

Half Year Report

for the six months ended 30 June 2018

Fundsmith Emerging Equities Trust plc



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Financial Calendar

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

Company Summary

The Company

The Company is an investment trust and its shares are premium listed on 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 liabilities as at 30 June 2018 were £320.9 million (30 June 2017: £278.7 million) and the market capitalisation was £323.1 million (30 June 2017: £284.1 million).

Management

The Company employs Fundsmith LLP (“Fundsmith”) as Investment Manager and Alternative Investment Fund Manager (“AIFM”).

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

Capital Structure

As at 30 June 2018 the Company had in issue 25,950,056 Ordinary Shares of 1p each (30 June 2017: 24,562,556 and 31 December 2017: 24,662,556).

Since 30 June 2018 the Company has issued a further 205,000 shares.

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 drawdown of such borrowings. The Company is not currently geared.

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.



Performance Summary

	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017
NAV per share	1236.7p	1134.5p	1,259.7p
Share price	1245.0p	1156.5p	1,314.0p
Premium	+0.7%	+1.9%	+4.3%
Ongoing Charges	1.6%	1.6%	1.7%

	Six months to 30 June 2018	Six months to 30 June 2017	Year ended 31 December 2017
NAV per share (total return)	-1.8%	+9.2%	+21.2%
Share price (total return)	-5.3%	+9.6%	+24.5%
Emerging Market Equities[†] (total return)	-4.5%	+12.6%	+25.3%

[†]MSCI Emerging and Frontier Markets Index, measured on a net sterling adjusted basis

This report contains terminology that may be unfamiliar to some readers. The Glossary on page 20 gives definitions for frequently used terms.

Introduction

I am pleased to report on your Company's activities in the six months to 30 June 2018 and on its financial position as at that date; now some four years since its launch. Your attention is drawn to the Investment Manager's Review later in this report on page 7.



Performance

During the first half of the year, the Company's net asset value ("NAV") per share decreased by 1.8% (2017: increased by 9.2%). The market value of the Company's Shares decreased by 5.3% over the period (2017: increased by 9.6%). At the period end, the shares stood at a 0.7% premium to the NAV per share.

Over the same period, the Company's benchmark, (the MSCI Emerging & Frontier Markets Index measured on a net sterling adjusted basis) fell by 4.5% (2017: rose by 12.6%). So, while the Company's share price slightly underperformed against the benchmark, its NAV per share outperformed. The factors underlying the Company's performance are given in the Investment Manager's Review, which points out the significant difference between its constituents and those within our own eligible investee company universe. As mentioned previously, this is not a good fit but is the best we can find at the moment.

The Board

The last Annual Report mentioned that the Board was addressing its membership and that there had been no new blood since the launch of the Company. I am delighted to welcome Rachel de Gruchy, who was appointed as a Director of the Company with effect from 1 June 2018. Rachel brings with her over thirty years of international investment and financial markets experience and she will stand for re-election at the next AGM in 2019 along with her Board colleagues.

I am also pleased to report that David Potter has taken up the role of Senior Independent Director.

Revenue and Dividends

The Company's principal objective is to continue to provide shareholder returns through capital growth rather than income and the Board's current policy is to pay only those dividends as required to maintain UK investment trust status. Consequently an interim dividend has not been declared by the Board.

Share Issuance

Continued demand for the Company's shares has led to the issue of a total of 1,287,500 new shares during the half-year, at an average price of £12.47 per share, raising £15.8 million (before expenses). This is in line with our policy of enlarging the Company's invested capital to the benefit of all shareholders, rather than seeing its shares rise to a material premium to NAV per share in the market. As at 30 June 2018 the Company had 25,950,056 shares of 1p each in issue (30 June 2017: 24,562,556). No shares are or have been held in treasury.

Since the end of the half-year, to 30 July 2018, a further 205,000 new shares have been issued raising approximately £2.6 million. As at 30 July 2018, the Company had 26,155,056 shares in issue.

At the Company's Annual General Meeting on 23 May 2018, the shareholder authority to issue further shares equal to 10% of the Company's issued share capital on a non-pre-emptive basis was renewed. To date, we have issued 12.1% being 305,000 shares under this authority.

The Company will continue to monitor the share price premium and will only issue new shares at a premium to the prevailing net asset value per share. Such share issuance is accretive to the net asset value per share, improves the liquidity of the Company's shares and controls the premium to net asset value at which the shares trade. In addition, operating costs are spread over a larger capital base, reducing the ongoing charges ratio.

Outlook

Developments within our eligible emerging markets are likely to result in continued volatility, as our Investment Manager explains in their report. However, the Board believes that the economies of the eligible countries in which your Company invests have growth prospects that far exceed more developed markets. Accordingly, our Investment Manager's fundamental approach and portfolio construction processes remain unchanged, focusing on long-established, well-managed companies with cash generative brands of consumer staple products. The Board continues to believe that these investments will deliver attractive returns for our shareholders in the long term.

Martin Bralsford

Chairman
31 July 2018

Investment Policy

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

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

- (i) not more than 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;
- (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.

Investment Manager's Review

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	Total Return 1.1.18 to 30.6.18 %	Inception* to 30.6.18 %
FEET NAV	-1.8	+24.3
FEET PRICE	-5.3	+24.5
Emerging and Frontier Equities ¹	-4.5	+43.4
UK Bonds ²	-0.4	+16.6
Cash ³	0.3	+2.1

*25 June 2014

¹ MSCI Emerging and Frontier Markets Index, measured on a net sterling adjusted basis (source: www.msci.com)

² Bloomberg/Barclays Bond Indices UK Govt 5-10 year (source: Bloomberg)

³ Three month £ LIBOR Interest Rate (source: Bloomberg)

During the first half of 2018, the Fundsmith Emerging Equities Trust plc ("FEET") generated a negative return both in terms of the Net Asset Value ("NAV") of the portfolio and its share price.

However, the FEET NAV outperformed the MSCI Emerging and Frontier Equities index during the six months to 30 June 2018. Emerging and Frontier markets suffered from a number of negative influences during the period, including rising US interest rates, increased Middle East tensions with the US withdrawal from the Iran nuclear deal, the related rise in the oil price – although this only adversely affects oil importers, and probably most importantly the threat of a US-China trade war.

It is not surprising to see FEET outperform in a period in which developing markets do poorly as the stocks we own are defensive in their exposure to basic consumer needs.

In terms of the contribution to performance for the six months ended 30 June 2018, the tables below show the top five contributors to and detractors from our performance.

Top Five Contributors	Contribution %	Of which currency %
Eastern Tobacco	1.38	0.13
Foshan Haitian Flavouring	1.19	0.01
Britannia Industries Ltd	1.01	-0.19
Vitasoy International Holdings	0.96	0.09
Godrej Consumer Products Ltd	0.61	-0.18

Top Five Detractors	Contribution %	Of which currency %
Hypera SA	-0.97	-0.32
Emami Ltd	-0.81	-0.14
Raia Drogasil SA	-0.62	-0.15
Ajanta Pharmaceutical Ltd	-0.61	-0.07
Vietnam Dairy Products JSC	-0.60	0.03

(source: SSGS Performance Services)

Brazilian drug company Hypera has been hit by an investigation into an alleged fraud by two managers which has led to the Chairman and CEO standing down, at least temporarily. We do not think the investigation represents an existential threat. In addition it, like Raia Drogasil the Brazilian pharmacy retailer, has been affected by a slowdown in drug sales in Brazil from recent heady levels.

Emami has been affected by its exposure to the informal retail sector in India post the implementation of the Goods and Services tax ("GST").

Ajanta Pharmaceutical, an Indian branded generic drug company, has been adversely affected by pricing pressure in the US generic drug sector and a slowdown in Indian drug sales and lower sales of anti-malarial drugs to institutional buyers in Africa.

In the case of Vietnam Dairy, the price reflects the announcement that the government of Vietnam intends to sell more of its stake.

The impact of currencies upon performance can be gauged by the following attribution:

Top 5 Currencies	Total return 1.1.18 to 30.6.18 %
Egypt	0.15
Hong Kong	0.09
Kenya	0.07
Nigeria	0.06
China	0.04

Bottom 5 Currencies	Total return 1.1.18 to 30.6.18 %
India	-1.77
Brazil	-0.47
South Africa	-0.35
Indonesia	-0.17
Philippines	-0.11

(Source: SSGS Performance Services)

The Indian rupee was the worst performing currency amongst our portfolio in the period as concerns rose about the economic effects of a rise in the oil price.

Total portfolio turnover for the first six months was 17.3%, but only 12.2% when adjusted for tap issues. During the period, we raised approximately £16 million through tap issues of shares all of which took place at a premium to NAV per share and these funds needed to be invested. If we exclude this element of turnover which was involuntary, on the 12.2% of portfolio turnover which we undertook voluntarily the dealing cost was £69,169 or 0.02% of FEET's NAV in the first half of 2018. This is much lower than in the past and closer to the level we would ideally like to achieve - zero. No doubt there will always be some event which causes us to deal but at least we have a goal.

Our outright sales and purchases during the period were:

Sales

KIMBERLEY-CLARK DE MEXICO

We sold the shares of the Kimberley-Clark subsidiary in Mexico as it was finding it hard to sustain the significant growth which is an essential part of our investment requirements.

AVI

The small stake we had started to build in AVI in South Africa in anticipation of them selling their fisheries business was sold when this failed to materialise.

FAMOUS BRANDS

Our holding in this South African based fast food and casual dining business was sold when it developed one of the afflictions to which some developing world companies are prone. It bought Gourmet Burger Kitchen, a UK based burger business which promptly began making losses. As Peter, Paul and Mary sang in the chorus of the song Where Have All The Flowers Gone- "When will they ever learn?"

BIOTOSCANA

We sold our stake in this LatAm drug delivery business which has performed badly since IPO.

3M INDIA

We were unable to acquire a meaningful stake in 3M India due to poor liquidity and so sold our small holding.

SPUR

We sold our stake in Spur, another South African based fast food and casual dining business.

Purchases

3M INDIA

We began purchasing this but were unable to acquire a normal size holding.

BIM

We took advantage of the weakness in the Turkish lira (well at least we hope we did) to repurchase a stake in this Turkish hard discount retailer.

There are clearly far more names than would be suggested by 12.2% turnover because, in some cases, the holdings were quite small which was one reason for their sale, as we maintain a limit on the number of positions, a sub scale holding that we cannot increase occupies a potentially valuable position in our portfolio.

At 30 June we were on the eve of “lapping” the implementation of the new Indian GST came into force. This time last year we said that there is plenty to worry about with this development and that it would be reasonable to expect disruption which will affect our Indian companies. We have certainly been right about that element of our predictions on GST. We now wait to see whether we will be proven correct in our view that the implementation of GST would prove to be a major step on the way to making India one national market, at least from a tax perspective, for the first time and so will become another plank in the economic transformation of what seems destined to become the world’s largest country by population and which has just overtaken France to become the sixth largest economy in the world.

At 30 June, India represented over 41% of our portfolio by value, the limit of 40% having been exceeded by the performance of our stocks. We cannot buy any more Indian stocks as a result unless either the value of our non-Indian holdings rise sufficiently or we raise more cash.

Terry Smith

Fundsmith LLP

Investment Manager

31 July 2018

Principal Risks and Uncertainties

A review of the half year and the outlook for the Company can be found in the Chairman's Statement and in the Investment Manager's Review. The principal risks and uncertainties faced by the Company remain unchanged and fall into the following broad categories: investment activity and strategy; accounting, legal and regulatory; corporate governance and shareholder relations; operational and financial. Information on the risks relating to the Company is given in the Company's prospectus dated 31 August 2016 and the annual report for the year ended 31 December 2017.

Related Party Transactions

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or the performance of the Company.

Going Concern

The Directors believe, having considered the Company's investment objective, risk management policies, capital management policies and procedures, and the nature of the portfolio and the expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

Directors' Responsibilities

The Board of Directors confirms that, to the best of its knowledge:

- (i) the condensed set of financial statements contained within the half year report has been prepared in accordance with the applicable International Accounting Standards (IAS) 34; and
- (ii) the interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the UK Listing Authority Disclosure and Transparency Rules.

In order to provide these confirmations, and in preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;

and the Directors confirm that they have done so.

On behalf of the Board of Directors

Martin Bralsford

Chairman

31 July 2018

Investment Portfolio

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Investments held as at 30 June 2018

Security	Country of incorporation	Fair value £'000	% of investments
Eastern Tobacco	Egypt	16,072	5.0
Britannia Industries Ltd	India	15,648	4.9
Vitasoy International Holdings Ltd	Hong Kong	14,559	4.6
Foshan Haitian Flavouring	China	13,388	4.2
Godrej Consumer Products Ltd	India	12,980	4.1
Travelsky Technology Ltd	China	12,305	3.8
Marico Ltd	India	10,857	3.4
Philippine Seven Corp	Philippines	10,066	3.1
Asian Paints Ltd	India	9,679	3.0
Hindustan Unilever Ltd	India	9,562	3.0
Top 10 Investments		125,116	39.1
Vietnam Dairy Products JSC	Vietnam	9,407	2.9
Dabur India Ltd	India	8,621	2.7
Emami Ltd	India	8,446	2.6
Nestlé India Ltd	India	8,424	2.6
Colgate Palmolive (India) Ltd	India	8,079	2.5
Hypera SA	Brazil	7,717	2.4
Dali Foods Group Co Ltd	China	7,505	2.3
Eris Lifesciences Ltd	India	7,045	2.2
Walmart De Mexico SAB de CV	Mexico	7,019	2.2
Havells India Ltd	India	7,006	2.2
Top 20 Investments		204,385	63.7
Nestlé Nigeria Plc	Nigeria	6,760	2.1
Procter + Gamble Hygiene	India	6,716	2.1
Integrated Diagnostics Holdings Plc	Jersey ¹	6,587	2.1
DP Eurasia NV	Netherlands ²	6,261	2.0
Mr Price Group Ltd	South Africa	6,160	1.9
Ceylon Tobacco Co Plc	Sri Lanka	5,808	1.8
Thyrocare Technologies Ltd	India	5,598	1.8
PT Unilever Indonesia Tbk	Indonesia	5,402	1.7
Eicher Motors Ltd	India	5,010	1.6
British American Tobacco	Bangladesh	4,849	1.5
Top 30 Investments		263,536	82.3

1 Principal place of business Egypt

2 Principal place of business Turkey

Investments held as at 30 June 2018 – continued

Security	Country of incorporation	Fair value £'000	% of investments
Dr Lal Pathlabs Ltd	India	4,820	1.5
East African Breweries Ltd	Kenya	4,604	1.4
PT HM Sampoerna Tbk	Indonesia	4,209	1.3
Bim Birlesik Magazalar AS	Turkey	4,020	1.3
Raia Drogasil SA	Brazil	3,988	1.3
Clicks Group Ltd	South Africa	3,946	1.2
Nestlé Pakistan Ltd	Pakistan	3,735	1.2
Tiger Brands Ltd	South Africa	3,331	1.0
Ajanta Pharmaceutical Ltd	India	3,285	1.0
Edita Food Industries Reg	Egypt	3,243	1.0
Top 40 Investments		302,717	94.5
Olympic Industries Ltd	Bangladesh	2,940	0.9
PT Prodia Widyahusada Tbk	Indonesia	2,852	0.9
PT Matahari Department Store Tbk	Indonesia	2,774	0.9
Fan Milk Ltd	Ghana	2,446	0.8
Mercadolibre Inc	Argentina	2,413	0.8
Nigerian Breweries Plc	Nigeria	2,231	0.7
Guinness Nigeria Plc	Nigeria	1,383	0.4
Edita Food Industries SAE	Egypt	353	0.1
Total Investments		320,109	100.0

Income Statement (Unaudited)

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For the six months ended 30 June 2018

	Notes	(Unaudited) Six months ended 30 June 2018			(Unaudited) Six months ended 30 June 2017			(Audited) Year ended 31 December 2017		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Dividend income	4	3,789	–	3,789	3,257	–	3,257	5,989	–	5,989
Other operating income		–	–	–	–	–	–	–	–	–
Gains/(losses) on investments		3,789	–	3,789	3,257	–	3,257	5,989	–	5,989
(Losses)/gains on investments held through profit and loss	3	–	(7,061)	(7,061)	–	21,949	21,949	–	53,350	53,350
(Losses)/gains on foreign exchange transactions		(6)	30	24	(16)	(371)	(387)	(34)	(479)	(513)
Management fees		(1,938)	–	(1,938)	(1,606)	–	(1,606)	(3,409)	–	(3,409)
Other expenses including dealing costs		(759)	652	(107)	(509)	(398)	(907)	(1,183)	(930)	(2,113)
Profit/(loss) before finance costs and tax		1,086	(6,379)	(5,293)	1,126	21,180	22,306	1,363	51,941	53,304
Finance costs		–	–	–	–	–	–	–	–	–
Profit/(loss) before tax		1,086	(6,379)	(5,293)	1,126	21,180	22,306	1,363	51,941	53,304
Tax		(348)	–	(348)	(218)	–	(218)	(368)	–	(368)
Profit/(loss) for the period/year		738	(6,379)	(5,641)	908	21,180	22,088	995	51,941	52,936
Earnings/(loss) per share (basic and diluted) (p)		2.90	(25.06)	(22.16)	3.85	89.88	93.73	4.12	215.37	219.49

The “Total” column of this statement is the Income Statement of the Company. The “Revenue” and “Capital” columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations and the net return after taxation is attributable to the owners of the Company.

The Company has no recognised gains and losses other than those shown above and therefore no Statement of Total Comprehensive Income has been presented.

Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2018

	Share Capital £'000	Share Premium £'000	Capital* Reserve £'000	Revenue Reserve £'000	Total £'000
Balance at 1 January 2018	246	57,159	253,380	(112)	310,673
(Loss)/profit for the period	–	–	(6,379)	738	(5,641)
	246	57,159	247,001	626	305,032
Issue of Ordinary Share Capital	14	15,878	–	–	15,892
Balance at 30 June 2018	260	73,037	247,001	626	320,924

For the six months ended 30 June 2017

	Share Capital £'000	Share Premium £'000	Capital* Reserve £'000	Revenue Reserve £'000	Total £'000
Balance at 1 January 2017	229	38,022	201,439	(1,107)	238,583
Profit for the period	–	–	21,180	908	22,088
	229	38,022	222,619	(199)	260,671
Issue of Ordinary Share Capital	16	17,985	–	–	18,001
Balance at 30 June 2017	245	56,007	222,619	(199)	278,672

* Capital Reserve is considered distributable.

Statement of Financial Position (Unaudited)

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As at 30 June 2018

	(Unaudited) 30 June 2018 £'000	(Unaudited) 30 June 2017 £'000	(Audited) 31 December 2017 £'000
Non-Current Assets			
Investments held at fair value through profit and loss	320,109	273,432	306,646
	320,109	273,432	306,646
Current Assets			
Receivables	349	694	331
Cash and cash equivalents	1,920	5,907	5,318
	2,269	6,601	5,649
Total assets	322,378	280,033	312,295
Current Liabilities			
Trade and other payables	(1,454)	(1,361)	(1,622)
	(1,454)	(1,361)	(1,622)
Total assets less current liabilities	320,924	278,672	310,673
Equity Attributable to Equity Shareholders			
Ordinary share capital	260	245	246
Share premium	73,037	56,007	57,159
Capital reserves	247,001	222,619	253,380
Revenue reserve	626	(199)	(112)
Total equity	320,924	278,672	310,673
Net asset value per share (p)	1,236.7	1,134.5	1,259.7

Statement of Cash Flows (Unaudited)

For the six months ended 30 June 2018

	(Unaudited) Six months ended 30 June 2018 £'000	(Unaudited) Six months ended 30 June 2017 £'000	(Audited) Year ended 31 December 2017 £'000
Cash Flows from Operating Activities			
(Loss)/profit for the period/year	(5,641)	22,088	52,936
Adjustments for:			
Losses/(gains) on investments	7,061	(21,949)	(53,350)
Sale of investments ^[a]	16,626	14,940	44,854
Purchases of investments ^[a]	(37,150)	(35,585)	(67,312)
(Increase)/decrease in receivables	(18)	1,407	1,770
(Decrease)/increase in payables	(168)	483	744
Net Cash Flow from Operating Activities	(19,290)	(18,616)	(20,358)
Cash Flows from Financing Activities			
Proceeds from issue of new shares	15,972	18,091	19,250
Issue costs relating to new shares	(80)	(90)	(96)
Net Cash Flow from Financing Activities	15,892	18,001	19,154
Net Decrease in Cash and Cash Equivalents	(3,398)	(615)	(1,204)
Cash and Cash Equivalents at start of the period/year	5,318	6,522	6,522
Cash and Cash Equivalents at end of the period/year	1,920	5,907	5,318

^[a] Receipts from the sale of, and payments to acquire, investment securities have been classified as components of cash flows from operating activities because they form part of the Company's dealing operations.

1. General Information

Fundsmith Emerging Equities Trust plc is a company incorporated on 31 October 2013 in the United Kingdom under the Companies Act 2006.

Principal Activity

The principal activity of the Company is that of an investment company within the meaning of Section 833 of the Companies Act 2006.

The Company commenced activities on admission to the London Stock Exchange on 25 June 2014.

2. Significant Accounting Policies

- A Basis of preparation – 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 applicable International Financial Reporting Standards as adopted by the EU (IFRS) 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 February 2018). They have also been prepared on the assumption that approval as an investment trust will continue to be granted. 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.
- B 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.
- C Interest receivable and payable, management fees, and other expenses are treated on an accruals basis.
- D The management fee is recognised as a revenue item in the income statement. All other expenses are charged to revenue except where they directly relate to the acquisition or disposal of an investment, in which case, they are added to the cost of the investment or deducted from the sale proceeds.
- E Investments – investments have been designated upon initial recognition as 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 income statement and are ultimately recognised in the capital reserve.
- F Transaction costs incurred on the purchase and disposal of investments are recognised as a capital item in the income statements.

- G Monetary assets and liabilities expressed 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.
- H 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. Other debtors and creditors (excluding borrowings) do not carry any interest, are short-term in nature and are accordingly stated at nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.
- I Equity dividends payable to shareholders are recognised when the shareholders right to receive them is established.
- J Capital reserve – gains or losses on realisation of investments and changes in fair values of investments are transferred to the capital reserve. Any changes in fair values of investments that are not readily convertible to cash are treated as unrealised gains or losses within the capital reserve.
- 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.
- L Deferred taxation – 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 accounts 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.
- M Issue costs – these have been offset against the proceeds of share issues and dealt with in the share premium account.

3. Gains/(losses) on Investments

	(Unaudited) Six months ended 30 June 2018 £'000	(Unaudited) Six months ended 30 June 2017 £'000	(Audited) Year ended 31 December 2017 £'000
(Losses)/gains on investments			
(Loss)/gain on sales of investments	(4,796)	1,202	(745)
Investment holding unrealised (loss)/gain	(2,265)	20,747	54,095
	(7,061)	21,949	53,350

4. Income

	(Unaudited) Six months ended 30 June 2018 £'000	(Unaudited) Six months ended 30 June 2017 £'000	(Audited) Year ended 31 December 2017 £'000
Overseas dividends	3,789	3,257	5,989
	3,789	3,257	5,989

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 (“AIFM”) 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.

Developing Economy or Emerging Market

Any country other than those listed in the MSCI World Index (the countries listed in the MSCI World Index as at the date of this Half-Year Report being Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the UK and the US).

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 share price from the net asset value 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

The AIFM Directive (the “Directive”) has introduced the obligation on the Company and its AIFM in relation to leverage as defined by the Directive. The Directive leverage definition is slightly different to the Association of Investment Companies method of calculating gearing and is as follows; any method by which the AIFM increases the exposure of an AIF it manages whether through borrowing of cash or securities, or leverage embedded in derivative positions.

There are two methods for calculating leverage under the Directive – the Gross Method and the Commitment Method. The process for calculating exposure under each methodology is largely the same, except where certain conditions are met, the Commitment Method enables instruments to be netted off to reflect ‘netting’ or ‘hedging’ arrangements and entity exposure is effectively reduced.

The Board has set the leverage limit for both the Gross basis and the Commitment basis at 115%. These limits are monitored by both the Board and the AIFM.

Net Asset Value (NAV)

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’. 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.

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/
Alliance Trust Savings	http://www.alliancetrustsavings.co.uk/
Barclays Stockbrokers	https://www.smartinvestor.barclays.co.uk/
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://investments.hsbc.co.uk/
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	https://www.selftrade.co.uk/
The Share Centre	https://www.share.com/
Saxo Capital Markets	http://www.home.saxo/en-gb/

Link Asset Services – Share Dealing Service

A quick and easy share dealing service is available to existing shareholders through the Company's Registrar, Link Asset Services, 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 dividend voucher or 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 stockmarkets 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 stockmarket, 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, all 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.

Company 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)*

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.

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 PLC
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Canary Wharf
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Depository

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

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

Registrars

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone (in UK): 0871 664 0300†
Telephone (from overseas): +44 (0)371 664 0300
E-Mail: enquiries@linkgroup.co.uk
Website: www.linkassetservices.com

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

†calls cost 12p per minute plus your phone company's access charge and may be recorded for training purposes. 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.

Brokers

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


The logo for the Association of Investment Companies (aic) consists of the lowercase letters 'aic' in a bold, sans-serif font.

The Association of
Investment Companies

A member of the Association of Investment Companies

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