to overpay for shares when investing

We only invest when we believe the valuation is attractive. We estimate 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. Otherwise we would penalise companies which can invest in order to grow. Our aim is 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 portfolio. Our goal is to buy securities that we believe will grow and compound in value, which bonds cannot, at yields that are similar to or better than what we would get from a bond.

3. We aim to buy and hold

We aim to be long-term, buy-and-hold investors. We seek to own only stocks that will compound in value over the years. Accordingly, we try to be very careful about the stocks we pick. We do not have a good new investment idea every day, or indeed, not even every year. Even when we are able to find a new company we would like to invest in, we have to wait, sometimes forever, for a price and valuation at which we can justify investing. 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.

Our investment philosophy is also defined by a number of things we don't do:

(A) We try never to engage in so-called "Greater Fool Theory"

We really want to own all of the companies that we invest in. We do not buy them knowing that they are not good businesses or are over-valued in the hope that someone more gullible will come along and pay an even higher price for them. We assume that there is no greater fool than us.

(B) Indices are not used for portfolio construction

We are interested in indices in order to benchmark our performance but not as a tool to aid our portfolio construction.

The simplest reason for this is that we wish to perform better than the relevant indices and the majority of fund managers who hug the index composition with their portfolio selections. As the legendary investor Sir John Templeton said "If you want to have a better performance than the crowd, you must do things differently from the crowd."

There is also the problem that the MSCI Emerging Markets Index is dominated by companies of a sort that we would never own.

The top ten companies in the MSCI Emerging Markets Index are all in the banking, energy, technology and telecoms sectors. They all fall into sectors which we would never invest in because they are cyclical, rely on leverage to deliver an adequate return, are subject to rapid and unpredictable change and/or have returns controlled by governments.

In contrast, under 10% of the Index is in Consumer Staples, which is the bedrock of the Fundsmith strategy and a consistent producer of shareholder value with high unlevered returns on capital in cash.

(C) We do not attempt market timing

Once we are fully invested we will not attempt to manage the percentage invested in equities in our portfolio to reflect any view of market levels, timing or developments. Getting market timing right is a skill we do not possess. We assume that if you own shares in FEET you have already taken the decision to invest that portion of your portfolio in Emerging Market equities, managed in the manner we describe.

Our inability and unwillingness to try to make market timing calls is one factor which prevents us from investing in sectors which are highly cyclical. It is possible to deliver performance from such investments, but it requires a good sense of timing for the economic cycle and how the market cycle relates to it. It also requires strong nerves, because such investments are often counter-intuitive, as exemplified in the investment adage “Only buy cyclicals when they look expensive”. This is because when they have little or no earnings, and so look expensive on the basis of their price/earnings ratio, they are at, or close, to the bottom of the cycle. The converse applies: you should sell them when they look cheap, as they are then at, or close, to peak earnings.

We are not sure we have either the skill set or the constitution for such investing. In any event, investing in cyclical businesses has one big disadvantage. They are mostly poor quality businesses which struggle to make adequate returns on their capital. Whilst you wait to see whether you have got your timing right, the underlying value of your investment is more likely to erode than compound whilst you await the upturn, and of course occasionally they do not survive a cycle at all.

(D) Corporate Governance

Investment in Emerging Markets has dangers which might loosely be labelled as problems of corporate governance. There are examples of companies which have had assets confiscated by governments, which have had their know-how taken by a local joint venture partner who has set up in competition with them, of minority investment in business controlled by local families which have gone awry.

We do not intend to bring enlightenment to Emerging Markets in the form of improved corporate governance via our investments. We are minority investors and we will assume that the corporate governance landscape we see is the one we have to deal with rather than assuming we can change it. Then we will select investments in that environment the same way that porcupines make love – carefully.

We are helped in this regard by the fact that about a fifth of the companies in our Investable Universe and about a quarter of the portfolio for FEET are quoted subsidiaries, associates or franchisees of multinational companies. This certainly helps from a due diligence/corporate governance standpoint.

(E) Currencies

Our policy is generally not to hedge FEET’s currency exposure. The exception in FEET would be in the circumstances where we believe significant depreciation of a currency has become likely but we wish to continue owning the companies in FEET denominated in that currency and we are comfortable that we can put in place a hedge the cost of which will not extinguish any gains from hedging. Such a combination of circumstances is unusual.

Fundsmith LLP
Investment Manager
31 March 2021

Business Review

The Strategic Report on pages 2 to 35 has been prepared to provide information to shareholders to assess how the Directors have performed their duty to promote the success of the Company. Further information on how the Directors have discharged their duty under s172 of the Companies Act 2006 in promoting the success of the Company for the benefit of the investors as a whole and how they have taken wider stakeholders' needs into account can be found on pages 39 to 42.

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking .

Business Model

The Company is an externally managed investment trust and its shares are listed on the premium segment of the Official List and traded on the main market of the London Stock Exchange.

The purpose of the Company is to provide a vehicle for investors to gain exposure to a portfolio of companies in Developing Economies, through a single investment.

The Company's strategy is to create value for shareholders by addressing its investment objective, which is to provide shareholders with an attractive return by investing in a portfolio of shares issued by listed 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. See page 9 for further information.

The Company is an alternative investment fund ("AIF") under the European Union's alternative investment fund managers' directive ("AIFMD") and has appointed Fundsmith LLP as its alternative investment fund manager ("AIFM").

As an externally managed investment trust, all of the Company's day to day management and administrative functions are outsourced to service providers. As a result, the Company has no executive directors, employees or internal operations.

The Board is responsible for all aspects of the Company's affairs, including setting the parameters for monitoring the investment strategy and the review of investment performance and policy. It also has responsibility for all strategic policy issues, including share issuance and buybacks, share price and discount/premium monitoring, corporate governance matters, dividends and gearing.

Further information on the Board's role and the topics it discusses with the Investment Manager is provided in the Corporate Governance Report beginning on page 36.

Investment Manager and AIFM

Fundsmith LLP ("Fundsmith") under the terms of the Investment Management Agreement provides, inter alia, the following services:

- seeking out and evaluating investment opportunities;
- recommending the manner by which monies should be invested, disinvested, retained or realised;
- advising on how rights conferred by the investments should be exercised;
- analysing the performance of investments made;
- advising the Company in relation to trends, market movements and other matters which may affect the investment policy of the Company; and
- acting as AIFM to the Company.

Fundsmith receives a periodic fee equal to 1.00% of the Company's net asset value. The Investment Management Agreement may be terminated by either party giving notice of not less than 12 months.

Depositary

During the year, Northern Trust Global Services SE (the "Depositary") acted as the Company's depositary in accordance with the AIFMD on the terms and subject to the conditions of the depositary agreement between the Company, Fundsmith and the Depositary (the "Depositary Agreement"). Under the terms of the Depositary Agreement, the Depositary is entitled to receive an annual fee of the higher of (i) £25,000; or (ii) an amount equivalent to 0.015% of the net assets of the Company.

The Depositary provides the following services:

- safekeeping and custody of the Company's custodial investments and cash;
- processing of transactions and foreign exchange services;
- taking reasonable care to ensure that the Company is managed in accordance with the AIFMD, the FUND sourcebook and the Company's articles of association in relation to the net asset value per share and the application of income of the Company; and
- monitoring the Company's compliance with investment restrictions and leverage limits set in its offering documents.

The Depositary Agreement may be terminated upon three months' written notice from the Company to the Depositary or the Depositary to the Company.

Custodian

The Depositary has delegated the custody and safekeeping of the Company's assets to The Northern Trust Company which in turn appoints sub-custodians in each of the jurisdictions in which the Company's assets are held. The liability of the Depositary is not affected by the fact that it has delegated safekeeping to a third party.

The Depositary is entitled to a variable custody fee which depends on the type and location of the custodial assets of the Company. Variable transaction charges are also chargeable.

Key Performance Indicators

The Board of Directors reviews performance against the following Key Performance Indicators (KPIs). They comprise specific financial and shareholder-related measures and are also considered to be the Company's alternative performance measures (APMs). The KPIs have not changed from the prior year:

- Net asset value total return against the MSCI Emerging and Frontier Markets Index measured on a net sterling adjusted basis*;
- Share price total return*;
- Premium/discount of share price to net asset value per share*; and
- Ongoing charges ratio*.

* Alternative Performance Measure (see Glossary beginning on page 92).

Please refer to the Glossary beginning on page 92 for definitions of these terms and an explanation of how they are calculated.

Net asset value return against the Index

The Company's net asset value per share is shown on the Statement of Financial Position on page 68. The Directors regard the Company's net asset value return as being the overall measure of value delivered to shareholders over the long-term. The Board considers the most important comparator to be the MSCI Emerging and Frontier Markets Index measured on a total return, net sterling adjusted basis. Fundsmith's investment style is such that performance is likely to deviate from that of the Index.

During the year under review the Company's net asset value per share total return was +20.7%, outperforming the benchmark by 6.3% (2019: -0.5%, underperforming the benchmark by 14.4%).

A full description of performance during the year under review is contained in the Investment Manager's Review commencing on page 12 of this annual report.

Share price total return

The Directors also regard the Company's share price total return to be a key indicator of performance. Share price performance is monitored closely by the Board.

During the year under review the Company's share price total return was 29.1%, outperforming the benchmark by 14.7% (2019 -7.4%, underperforming the benchmark by 21.3%).

Premium/discount of share price to net asset value per share

The Board monitors the level of premium/discount as a key indicator of shareholder sentiment and demand for the Company's shares. The Board aims to achieve a sustainable low discount or premium to the NAV per share, taking account of market conditions. The Board therefore considers ways in which share price performance may be enhanced, including the effectiveness of marketing, share issuance and buybacks, where appropriate. The making or timing of any share issuance and/or buyback is at the discretion of the Board.

As at 31 December 2020, the discount of the Company's share price to the NAV per share was 3.1% (2019: 9.3%). The Chairman's Statement, beginning on page 6, describes the actions the Board took to address share price performance during the year.

Ongoing charges ratio

Ongoing charges represent the costs that shareholders can reasonably expect to pay from one year to the next, under normal circumstances. The Board continues to be conscious of expenses and works hard to maintain a sensible balance between good quality service and costs. The Board therefore considers the ongoing charges ratio to be a KPI and reviews the figure both in absolute terms and in comparison to the Company's peers.

As at 31 December 2020, the ongoing charges ratio was 1.3% (2019: 1.4%).

Risk Management

The Board is responsible for the ongoing identification, evaluation and management of the principal risks faced by the Company and the Board has established a process for the regular review of these risks and their mitigation. This process accords with the UK Corporate Governance Code and the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Directors have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. The risks are broadly unchanged from the previous year.

The Board has categorised the risks faced by the Company under five headings as follows:

- Corporate strategy;
- Investment strategy & activity;
- Operational (service providers);
- Financial; and
- Legal & regulatory.

The following sections detail the risks the Board considers to be the most significant to the Company under these headings:

Principal Risks and Uncertainties	Mitigation
Corporate Strategy	
The share price return may differ materially from the NAV per share i.e. the shares may trade at a material discount to the NAV per share.	In consultation with its advisers, the Board regularly reviews the level of share price premium or discount to the net asset value per share and consideration is given to ways in which share price performance may be enhanced, including the effectiveness of share issuance, marketing and share buybacks, where appropriate. The Board receives regular reports on shareholder activity and is kept informed of shareholder sentiment. Regular contact is maintained with major shareholders.
Investment Strategy and Activity	
The investment strategy adopted by Fundsmith may be unsuccessful and result in underperformance against the Company's principal performance comparator and peer companies.	The Board regularly reviews the Company's investment mandate and Fundsmith's long-term investment strategy in relation to market and economic conditions, and the performance of the Company's peers. Fundsmith provides an explanation of stock selection decisions and an overall rationale for the make-up of the portfolio. Fundsmith discuss current and potential investment holdings with the Board on a regular basis. The Board sets appropriate investment restrictions and guidelines.
The portfolio may be affected by volatile market movements (in both equity and foreign exchange markets) in the sectors and regions in which it invests.	The Board has appointed Fundsmith to manage the portfolio within the remit of the investment objective and policy. The investment policy limits ensure that the portfolio is diversified, reducing the risks associated with individual stocks and markets. Compliance with the investment restrictions is monitored by Fundsmith on a daily basis. The Board monitors exposure to investments, performance, and compliance with the investment objective and policy. The Board sets the policy on hedging, which is detailed on page 9.
The departure of a key member of Fundsmith's investment team may affect the Company's performance.	The Investment Manager reports to the Board on developments at Fundsmith at each Board meeting. In 2019 portfolio management arrangements were put in place which reduce reliance on any single individual.

Principal Risks and Uncertainties	Mitigation
Operational (Service Providers) As an externally-managed investment trust, the Company is reliant on the systems of its service providers for dealing, trade processing, administrative services, financial and other functions. If such systems were to fail or be disrupted (including as a result of cyber-crime) this could lead to a failure to comply with applicable laws, regulations and governance requirements and/or to a financial loss. The spread of an infectious disease may force governments to introduce rules to restrict meetings and movements of people and take other measures to prevent its spread, which may cause	The Audit Committee reviews the internal controls reports and key policies (including disaster recovery procedures) put in place by its principal service providers. These reviews include consideration of the associated cyber security risks facing the Company. Fundsmith provides a quarterly compliance report to the Audit Committee, which details their compliance with applicable laws and regulations. The Audit Committee maintains the Company's risk matrix which details the risks to which the Company is exposed, the approach to managing those risks, the key controls relied upon and the frequency of the controls operation. Further details are set out in the Audit Committee Report beginning on page 52. The operational and regulatory risks arising from the COVID-19 pandemic, and measures introduced to combat its spread, were discussed by the Board, with updates on operational resilience received from the Investment Manager and AIFM and other key services providers.
Financial The Company is exposed to liquidity risk and credit risk arising from the use of counterparties. If a counterparty were to fail, it could adversely affect the Company through either delay in settlement or loss of assets. The most significant counterparty to which the Company is exposed is the Depositary, which is responsible for the safekeeping of the Company's custodial assets.	The Company's assets comprise liquid securities which can be sold to meet funding requirements, if necessary. Further information on financial instruments and risk can be found in note 16 to the financial statements beginning on page 82. The Board reviews the services provided by the Depositary and the internal controls report of the Custodian to ensure that the security of the Company's custodial assets is maintained. Fundsmith is responsible for undertaking reviews of the credit worthiness of the counterparties that it uses. The Board reviews the Investment Manager's approved list of counterparties.
Legal and Regulatory The regulatory or political environment in which the Company operates could change to the extent that it affects the Company's viability.	The Board monitors regulatory developments but relies on the services of its external advisers to ensure compliance with applicable law and regulations. The Board has appointed a specialist investment trust company secretary who provides industry and regulatory updates at each Board meeting. The Board believes that the UK's exit from the European Union ('Brexit') does not pose a unique risk to the Company and is unlikely to affect the Company's share price or how its shares are sold.

Emerging Risks

The Company has carried out a robust assessment of the Company's emerging and principal risks and the procedures in place to identify emerging risks are described below. The International Risk Governance Council definition of an 'emerging' risk is one that is new, or is a familiar risk in a new or unfamiliar context or under new context conditions (re-emerging). Failure to identify emerging risks may cause reactive actions rather than being proactive and, in the worst case, could cause the Company to become unviable or otherwise fail or force the Company to change its structure, objective or strategy.

The Audit Committee reviews a risk map at its half-yearly meetings. Emerging risks are discussed in detail as part of this process and also throughout the year to try to ensure that emerging (as well as known) risks are identified and, so far as practicable, mitigated.

Brexit

The Board has considered whether the UK's exit from the European Union ("Brexit") poses a discrete risk to the Company. At the date of this report, the UK has left the EU and has emerged from the transition period with a trade and security deal finalised with the EU on 24 December 2020. The impact and implications of this remain to be seen.

As the Company is priced in sterling and its portfolio companies are priced in foreign currencies, sharp movements in exchange rates can affect the net asset value (see page 85 for the foreign currency sensitivity analysis). This is not a reflection of the underlying value of the companies in their base currencies but may lead to an increase or decrease in the Company's net asset value simply because of currency movements.

Furthermore, whilst the Company's current shareholders are predominantly UK based holders, sharp or unexpected changes in investor sentiment, or tax or regulatory changes, could lead to short term selling pressure on the Company's shares which potentially could lead to the share price discount widening. Overall, however, the Board believes that over the longer term, Brexit is unlikely to affect the Company's business model or whether the shares trade at a premium or discount to the net asset value per share. The Board will continue to monitor developments as they occur.

Impact of COVID-19

The Board recognises that the emergence and spread of the new coronavirus (Covid-19) represents a new area of risk, both to the Company's investment performance and to its operations. In recent months the Investment Manager successfully continued their dialogue with investee companies and the Board has stayed in close contact with the Investment Manager and has been continuously monitoring portfolio and share price developments. The Board has also received assurances from all of the Company's service providers in respect of:

- their business continuity plans and the steps being taken to guarantee the ongoing efficiency of their operations while ensuring the safety and well-being of their employees;
- their cyber security measures including improved user-access controls, safe remote working and evading malicious attacks; and
- any increased risks of fraud as a result of decreased operations and possible employee terminations and weakness in user-access controls resulting in the potential for management overrides.

With the emergence of several vaccines, the outlook is cautiously positive, but the Board will continue to monitor developments as they occur.

Longer Term Viability Statement

In accordance with the UK Corporate Governance Code, the Directors have carefully assessed the Company's position and prospects as well as the principal risks and have formed a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next four financial years. The Board has chosen a four year horizon in view of the long term nature and outlook adopted by the Investment Manager when making investment decisions.

To make this assessment and in reaching this conclusion, the Audit Committee has considered the Company's financial position and its ability to liquidate its portfolio and meet its liabilities as they fall due:

- The portfolio is principally comprised of investments traded on major international stock exchanges. Based on historic analysis 69.4% of the current portfolio could be liquidated within 30 trading days with 47.7% in seven days and there is no expectation that the nature of the investments held within the portfolio will be materially different in future;
- The expenses of the Company are predictable and modest in comparison with the assets and there are no capital commitments foreseen which would alter that position; and
- The Company has no employees, only its non-executive Directors. Consequently it does not have redundancy or other employment related liabilities or responsibilities.

The Audit Committee, as well as considering the potential impact of its principal risks and various severe but plausible downside scenarios, has also considered the following assumptions in considering the Company's longer-term viability:

- There will continue to be demand for investment trusts;
- The Board and the Investment Manager will continue to adopt a long-term view when making investments, and anticipated holding periods will be at least four years;
- The Company invests principally in the securities of listed companies traded on major international stock exchanges to which investors will wish to continue to have exposure;
- The closed ended nature of the Company means that, unlike open ended funds, it does not need to realise investments when shareholders wish to sell their shares;
- Regulation will not increase to a level that makes running the Company uneconomical; and
- The performance of the Company will continue to be satisfactory.

COVID-19 was also factored into the key assumptions made by assessing its impact on the Company's key risks and whether the key risks had increased in their potential to affect the normal, favourable and stressed market conditions. As part of this review the Board considered the impact of a significant and prolonged decline in the Company's performance and prospects. This included a range of plausible downside scenarios such as reviewing the effects of substantial falls in investment values and the impact of the Company's ongoing charges ratio, which were the subject of stress testing.

Anti-Bribery and Corruption Policy

The Board has adopted a zero tolerance approach to instances of bribery and corruption. Accordingly it expressly prohibits any Director or associated persons, when acting on behalf of the Company, from accepting, soliciting, paying, offering or promising to pay or authorise any payment, public or private in the UK or abroad to secure any improper benefit for themselves or for the Company.

The Board applies the same standards to its service providers in their activities for the Company.

A copy of the Company's Anti Bribery and Corruption Policy can be found on the website at www.feetplc.co.uk. The policy is reviewed annually by the Audit Committee.

Prevention of the Facilitation of Tax Evasion

In 2017, in response to the implementation of the Criminal Finances Act 2017, the Board adopted a zero-tolerance approach to the criminal facilitation of tax evasion. A copy of the Company's policy on preventing the facilitation of tax evasion can be found on the Company's website www.feetplc.co.uk. The policy is reviewed annually by the Audit Committee.

Social, Human Rights and Environmental Matters

The Company is an externally-managed investment trust, with no employees and four non-executive Directors. Therefore, the Company has no material, direct impact on the environment or any particular community and the Company itself has no environmental, human rights, social or community policies. In carrying out its activities and in relationships with suppliers, the Company aims to conduct itself responsibly, ethically and fairly.

The Directors, through the Investment Manager, encourage companies in which investments are made to adhere to best practice with regard to corporate governance. The Investment Manager's approach to corporate governance in emerging markets is set out in their Investment Philosophy beginning on page 27.

The Investment Manager's investment process includes an evaluation of potential investee companies' social and environmental impact and corporate governance. They maintain a sustainability database of company comments on a range of issues including environmental, governance, social and innovation matters. Further information can be found in the Investment Manager's stewardship policy, which is published on their website: www.fundsmith.co.uk.

As an investment company, the Company does not provide goods and services in the normal course of business and does not have customers or employees. Accordingly, the Company falls outside the scope of the Modern Slavery Act 2015. The Company's suppliers are typically professional advisers and the Company's supply chains are considered to be low risk in this regard.

Integrity and Business Ethics

The Company is committed to carrying out business in an honest and fair manner with a zero-tolerance approach to bribery, tax evasion and corruption. In carrying out its activities, the Company aims to conduct itself responsibly, ethically and fairly, including in relation to social and human rights issues.

As an investment trust with limited internal resources, the Company has little impact on the environment. The Company believes that high standards of ESG make good business sense and have the potential to protect and enhance investment returns. Consequently, the Investment Manager's investment criteria take account of ESG and ethical issues and best practice is encouraged. The Board's expectations are that its principal service providers have appropriate governance policies in place.

Performance and Future Developments

The Board concentrates its attention on the Company's investment performance and the Investment Manager's investment approach, and on factors that may have an effect on this approach. The Board is regularly updated on wider investment trust industry issues and discussions are held at each Board meeting concerning the Company's future development and strategy.

An overview of the main trends and factors affecting the performance of the Company is set out in the Investment Manager's Review beginning on page 12.

The Directors continue to believe that the emerging markets sector together with Fundsmith's investment strategy should provide good returns for the long-term investor.

It is expected that the Company's overall corporate and investment strategies will remain unchanged in the coming year.

This Strategic Report on pages 2 to 35 has been signed for and on behalf of the Board.

Martin Bralsford
Chairman
31 March 2021

Board of Directors

Martin Bralsford

Chairman

Martin was articled with Pannell Kerr Forster & Co, London, qualifying as a chartered accountant in 1970 and obtained a masters degree at the London Business School in 1974. Until July 2007 he was Chief Executive of C.I. Traders, taking up this role in August 2002 when it acquired Le Riche Group. Prior to this he had been Chairman of Premier Brands and held a number of financial and general management appointments in Calor Gas, Rank Group, SmithKline Beecham and Cadbury Schweppes. He has served as an independent member of the boards of a number of commercial, banking and investment companies including Gartmore Capital Strategy Fund Limited and Acorn Income Fund Limited. He is a trustee of a number of charitable trusts; including the Durrell Wildlife Conservation Trust of which he is a Life Trustee.

Rachel de Gruchy

Rachel has over thirty years of international investment industry experience having held senior roles in Jersey and Australia. She began her career with Laurie, Milbank & Co in Jersey and was a Director of Matheson Securities (CI) Ltd (owned by the Jardine Matheson Group) from 1993 to 1997, subsequently moving to a role specialising in advisory and client portfolio management services with Wilson Investment Group Ltd in Australia. From 2013 to 2018 Rachel was Managing Director, Jersey Branch of IAM Advisory, which provides an independent investment advisory service, including performance measurement and manager research, to professional trustees, charities, sovereign wealth and UHNWI clients. Rachel is a Chartered Fellow of the Chartered Institute for Securities and Investment (CISI), having been previously elected a Member of the London Stock Exchange in 1989 and is a designated Chartered Wealth Manager. She holds the CISI Diploma and has a Masters of Applied Finance, the Institute of Directors (IoD) Diploma in Company Direction and is a Member of the IoD.

David Potter

Chairman of the Management Engagement Committee and Senior Independent Director

After 35 years in the City (CSFB, Montagu, Midland, Guinness Mahon, Investec) David has spent the last 20 years as a chairman, non-executive director, trustee and advisor in a wide range of companies and institutions. He is currently Chairman of Gresham House Strategic PLC, Illustrated London News Limited, Coeus Software and Chairman of the Bryanston Foundation.

John Spencer

Chairman of the Audit Committee

John qualified as a chartered accountant in 1966 and worked with KPMG from 1966 to 1969. He joined Barclays Bank in 1969 and held a variety of posts, including President of Barclays Bank of New York and chief executive of the USA Banking division. He returned to the UK in 1990 as deputy chief executive of BZW and chief executive of the Global Markets division and was appointed a member of the Group Executive Committee. He was Non-Executive Chairman of Regent Inns plc from 1995 to 1998 and served as Non-Executive Chairman of Softtechnet.com plc, a director of Numerica Group plc and Chief Executive of Snell & Wilcox Limited, a private company. He was appointed Director of Tullett Prebon (originally Collins Stewart) in 2000 until 2007 where he was the Senior Independent Non-executive Director and a member of the Audit, Remuneration and Nominations Committees. He is a Non-executive Director of tpSEF Inc, ICAP SEF (US) LLC and ICAP Global Derivatives Limited. John is an Independent Member for Value Assessment at Fundsmith LLP.

All Directors are members of the Audit and Management Engagement Committees.

Meeting Attendance

The number of Board and Committee meetings held during the year ended 31 December 2020, and each Director's attendance, is shown below:

Type and number of meetings held during the year ended 31 December 2020	Board (8)	Audit Committee (2)	Management Engagement Committee (1)
Martin Bralsford	8	2	1
Rachel de Gruchy	8	2	1
David Potter	8	2	1
John Spencer	8	2	1

Directors' Interests

The beneficial interests of the Directors and their families in the Company were as set out below:

	Ordinary Shares of 1p each 31 December 2020
Martin Bralsford	100,000
Rachel de Gruchy	2,000
David Potter	19,996
John Spencer	5,000

There have been no changes in the above Directors' interests to the date of this report.

Manager's Interests

As at the date of this report, Terry Smith, the CEO of Fundsmith LLP, the Investment Manager, held interests in 847,000 (2019: 847,000) shares in the Company. Michael O'Brien, the Company's Portfolio Manager at Fundsmith LLP, held interests in 27,425 shares in the Company.

The Board and Committees

Responsibility for effective governance lies with the Board whose role is to promote the long-term success of the Company. The governance framework of the Company reflects the business model as an externally managed investment company; it has no employees and outsources investment management, risk management, company management, company secretarial, administrative and marketing services to third parties. The Board generates value for shareholders through its oversight of the service providers and management of costs associated with running the Company.

Copies of the full terms of reference, which clearly define the responsibilities of each committee, can be obtained from the Company Secretary, will be available for inspection at the Annual General Meeting, and can be found on the Company's website at www.feetplc.co.uk.

The Directors have decided that, given the size of the Board, it is unnecessary to form separate remuneration and nomination committees; the duties that would ordinarily fall to those committees are carried out by the Board as a whole. However, the Chairman takes no part in discussions involving his own remuneration and will not chair any discussions relating to the appointment of his successor.

The Board

Chairman – Martin Bralsford

Three additional non-executive Directors, all considered independent.

Key roles and responsibilities:

- to provide leadership and set strategy within a framework of prudent, effective controls which enable risk to be assessed and managed;
- to ensure that a robust corporate governance framework is implemented; and
- to challenge constructively and scrutinise performance of all outsourced activities.

Management Engagement Committee

Chairman – David Potter

All Directors

Key roles and responsibilities:

- to review regularly the contracts, the performance and the remuneration of the Company's principal service providers.
- to make recommendations to the Board regarding the continuing appointment of the AIFM.

Audit Committee

Chairman – John Spencer

All Directors

Key roles and responsibilities:

- to review the Company's financial reports;
- to oversee the risk and control environment; and
- to review the performance of the Company's external Auditor.

The work of the Management Engagement Committee and the Audit Committee during the year is set out on pages 48 and 52 to 55 respectively.

Corporate Governance

The Board has considered the principles and provisions of the AIC Code of Corporate Governance (the "AIC Code") published in February 2019. The AIC Code addresses the principles and provisions set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and provisions of the AIC Code (which has been endorsed by the Financial Reporting Council) will provide better information to shareholders. By reporting against the AIC Code, the Company meets its obligations under the UK Code (and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules) and as such does not need to report further on issues contained in the UK Code which are irrelevant to the Company.

The AIC Code is available on the AIC's website (www.theaic.co.uk) and the UK Code can be viewed on the Financial Reporting Council website (www.frc.org.uk). The AIC Code includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

The Company has complied with the principles and provisions of the AIC Code.

Board Leadership and Purpose

Purpose and Strategy

The purpose and strategy of the Company are described in the Strategic Report on page 30.

Board Culture

The Board aims to fully enlist differences of opinion, unique vantage points and areas of expertise. The Chairman encourages open debate to foster a supportive and co-operative approach for all participants. Strategic decisions are discussed openly and constructively. The Board aims to be open and transparent with shareholders and other stakeholders.

The Board has gained assurance on whistleblowing procedures at the Company's principal service providers to ensure employees at those companies are supported in speaking up and raising concerns. No concerns relating to the Company were raised during the year.

Shareholder Relations

During the year, representatives of Fundsmith and Investec Bank plc (the Company's corporate stockbroker) regularly met with institutional shareholders and private client asset managers to understand their views on governance and the Company's performance. Reports on investor sentiment and the feedback from investor meetings were discussed with the Directors at the following Board meeting. The Chairman and the Senior Independent Director met with investors on request. They discussed topics including investment performance and the Board's approach to addressing the share price discount (see Chairman's Statement on page 6 for further information).

Shareholder Communications

The Directors welcome the views of all shareholders and place considerable importance on communications with them. Shareholders wishing to communicate with the Chairman, or any other member of the Board, may do so by writing to the Company Secretary. The Chairman and the SID are also now contactable by email (see page 106 for details).

Significant Holdings and Voting Rights

Details of the shareholders with substantial interests in the Company's shares, the Directors' authorities to issue and repurchase the Company's shares, and the voting rights of the shares are set out in the Report of the Directors on pages 47 to 50.

Stakeholder Interests and Board Decision-making

Under the new AIC Code, the Directors must now explain more fully how they have discharged their duty under s172 of the Companies Act 2006 in promoting the success of the Company for the benefit of the members as a whole. This includes the likely consequences of the Directors' decisions in the long-term and how they have taken wider stakeholders' needs into account.

The Directors aim to act as fairly as possible between the Company's shareholders. The Board's approach to shareholder relations, and the actions taken as a result of the Board's engagement with shareholders, are summarised earlier in this Corporate Governance Report. The Chairman's Statement beginning on page 6 also provides an explanation of the actions taken by the Directors during the year to achieve the Board's long-term aim of ensuring that the Company's shares trade at a price close to the NAV per share, as well as steps that the Board has taken to reduce the Company's impact on the environment.

As an externally managed investment trust, the Company has no employees, customers (in the traditional sense), operations or premises. Therefore, the Company's key stakeholders (other than its shareholders) are considered to be its service providers.

The need to foster business relationships with the service providers and maintain a reputation for high standards of business conduct are central to the Directors' decision-making as the Board of an externally managed investment trust. The Directors believe that fostering constructive and collaborative relationships with the Company's service providers will assist in their promotion of the success of the Company for the benefit of all shareholders.

The Board engages with representatives from its service providers throughout the year. Representatives from Fundsmith and Frostrow Capital, as Company Secretary, are in attendance at each Board meeting. As the Investment Manager and AIFM and the Company Secretary respectively, the services they provide are essential to the long-term success of the Company.

Further details are set out below:

Who? **Stakeholder Group**	**Why?** **The Benefits of Engaging with the Company's Stakeholders**	**How?** **How the Board, the Investment Manager and Administrator have Engaged with the Company's Stakeholders**
Investors	Clear communication of the Company's strategy and the performance against the Company's objective can help the share price trade at a narrower discount or a wider premium to its net asset value per share which benefits shareholders. New shares can be issued to meet demand without net asset value per share dilution to existing shareholders. Increasing the size of the Company can benefit liquidity as well as spread costs. In an effort to control the discount at which shares trade to their net asset value per share, the Company can buy back shares if the Board considers this to be in the best interest of the Company and shareholders as a whole. Shares can either be held in "treasury" or cancelled. Any shares held in treasury can later be sold back to the market if conditions permit. The Company currently holds 35,684 shares in treasury.	The Investment Manager, Frostrow and the Company's broker, on behalf of the Board, complete a programme of investor relations throughout the year. An analysis of the Company's shareholder register is provided to the Directors at each Board meeting along with marketing reports from Fundsmith. The Board reviews and considers the marketing plans on a regular basis. Reports from the Company's broker are submitted to the Board on investor sentiment and industry issues. Key mechanisms of engagement include: • the Annual General Meeting; • the Company's website which hosts reports, video interviews with the investment manager and monthly factsheets; • one-on-one investor meetings and online webinars; • should any significant votes be cast against a resolution, proposed at the Annual General Meeting, the Board will engage with shareholders in order to understand the reasons behind the votes against; and • following the consultation, an update will be published no later than six months after the AGM and the Annual Report will detail the impact the shareholder feedback has had on any decisions the Board has taken and any actions or resolutions proposed.

Who? Stakeholder Group	Why? The Benefits of Engaging with the Company's Stakeholders	How? How the Board, the Investment Manager and Administrator have Engaged with the Company's Stakeholders
Investment Manager	Engagement with the Company's Investment Manager is necessary to evaluate their performance against the Company's stated strategy and to understand any risks or opportunities this may present. The Board ensures that the Investment Manager's environmental, social and governance ("ESG") approach is in line with standards elsewhere and is in line with the Board's expectations. Engagement also helps ensure that Investment Management costs are closely monitored and remain competitive.	The Board meets regularly with the Company's Investment Manager throughout the year both formally at the scheduled Board meetings and informally as needed. The Investment Manager's attendance at each Board meeting provides the opportunity for the Investment Manager and Board to further reinforce their mutual understanding of what is expected from both parties.
Service Providers	The Company contracts with third parties for other services including: depositary, investment accounting & administration as well as company secretarial and registrars. The Company ensures that the third parties to whom the services have been outsourced complete their roles in line with their service level agreements, thereby supporting the Company in its success and ensuring compliance with its obligations. The COVID-19 pandemic has meant that it was vital to make certain there were adequate procedures in place at the Company's key service providers to ensure the safety and wellbeing of their employees and the continued high quality of service to the Company.	The Board and Fundsmith engage regularly with other service providers both in one-to-one meetings and via regular written reporting. Representatives from service providers are asked to attend Board and Audit Committee meetings when deemed appropriate. This regular interaction provides an environment where topics, issues and business development needs can be dealt with efficiently and collegiately. The Board together with Fundsmith have maintained regular contact with the Company's key service providers during the pandemic, as well as carrying out a review of the service providers' business continuity plans and additional cyber security provisions.
Portfolio Companies	Gaining a deeper understanding of the portfolio companies and their strategies as well as incorporating consideration of ESG factors into the investment process assists in understanding and mitigating risks of an investment as well as identifying future potential opportunities.	Engagement on ESG issues with the aim of improving operations. Fundsmith places emphasis on understanding a company's corporate culture. The Board strongly supports the team in this undertaking.

What? **What were the Key Topics of Engagement?**	**Outcomes and Actions** **What Actions were Taken, Including Principal Decisions?**
Key topics of engagement with investors	
• Ongoing dialogue with shareholders concerning the strategy of the Company, performance, the portfolio and ESG issues.	• The Investment Manager and the broker meet regularly with shareholders and potential investors to discuss the Company's strategy, performance and the portfolio.
Key topics of engagement with the Investment Manager on an ongoing basis	
• Portfolio composition, performance, outlook and business updates.	• Updates are received by the Board at every Board meeting and on an ad hoc basis where appropriate.
• The impact of Brexit on their business and the portfolio.	• No specific action on Brexit was required.
• The impact of Covid-19 on their business and the portfolio.	• Regular updates were received by the Board throughout the year in respect of the impact of the pandemic on investment decision making and working practices.
Other Service Providers	
• The Directors have frequent engagement with the Company's other service providers through the annual cycle of reporting and due diligence meetings. This engagement is completed with the aim of maintaining an effective working relationship and oversight of the services provided.	• No specific action required as the reviews of the Company's service providers have been positive and the Directors believe their continued appointment is in the best interests of the Company.

Conflicts of Interest

In line with the Companies Act 2006, the Board has the power to authorise any potential conflicts of interest that may arise and impose such limits or conditions as it thinks fit. A register of interests and potential conflicts is maintained and is reviewed at every Board meeting.

There were no other direct or indirect interests of a Director that conflicted, or potentially conflicted, with the interests of the Company during the year. Appropriate authorisation will be sought prior to the appointment of any new director or if any new conflicts or potential conflicts arise.

Division of Responsibilities

Responsibilities of the Chairman and the SID

The Chairman's primary role is to provide leadership to the Board, assuming responsibility for its overall effectiveness in directing the Company. The Chairman is responsible for:

- taking the chair at general meetings and Board meetings, conducting meetings effectively and ensuring all Directors are involved in discussions and decision-making
- setting the agenda for Board meetings and ensuring the Directors receive accurate, timely and clear information for decision-making
- taking a leading role in determining the Board's composition and structure
- overseeing the induction of new directors and the development of the Board as a whole
- leading the annual board evaluation process and assessing the contribution of individual Directors
- supporting and also challenging the Investment Manager (and other suppliers where necessary)
- ensuring effective communications with shareholders and, where appropriate, stakeholders
- engaging with shareholders to ensure that the Board has a clear understanding of shareholder views

The Senior Independent Director (SID) serves as a sounding board for the Chairman and acts as an intermediary for other Directors and shareholders. The SID is responsible for:

- working closely with the Chairman and providing support
- leading the annual assessment of the performance of the Chairman
- holding meetings with the other non-executive Directors without the Chairman being present, on such occasions as necessary
- carrying out succession planning for the Chairman's role
- working with the Chairman, other Directors and shareholders to resolve major issues
- being available to shareholders and other Directors to address any concerns or issues they feel have not been adequately dealt with through the usual channels of communication (i.e. through the Chairman or the Investment Manager)

Induction/Development

New appointees to the Board are provided with a full induction programme. The programme covers the Company's investment strategy, policies and practices. Directors are also given key information on the Company's regulatory and statutory requirements as they arise including information on the role of the Board, matters reserved for its decision, the terms of reference for the Board committees, the Company's corporate governance practices and procedures and the latest financial information. Directors are encouraged to participate in training courses where appropriate.

Director Independence

The Board consists of four non-executive Directors, each of whom the Board considers to be independent of Fundsmith and the Board believes that there are no relationships or circumstances which are likely to impair or could appear to impair their judgement.

Directors' Other Commitments

During the year, none of the Directors took on any significant new commitments or appointments. All of the Directors consider that they have sufficient time to discharge their duties.

Board Meetings

The primary focus at regular Board meetings is the review of investment performance and associated matters, including asset allocation, marketing/investor relations, gearing, peer group information and industry issues. The Board reviews key investment and financial data, revenue and expenses projections, analyses of asset allocation, transactions, performance comparisons, share price and net asset value performance. The Board's approach to addressing share price performance during the year is described in the Chairman's Statement beginning on page 6.

The Board is responsible for setting the Company's corporate strategy and reviews the continued appropriateness of the Company's investment objective, investment strategy and investment restrictions at each meeting.

The number of meetings and the individual attendance by Directors is set out on page 37.

Matters Reserved for Decision by the Board
The Board has adopted a schedule of matters reserved for its decision. This includes, inter alia, the following:

- Requirements under the Companies Act 2006, including approval of the half year and annual financial statements, recommendation of the final dividend (if any), the appointment or removal of the Company Secretary, and determining the policy on share issuance and buybacks.
- Matters relating to certain Stock Exchange requirements and announcements, the Company's internal controls, and the Company's corporate governance structure, policy and procedures.
- Decisions relating to the strategic objectives and overall management of the Company, including appointment or removal of the AIFM and other service providers, and review of the Investment Policy.
- Matters relating to the Board and Board committees, including the terms of reference and membership of the committees, the appointment of directors (including the Chairman and the SID) and the determination of Directors' remuneration.

Day-to-day operational and investment management is delegated to Fundsmith as AIFM.

The Board takes responsibility for the content of communications regarding major corporate issues, even if Fundsmith acts as spokesman. The Board is kept informed of relevant promotional material that is issued by Fundsmith.

Relationship with the Investment Manager
Representatives from Fundsmith are in attendance at each Board meeting to address questions on specific matters and seek approval for specific transactions which Fundsmith is required to refer to the Board. There is a respectful and constructive partnership between the Board and the Investment Manager, and the two parties worked closely together throughout the year.

The Management Engagement Committee evaluates Fundsmith's performance and reviews the terms of the Investment Management Agreement at least annually. The outcome of this year's review is described on page 45.

Relationship with Other Service Providers
The Management Engagement Committee monitors and evaluates all of the Company's other service providers, including the Company Secretary, Depositary, Registrar and Broker. At the most recent review in November 2020, the Committee concluded that all the service providers were performing well and should be retained for a further year on their existing terms and conditions.

Stewardship and the Exercise of Voting Powers
The Board has delegated authority to Fundsmith (as AIFM and Investment Manager) to engage with companies held in the portfolio and to vote the shares owned by the Company. The Board has instructed that Fundsmith submit votes for such shares wherever possible. Fundsmith may refer to the Board on any matters of a contentious nature.

Fundsmith's approach to stewardship, including their consideration of environmental, social and governance issues, is set out in their stewardship policy which can be found on their website www.fundsmith.co.uk. During the year, the Board reviewed Fundsmith's updated stewardship policy and a summary of their voting and engagement record.

Independent Professional Advice
The Board has formalised arrangements under which the Directors, in the furtherance of their duties, may seek independent professional advice at the Company's expense. No such advice was sought during the year.

Company Secretary
The Directors have access to the advice and services of an investment trust specialist Company Secretary through its appointed representative, which is responsible for advising the Board on all governance matters. The Company Secretary ensures governance procedures are followed and that the Company complies with applicable statutory and regulatory requirements.

Composition, Succession and Evaluation

Board Evaluation

During the course of 2020, the performance of the Board, its committees and the individual Directors (including each Directors' independence) was evaluated through a formal assessment process led by the Chairman.

The Chairman and the Board as a whole are satisfied that the structure and operation of the Board continues to be effective and there is a satisfactory mix of skills, experience and knowledge. This year, board succession was identified as an area requiring further consideration and this is discussed in the following section.

During the year, Mr Potter led the appraisal of the Chairman's performance, in line with the AIC Code.

All Directors submit themselves for annual re-election by shareholders. Further information on the contribution of each individual Director can be found in the explanatory notes to the notice of the AGM beginning on page 103. Following the evaluation process, the Board recommends that shareholders vote in favour of the Directors' re-election at the forthcoming AGM.

Succession Planning

The Board regularly considers its structure and recognises the need for progressive refreshment.

The Board has an approved succession planning policy to ensure that (i) there is a formal, rigorous and transparent procedure for the appointment of new directors; and (ii) the Board is comprised of members who collectively display the necessary balance of professional skills, experience, length of service and industry/Company knowledge. The policy is reviewed annually and at such other times as circumstances may require.

During the year, the Board reviewed the policy on Directors' tenure and considered the overall length of service of the Board as a whole. As three of the four Directors have been appointed since the launch of the Company, a review process, initiated by the Chairman, has been put in place to ensure that there is an orderly succession when the time comes for those Directors to retire from the Board. (See the Chairman's Statement on page 7 for further information).

Appointments to the Board

The rules governing the appointment and replacement of directors are set out in the Company's Articles of Association and the aforementioned succession planning policy. Where the Board appoints a new director during the year, that director will stand for election by shareholders at the next AGM. The minimum number of directors is two and the maximum is 10. When considering new appointments, the Board endeavours to ensure that it has the capabilities required to be effective and oversee the Company's strategic priorities. This will include an appropriate range, balance and diversity of skills, experience and knowledge. The Company is committed to ensuring that any vacancies arising are filled by the most qualified candidates.

While no new appointments were made during the year, subsequent to the year-end it was agreed that Professor Heather McGregor, CBE, should join the Board at the conclusion of the 2021 AGM. Professor McGregor's appointment was made following a review by the Board of its composition, diversity, efficacy and length of service.

Having regard to the Company's Articles of Association and the Board's Succession Planning Policy, the Board drew up a list of desirable skills and industry experience for a new director. Professor McGregor's appointment was made following an extensive interview process where it was determined that she was the best candidate for the role. No external search agency was used in this process.

Policy on the Director Tenure

The tenure of each independent, non-executive director, including the Chairman, is not expected to exceed nine years. However, in the case of the Chairman, a limited extension may be granted provided it is conducive to the Board's overall orderly succession. The Board believes that this more flexible approach to the tenure of the Chairman is appropriate in the context of the regulatory rules that apply to investment companies, which ensure that the chair remains independent after appointment, while being consistent with the need for regular refreshment and diversity.

Notwithstanding this expectation, the Board considers that a director's tenure does not necessarily reduce his or her ability to act independently and will continue to assess each Director's independence annually, through a formal performance evaluation.

Diversity Policy

The Board supports the principle of Boardroom diversity, of which gender is one important aspect. The Company's policy is that the Board should be comprised of directors who collectively display the necessary balance of professional skills, experience, length of service and industry knowledge and that appointments to the Board should be made on merit, against objective criteria, including diversity in its broadest sense.

The objective of the policy is to have a broad range of approaches, backgrounds, skills, knowledge and experience represented on the Board. The Board believes that this will make the Board more effective at promoting the long-term sustainable success of the company and generating value for all shareholders by providing a range of perspectives and the challenge needed to support good decision making. To this end, achieving a diversity of perspectives and backgrounds on the Board will be a key consideration in any Director search process.

The gender balance of three men and one woman meets the original recommendation of Lord Davies' report on Women on Boards. The Board is aware that new gender representation objectives have been set for FTSE 350 companies and that targets concerning ethnic diversity have been recommended for FTSE 250 companies. While the Company is not a FTSE 350 constituent and the Board is small in size, the Board will continue to monitor developments in this area and will consider diversity during any director search process.

Audit, Risk and Internal Control

The Statement of Directors' Responsibilities on page 51 describes the Directors' responsibility for preparing this report.

The Audit Committee Report, beginning on page 52, explains the work undertaken to allow the Directors to make this statement and to apply the going concern basis of accounting. It also sets out the main roles and responsibilities and the work of the Audit Committee and describes the Directors' review of the Company's risk management and internal control systems.

A description of the principal risks facing the Company and an explanation of how they are being managed is provided in the Strategic Report on pages 2 and 35.

The Board's assessment of the Company's longer-term viability is set out in the Strategic Report on page 34.

Remuneration

The Directors' Remuneration Report beginning on page 56 and the Directors' Remuneration Policy Report on page 58 set out the levels of remuneration for each Director and explain how Directors' remuneration is determined.

Annual General Meeting

THE FOLLOWING INFORMATION TO BE DISCUSSED AT THE FORTHCOMING ANNUAL GENERAL MEETING IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the action you should take, you should seek advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended). If you have sold or transferred all of your ordinary shares in the Company, you should pass this document, together with any other accompanying documents, including the form of proxy, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting.

Resolution 10	Authority to allot shares
Resolution 11	Authority to disapply pre-emption rights
Resolution 12	Authority to sell shares held in Treasury on a non pre-emptive basis
Resolution 13	Authority to buy back shares
Resolution 14	Authority to hold General Meetings (other than the Annual General Meeting) on at least 14 clear days' notice
Resolution 15	To approve an amended Investment Objective and Investment Policy
Resolution 16	To approve the proposed amendment to the Company's Articles of Association

The full text of the resolutions can be found in the Notice of Annual General Meeting on pages 97 to 102.

By order of the Board

Frostrow Capital LLP
Company Secretary
31 March 2021

The Directors present their annual report on the affairs of the Company together with the audited financial statements and the Independent Auditor's Report for the year ended 31 December 2020.

The Corporate Governance Report on pages 38 to 46 forms part of this report. Disclosures relating to performance, future developments and risk management can be found in the Strategic Report on pages 2 to 35.

Business and Status of the Company

The Company is registered as a public limited company in England and Wales (Registered Number 08756681) and is an investment company within the terms of Section 833 of the Companies Act 2006 (the 'Act'). Its shares are listed on the premium segment of the Official List and traded on the main market of the London Stock Exchange.

The Company has applied for and been accepted as an approved investment trust under sections 1158 and 1159 of the Corporation Taxes Act 2010 and Part 2 Chapter 1 of Statutory Instrument 2011/2999. The Directors are of the opinion that the Company has conducted its affairs so as to be able to retain such approval.

Investment Policy

In order to achieve its investment objective, the Company invests 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.

Further details concerning the Company's investment policy and strategy can be found in the Strategic Report on page 9 and the Investment Philosophy beginning on page 27.

Results and Dividend

The results attributable to shareholders for the year are shown on page 67.

In 2020, the Company made a revenue profit. Under investment trust rules regarding distributable income, a final dividend will be paid to allow the Company to comply with those rules. The Company's objective remains to provide capital growth rather than income and, subject to the investment trust rules, any dividends and distributions will continue to be at the discretion of the Board from time to time.

Subject to shareholder approval at the forthcoming AGM, a final dividend of 2.0p per ordinary share will be paid on 3 June 2021 to shareholders on the register on 16 April 2021. The associated ex-dividend date is 15 April 2021.

Information on the Company's dividend policy is also detailed in the Chairman's Statement on pages 6 and 7.

Alternative Performance Measures

The Financial Statements (on pages 67 to 87) set out the required statutory reporting measures of the Company's financial performance. In addition, the Board assesses the Company's performance against a range of criteria which are viewed as particularly relevant for investment trusts, which are summarised on page 4 and explained in greater detail in the Strategic Report, under the heading 'Key Performance Indicators' on page 31. The Directors believe that these measures enhance the comparability of information between reporting periods and aid investors in understanding the Company's performance. The measures used for the year under review have remained consistent with the prior year.

Definitions of the terms used and the basis of calculation adopted are set out in the Glossary on page 92 to 94.

Gearing

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, provided that the maximum gearing represented by such borrowings shall be limited to 15% of the Company's net assets at the time of the draw down of such borrowings. The Company is not currently geared.

Leverage

For the purposes of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a Gross and a Commitment method (see Glossary beginning on page 92 for further details). The current maximum permitted limit under the Gross and Commitment methods is 115%. Up to date information is available in the Investor Disclosure Document on the Company's website www.feetplc.co.uk. Further information can be found in the Alternative Investment Fund Managers Directive Disclosures beginning on page 89.

Continuing Appointment of the Investment Manager and AIFM

The performance of Fundsmith LLP, the Company's Investment Manager and AIFM, is reviewed continuously by the Board and its Management Engagement Committee (the "MEC") with a formal evaluation process undertaken each year.

The MEC reviewed Fundsmith's performance and the continuing appropriateness of Fundsmith's appointment in November 2020, with a recommendation being made to the Board.

The Board believes the continuing appointment of Fundsmith, under the terms summarised on page 30, is in the interests of shareholders as a whole. In coming to this decision, the MEC and the Board took into consideration, inter alia, the following:

- the terms of the Investment Management Agreement, in particular the level and method of remuneration and the notice period, and the comparable arrangements of a group of the Company's peers;
- the quality of service provided by the portfolio management team and the Company's investment performance in absolute terms and in comparison to the MSCI Emerging and Frontier Markets Index; and
- the quality of service provided by the company management, administrative and marketing teams that Fundsmith allocates to the management of the Company.

Going Concern

The Company's portfolio, investment activity, the Company's cash balances and revenue forecasts, and the trends and factors likely to affect the Company's performance are reviewed and discussed at each Board meeting. The Board has considered a detailed assessment of the Company's ability to meet its liabilities as they fall due, including stress tests which modelled the effects of substantial falls in portfolio valuations and liquidity constraints, on the Company's NAV, cash flows and expenses. Based on the information available to the Directors at the date of this report, including the results of these stress tests, the conclusions drawn in the Viability Statement in the Strategic Report on pages 34 and 35 and the Company's cash balances, the Directors are satisfied that the Company has adequate financial resources to continue in operation for at least the next 12 months and that, accordingly, it is appropriate to continue to adopt the going concern basis in preparing the financial statements. In reaching these conclusions and those in the Longer-Term Viability Statement, the stress testing conducted also featured consideration of the effects of COVID-19.

Continuation of the Company

The Company's constitutional documents require that, if after the end of the fourth financial year of the Company's existence (being the year ended 31 December 2018) or any subsequent year, the Company's Ordinary Shares have traded, on average, at a discount in excess of 10% of the 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. Despite the Company's shares having traded at an average discount of 12.3% during the year ended 31 December 2020, the Board believes that such a vote should not be put before shareholders at this year's Annual General Meeting. (Please see the Chairman's Statement beginning on page 6 for further information).

Directors

The Directors of the Company who held office during the year and up to the date of signature of the financial statements are shown below. Further information on the Directors can be found on page 36.

Martin Bralsford *(Chairman)*
Rachel de Gruchy
David Potter
John Spencer

All Directors seek re-election by shareholders at each Annual General Meeting.

Directors' & Officers' Liability Insurance

Directors' & officers' liability insurance cover was maintained during the year ended 31 December 2020. It is intended that this cover will continue for the year ending 31 December 2021 and subsequent years.

Substantial Share Interests

The Company was aware of the following substantial interests in the voting rights of the Company:

	2 March 2021		31 December 2020	
Shareholder	Number of shares	% of issued share capital	Number of shares	% of issued share capital
Hargreaves Lansdown	2,856,299	10.7	2,547,811	9.2
1607 Capital LCC	1,640,567	6.2	1,934,029	7.3
Wells Fargo & Co	1,511,750	5.7	1,758,569	6.6
Interactive Investor	1,712,950	6.4	1,590,065	6.0
City of London Investment Group	1,335,999	5.0	1,516,160	5.7
AJ Bell Securities	1,248,149	4.7	1,160,061	4.4
Mr Simon Justin Nixon	1,000,000	3.8	1,000,000	3.8
Mr Terry Smith	847,000	3.2	847,000	3.2
Compagnie Odier SCA	834,979	3.1	846,749	3.2

As at 31 December 2020 and the date of this report, the Company had 26,604,372 shares in issue.

Directors' Indemnities

As at the date of this report, indemnities are in force between the Company and each of its Directors under which the Company has agreed to indemnify each Director, to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out his or her role as a Director of the Company. The Directors are also indemnified against the costs of defending any criminal or civil proceedings or any claim by the Company or a regulator as they are incurred provided that where the defence is unsuccessful the Director must repay those defence costs to the Company. The indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006.

A copy of each deed of indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Annual General Meeting.

Beneficial Owners of Shares – Information Rights

Beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Link Asset Services, or to the Company directly.

Capital Structure

The Company's capital structure is summarised in note 13 on page 82.

Share Capital

At the start of the year under review, the Directors had shareholder authority to issue up to 1,983,755 ordinary shares of 1 penny each on a non-pre-emptive basis. At the Company's annual general meeting held on Wednesday, 27 May 2020, this authority expired and a new authority to allot up to 2,664,005 ordinary shares (representing 10% of the Company's issued share capital) on a non-pre-emptive basis was granted. Authority to repurchase up to 3,993,344 ordinary shares was also granted.

35,684 shares were repurchased during the year, these shares are held in treasury.

The giving of powers to issue or buy-back the Company's shares requires the relevant resolutions to be passed by shareholders. Proposals for the renewal of the Board's powers to issue and repurchase shares are set out in the Notice of Annual General Meeting beginning on page 97.

Voting Rights in the Company's Shares

Details of the voting rights in the Company's shares at the date of this Annual Report are given in note 9 to the Notice of Annual General Meeting on page 100.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no restrictions on voting rights; no agreements between holders of securities regarding their transfer which are known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.

Political Donations

The Company has not made, and does not intend to make, any political donations.

Global Greenhouse Gas Emissions

The Company is an investment trust, with neither employees nor premises, nor has it any financial or operational control of the assets which it owns. It has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Reports and Directors' Reports) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, including those within the Company's underlying investment portfolio. Consequently, the Company consumed less than 40,000 kWh of energy during the year in respect of which the Directors' Report is prepared and therefore is exempt from the disclosures required under the Streamlined Energy and Carbon Reporting criteria.

Listing Rule 9.8.4

The Directors confirm that there are no disclosures to be made in regard of Listing Rule 9.8.4.

Common Reporting Standard (CRS)

CRS is a global standard for the automatic exchange of information commissioned by the Organisation for Economic Cooperation and Development and incorporated into UK law by the International Tax Compliance Regulations 2015. CRS requires the Company to provide certain additional details to HMRC in relation to certain shareholders. The reporting obligation began in 2016 and is an annual requirement. The Company's registrar, Link Asset Services, has been engaged to collate such information and file the reports with HMRC on behalf of the Company.

Key Information Document

The European Union's Packaged Retail Investment and Insurance-based Products (PRIIPs) Regulations cover investment trusts and require Boards or AIFMs to prepare a Key Information Document (KID) in respect of their companies. FEET's KID is available on the Company's website. Investors should note that the processes for calculating the risks, costs and potential returns in the KID are prescribed by EU law and the Company has no discretion over the format or content of the document. The illustrated performance returns in the KID cannot be guaranteed and, together with the prescribed cost calculation and risk categorisation, may not reflect figures for the Company derived using other methods. Accordingly, the Board recommends that investors also take account of information from other sources, including this Annual Report.

Nominee Share Code

Where shares are held in a nominee company name, the Company undertakes:

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance; and
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available.

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend the Company's general meetings.

Annual General Meeting

The Company's Annual General Meeting ("AGM") will be held on Wednesday, 26 May 2021 at 12 noon.

The Notice of the AGM and the explanatory notes to the proposed resolutions can be found on pages 97 to 105.

The Board considers that the resolutions relating to the proposed items of special business are in the best interests of the shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the resolutions to be proposed at the forthcoming AGM as the Directors intend to do in respect of their own beneficial holdings.

Events after the Reporting Period

Since the year end and up to the date of this report, there have been no events that would require adjustment of or disclosure in the financial statements.

By order of the Board

Frostrow Capital LLP
Company Secretary
31 March 2021

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and IFRSs issued by the Accounting Standards Board (IASB). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for the period. In preparing these financial statements, the Directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and accounting estimates that are reasonable and prudent;
- presented information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provided additional disclosures when compliance with the specific requirements in IFRS were insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- prepared the financial statements on a going concern basis.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to the Auditor

The Directors at the time of approving the Report of the Directors are listed on page 36. Each Director in office at the date of this report confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's Auditor is unaware; and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditor is aware of that information.

Statement of Directors' Responsibilities:

The Financial Statements are published on the Company's website (www.feetplc.co.uk). The maintenance and integrity of the website is the responsibility of the AIFM. The work carried out by the Auditor does not involve consideration of the maintenance and integrity of the website and, accordingly, the Auditors accept no responsibility for any changes that have occurred to the Financial Statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Each of the Directors, who are listed on page 36 confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and net return of the Company for the year ended 31 December 2020; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Martin Bralsford
Chairman
31 March 2021

Statement from the Chairman

I am pleased to present the Audit Committee report for the year ended 31 December 2020. The Committee met twice during the year. Attendance by each Director is shown in the table on page 37. The Committee also met on 3 March 2021 to consider this report.

The role of the Committee is to ensure that shareholder interests are properly protected in relation to the application of financial reporting and internal control principles and to assess the effectiveness of the audit. The Committee's role and responsibilities are set out in full in its terms of reference which are available on request from the Company Secretary and can be seen on the Company's website (www.feetplc.co.uk). A summary of the Committee's main responsibilities and how it has fulfilled them is set out below.

Composition

The Audit Committee comprises all of the Directors whose biographies are set out on page 36. The Committee as a whole has experience relevant to the investment trust industry with Committee members having a range of commercial, financial and investment experience. Both Mr Spencer and Mr Bralsford are chartered accountants. In light of Mr Bralsford's relevant experience, his continued independence and his valued contributions in Committee meetings, the Audit Committee considers it appropriate that he continues to be a member.

Responsibilities

The Committee's main responsibilities during the year were:

1. **To review the Company's half-year and annual financial statements.** In particular, the Committee considered whether the annual financial statements were fair, balanced and understandable, and provided the information necessary for shareholders to assess the Company's strategy, investment policy, business model, position and financial performance.

2. **To review the risk management and internal control processes** of the Company and its key service providers. As part of this review the Committee again reviewed the appropriateness of the Company's anti-bribery and corruption policy.

3. **To recommend the appointment of an external auditor** and agree the scope of its work and its remuneration, reviewing its independence and the effectiveness of the audit process.

4. **To consider any non-audit work to be carried out by the auditor.** The Audit Committee reviews the need for non-audit services to be performed by the Auditor in accordance with the Company's non-audit services policy. Deloitte did not provide any non-audit services to the Company during the year. An analysis of the Auditor's remuneration can be found on page 77.

5. **To consider the need for an internal audit function.** Since the Company delegates its day-to-day operations to third parties and has no employees, the Committee has determined there is no requirement for such a function.

Meetings and Business

The following matters were dealt with at the Committee's meetings:

February 2020

- Review of the Company's annual results;
- Approval of the 2019 annual report and financial statements;
- Review of risk management, internal controls and compliance;
- Review of cyber security controls in place at the Company's Registrars; and
- Review of the outcome of the audit.

July 2020

- Review of the Committee's terms of reference and non-audit services policy;
- Review of the Auditor's plan and terms of engagement for the 2020 audit;
- Review of risk management, internal controls and compliance;
- Review of the Company's anti bribery and corruption policy and the measures put in place by the Company's service providers;
- Review of the Company's half-year results; and
- Approval of the half-year report.

Financial Statements

The Board has asked the Committee to confirm that in its opinion the Board can make the required statement that the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's financial position, performance, business model and strategy. The Committee has given this confirmation on the basis of:

- its review of the whole document, underpinned by involvement in the planning for its preparation; and
- the comprehensive control framework around the production of the Annual Report, including the verification process in place to ensure the accuracy of factual content.

Significant Reporting Matters

The Committee considered key accounting issues, matters and judgements in relation to the Company's financial statements and disclosures relating to:

COVID-19

The COVID-19 pandemic commenced in early 2020 and the Committee gave in-depth consideration to its potential effects on the Company. Despite initial volatility in line with markets world-wide, the Company's performance has remained robust. The long-term effect of the pandemic on the global economy and, in particular, emerging markets will become clearer in time and the Committee will continue to monitor the impact of COVID-19, which is also captured in the Company's risk register.

In order to mitigate the business risks caused by the pandemic, the Committee continues to review the operational resilience of its various service providers, who have continued to demonstrate their ability to provide services to the expected level, whilst doing so remotely.

Valuation and ownership of the Company's Investments

The Committee reviews the valuation and existence of investments every six months. Controls are in place to ensure that valuations are appropriate and existence is verified through reconciliations with the Depositary.

Recognition of Revenue from Investments

The Committee took steps to gain an understanding of the processes in place to record investment income and transactions. The Committee sought confirmation that all dividends receivable have been accounted for correctly.

Internal Controls and Risk Management

The Directors have identified main areas of risk as described in the Strategic Report on pages 2 to 35. They have set out the actions taken to evaluate and manage these risks. The Committee reviews the various actions taken and satisfies itself that they are sufficient: in particular the Committee reviews the Company's schedule of key risks at each meeting and requires amendments to both risks and mitigating actions if necessary.

The Board has overall responsibility for the Company's risk management and systems of internal controls and for reviewing their effectiveness. In common with the majority of investment trusts, investment management, accounting, company secretarial and custodial services have been delegated to third parties. The effectiveness of the internal controls is assessed on a continuing basis by the Company Secretary, the Investment Manager and the Depositary. Each maintains its own systems and the Committee receives regular reports from them. The Committee is satisfied that, appropriate systems have been in place for the year under review.

Other Reporting Matters

Accounting Policies

The current accounting policies, as set out on pages 71 to 74, have been applied consistently throughout the year and the prior period where applicable.

Going Concern

Having reviewed the Company's financial position and liabilities, the Committee is satisfied that it is appropriate for the Board to prepare the financial statements on the going concern basis. Further detail is provided on page 48.

Viability Statement

The Audit Committee reviewed the Company's financial position and principal risks in connection with the Board's statement on the longer term viability of the Company, which is set out on pages 34 and 35 of the Strategic Report.

Risk Management and Internal Controls

The Board has overall responsibility for risk management and for the review of the internal controls of the Company, undertaken in the context of the Company's investment objective.

The review covers the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of the risks, the Board has considered the Company's operations in light of the following factors:

- the nature of the Company, with all management functions outsourced to third party service providers;
- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall investment objective;
- the threat of such risks becoming a reality; and
- the Company's ability to reduce the incidence and impact of risk on its performance.

A summary of the principal risks facing the Company is provided in the Strategic Report on pages 32 and 33.

Against this background, a risk matrix has been developed which covers all key risks that the Company faces, the likelihood of their occurrence and their potential impact, how these risks are monitored and the mitigating controls in place.

The Board has delegated to the Audit Committee responsibility for the review and maintenance of the risk matrix. The Committee reviews the risk matrix each time it meets, bearing in mind any changes to the Company, its environment or service providers since the last review. The Board considers whether any new risks are emerging as a result of any such changes and any significant changes to the risk matrix are discussed with the Board. There were no changes to the Company's risk management processes during the year and no significant failings or weaknesses were identified from the Committee's most recent risk review.

The Committee reviews the internal controls reports from its principal service providers on an annual basis. The Committee is satisfied that appropriate systems have been in place for the year under review and up to the date of approval of this report.

External Auditor

Meetings:

This year the nature and scope of the audit together with Deloitte LLP's audit plan were considered by the Committee on 30 July 2020.

The Committee met Deloitte LLP (the "Auditor") on 3 March 2021 to review the outcome of the audit and the draft 2020 Annual Report and financial statements.

Independence and Effectiveness:

In order to fulfil the Committee's responsibility regarding the independence of the Auditor, the Committee reviewed:

- the senior audit personnel in the audit plan for the year;
- the Auditor's arrangements concerning any potential conflicts of interest;
- the extent of any non-audit services;
- the statement by the Auditor that they remain independent within the meaning of the regulations and their professional standards; and
- the Auditor's independence.

In order to consider the effectiveness of the audit process, the Committee reviewed:

- the Auditor's fulfilment of the agreed audit plan;
- the report arising from the audit itself; and
- feedback from Frostrow Capital LLP (as Company Secretary) and Fundsmith LLP (as AIFM) on the conduct of the audit.

The Committee is satisfied with the Auditor's independence and the effectiveness of the audit process, together with the degree of diligence and professional scepticism brought to bear.

Non-Audit Services
The Company operates on the basis whereby the provision of all non-audit services by the Auditors has to be preapproved by the Audit Committee. Such services are only permissible where no conflicts of interest arise, the service is not expressly prohibited by audit legislation, where the independence of the Auditors is not likely to be impinged by undertaking the work and the quality and the objectivity of both the non-audit work and audit work will not be compromised. In particular, non-audit services may be provided by the Auditors if they are inconsequential or would have no direct effect on the Company's financial statements and the audit firm would not place significant reliance on the work for the purposes of the statutory audit. In addition, non-audit services must not exceed 70% of the average audit fees paid in the last three years.

During the year under review, Deloitte LLP have carried out no non-audit work.

Audit Tendering
Deloitte LLP has been the appointed Auditor since the Company's launch in 2014. Deloitte carried out the audit for the years ended 31 December 2014-2020 and was considered independent by the Board. Chris Hunter is the designated audit partner.

As a public company listed on the London Stock Exchange, the Company is subject to mandatory auditor rotation requirements. The Company will put the external audit out to tender at least every 10 years, and change auditor at least every 20 years. The Committee will, however, continue to consider annually the need to go to tender for audit quality, remuneration or independence reasons. Unless any such grounds for change arise in the interim, it is expected that the next audit tender will take place in 2023.

The Committee has adopted formal audit tender guidelines to govern the audit tender process.

Auditor Reappointment

The Committee conducted a review of the performance of the Auditor during the year and concluded that performance was satisfactory and there were no grounds for change.

Deloitte LLP have indicated their willingness to continue to act as Auditor to the Company for the forthcoming year and a resolution for their re-appointment will be proposed at the next Annual General Meeting.

Performance Evaluation

The Committee reviewed the results of the annual evaluation of its performance in November 2020. As part of the evaluation, the Committee reviewed the following:

- the composition of the Committee;
- the leadership of the Committee Chairman;
- the Committee's monitoring of compliance with corporate governance regulations;
- the Committee's review of the quality and appropriateness of financial accounting and reporting;
- the Committee's review of significant risks and internal controls; and
- the Committee's assessment of the independence, competence and effectiveness of the Company's external auditor.

It was concluded that the Committee was performing satisfactorily and there were no formal recommendations made to the Board.

John Spencer
Chairman of the Audit Committee
31 March 2021

Statement from the Chairman

I am pleased to present the Directors' Remuneration Report to shareholders. An Ordinary Resolution for the approval of this report will be put to shareholders at the Company's forthcoming Annual General Meeting. The law requires the Company's Auditor to audit certain disclosures provided in this report. Where disclosures have been audited, they are indicated as such and the Auditor's audit opinion is included in its report to shareholders on pages 59 to 66.

The Board considers the framework for the remuneration of the Directors on an annual basis. It reviews the ongoing appropriateness of the Company's remuneration policy and the individual remuneration of Directors by reference to the activities of the Company and comparison with other companies of a similar structure and size. This is in-line with the AIC Code.

Directors' fees during the year were unchanged from the previous year: £30,000 per annum for the Chairman and £25,000 per annum for Directors, with Directors who chair a board committee receiving an additional £2,000 per annum. At a review meeting held on 19 November 2020, it was decided that Directors fees would remain unchanged for the year ending 31 December 2021. The projected fees for 2021 are set out on page 58. No remuneration consultants were appointed during the year (2019: none).

All levels of remuneration reflect both the time commitment and responsibility of the role. The simple fee structure reflects the non-executive nature of the Board, which itself reflects the Company's business model as an externally-managed investment trust (please refer to the Business Review beginning on page 30 for more information). Accordingly, statutory requirements relating to executive directors' and employees' pay do not apply.

Directors' Fees

The Directors, as at the date of this report, received the fees listed in the table above. These exclude any employers' national insurance contributions, if applicable. No other forms of remuneration were received by the Directors and so fees represent the total remuneration of each Director.

No payments were made to former directors of the Company during the year (2019: nil).

Single Total Figure of Remuneration (audited)

Director	Date of Appointment to the Board	Fees 2020 (£)	Fees 2019 (£)	Percentage change (%)
Martin Bralsford	23 May 2014	30,000	30,000	–
Rachel de Gruchy	1 June 2018	25,000	25,000	–
David Potter	23 May 2014	27,000	27,000	–
John Spencer	23 May 2014	27,000	27,000	–
Total		**109,000**	**109,000**	

Sums paid to Third Parties (audited information)

Fees due to Mr Bralsford were paid to Marbral Limited (a company of which he is a director), otherwise none of the fees referred to in the above table were paid to any third party in respect of the services provided by any of the Directors.

Other Benefits

Article 149 of the Company's Articles of Association provides that Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings. There were no claims for taxable benefits during the year.

Pension related benefits – Article 158 permits the Company to provide pension or similar benefits for Directors and employees of the Company. However, no pension schemes or other similar arrangements have been established and no Director is entitled to any pension or similar benefits pursuant to their Letters of Appointment.

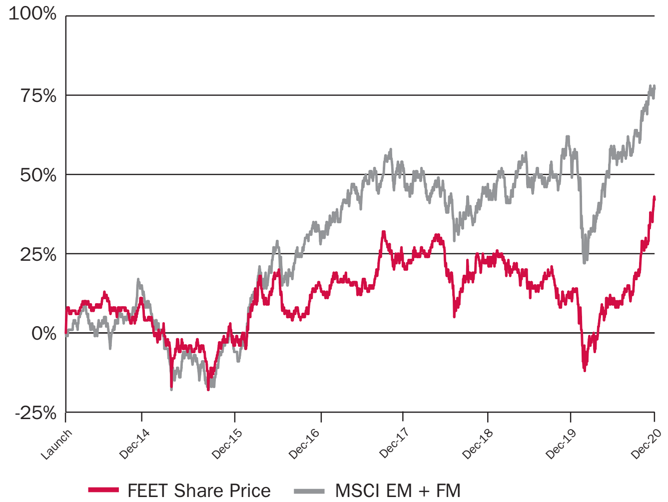
Loss of Office

The Directors' letters of appointment specifically exclude any entitlement to compensation upon leaving office for whatever reason. Appointment as Director may, at the discretion of either party, be terminated upon three months' notice. No payments were made to past directors for loss of office.

Share Price Total Return

A performance comparison is required to be presented in this report. As the Company commenced trading on 25 June 2014, the performance comparison is shown for the period from 25 June 2014 to 31 December 2020 using the MSCI Emerging and Frontier Markets Index (measured on a total return, net sterling adjusted basis) which the Board has adopted as the principal comparator for both the Company's performance and that of the Investment Manager for the period.

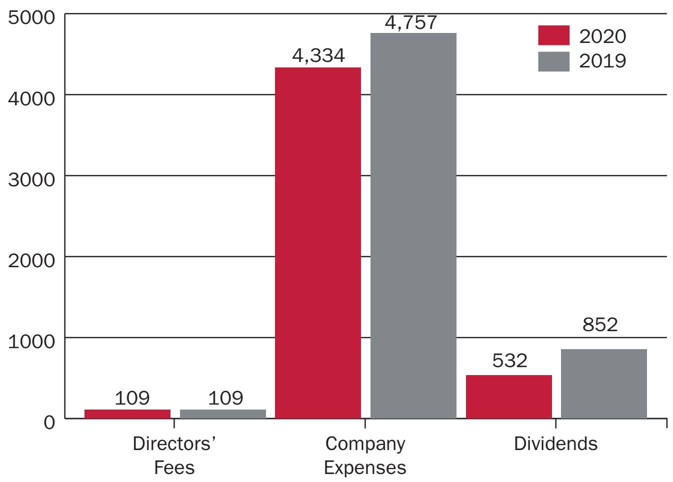
Total Shareholder Return for the period 25 June 2014 to 31 December 2020



Source: MSCI/Bloomberg

Relative Cost of Directors' Remuneration

The bar chart below shows the comparative cost of Directors' fees compared with the proposed level of dividend distribution and Company expenses for the years ended 31 December 2019 and 2020.



Statement of Voting at the Annual General Meeting

At the AGM held on 27 May 2020, 6,723,678 votes (99.88%) were received in favour of the resolution seeking approval of the Directors' Remuneration Report, 8,401 (0.12%) were against, and 2,215 votes were withheld; the percentage of votes excludes votes withheld.

Directors' Interests in the Company's Shares as at 31 December 2020 (audited)

	Ordinary shares of 1p each 2020	2019
Martin Bralsford *(Chairman)*	100,000	100,000
Rachel de Gruchy	2,000	2,000
David Potter	19,996	19,996
John Spencer	5,000	5,000
Total	**126,996**	**126,996**

Directors are not required to hold shares in the Company.

No changes have been notified to the date of this report.

Approved by the Board and signed on its behalf by:

Martin Bralsford
Chairman
31 March 2021

Directors' Remuneration Policy Report

The Company's Remuneration Policy provides that fees payable to the Directors should reflect the value of the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable candidates of high calibre to be recruited. Directors are remunerated in the form of fees payable monthly in arrears, paid to the Director personally or to a specified third party. There are no long-term incentive schemes, share option schemes or pension arrangements and the fees are not specifically related to the Directors' performance, either individually or collectively. Directors' remuneration comprises solely Directors' fees. Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties. Directors may also earn a pro rata day rate in connection with extraordinary corporate events or transactions requiring them to commit significant extra time to the Company. There were no such events in 2020 (2019: none) and so no additional fees were paid to any of the Directors. The projected Directors' fees for 2021 are shown in the table below. The Company does not have any employees.

Directors' Fees Projected and Current

	Fees 2021 (£)	Fees 2020 (£)
Martin Bralsford	30,000	30,000
Rachel de Gruchy	25,000	25,000
David Potter	27,000	27,000
John Spencer	27,000	27,000
Total	**109,000**	**109,000**

During the year, no communications were received from shareholders regarding Directors' remuneration.

The remuneration for the non-executive Directors is determined within the limits set out in the Company's Articles of Association. The present limit is £250,000 in aggregate per annum.

It is the Board's intention that the Remuneration Policy will be considered by shareholders at the Annual General Meeting at least once every three years. This policy was last approved by shareholders at the AGM held on 23 May 2018. 2,563,535 votes (99.63%) were received in favour, 9,628 (0.37%) were against, and 11,263 votes were withheld; the percentage of votes excludes votes withheld. Accordingly, it is expected that an Ordinary Resolution for the approval of this policy will next be considered by shareholders at the forthcoming Annual General Meeting.

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Fundsmith Emerging Equities Trust plc (the ‘company’):

- **give a true and fair view of the state of the company’s affairs as at 31 December 2020 and of its profit for the year then ended;**
- **have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the International Accounting Standards Board (IASB); and**
- **have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- **the Statement of Comprehensive Income;**
- **the Statement of Financial Position;**
- **the Statement of Changes in Equity;**
- **the Statement of Cash Flows; and**
- **the related notes 1 to 19.**

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and as issued by the IASB.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC’s Ethical Standard were not provided to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of Investments; and • Ownership of Investments. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used in the current year was £3.9 million which was determined on the basis of 1% of net assets as of 31 December 2020.
Scoping	Audit work to respond the risk of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There were no significant changes in our approach in the current year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of relevant controls in place in preparing the revenue projections;
- Assessing liquidity and the ability of the Managers to trade in the investment portfolio (within the normal spreads) in order to cover operational expenditure as it falls due;
- Assessing management's revenue account projections for the subsequent 12 month period (from March 2021) for reasonableness;
- Assessing any other market altering factors such as Covid-19 by looking at the operational impact and business continuity plans;
- Confirming that the latest continuation vote has taken place and that it has been favourable for the continuation of the company; and
- Assessing the going concern disclosures included within the financial statements

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the company has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 Valuation of Investments

Key audit matter description	As an investment entity, the company holds investments of £383m as at 31 December 2020 (2019: £312m) which has increased by 23% from the prior year-end. These represent the most quantitatively significant financial statement line on the statement of financial position, hence alteration of investment prices is deemed more susceptible to manipulation by fraud. In addition, the investments held at fair value through profit or loss are the main driver of the company's performance and net asset value. The portfolio of investments has a wide geographical spread and there is a risk that investments within the portfolio may not be actively traded and the prices quoted may not be reflective of fair value. This may result in a material misstatement within the investments held at fair value through profit or loss and also the fair value hierarchy for investments disclosures. Investments are valued by a fund administrator on behalf of the company. Refer to note 1e to the financial statements for the accounting policy on investments and details of the investments are disclosed in note 10 to the financial statements. The valuation of investment risk is included within the Audit Committee report beginning on page 52.

How the scope of our audit responded to the key audit matter	We performed the following procedures to address the valuation of investments key audit matter: ● We obtained an understanding over the controls at fund administrator relating to valuation of investments by reviewing an assurance report over the fund administrator's controls, and receiving reconfirmation from fund administrator that these controls were in effect during the year. We assessed the professional competence and independence of the auditor who provided the assurance report; and ● We agreed 100% of the last traded prices of quoted investments on the schedule of investments at year-end to closing bid prices published by an independent pricing source and investigated total portfolio difference that is above the reporting threshold. In addition, we performed the following procedures to address whether the investment portfolio was actively traded and designated with the correct fair value hierarchy: ● We identified investments that were not actively traded and considered indicators of impairment; ● We monitored the post year-end volume of trade data, the number of 'zero trade' days and also the bid-ask spreads on investment holdings that were not traded out within 10 business days from the year end; and ● We reviewed the completeness and appropriateness of disclosures in relation to fair value measurements and liquidity risk.
Key observations	Based on the work performed we concluded that the valuation of investments and their classification in the fair value hierarchy is appropriate.

5.2 Ownership of Investments

Key audit matter description	The company holds investments of £383m as at 31 December 2020 (2019: £312m) which has increased by 23% from the prior year-end. These represent the most quantitatively significant financial statement line on the statement of financial position. There is a risk that investments recorded may not be owned by the company at year end and as such we deem this more susceptible to manipulation by fraud. Refer to note 1e for the accounting policy on investments and details of the investments are disclosed in note 10. The ownership of investment risk is included within the Audit Committee report beginning on page 52.
How the scope of our audit responded to the key audit matter	We performed the following procedures to address this key audit matter: ● We obtained an understanding over the controls at the fund administrator relating to ownership of investments by reviewing an assurance report over the fund administrator's controls and obtaining confirmation from the fund administrator that these controls were in effect during the year. We also assessed the professional competence and independence of the auditor who provided the assurance report; ● We confirmed the ownership of 100% of investments at the year-end date by obtaining independent third party confirmations directly from the custodian; and ● We agreed the schedule of investments holding as at the year-end to the independently obtained custodian confirmation and investigated any differences in the holdings.
Key observations	Based on the work performed we did not identify differences in the investment holdings when agreeing the company's investment portfolio to the confirmation received directly from the custodian.

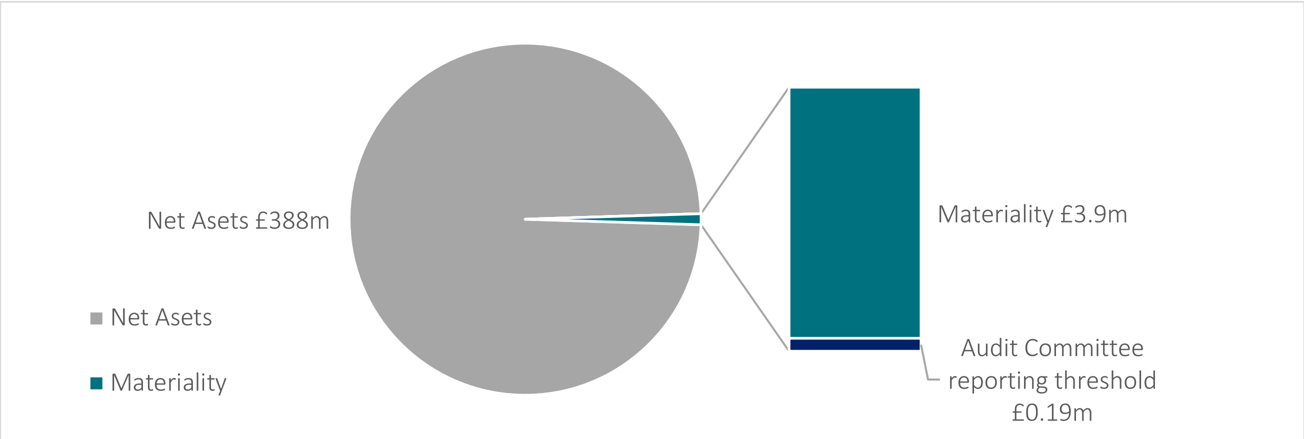
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£3.9 million (2019: £3.2 million)
Basis for determining materiality	1% (2019: 1%) of net assets.
Rationale for the benchmark applied	Net assets has been chosen as it is considered the most relevant benchmark for investors and is a key driver of shareholder value.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 60% of materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

a. no significant changes in business structure and operations;

b. our experience from previous audits, has indicated a low number of corrected and uncorrected misstatements identified in prior periods; and

c. the inherent increase in risk in the company's operating environment caused by the uncertainty and volatility brought about by the Covid-19 pandemic. The latter of these factors has led to a reduction in our performance materiality from 70% of materiality in the prior year to 60% in the current year.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.19m (2019: £0.16m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the company and its environment, including internal control and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. Our consideration of the control environment

As part of our risk assessment, we assessed the control environment in place at the fund administrator, to the extent relevant to our audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: valuation of investments and ownership of investments. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's qualification as an Investment Trust under UK tax legislation.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of investments and ownership of investments as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the audit committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the FCA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 48;
- the directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on pages 34 and 35;
- the directors' statement on fair, balanced and understandable set out on page 51;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 32 and 33;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 32 and 33; and
- the section describing the work of the audit committee set out on page 52.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 11 November 2014 to audit the financial statements for the year ending 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 7 years, covering the years ending 31 December 2014 to 31 December 2020.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Chris Hunter CA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
31 March 2021

Statement of Comprehensive Income

Financial Statements

	Notes	For the year ended 31 December 2020 Revenue £'000	Capital £'000	Total £'000	For the year ended 31 December 2019 Revenue £'000	Capital £'000	Total £'000
Income from investments held at fair value through profit or loss	2	5,987	–	5,987	6,833	–	6,833
Gains/(losses) on investments held at fair value through profit or loss:							
Gains/(losses) on investments held at fair value through profit or loss	10	–	70,010	70,010	–	(2,738)	(2,738)
Foreign exchange losses		–	(135)	(135)	–	(215)	(215)
Investment management fee	4	(3,374)	–	(3,374)	(3,650)	–	(3,650)
Other expenses including transaction costs	5	(857)	(103)	(960)	(901)	(206)	(1,107)
Profit/(loss) before finance costs and taxation		1,756	69,772	71,528	2,282	(3,159)	(877)
Finance costs	6	–	–	–	(2)	–	(2)
Profit/(loss) before taxation		1,756	69,772	71,528	2,280	(3,159)	(879)
Taxation	7	(568)	(4,328)	(4,896)	(468)	(500)	(968)
Profit/(loss) for the year		1,188	65,444	66,632	1,812	(3,659)	(1,847)
Return/(loss) per share (basic) (p)	**8**	**4.46**	**245.69**	**250.15**	**6.81**	**(13.75)**	**(6.94)**
Return/(loss) per share (diluted) (p)	**8**	**4.46**	**245.66**	**250.12**	**6.81**	**(13.75)**	**(6.94)**

The Company does not have any income or expenses which are not included in the profit for the year.

All of the profit and total comprehensive income for the year is attributable to the owners of the Company.

The "Total" column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards (IFRS). The "Revenue" and "Capital" columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All items in the above statement derive from continuing operations.

The accompanying notes on pages 71 to 87 are an integral part of these financial statements.

Statement of Financial Position

	Notes	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Non-Current Assets			
Investments held at fair value through profit or loss	10	382,535	312,267
		382,535	312,267
Current Assets			
Receivables	11	738	792
Cash and cash equivalents		13,410	12,798
		14,148	13,590
Total assets		396,683	325,857
Current Liabilities			
Trade and other payables	12	(8,215)	(2,714)
		(8,215)	(2,714)
Total assets less current liabilities		**388,468**	**323,143**
Equity Attributable to Equity Shareholders			
Ordinary Share capital	13	266	266
Share premium	14	81,595	81,595
Capital reserves		303,721	238,732
Revenue reserve		2,886	2,550
		388,468	323,143
Net asset value per share (p) - basic	**15**	**1,460.2**	**1,213.0**
Net asset value per share (p) - diluted	**15**	**1,460.1**	**1,213.0**

The financial statements on pages 67 to 87 were approved by the Board on 31 March 2021 and were signed on its behalf by:

Martin Bralsford
Chairman

The accompanying notes on pages 71 to 87 are an integral part of these financial statements.
Fundsmith Emerging Equities Trust plc – Company Registration Number 08756681 (Registered in England and Wales)

Statement of Changes in Equity

For the year ended 31 December 2020

	Notes	Share Capital £'000	Share Premium £'000	Capital Reserves £'000	Revenue Reserve £'000	Total £'000
Balance at 1 January 2020		266	81,595	238,732	2,550	323,143
Profit for the year		–	–	65,444	1,188	66,632
		266	81,595	304,176	3,738	389,775
Ordinary shares bought back and held in treasury		–	–	(455)	–	(455)
Dividends paid	9	–	–	–	(852)	(852)
Balance at 31 December 2020	15	**266**	**81,595**	**303,721**	**2,886**	**388,468**

For the year ended 31 December 2019

	Notes	Share Capital £'000	Share Premium £'000	Capital Reserves £'000	Revenue Reserve £'000	Total £'000
Balance at 1 January 2019		264	78,560	242,391	1,271	322,486
(Loss)/profit for the year		–	–	(3,659)	1,812	(1,847)
		264	78,560	238,732	3,083	320,639
Issue of Share Capital		2	3,035	–	–	3,037
Dividends paid	9	–	–	–	(533)	(533)
Balance at 31 December 2019	15	**266**	**81,595**	**238,732**	**2,550**	**323,143**

The accompanying notes on pages 71 to 87 are an integral part of these financial statements.

	Notes	For the year ended 31 December 2020 £'000	For the year ended 31 December 2019 £'000
Cash Flows used in Operating Activities			
Profit/(loss) for the year before taxation		71,528	(879)
Adjustments for:			
Finance costs		–	2
Net (gain)/loss on investments held at fair value through profit or loss	10	(69,907)	2,944
Loss on foreign exchange		135	215
Decrease/(increase) in other receivables		54	(124)
Increase/(decrease) in other payables		1,173	(179)
Overseas taxation paid	6	(568)	(459)
Net Cash Flow from Operating Activities		**2,415**	**1,520**
Cash Flows used in Investing Activities			
Sales of investments held at fair value through profit or loss	10	35,731	50,123
Purchases of investments held at fair value through profit or loss	10	(36,092)	(43,841)
Net Cash Flow from Investing Activities		**(361)**	**6,282**
Cash Flows used in Financing Activities			
Proceeds from issue of new shares		–	3,052
Issue costs relating to new shares		–	(15)
Finance costs		–	(2)
Dividends paid		(852)	(533)
Purchase of Treasury shares		(455)	–
Net Cash Flow from Financing Activities		**(1,307)**	**2,502**
Net Increase in Cash and Cash Equivalents		747	10,304
Effect of foreign exchange rates		(135)	(215)
Change in cash and cash equivalents		612	10,089
Cash and cash equivalents at start of the year		12,798	2,709
Cash and cash equivalents at end of the year	16	**13,410**	**12,798**
Comprised of:			
Cash at bank		**13,410**	**12,798**
Cash Flow from Operating Activities includes			
Interest paid		–	(2)
Dividends received		6,016	6,733

The accompanying notes on pages 71 to 87 are an integral part of these financial statements.

1. Accounting Policies

The financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

(a) Accounting Convention

The financial statements have been prepared under the historical cost convention (modified to include investments at fair value through profit or loss) on a going concern basis and in accordance with international accounting standards in conformity with the requirements of the Companies Act and IFRSs as issued by the International Standards Board (IASB) and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies in November 2014 (and updated in October 2019). They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The Directors believe that it is appropriate to continue to adopt the going concern basis for preparing the financial statements for the reasons stated on page 48. The Company is a UK listed company with a predominantly UK shareholder base. The results and the financial position of the Company are expressed in sterling, which is the functional and presentational currency of the Company. The accounting policies have been disclosed consistently and in line with Companies Act 2006.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Critical accounting judgements and sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not always readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods. There have been no significant judgements, estimates or assumptions for the year.

(b) Presentation of the Statement of Comprehensive Income

In order to better reflect the activities of an investment trust company, and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. Net revenue return is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in section 1158 of the Corporation Tax Act 2010.

1. Accounting Policies continued

(c) Income

Income from investments (other than capital dividends), including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex-dividend, or where no ex-dividend date is quoted, when the Company's right to receive payment is established. Special dividends are credited to capital or revenue, according to the circumstances. Income from underwriting commission is recognised as earned.

Interest receivable and payable, management fees, and other expenses are treated on an accruals basis.

(d) Expenses

The management fee is recognised as a revenue item in the Statement of Comprehensive Income. All other expenses are charged to the revenue column except expenditure of a capital nature, in which case they are charged to the capital column.

(e) Investments

Investments have been designated upon initial recognition at fair value through profit or loss. Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured at fair value. Subsequent to initial recognition, investments are valued at fair value. For listed investments, this is deemed to be bid market prices. Gains and losses arising from changes in fair value are included in net profit or loss for the year as a capital item in the Statement of Comprehensive Income and are ultimately recognised in the capital reserve. For any unlisted investments, the fair value will be determined by using valuation techniques. These valuations will maximise the use of observable market data where it is available and with minimal reliance on entity specific estimates. For other investments which do not fit within this criteria the fair value will be determined by the Audit Committee with valuations recommended to the Board of the Company. The Audit Committee will consider the appropriateness of the valuations, models and inputs, using the various valuation methods in accordance with the Company's valuations policy.

Transaction costs incurred on the purchase and disposal of investments are recognised as a capital item in the Statement of Comprehensive Income.

All the investments are defined by IFRS as investments held at fair value through profit or loss. All gains and losses are allocated to the capital return within the Statement of Comprehensive Income as "Gains or losses on investments held at fair value through profit or loss".

The Company derecognises a financial asset only when the contractual right to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been accumulated in equity is recognised in capital on the Statement of Comprehensive Income.

(f) Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the date of the balance sheet or at the related forward contract rate. Transactions in foreign currency are converted to sterling at the rate ruling at the date of the transaction or, where forward foreign currency contracts have been taken out, at contractual rates and included as an exchange gain or loss in the capital reserve or the revenue account depending on whether the gain or loss is of a capital or revenue nature.

1. Accounting Policies continued

(g) Cash and Cash Equivalents

Cash at bank and in hand comprises cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

(h) Equity Dividends

Interim dividends are recognised in the period in which they are paid. Final dividends are not recognised until approved by shareholders in the annual general meeting.

(i) Other Receivables and Other Payables

Other receivables and other payables do not carry any interest and are short term in nature. Accordingly, they are stated at their amortised cost, which is the same as fair value.

Financial assets held at amortised cost are reviewed for impairment using the credit loss model. Given the nature of the Company's short–term receivables, no credit losses have occurred to date and no credit losses are currently expected to occur in the future.

(j) Nature and Purpose of Reserves

Share capital

Represents the nominal value of the issued share capital.

Share premium account

The share premium arose on the issue of new shares.

Capital reserve

This reserve reflects any:

- Shares repurchased and held in treasury
- gains or losses on the disposal of investments
- foreign exchange gains and losses of a capital nature
- the increases and decreases in the fair value of investments which have been recognised in the capital column of the Income Statement
- expenses which are capital in nature

Any gains in the fair value of investments that are not readily convertible to cash are treated as unrealised gains in the capital reserve.

Revenue reserve

This reserve reflects all income and expenditure recognised in the revenue column of the statement of comprehensive income and is distributable by way of dividend.

1. Accounting Policies continued

(k) Taxation

The charge for taxation is based upon the revenue for the year and is allocated according to the marginal basis between revenue and capital using the company's effective rate of corporation tax for the accounting period.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in future have occurred at the balance sheet date measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying temporary differences can be deducted. Timing differences are differences arising between the company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods. Due to the Company's status as an investment trust company, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

(l) Adoption of new and revised standards

At the date of authorisation of these financial statements the following standards and amendments to standards, which have not been applied in these financial statements, were in issue, but not yet effective:

- IFRS 17, 'Insurance contracts' (effective for accounting periods beginning on or after 1 January 2023).
- IFRS 9, IAS 39, IFRS 7, IFRS 16 and IFRS 4: Interest Rate Benchmark Reform – phase 2 (amended) (effective for accounting periods beginning on or after 1 January 2021).
- Amendments to IAS1 'Classification of liabilities as current or non-current' (effective for accounting periods beginning on or after 1 January 2023).

The Company does not believe that there will be a material impact on the financial statements or the amounts reported from the adoption of these standards.

In the current financial period the Company has applied to the following amendments to standards:

- Amendments to IFRS 3 'Definition of Business' (effective for accounting periods beginning on or after 1 January 2020).
- Amendments to IAS 1 & IAS 8 'Definition of Material' (effective for accounting periods beginning on or after 1 January 2020).
- Amendments to IFRS 9, IAS 39 and IFRS 7 'Interest Rate Benchmark Reform' (effective for accounting periods beginning on or after 1 January 2020).

There is no material impact on the financial statements or the amounts reported from the adoption of these amendments to the standards.

2. Dividend Income

	2020 £'000	2019 £'000
Overseas dividends	5,987	6,833
Total	**5,987**	**6,833**

3. Segmental Reporting

The Directors are of the opinion that the Company is engaged in a single segment of business being the investment business. The Company's objective is to be a core investment for investors seeking gains and losses capital growth and income over the long term. The accounting policies of the operating segment, which operates in the UK, are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on total profit before tax, which is shown in the Statement of Comprehensive Income on page 67. A geographical split of the portfolio can be seen on page 11.

4. Investment Management Fee

	2020 £'000	2019 £'000
Investment management fee	3,374	3,650

As at 31 December 2020, an amount of £1,785,000 (2019: £840,000) was payable to the Investment Manager.

The investment management fee was reduced from 1.25% to 1.00% of the net asset value of the Company, with effect from 31 May 2019.

Details of the terms of the Investment Management Agreement are provided on page 30.

5. Other Expenses

	2020			2019		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Transactions costs on fair value through profit or loss investments	–	103	103	–	206	206
Directors' fees	109	–	109	109	–	109
Employers' National Insurance contributions	2	–	2	3	–	3
Auditor's remuneration	34	–	34	31	–	31
Registrar fees	28	–	28	32	–	32
Broker fee	37	–	37	37	–	37
Company Secretarial fees	100	–	100	100	–	100
Custody fees	244	–	244	311	–	311
Depositary fees	52	–	52	48	–	48
Postage and printing	20	–	20	32	–	32
Legal fees	11	–	11	8	–	8
Administration fees	111	–	111	107	–	107
Other expenses	109	–	109	83	–	83
Total expenses	**857**	**103**	**960**	**901**	**206**	**1,107**

Transaction costs on fair value through profit or loss investments represent such costs incurred on both purchase and sales of those investments. Transaction costs on purchases amounted to £36,000 (2019: £74,000) and on sales amounted to £67,000 (2019: £132,000).

5. Other Expenses continued

Auditor's remuneration

The analysis of the Auditor's remuneration is as follows:

Revenue	2020 £'000	2019 £'000
Fees payable to the Company's Auditor for the audit of the Company's annual financial statements	34	31
Total audit fees	34	31
Total fees paid	**34**	**31**

6. Finance Costs

Revenue	2020 £'000	2019 £'000
Finance costs	–	2

7. Taxation

(a) Analysis of tax charge in the year

	2020			2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Taxation on ordinary activities						
Irrecoverable overseas withholding tax	568	–	568	468	–	468
Overseas capital gains tax	–	4,328	4,328	–	500	500
Total tax	**568**	**4,328**	**4,896**	**468**	**500**	**968**

7. Taxation continued

(b) Factors affecting current tax charge for the year

The effective corporation tax rate was 19% (2019: 19%). The tax charge for the year differs from the charge resulting from applying the standard rate of corporation tax in the UK for an investment trust company. The differences are explained below:

	2020			2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit/(loss) before taxation	**1,756**	**69,772**	**71,528**	**2,280**	**(3,159)**	**(879)**
Corporation tax at effective rate of 19% (2019: 19%)	334	13,256	13,590	433	(600)	(167)
Effects of:						
Expenses not deductible for tax purposes	–	20	20	–	39	39
Net (gains)/losses on investments held at fair value through profit or loss	–	(13,302)	(13,302)	–	520	520
Foreign exchange loss	–	26	26	–	41	41
Overseas dividends not taxable	(1,138)	–	(1,138)	(1,298)	–	(1,298)
Overseas tax suffered	568	–	568	468	–	468
Overseas capital gain tax	–	4,328	4,328	–	500	500
Increase in excess management expenses	804	–	804	865	–	865
Total tax	**568**	**4,328**	**4,896**	**468**	**500**	**968**

As at 31 December 2020, the Company had unutilised management expenses of £26.8 million (2019: £22.6 million) carried forward. It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset in respect of these expenses has been recognised. Due to the Company's status as an investment trust and the intention to continue to meet the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred UK tax on capital gains and losses arising on the revaluation or disposal of investments.

(c) The Company has made a provision for capital gains payable on Indian stocks of £5,981,000 (2019: £1,653,000). On 1 April 2018, the Indian Government withdrew an exemption from capital gains tax on investments held for twelve months or longer. Accordingly, the Company has recognised a deferred tax liability of £6,563,000 (2019: £2,138,000) on capital gains which may arise if Indian investments are sold.

8. Return per Share

Return per Ordinary Share is as follows:

	2020 Revenue	2020 Capital	2020 Total	2019 Revenue	2019 Capital	2019 Total
Profit/(loss) for the year	1,188	65,444	66,632	1,812	(3,659)	(1,847)
Return/(loss) per share (basic) (p)	**4.46**	**245.69**	**250.15**	**6.81**	**(13.75)**	**(6.94)**
Return/(loss) per share (diluted) (p)	**4.46**	**245.66**	**250.12**	**6.81**	**(13.75)**	**(6.94)**

Return per share is calculated based on returns for the year and the weighted average number of shares in issue of 26,636,576 excluding treasury shares (31 December 2019: 26,612,549).

Diluted return per share is based on returns for the year and the weighted average number of ordinary shares in issue of 26,640,056 (31 December 2019: 26,612,549)

9. Dividends

Dividends relating to the year ended 31 December 2019 which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered below:

Dividends proposed:

	2020 pence	2020 £'000	2019 pence	2019 £'000
Final dividend proposed*	2.0	532	3.2	852

* Not included as a liability in the year ended 31 December 2020 accounts.

The final dividend proposed is based on shares in issue at the record date or, if the record date has not been reached, on shares in issue on the date the Statement of Financial Position is signed.

The final dividend proposed will be paid on 3 June 2021 to shareholders on the register on 16 April 2021. The associated ex-dividend date is 15 April 2021.

10. Investments Held at Fair Value Through Profit or Loss

All investments are designated as fair value through profit or loss on initial recognition, therefore all gains and losses arise on investments designated as fair value through profit or loss.

10. Investments Held at Fair Value Through Profit or Loss (continued)

	2020 £'000	2019 £'000
Opening cost at 1 January	236,547	248,132
Opening unrealised gain at 1 January	75,720	73,361
Valuation at 1 January	312,267	321,493
Purchases at cost	36,092	43,841
Sales – proceeds	(35,731)	(50,123)
Investment holding gains/(losses)	69,907	(2,944)
Closing Fair Value at 31 December	382,535	312,267
Closing cost at 31 December	242,860	236,547
Closing unrealised gain at 31 December	139,675	75,720
Valuation at 31 December	**382,535**	**312,267**

The Company received £35,731,000 from investments sold in the year (2019: £50,123,000). The book cost of the investments when they were purchased was £29,799,000 (2019: £55,426,000). These investments have been revalued over time until they were sold and unrealised gains/losses were included in the fair value of investments.

The total gains of £69,907,000 (2019: loss of £2,944,000) include the transaction costs of £103,000 (2019: £206,000) as shown in note 5.

All investments are listed.

Fair value of financial instruments

Under IFRS 13 'Fair Value Measurement' an entity is required to classify investments using a fair value hierarchy that reflects the significance of the inputs used in making the measurement decision.

The following shows the analysis of financial assets recognised at fair value based on:

- Level 1 – quoted prices in active markets for identical instruments. As at 31 December 2020, £364,266,000 (2019: £282,812,000) of the investment portfolio was classified as level 1.
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, etc). As at 31 December 2020, £18,269,000 (2019: £29,455,000) of the investment portfolio was classified as level 2.
- Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments). There are no level 3 investments.

During the year to 31 December 2020, Philippine Seven Corp (2019: £12,333,000) and Prodia Widyahusada (2019: £4,387,000) were transferred from level 2 to level 1. This was due to a higher volume of trade. During the year, Nestle Nigeria (£5,318,000) was transferred from level 1 to level 2 due to a lower volume of trade.

10. Investments Held at Fair Value Through Profit or Loss continued

Fair value measurements recognised in the Statement of Financial Position

	2020			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments held at fair value through profit or loss	364,266	18,269	–	382,535
Total	**364,266**	**18,269**	**–**	**382,535**

	2019			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments held at fair value through profit or loss	282,812	29,455	–	312,267
Total	**282,812**	**29,455**	**–**	**312,267**

11. Receivables

	2020 £'000	2019 £'000
Accrued income	682	732
Other receivables	56	60
	738	**792**

The above receivables do not carry any interest and are short term in nature. The Directors consider that the carrying values of these receivables approximate their fair value.

12. Payables

	2020 £'000	2019 £'000
Management fee payable	1,785	840
Other payables	6,430	1,874
	8,215	**2,714**

13. Share capital

	2020 Ordinary Shares Number	2020 Treasury Shares Number	2020 Total Shares Number	2020 Nominal Value £'000	2019 Number	2019 £'000
Issued, allotted and fully paid (ordinary)						
Ordinary shares in issue at start of year	26,640,056	–	26,640,056	266	26,390,056	264
Shares issued	–	–	–	–	250,000	2
Ordinary shares bought back and held in treasury	(35,684)	35,684	–	–	–	–
Total shares in issue at end of year	**26,604,372**	**35,684**	**26,640,056**	**266**	**26,640,056**	**266**

During the year ended 31 December 2020, the Company repurchased 35,684 shares of £0.01 each (2019: issued 250,000) at a net consideration of £455,000 (2019: for a net consideration of £3,037,000). Details of the shareholder authorities granted to Directors to issue and buy back shares during the year are provided on page 2.

14. Share Premium Account

	2020 £'000	2019 £'000
Balance at 1 January	81,595	78,560
Premium arising on issue of new shares	–	3,050
Costs of issuing new shares	–	(15)
	81,595	**81,595**

15. Net Asset Value per Share

	2020 pence	2019 pence
Net asset value per share – basic	**1,460.2**	**1,213.0**
Net asset value per share – diluted	**1,460.1**	**1,213.0**

The net asset value per share is based on the net assets attributable to equity shareholders of £388,468,000 (2019: £323,143,000) and on 26,604,372 excluding treasury shares (2019: 26,640,056) shares in issue at 31 December 2020.

The diluted net asset value per share is based on the net assets attributable to equity shareholders of £388,972,000 (2019: £323,143,000) and on 26,640,056 (2019: 26,640,056) shares in issue at 31 December 2020.

16. Risk Management and Financial Instruments

The Company's investing activities undertaken in pursuit of its investment objective, as set out on page 9, involve certain inherent risks. The main risks arising from the Company's financial instruments are market price risk, interest rate risk, liquidity risk, credit risk and currency risk. The Board reviews and agrees policies for managing each of these risks as summarised below. These policies have remained substantially unchanged during the current year.

16. Risk Management and Financial Instruments continued

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The Board meets on four scheduled occasions in each year and at each meeting it receives sufficient financial and statistical information to enable it to monitor adequately the investment performance and status of the business. The Board has also established a series of investment parameters, which are reviewed quarterly, designed to manage the risk inherent in managing a portfolio of investments.

Interest rate risk

Interest rate risk is the risk of movements in the value of, or income from, cash balances that arise as a result of fluctuations in interest rates. The Company finances its operations through retained profits including capital profits, with no additional financing.

Liquidity risk

The Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary. Short-term flexibility is achieved through the use of cash balances and short-term bank deposits. All payables are due within under three months.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. This is mitigated by the Investment Manager reviewing the credit ratings of broker counterparties. The risk attached to dividend flows is mitigated by the Investment Manager's research of potential investee companies. The Company's custodian bank is responsible for the collection of income on behalf of the Company. Cash is held either with reputable banks with high quality external credit enhancements or in liquidity/cash funds providing a spread of exposures to various underlying banks in order to diversify risk. The carrying amount of financial instruments best represents the maximum exposure to credit risk.

The carrying amounts of financial assets best represents the maximum credit risk exposure at the statement of financial position date, and the main exposure to credit risk is via the Company's Custodian who is responsible for the safeguarding of the Company's Investments and cash balances.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	2020 £'000	2019 £'000
Cash and cash equivalents	13,410	12,798
Receivables	738	792

All the assets of the Company which are traded on a recognised exchange are held by Northern Trust, the Company's Custodian. Bankruptcy or insolvency of the Custodian may cause the Company's rights with respect to securities held by the Custodian to be delayed or limited. The Board monitors the Company's risk as described in the Strategic Report on pages 32 to 33.

16. Risk Management and Financial Instruments continued

Currency risk

The income and capital value of the Company's investments and liabilities can be affected by exchange rate movements as some of the Company's assets and income are denominated in currencies other than sterling, which is the Company's reporting currency. The key areas where foreign currency risk could have an impact on the Company are:

- movements in rates that would affect the value of investments and liabilities; and
- movements in rates that would affect the income received.

The Company had the following currency exposures, all of which are included in the Statement of Financial Position at fair value based on the exchange rates ruling at the year end.

	31 December 2020				
	Investments £'000	**Cash £'000**	**Receivables £'000**	**Payables £'000**	**Total £'000**
Bangladeshi Taka	4,740	–	–	–	4,740
Brazilian Real	11,422	–	263	–	11,685
Chinese Yuan	31,002	–	–	–	31,002
Egyptian Pound	9,897	–	389	–	10,286
Hong Kong Dollar	32,017	–	–	–	32,017
Indonesian Rupiah	3,762	–	–	(5,981)	(2,219)
Indian Rupee	172,672	–	–	–	172,672
Kenyan Shilling	4,037	–	–	–	4,037
Mexican Peso	7,153	–	–	–	7,153
Nigerian Naira	5,318	85	–	–	5,403
Philippine Peso	9,484	–	–	–	9,484
South African Rand	6,642	–	–	–	6,642
Sri Lankan Rupee	4,388	–	–	–	4,388
Turkish Lira	6,939	–	–	–	6,939
US Dollar	60,176	–	30	–	60,206
Vietnam Dong	10,153	–	–	–	10,153
	379,802	**85**	**682**	**(5,981)**	**374,588**

As at 31 December 2020, the investment portfolio included £5.318 million (2019: £6.266 million) of Nigerian securities out of the total investment portfolio of £382.5 million (2019: £312.3 million). These Nigerian securities are affected by the repatriation of the Nigerian Naira into sterling. This may take some time to convert to sterling and may be subject to foreign exchange movements.

16. Risk Management and Financial Instruments continued

	31 December 2019				
	Investments £'000	Cash £'000	Receivables £'000	Payables £'000	Total £'000
Bangladeshi Taka	4,011	–	–	–	4,011
Brazilian Real	11,675	–	298		11,973
Chinese Yuan	14,768	–	–	–	14,768
Egyptian Pound	18,366	–	354	–	18,720
Hong Kong Dollar	35,431	–	–	–	35,431
Indian Rupee	135,521	–	–	(1,653)	133,868
Indonesian Rupiah	4,387	–	–	–	4,387
Kenyan Shilling	5,665	–	–	–	5,665
Mexican Peso	7,540	–	–	–	7,540
Nigerian Naira	6,266	–	–	–	6,266
Philippino Peso	12,333	–	–	–	12,333
South African Rand	10,474	–	–	–	10,474
Sri Lankan Rupee	4,984		–		4,984
Turkish Lira	5,527	–	–	–	5,527
US Dollar	22,777	–	–	–	22,777
Vietnam Dong	9,312	22	80	–	9,414
	309,037	**22**	**732**	**(1,653)**	**308,138**

The Company mitigates the risk of loss due to exposure to a single currency by way of diversification of the portfolio.

Foreign currency sensitivity

The following table illustrates the sensitivity of the profit after tax for the year and the net assets for the year in relation to foreign exchange movements. The analysis below assumes that exchange rates may move +/-5% against sterling which is a reasonable approximation of possible changes.

as at 31 December	2020 £'000	2019 £'000	2020 £'000	2019 £'000
	+5%	**+5%**	**-5%**	**-5%**
Effect on net assets for the year	18,729	15,407	(18,729)	(15,407)
Effect on capital return	18,691	15,452	(18,691)	(15,452)

16. Risk Management and Financial Instruments continued

Interest rate risk

The majority of the Company's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. The Company's cash balance of £13,410,000 (2019: £12,798,000) earns interest, calculated on a tiered basis, depending on the balance held, by reference to the base rate. The level of interest paid fluctuates in line with the base rate.

If the base rate increased by 0.5%, the impact on the profit or loss and net assets would be expected to be a positive £67,000 (2019: £64,000). If the bank base rate decreased by 0.5%, the impact on the profit or loss and net assets would be expected to be a negative £67,000 (2019: £64,000). The calculations are based on the cash balances at the respective balance sheet date and are not representative of the year as a whole.

Other price risk exposure

If the investment valuation had fallen by 10% at 31 December 2020, the impact on profit or loss and net assets would have been negative £38.3 million (2019: £31.2 million). If the investment portfolio valuation rose by 10% at 31 December 2020, the impact on profit or loss and net assets would have been positive £38.3 million (2019: £31.2 million). The calculations are based on the portfolio valuations as at the respective year-end date and are not representative of the period as a whole, as well as the assumption that all other variables remained constant.

The Company held the following categories of financial instruments, all of which are included in the Statement of Financial Position at fair value.

as at 31 December	2020 £'000	2019 £'000
Assets at fair value through profit or loss	382,535	312,267
Cash	13,410	12,798
Investment income receivable	682	732
Other receivables	56	60
Other payables	(8,215)	(2,714)
	388,468	**323,143**

Liquidity risk exposure

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. All payables are due within under three months.

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are easily and readily realisable. The Company does not have any borrowing facilities and as at 31 December held £13,410,000 (2019: £12,798,000) cash.

Capital management policies and procedures

The Company's capital management objectives are to ensure that it will be able to continue as a going concern, and to provide long-term growth in revenue and capital.

16. Risk Management and Financial Instruments continued

The Company's capital is its equity share capital and reserves that are shown in the Statement of Financial Position at a total of £388,468,000 (2019: £323,143,000).

The Board, with the assistance of the AIFM, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This includes a review of the planned level of gearing, the need to repurchase or issue equity shares, and the extent to which any revenue in excess of that which is required to be distributed be retained.

The Company is subject to the following externally imposed capital requirements:

- as a public company, the Company has a minimum share capital of £50,000; and
- in order to be able to pay dividends out of profits available for distribution, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.

The Company has complied with both of the above requirements.

The Board, with the assistance of the AIFM, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This includes a review of the planned level of gearing, the need to repurchase or issue equity shares, and the extent to which any revenue in excess of that which is required to be distributed be retained.

17. Contingent Liabilities

As at 31 December 2020 there were no contingent liabilities or capital commitments (2019: nil).

18. Related Party Transactions

IAS 24 'Related party disclosures' requires the disclosure of the details of material transactions between the Company and any related parties. Accordingly, the disclosures required are set out below:

Directors – The remuneration of the Directors and the terms of their appointments are set out in the Directors' Remuneration Report beginning on page 56. There were no other contracts subsisting during or at the end of the year in which a Director of the Company is or was interested and which are or were significant in relation to the Company's business. There were no other material transactions during the year with the Directors of the Company.

AIFM and Investment Manager – Details of the contract including the remuneration due to the AIFM and Investment Manager are detailed in Note 4 on page 75.

Terry Smith, the Managing Partner at Fundsmith LLP, the Company's AIFM and Investment Manager holds interests in 847,000 shares in the Company (2019: 847,000) amounting to 3.2% (2019: 3.2%) of the Company's issued share capital as at the date of this report.

19. Events after the Reporting Period

There are no significant events that have occurred after the end of the reporting period to the date of this report which require disclosure.

Further Information

Financial Calendar

31 December	Financial Year End
March	Final Results Announced
May	Annual General Meeting
June	Final Dividend Paid
30 June	Half Year End
July/August	Half Year End Results Announced

Annual General Meeting

The Annual General Meeting of Fundsmith Emerging Equities Trust plc will be held on Wednesday, 26 May 2021 at 12 noon.

Share Price

The Company's Ordinary Shares are listed on the London Stock Exchange under 'Investment Companies'. The price is given daily in the Financial Times and other newspapers.

Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's Registrar, Link Group, under the signature of the registered holder.

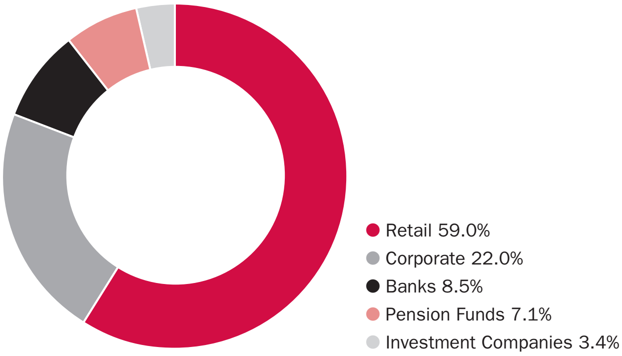
Daily Net Asset Value

The daily net asset value of the Company's shares can be obtained on the Company's website at www.feetplc.co.uk and is published daily via the London Stock Exchange.

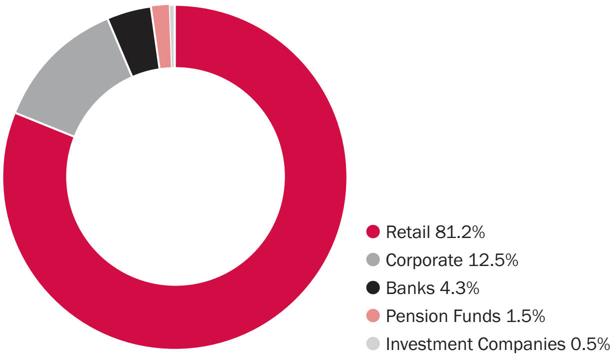
Profile of the Company's Ownership

% of Ordinary Shares held at

31 December 2020



31 December 2019



Alternative Investment Fund Managers Directive Disclosures (Unaudited)

Fundsmith LLP ("Fundsmith") and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within an Investor Disclosure Document ("IDD") which can be found on the Company's website www.feetplc.co.uk.

The periodic disclosures to investors are made below:

- information on the investment strategy, geographic and sector investment focus and principal stock exposures are included in the Strategic Report.
- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- The Strategic Report and note 16 to the financial statements set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the year under review and no breaches of any of the risk limits set, with no breach expected.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by Fundsmith.

Leverage

For the purposes of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a Gross and a Commitment method. Under the Gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the Commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

The table below sets out the current maximum permitted limit and actual level of leverages for the Company:

	As a percentage of assets	
	Gross method	Commitment method
Maximum level of leverage	115%	115%
Actual level at 31 December 2020	Nil	Nil

There have been no breaches of the maximum level during the year and no changes to the maximum level of leverage employed by the Company. There is no right of re-use of collateral or any guarantees granted under the leveraging arrangement.

Changes to the information contained either within this Annual Report or the IDD in relation to any special arrangements in place, the maximum level of leverage which Fundsmith may employ on behalf of the Company, the right of use of collateral or any guarantee granted under any leveraging arrangement, or any change to the position in relation to any discharge or liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

Alternative Investment Fund Managers Directive Disclosures (Unaudited)

Remuneration Disclosure

During the year ending 31 March 2020, Fundsmith LLP ('Fundsmith') had 27 members of personnel in total, including employees and Partners. The total amount of remuneration paid to Fundsmith personnel during this period was £58,468,366. Out of this figure, the total amount of remuneration paid to the Partners of Fundsmith LLP was £48,483,057 whilst the total amount of remuneration paid to the employees of Fundsmith LLP was £9,985,309.

Of the £9,985,309 paid to Fundsmith employees, £7,315,835 was variable remuneration and £2,669,474 was fixed remuneration.

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

Explanatory Note

Fundsmith LLP is required to make this remuneration disclosure to the Company's investors in accordance with the Alternative Investment Fund Managers Directive (AIFMD).

The financial year of the Company runs from 1 January to 31 December, whereas the financial year of Fundsmith LLP runs from 1 April to 31 March. The above figures are taken from the financial report and accounts of Fundsmith LLP for the period 1 April 2019 to 31 March 2020. These figures have been independently audited and filed with Companies House.

The rules require Fundsmith to disclose both the amount of remuneration paid in total, and the amount paid to "Code Staff" (broadly, senior management and/or risk takers). Fundsmith's only Code Staff are the Partners and the Fund Managers.

The information above relates to Fundsmith LLP as a whole, and it has not been broken down by reference to the Company or the other funds that Fundsmith manages. Nor has the proportion of remuneration which relates to the income Fundsmith earns from their management of the Company been shown. Fundsmith has not provided such a breakdown because this does not reflect the way they work or the way Fundsmith is organised. All of the Partners and most of the employees are involved in the management of the Company.

The Company represents approximately 1.2% of Fundsmith's total funds under management.

Statement on the Alternative Investment Fund Managers Remuneration Code

The Company is classified as an Alternative Investment Fund (AIF) in accordance with the Alternative Investment Fund Managers Directive (AIFMD). Fundsmith LLP is duly authorised as an Alternative Investment Fund Manager (AIFM) for the purpose of managing the Company. As an authorised AIFM, Fundsmith LLP must adhere to the AIFM Remuneration Code.

The AIFM Remuneration Code contains a set of principles, which are designed to ensure that AIFMs reward their personnel in a way which promotes sound and effective risk management, which does not encourage risk-taking, which supports the objectives and strategy of any AIFs it manages, and which supports the alignment of interest between the AIFM, its personnel and any AIFs it manages (where this alignment extends to the AIF's investors).

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

The Partners are each paid a fixed proportion of Fundsmith LLP's net profits. They consider that this is the best way to ensure that the Partners' interests are completely aligned with their investors' interests over the long-term. This alignment of interest is reinforced by the fact that Fundsmith personnel have invested approximately £13,000,000 in the Company. They have a clear and direct interest in the long-term success of the Company.

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

Fundsmith LLP
AIFM

Alternative Investment Fund Managers Directive ("AIFMD")

Agreed by the European Parliament and the Council of the European Union and transposed into UK legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds ("AIFs") and requires them to appoint an Alternative Investment Fund Manager ("AIFMD") and depositary to manage and oversee the operations of the investment vehicle. The Board of the Company retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

Alternative Performance Measures ("APMs")

The measures the Board of Directors uses to assess the Company's performance, which are not specifically defined under the International Financial Reporting Standards but which are viewed as particularly relevant for investment trusts. Definitions of the terms used and the basis of calculation are set out in this Glossary and the APMs are indicated with an asterisk (*).

Discount or Premium*

A description of the difference between the share price and the net asset value per share. The size of the discount or premium is calculated by subtracting the net asset value per share from the price per share and is usually expressed as a percentage (%) of the net asset value per share. If the share price is higher than the net asset value per share the result is a premium. If the share price is lower than the net asset value per share, the shares are trading at a discount.

Gearing

In simple terms gearing is borrowing. An investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the Company's assets grow shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

Gearing represents borrowings at par less cash and cash equivalents expressed as a percentage of shareholders' funds.

Potential gearing is the Company's borrowings expressed as a percentage of shareholders' funds.

Leverage

For the purposes of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

Net Asset Value ("NAV") Per Share

The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities. The NAV is also described as 'shareholders' funds' per share. The NAV is often expressed in pence per share after being divided by the number of shares which have been issued. The NAV per share is unlikely to be the same as the share price which is the price at which the Company's shares can be bought or sold by an investor. The share price is determined by the relationship between the demand and supply of the shares.

NAV Total Return*

The theoretical total return on shareholders' funds per share, reflecting the change in NAV assuming that dividends paid to shareholders were reinvested at NAV at the time the shares were quoted ex-dividend. A way of measuring the investment management performance of investment trusts which is not affected by movements in the share price.

	31 Dec 2020	**31 Dec 2019**
Opening NAV	1,213.0p	1,222.0p
Increase/(decrease) in NAV	247.2p	(9.0p)
Closing NAV	1,460.2p	1,213.0p
% increase/(decrease) in NAV	20.4%	(0.7%)
Impact of reinvested dividends	0.3%	0.2%
NAV Total Return	20.7%	(0.5%)

Diluted NAV Total Return*

	31 Dec 2020	**31 Dec 2019**
Opening diluted NAV	1,213.0p	1,222.0p
Increase/(decrease) in diluted NAV	247.1p	(9.0p)
Closing diluted NAV	1,460.1p	1,213.0p
% increase/(decrease) in diluted NAV	20.4%	(0.7%)
Impact of reinvested dividends	0.3%	0.2%
Diluted NAV Total Return	20.7%	(0.5%)

Neutral Free Cash Flow ("NFCF")

A company's free cash flow after adding back capital expenditures in excess of depreciation.

Ongoing Charges*

Ongoing charges are calculated by taking the Company's annualised operating expenses, and expressing them as a percentage of the average daily net asset value of the Company over the year. The costs of buying and selling investments are excluded, as are interest costs, taxation, costs of buying back or issuing shares and other non-recurring costs. These items are excluded because if included, they could distort the understanding of the Company's performance for the year and the comparability between periods.

	31 Dec 2020 £'000	**31 Dec 2019 £'000**
Operating expenses	4,231	4,552
Average net assets during the year	337,757	331,375
Ongoing charges (annualised)	1.30%	1.40%

Return on Capital Employed ("ROCE")

A financial ratio that measures a company's profitability and the efficiency with which its capital is employed. It is calculated as Earnings Before Interest and Tax (EBIT)/Capital Employed.

Return Per Share

The proportion of a Company's profit allocated to each ordinary share.

Share Price Total Return*

The return to the investor reflecting the change in the share price, on a last traded price to a last traded price basis, assuming that all dividends paid were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

	31 Dec 2020	**31 Dec 2019**
Opening share price	1,100.0p	1,190.0p
Increase/(decrease) in share price	315.0p	(90.0p)
Closing share price	**1,415.0p**	**1,100.0p**
% increase/(decrease) in share price	28.6%	(7.6%)
Impact of reinvested dividends	0.5%	0.2%
Share Price Total Return	**29.1%**	**(7.4%)**

* Alternative Performance Measures.

Investment Platforms

The Company's shares are traded openly on the London Stock Exchange and can be purchased through a stockbroker or other financial intermediary. The shares are available through savings plans (including Investment Dealing Accounts, ISAs, Junior ISAs and SIPPs) which facilitate both regular monthly investments and lump sum investments in the Company's shares. There are a number of investment platforms that offer these facilities. A list of some of them, that is not comprehensive nor constitutes any form of recommendation, can be found below:

AJ Bell Youinvest	http://www.youinvest.co.uk/
Barclays Stockbrokers	https://www.barclays.co.uk/smart-investor/
Bestinvest	http://www.bestinvest.co.uk/
Charles Stanley Direct	https://www.charles-stanley-direct.co.uk/
Club Finance	http://www.clubfinance.co.uk/
FundsDirect	http://www.fundsdirect.co.uk
Halifax Share Dealing	http://www.halifax.co.uk/Sharedealing/
Hargreaves Lansdown	http://www.hl.co.uk/
HSBC	https://hsbc.co.uk/investments/
iDealing	http://www.idealing.com/
Interactive Investor	http://www.ii.co.uk/
IWEB	http://www.iweb-sharedealing.co.uk/share-dealing-home.asp
Saga Share Direct	https://www.sagasharedirect.co.uk/
Selftrade	http://www.selftrade.co.uk/
The Share Centre	https://www.share.com/
Saxo Capital Markets	https://www.home.saxo/
Stocktrade	https://www.stocktrade.co.uk

Link Group – Share Dealing Service

A quick and easy share dealing service is available to existing shareholders through the Company's Registrar, Link Group, to either buy or sell shares. An online and telephone dealing facility provides an easy to access and simple to use service.

There is no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing service allows you to trade 'real time' at a known price which will be given to you at the time you give your instruction.

To deal online or by telephone all you need is your surname, investor code, full postcode and your date of birth. Your investor code can be found on your share certificate. Please have the appropriate documents to hand when you log on or call, as this information will be needed before you can buy or sell shares.

For further information on this service please contact: www.linksharedeal.com (online dealing) or 0371 664 0445† (telephone dealing).

† Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable International rate. Lines are open from 8.00 a.m. to 4.30 p.m. Monday to Friday excluding public holidays in England and Wales.

Risk Warnings

- Past performance is no guarantee of future performance.
- The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined, in part, by the changing conditions in the relevant stock markets in which the Company invests and by the supply and demand for the Company's shares.
- As the shares in an investment trust are traded on a stock market, the share price will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value of the shares; where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. For these reasons, investors may not get back the original amount invested.
- Although the Company's financial statements are denominated in sterling, most of the holdings in the portfolio are currently denominated in currencies other than sterling and therefore they may be affected by movements in exchange rates. As a result, the value of your investment may rise or fall with movements in exchange rates.
- Investors should note that tax rates and reliefs may change at any time in the future.
- The value of ISA and Junior ISA tax advantages will depend on personal circumstances. The favourable tax treatment of ISAs and Junior ISAs may not be maintained.

Notice is hereby given that the Annual General Meeting of Fundsmith Emerging Equities Trust plc will be held at 33 Cavendish Square, London W1G 0PW on Wednesday, 26 May 2021 at 12 noon for the following purposes:

Ordinary Business

To consider and, if thought fit, pass the following as ordinary resolutions:

1. To receive the Annual Report for the year ended 31 December 2020, including the financial statements and the directors' and auditors' reports thereon.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2020.
3. To approve the Directors' Remuneration Policy.
4. To approve the payment of a final dividend of 2.0 pence per ordinary share for the year ended 31 December 2020.
5. To re-elect Martin Bralsford as a Director of the Company.
6. To re-elect Rachel de Gruchy as a Director of the Company.
7. To re-elect David Potter as a Director of the Company.
8. To re-elect John Spencer as a Director of the Company.
9. To re-appoint Deloitte LLP as Auditor to the Company and to authorise the Audit Committee to determine their remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions of which resolutions 11, 12, 13, 14 and 16 will be proposed as special resolutions:

Authority to Issue Shares

10. THAT, in substitution for all existing authorities, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to a maximum aggregate nominal amount of £26,604.37 (being 10% of the issued share capital of the Company at the date of the notice convening the meeting at which this resolution is proposed) and representing 2,660,437 shares of 1 penny each, provided that this authority shall (a) only be used to issue new shares for a price (after taking into account the costs of issue) which represents a premium to the Company's latest cum-income net asset value per share (as announced through a regulatory information service) and (b) expire at the conclusion of the Annual General Meeting of the Company to be held in 2022 or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired.

Disapplication of Pre-emption Rights

11. THAT, in substitution of all existing powers, the Directors be and are hereby generally empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred on them by resolution 9 set out in the notice convening the Annual General Meeting at which this resolution is proposed or otherwise as if section 561(1) of the Act did not apply to any such allotment and to sell relevant shares (within the meaning of section 560 of the Act) for cash as if section 561(1) of the Act did not apply to any such sale, provided that this power shall be limited to the allotment of equity securities pursuant to:

(a) an offer of equity securities open for acceptance for a period fixed by the Directors where the equity securities respectively attributable to the interests of holders of shares of 1 penny each in the Company ("Shares") are proportionate (as nearly as may be) to the respective numbers of Shares held by them but subject to such exclusions or other arrangements in connection with the issue as the Directors may consider necessary, appropriate, or expedient to deal with equity securities representing fractional entitlements or to deal with legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange, or any other matter whatsoever; and

(b) (otherwise than pursuant to sub-paragraph (a) above) an offer or offers of equity securities of up to an aggregate nominal value of £26,604.37;

and expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such offer or agreement as if the power conferred hereby had not expired.

Treasury Shares

12. THAT in substitution of all existing powers (but in addition to any power conferred on them by resolution 10 set out in the Notice of Annual General Meeting) the Directors be and are hereby generally empowered pursuant to Section 570 of the Companies Act 2006 (the "Act") to sell relevant shares (within the meaning of Section 560 of the Act) if, immediately before the sale, such shares are held by the Company as treasury shares (as defined in Section 724 of the Act ("Treasury Shares")), for cash as if Section 561(1) of the Act did not apply to any such sale provided that:

(a) where any Treasury Shares are sold pursuant to this power at a discount to the then prevailing net asset value of ordinary shares of 1p each in the Company ("Shares"), such discount must be (i) lower than the discount to the net asset value per Share at which the Company acquired the Shares which it then holds in treasury and (ii) not greater than 5% to the last published net asset value per Share at the time of such sale (and for this purpose the Directors shall be entitled to determine in their reasonable discretion the discount to the net asset value at which such Shares were acquired by the Company and the net asset value per Share at the time such Shares are sold pursuant to this power); and

(b) this power shall be limited to the sale of relevant shares having an aggregate nominal value of £26,604.37, being 10% of the issued share capital of the Company as at the date of this Notice of Annual General Meeting and representing 2,660,437 Shares, and provided further that the number of relevant shares to which power applies shall be reduced from time to time by the number of Shares which are allotted for cash as if Section 561(1) of the Act did not apply pursuant to the power conferred on the Directors by resolution 10 set out in the Notice of Annual General Meeting;

and such power shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 15 months from the date of passing this resolution, whichever is earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might otherwise require treasury shares to be sold after such expiry and the Directors may sell Treasury Shares pursuant to such offer or agreement as if the power conferred hereby had not expired.

Authority to Repurchase Ordinary Shares

13. THAT the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 (the "Act") to make one or more market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 1 penny each in the capital of the Company ("Shares") (either for retention as Treasury Shares for future reissue, resale, transfer or cancellation) provided that:

    (a) the maximum aggregate number of Shares authorised to be purchased is the number of Shares which is equal to 14.99% of the issued share capital of the Company as at the date of the passing of this resolution;

    (b) the minimum price (exclusive of expenses) which may be paid for a Share is 1 penny;

    (c) the maximum price (exclusive of expenses) which may be paid for a Share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that Share is purchased and (ii) the higher of the price of the last independent trade in shares and the highest then current independent bid for shares on the London Stock Exchange;

    (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2022 or, if earlier, on the expiry of 15 months from the date of the passing of this resolution unless such authority is renewed prior to such time; and

    (e) the Company may make a contract to purchase Shares under this authority before the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority, and may make a purchase of Shares in pursuance of any such contract.

General Meetings

14. THAT the Directors be authorised to call general meetings (other than annual general meetings) on not less than 14 clear days' notice, such authority to expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, until expiry of 15 months from the date of the passing of this resolution.

Amendment to Investment Objective and Investment Policy

15. THAT the Investment Objective and Investment Policy as set out in the Company's Annual Report and Financial Statements for the year ended 31 December 2020 as produced to the meeting, be and are hereby approved in substitution for the Company's existing Investment Objective and Investment Policy.

Amendment to the Company's Articles of Association

16. That the amended Articles of Association giving authority to the Directors to convene, if necessary, a general meeting as a Hybrid meeting, produced to the meeting for the purposes of identification be approved and adopted as the Articles of the Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

By order of the Board

Registered office:
33 Cavendish Square
London W1G 0PW

Frostrow Capital LLP
Company Secretary
31 March 2021

Further Information

Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company.
2. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolutions. If no voting indication is given, a proxy may vote or abstain from voting at his/her discretion. A proxy may vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
3. Hard copy forms of proxy have not been included with this notice. Members can vote by: logging onto www.myfeetshares.co.uk and following instructions; requesting a hard copy form of proxy directly from the registrars, Link Asset Services, at enquires@linkgroup.co.uk or in the case of CREST members, utilising the CREST electronic proxy appointment service in accordance with the procedures set out below. To be valid any appointment of a proxy must be completed, signed and received at Link Group, PXS1, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL no later than 12 noon on 24 May 2021.
4. In the case of a member which is a company, the instrument appointing a proxy must be executed under its seal or signed on its behalf by a duly authorised officer or attorney or other person authorised to sign. Any power of attorney or other authority under which the instrument is signed (or a certified copy of it) must be included with the instrument.
5. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described below) will not prevent a shareholder attending the meeting and voting in person if he/she wishes to do so.
6. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
7. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
8. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered on the register of members of the Company (the "Register of Members") at close of business on 24 May 2021 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting) will be entitled to attend and vote or be represented at the meeting in respect of shares registered in their name at that time. Changes to the Register of Members after that time will be disregarded in determining the rights of any person to attend and vote at the meeting.
9. As at 30 March 2021 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 26,640,056 ordinary shares, carrying one vote each, 35,684 shares are held in treasury. Therefore, the total voting rights in the Company as at 30 March 2021 is 26,604,372.
10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
11. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK and Ireland Limited ("CRESTCo"), and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) no later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
12. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
14. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Register of Members in respect of the joint holding (the first named being the most senior).

15. Members who wish to change their proxy instructions should submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

16. Members who have appointed a proxy using a hard-copy proxy form and who wish to change the instructions using another hard-copy form, should contact Link Group on 0871 664 0321 (calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate). Lines are open 9.00 a.m. to 5.30 p.m. Monday to Friday excluding public holidays in England and Wales.

17. If a member submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

18. In order to revoke a proxy instruction, members will need to inform the Company. Members should send a signed hard copy notice clearly stating their intention to revoke a proxy appointment to Link Group, PXS1, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL.

19. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power of attorney) must be included with the revocation notice. If a member attempts to revoke their proxy appointment but the revocation is received after the time for receipt of proxy appointments (see above) then, subject to paragraph 4, the proxy appointment will remain valid.

20. Members representing at least 5% of the total voting rights of the Company (excluding any voting rights attached to any Treasury Shares), or at least 100 members who have a right to vote at the AGM, may require the Company to give notice of a resolution which may properly be moved and is intended to be moved at the meeting. Such members may also request the Company to include in the business to be dealt with at an annual general meeting any matter (other than a proposed resolution) which may properly be included in the business. Any such requests may be in hard copy or electronic form; must identify the resolution of which notice is to be given (if applicable); must be authenticated by the person or persons making it; and must be received by the Company not later than six weeks before the meeting.

How To Vote

If you hold your shares directly you can:

- Log on to www.myfeetshares.co.uk and follow instructions; or
- Request a hard copy form of proxy from the Company's registrars, Link Group, by emailing enquiries@linkgroup.co.uk or by calling +44(0)371 664 0321 and returning the completed and signed form to Link Group, PXS 1, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL no later than 12 noon on 24 May 2021.

If you hold your shares via an investment platform (e.g. Hargreaves Lansdown) or a nominee, you should contact them to inquire about arrangements to vote.

Resolution 1 – To receive the Annual Report and Financial Statements

The Annual Report for the year ended 31 December 2020 will be presented to the Annual General Meeting. The financial statements and the Directors' & Auditor's reports thereon accompanied this Notice of Meeting and shareholders will be given an opportunity at the meeting to ask questions.

Resolution 2 – Remuneration Report

The Directors' Remuneration Report is set out in full in this annual report on pages 56 to 57.

Resolution 3 – Remuneration Policy

The Directors' Remuneration Policy is set out in full on page 58.

Resolution 4 – To approve a Final Dividend

The rationale for the payment of a final dividend is set out in the Chairman's Statement beginning on page 6 and in the Report of the Directors on page 47.

Resolutions 5 to 8 – Re-Election of Directors

Resolutions 5 to 8 deal with the re-election or election of each Director. Biographies of each of the Directors can be found on page 36 of this Annual Report.

The Chairman has confirmed, following a performance review, that all the Directors continue to perform effectively. The specific reasons why (in the Board's opinion) each Director's contribution is, and continues to be, important to the Company's long-term sustainable success are as follows:

Martin Bralsford

Martin's leadership of the Board draws on his long and varied experience on the boards of a number of commercial, banking and investment companies. Martin's openness and style are considered important in maintaining a good relationship and constructive engagement with the Investment Manager. He focuses on long-term strategic issues, which are a central topic of Board discussion.

David Potter

David brings a wealth of experience to the Board as a result of his long career in the City. He is Chairman of the Management Engagement Committee.

John Spencer

As a chartered accountant with extensive experience from a variety of boards and audit committees, John brings to the Board, and the Audit Committee under his chairmanship, an incisive perspective on the Company's financial position and its risk control environment.

Rachel de Gruchy

Rachel has over thirty years of international investment industry experience and her first-hand knowledge enables the Board to engage authoritatively with the Investment Manager on their investment strategy.

Resolution 9 – Re-Appointment of Auditor and the determination of their remuneration

Resolution 9 relates to the re-appointment of Deloitte LLP as the Company's independent Auditor to hold office until the next Annual General Meeting of the Company and also authorises the Audit Committee to set their remuneration.

Resolutions 10 and 11 – Issue of Shares

Ordinary Resolution 10 in the Notice of Annual General Meeting will renew the authority to allot unissued share capital up to an aggregate nominal amount of £26,604.37 (equivalent to 2,660,437 shares, or 10% of the Company's existing issued share capital on 30 March 2021, being the nearest practicable date prior to the signing of this Annual Report). Such authority will expire on the date of the next Annual

General Meeting or after a period of 15 months from the date of the passing of the resolution, whichever is earlier. This means that the authority will have to be renewed at the next Annual General Meeting unless previously renewed.

When shares are to be allotted for cash, Section 551 of the Companies Act 2006 (the "Act") provides that existing shareholders have pre-emption rights and that the new shares must be offered first to such shareholders in proportion to their existing holding of shares. However, shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro rata issue to existing shareholders. Special Resolution 11 will, if passed, give the Directors power to allot for cash equity securities up to 10% of the Company's existing share capital on 30 March 2021, as if Section 551 of the Act does not apply. This is the same nominal amount of share capital which the Directors are seeking the authority to allot pursuant to Resolution 10. This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is earlier. This authority will not be used in connection with a rights issue by the Company.

The Directors intend to use the authority given by Resolutions 10 and 11 to allot shares and disapply pre-emption rights only in circumstances where this will be clearly beneficial to shareholders as a whole. The issue proceeds would be available for investment in line with the Company's investment policy. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 12 – Treasury Shares

Under Section 724 of the Companies Act 2006 ("s724") the Company is permitted to buy back and hold shares in treasury and then sell them at a later date for cash, rather than cancelling them. It is a requirement of s724 that such sale be on a pre-emptive, pro rata, basis to existing shareholders unless shareholders agree by special resolution to disapply such pre-emption rights. Accordingly, in addition to giving the Directors power to allot unissued share capital on a non pre-emptive basis pursuant to Resolution 10, Special Resolution 11, if passed, will give the Directors authority to sell shares held in treasury on a non pre-emptive basis. The benefit of the ability to hold treasury shares is that such shares may be resold. This should give the Company greater flexibility in managing its share capital, and improve liquidity in its shares. Any re-sale of treasury shares would only take place at a narrower discount to the net asset value per share than that at which they had been bought into treasury, and in any event at a discount no greater than 5% to the prevailing net asset value per share, and this is reflected in the text of Resolution 11. It is also the intention of the Board that sales from treasury would only take place when the Board believes that to do so would assist in the provision of liquidity to the market. The number of treasury shares which may be sold pursuant to this authority is limited to 10% of the Company's existing share capital as at the date of this report (reduced by any equity securities allotted for cash on a non-pro rata basis pursuant to Resolution 10, as described above). This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is earlier.

Resolution 13 – Share Repurchases

The principal aim of a share buy-back facility is to enhance shareholder value by acquiring shares at a discount to net asset value, as and when the Directors consider this to be appropriate. The purchase of shares, when they are trading at a discount to net asset value per share, should result in an increase in the net asset value per share for the remaining shareholders. This authority, if conferred, will only be exercised if to do so would result in an increase in the net asset value per share for the remaining shareholders and if it is in the best interests of shareholders generally. Any purchase of shares will be made within guidelines established from time to time by the Board.

Under the current Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of (i) 105% of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out. The minimum price which may be paid is 1 penny per share.

Special Resolution 13 in the Notice of Annual General Meeting will renew the authority to purchase in the market a maximum of 14.99% of shares in issue as at the date of the passing of the resolution. Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the resolution, whichever is earlier. This means in effect that the authority will have to be renewed at the next Annual General Meeting or earlier if the authority has been exhausted.

Resolution 14 – General Meetings

Special Resolution 14 seeks shareholder approval for the Company to hold General Meetings (other than the Annual General Meeting) at 14 clear days' notice. The Company will only use this shorter notice period where it is merited by the purpose of the meeting and will endeavour to give at least 14 working days' notice if possible.

Resolution 15 – Investment Objective and Policy

Ordinary Resolution 15 seeks shareholder approval to amend the Company's Investment Objective and its Investment Policy.

Resolution 16 – Articles of Association

Special Resolution 16 seeks to amend the Company's Articles of Association so that the Directors be authorised, subject to and in accordance with the provisions of the Companies Act 2006, to convene General Meetings as a "physical meeting", being a general meeting held and conducted by physical attendance by members and/or proxies at a particular place, or a "Hybrid meeting", a general meeting held and conducted by both physical attendance by members and/or proxies at a particular place and by members and/or proxies also being able to attend and participate by electronic means without needing to be in physical attendance at that place. The Board may decide in relation to any general meeting (including a postponed or adjourned meeting) whether the general meeting is to be held as a physical meeting or as a Hybrid meeting and shall, for the avoidance of doubt, be under no obligation to convene a meeting as a Hybrid meeting whatever the circumstances.

The amended Articles also contain provisions dealing with how the quorum is counted for the various types of meeting covering members' rights to participate in each case; the authorisation and adequacy of electronic applications; the authority to make arrangements to ensure the security of a Hybrid meeting; and giving additional powers to postpone or adjourn meetings in appropriate circumstances. Where meetings are held as a Hybrid meeting, then voting must be on a poll.

In relation to electronic participation at a general meeting, the right of a member to participate electronically shall include without limitation the right to speak, vote on a poll, be represented by a proxy and have access (including electronic access) to all documents which are required by the Act or these Articles to be made available at the meeting.

The amendments are being sought in response to challenges posed by Government restrictions on social interactions as a result of the COVID-19 pandemic, which have made it difficult for shareholders to attend physical general meetings. The Board's aim in introducing these changes is to make it easier for shareholders to participate in general meetings through introducing electronic access for those not able to travel, and also to ensure that appropriate security measures are in place for the protection and wellbeing of shareholders. The Board is cognisant of the importance to shareholders of the ability to meet the members of the Board and representatives of the Investment Manager face to face, and is committed to ensuring that future general meetings (including AGMs) incorporate a physical meeting where law and safety permits.

The amended Articles can be reviewed in full at https://www.feetplc.co.uk/, in both a standard version and one highlighting the amendments proposed to be made as described in this notice. The amended Articles will also be available for inspection from the date of dispatch of this circular to the date of the Annual General Meeting at 33 Cavendish Square, London W1G 0PW in compliance with the state of UK COVID-19 restrictions in place at that time.

Recommendation

The Board considers that the resolutions relating to the above items of special business are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming Annual General Meeting, as the Directors intend to do in respect of their own beneficial holdings totalling 126,996 shares.

Further Information

Directors

Martin Bralsford, *(Chairman)*
Rachel de Gruchy
David Potter *(Chairman of the Management Engagement Committee and Senior Independent Director)*
John Spencer *(Chairman of the Audit Committee)*

The Chairman can be contacted by writing to The Company Secretary or by email: FEETchairman@fundsmith.co.uk. The Senior Independent Director can be contacted by emailing FEETSID@fundsmith.co.uk

Registered Office

33 Cavendish Square
London W1G 0PW

Website

www.feetplc.co.uk

Company Registration Number

08756681 (Registered in England and Wales)

The Company is an investment company as defined under Section 833 of the Companies Act 2006.

The Company was incorporated in the United Kingdom on 31 October 2013 as FEEIT plc and is a company limited by shares

Investment Manager and AIFM

Fundsmith LLP
33 Cavendish Square
London W1G 0PW
Website: www.fundsmith.co.uk
Authorised and regulated by the Financial Conduct Authority.

Company Secretary

Frostrow Capital LLP
25 Southampton Buildings
London WC2A 1AL
Telephone: 0203 008 4910
E-Mail: info@frostrow.com
Website: www.frostrow.com
Authorised and regulated by the Financial Conduct Authority.

If you have an enquiry about the Company, please contact Frostrow Capital using the stated e-mail address.

Administrator

Northern Trust Global Services Limited
50 Bank Street
Canary Wharf
London E14 5NT

Depositary

Northern Trust Global Services SE
50 Bank Street
Canary Wharf
London E14 5NT

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Custodian and Banker

The Northern Trust Company
50 Bank Street
Canary Wharf
London E14 5NT

Independent Auditor

Deloitte LLP
Statutory Auditor
2 New Street Square
London EC4A 3B2

Registrar

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL
Telephone (in UK): +44(0) 371 664 0300†
Telephone (from overseas): +44 (0)371 664 0300
E-Mail: enquiries@linkgroup.co.uk
Website: www.linkgroup.eu

Please contact the Registrars if you have a query about a certificated holding in the Company's shares.

†Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable International rate. Lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday excluding public holidays in England and Wales.

Broker

Investec Bank plc
2 Gresham Street
London EC2V 7QP

Solicitors

Travers Smith LLP
10 Snow Hill
London EC1A 2AL

Identification Codes

Shares:	SEDOL:	BLSNND1
	ISIN:	GB00BLSNND18
	BLOOMBERG:	FEET LN
	EPIC:	FEET

Foreign Account Tax Companies Act (“FATCA”)

32RSE8.99999.SL.826

Legal Entity Identifier

2138003EL6XV8JYU8V55

Proposed Changes to the Investment Objective and Investment Policy

The new Investment Objective and Investment Policy, as proposed in resolution 15 on page 99 of this Annual Report, are set out below. Changes to the existing Investment Objective and Investment Policy are included in black-line.

Investment Objective

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 or to the broader social and/or economic development of those countries.

Investment Policy

The Company maintains a portfolio diversified by issuer concentration and the Company's portfolio will normally comprise ~~35~~25 to ~~55~~40 investments.

The Company complies with the following restrictions at the time each investment is made:

(i) not more than 5% of the Company's gross assets can be invested in shares issued by any single company. This limit rises to 10% in respect of up to 40% of gross assets;

(ii) not more than 40% of the Company's gross assets can be invested in shares issued by companies domiciled in any single jurisdiction. Where, as a result of investment performance, the total value of the companies in a particular jurisdiction exceeds 40% of gross assets, this restriction shall not apply to a portfolio rebalancing transaction (an investment funded from the proceeds of a disposal of shares in a company domiciled in the same jurisdiction, executed at the same time);

(iii) not more than 20% 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% 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 5% in the shares of each of four group member companies, or 10% in two of them (if applying the 40% limit);

(v) the Company's holdings in any combination of shares or deposits issued by a single company or fund must not exceed 20% 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% 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% 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.

*See Fundsmith's Investment Philosophy beginning on page 27 for further information

Disability Act

Copies of this annual report and other documents issued by the Company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, including braille, audio tape or larger type as appropriate. You can contact the Registrar to the Company, Link Registrars, which has installed telephones to allow speech and hearing impaired people who have their own telephone to contact them directly, without the need for an intermediate operator, for this service please call 0800 731 1888. Specially trained operators are available during normal business hours to answer queries via this service. Alternatively, if you prefer to go through a 'typetalk' operator (provided by RNID) you should dial 18001 from your textphone followed by the number you wish to dial.

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