Fundsmith
Emerging Equities Trust

Annual Report

for the year ended 31 December 2021

Fundsmith Emerging Equities Trust plc

Fundsmith Emerging Equities Trust plc Annual Report for the year ended 31 December 2021

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

*See Fundsmith's Investment Philosophy beginning on page 29 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 total liabilities as at 31 December 2021 were £397.7 million (2020: £388.5 million) and the market capitalisation was £358.8 million (2020: £376.5 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 32.

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

Website

www.feetplc.co.uk

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 85.

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.

PREMIUM MAIN MARKET
LONDON STOCK EXCHANGE

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

Financial Highlights

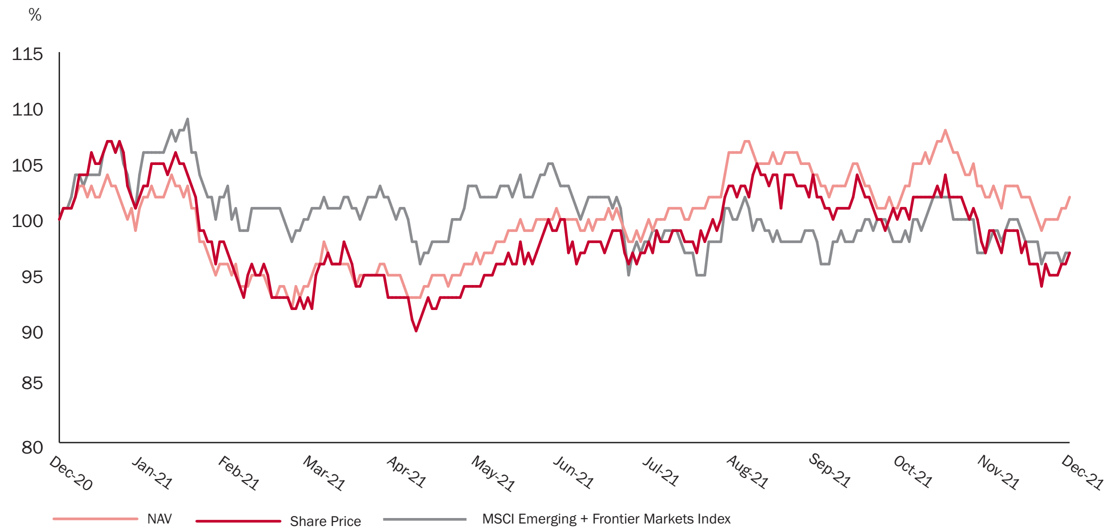
Performance Summary

	As at 31 December 2021	As at 31 December 2020
Net asset value per share - basic	**1,512.9p**	**1,460.2p**
Net asset value per share - diluted	**1,510.9p**	**1,460.1p**
Share price	**1,365.0p**	**1,415.0p**
Discount of the share price to the net asset value per share*	**9.8%**	**3.1%**
Ongoing charges ratio*	**1.3%**	**1.3%**

	For the year ended 31 December 2021	For the year ended 31 December 2020
Net asset value per share (total return)*	**+3.8%**	**+20.7%**
Share price (total return)*	**-3.4%**	**+29.1%**
Index (total return)[1]	**-1.4%**	**+14.4%**

*Alternative Performance Measure (see Glossary beginning on page 96)
[1]MSCI Emerging and Frontier Markets Index (measured on a net total return, sterling adjusted basis)
Please refer to the Glossary beginning on page 96 for definitions of these terms and the basis of their calculation.

Performance over one year



Source: MSCI/Bloomberg
Figures rebased to 100 as at 31 December 2020

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*
2016	**238,583**	**1,039.0p**	**1,055.5p**	**1.6%**	**N/A**	**1.7%**
2017	**310,673**	**1,259.7p**	**1,314.0p**	**4.3%**	**N/A**	**1.7%**
2018	**322,486**	**1,222.0p**	**1,190.0p**	**(2.6)%**	**2.0p**	**1.5%**
2019	**323,143**	**1,213.0p**	**1,100.0p**	**(9.3)%**	**3.2p**	**1.4%**
2020	**388,468**	**1,460.2p**	**1,415.0p**	**(3.1)%**	**2.0p**	**1.3%**
2021	**397,720**	**1,512.9p**	**1,365.0p**	**(9.8)%**	**N/A**	**1.3%**

*Alternative Performance Measure (see Glossary beginning on page 96)

Chairman's Statement

Introduction

This is our eighth Annual Report which covers the year ended 31 December 2021 and also the Company's seventh full year.

Performance

Following both strong absolute and relative performance in 2020, I am pleased to report that the Company's net asset value (NAV) per share has again significantly outperformed our benchmark during the Year under review. The Company's NAV per share total return* for the Year was +3.8% (2020: +20.7%) compared to a fall of 1.4% in the Emerging and Frontier Markets Index, measured on a net total return, sterling adjusted basis, (2020: +14.4%). The Company's share price total return* over the Year, however, fared less well, being -3.4%(2020: +29.1%), and as a consequence a widening in the discount of the Company's share price to the NAV per share at end of the Year to 9.8% (2020: 3.1%). While recent NAV per share performance has been strong, the compound annual return of 5.8% since inception continues to remain below our aspiration over the longer term.

* Alternative Performance Measure (see Glossary beginning on page 96)

The portfolio benefitted from its high weighting to India, despite currency weakness, with the top five contributors to performance all coming from the sub-continent. In addition, the underweight exposure to China also helped relative performance as 2021 saw a number of the concerns that our Investment Manager has about investing in China, including overseas listings, regulation, slower rates of economic growth and State interference, come to the fore.

As a result of the increased scope of the Company's Investment Objective, as approved by shareholders at last year's Annual General Meeting, the Year has seen some significant changes in the composition of the portfolio.

Our Investment Manager's focus continues to be buying good quality companies which have the ability to invest in their businesses at attractive rates of return and as such those businesses in which they invest will typically have no debt or only a conservative level of financial leverage.

A comprehensive analysis by our Investment Manager of the performance of the Company's portfolio during the Year, amplifying on this Statement, begins on page 12.

Capital Structure

I mentioned in my Statement last year, that the Board continues to believe that the Company's shares should 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 continues to monitor the position very closely and, as part of the Board's discount management strategy, the Company repurchased a total of 316,089 shares during the Year to be held in treasury at a total cost of £4.5m. The Board and its advisers will continue to monitor the discount closely and the Company will make further purchases of shares if the Board deems it to be appropriate. No shares were issued during the Year either from treasury or through the allotment of new shares.

As at 31 December 2021, the Company had 26,288,283 shares of 1p each in issue excluding 351,773 shares held in treasury (2020: 26,604,372 – excluding 35,684 shares held in treasury).

At the last Annual General Meeting in May 2021, 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 (see page 71 for further information). However, due to a reduction in the portfolio's yield, it is below the threshold that requires the Company to pay a dividend. Shareholders will be aware that 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. The Board therefore does not recommend the payment of a final dividend to shareholders this year (2020: a final dividend of 2.0p per share was paid). 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 Composition

The Board continues to be conscious of the need to refresh its own membership over the medium term. Professor Heather McGregor, CBE, joined the Board at the conclusion of last year's Annual General Meeting and she has already begun to make a valuable contribution to the Board and its Committee deliberations.

David Potter, John Spencer and I all joined the Board at the Company's inception in 2014 and the Board has given much thought as to how an orderly refreshment and succession process will work. After discussion and extensive consultation with advisers by Rachel de Gruchy and Professor Heather McGregor, it has been agreed that David Potter, who serves as the Company's Senior Independent Director and Chairman of the Management Engagement Committee, will retire at the conclusion of this year's Annual General Meeting and so will not stand for re-election. As a Director in the early life of the Company, David played a significant role in establishing its foundations and he has made an active and purposeful contribution during his time on the Board. His strong personality and his creative, challenging and fair-minded approach will be greatly missed by his fellow Directors. We have all much enjoyed working with him and wish him all the best for the future. John Spencer will succeed David as the Senior Independent Director and Rachel de Gruchy will become Chair of the Management Engagement Committee.

John Spencer will retire at the conclusion of the 2023 Annual General Meeting and I will retire the year after that. Heather McGregor will take over as Chair of the Audit Committee following John's retirement.

The Board will keep shareholders informed of its progress to recruit new Directors. The Board considers that four Directors is appropriate for the size of this Company, although this number may increase on a temporary basis as part of an orderly refreshment and succession process.

In accordance with the Board's policy and the AIC Code of Corporate Governance, all current Directors, with the exception of David Potter, will be standing for election or 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 beginning on page 107.

Continuation Vote

As I mentioned in my Statement last year, the Company's constitutional documents require that the Directors should consider calling 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 NAV per share in a relevant year. The Board has kept this under close review and, as the Company's shares traded at an average discount of 6.6% during the Year, it believes that such a vote should not be put before shareholders this year. The Board will continue to keep this under close review on an annual basis.

Environmental, Social and Governance (ESG)

Our Investment Manager continues to consider 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 the reporting of non-financial data pertaining to ESG and also climate change in emerging markets. As long-term investors, they consider this a fundamental part of how they assess the long-term sustainability of a company's returns in their investment process. As part of this, they engage with companies on a regular basis on areas that it can add value and they also vote all available proxies to promote the sustainability of long-term returns. Please refer to the Investment Manager's Review on pages 12 to 28 for more information on both ESG and climate change.

The Board believes that companies that address ESG issues and adopt sustainable business practices are better placed to generate sustainable strong performance and create enduring value for shareholders. Further details regarding the Company's approach to ESG and climate change can be found in the Business Review on page 37.

Outlook

Since the start of this Year the world's stock markets have experienced significant falls, with major indices showing falls of more than 10% with heightened levels of volatility. Emerging markets funds generally have suffered even sharper declines in value and the Company is not immune. The Company's NAV has fallen by over 15% compared with the NAV at the Year end, and the share price has fallen by over 20%.

At the Year end, the Company's shares traded at a discount to the NAV per share of just under 10%, and since the start of the Year the discount has widened to over 15%. The Board will continue to monitor the situation closely and in the event that the discount persists at this level, the Board will take appropriate action if it believes that this will reduce the discount for a sustained period.

Political risk continues to be a significant issue for developing markets and this is an area that our Investment Manager keeps under close review.

The first 10 weeks of 2022 have clearly been very challenging for investors, but our Investment Manager and the Board encourage shareholders to take a long-term perspective on their investment.

The level of uncertainty in the world has increased. We continue to remain cautiously optimistic, however, on the longer-term outlook for emerging markets from this new lower level, following the invasion of Ukraine on 24 February 2022, 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 12.30 p.m. on Wednesday, 25 May 2022 at Barber-Surgeons' Hall, Monkwell Square, London EC2Y 5BL.

It will be good to be able to meet again with shareholders in person after the imposed restrictions of the last two years. The AGM will provide an opportunity for shareholders to meet the Directors and to receive a presentation from our Investment Manager. We hope as many shareholders as possible will attend. I look forward to meeting you at that time, together with my Board colleagues. If any shareholders are unable to attend or wish to raise a matter with the Board, please contact me at FEETchairman@fundsmith.co.uk or through the Company Secretary at info@frostrow.com. An edited video of the Investment Manager's presentation will be made available on the Company's website (www.feetplc.co.uk) shortly after the event.

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.

Martin Bralsford
Chairman
16 March 2022

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 25 to 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 29 for further information

Investment Portfolio

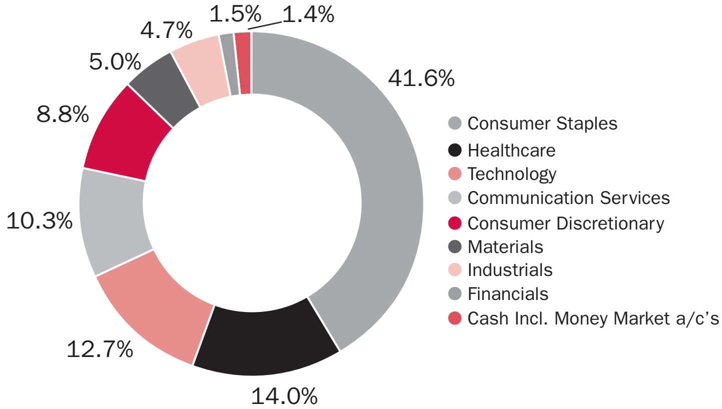
Investments held as at 31 December 2021

Security	Country of incorporation	Fair value £'000	% of investments
MercadoLibre Inc	USA[1]	24,114	6.0
Foshan Haitian Flavouring	China	21,874	5.5
Asian Paints Ltd	India	21,105	5.3
Havells India Ltd	India	20,046	5.0
Info Edge (India) Ltd	India	18,513	4.6
Avenue Supermarts	India	18,403	4.6
Nestlé India Ltd	India	15,175	3.8
Marico Ltd	India	13,243	3.3
Tata Consultancy Services	India	13,079	3.3
Tencent Holdings	Cayman Islands[2]	12,669	3.2
Top 10 Investments		**178,221**	**44.6**
Taiwan Semiconductor Manufacturing	Taiwan	12,588	3.1
WNS Holdings Ltd	Jersey[3]	12,582	3.1
Genpact	Bermuda[4]	12,422	3.1
Hindustan Unilever Ltd	India	12,392	3.1
Metropolis Healthcare Ltd	India	11,852	3.0
Dr Lal Pathlabs Ltd	India	11,140	2.8
Godrej Consumer Products Ltd	India	11,025	2.8
NetEase Inc	Cayman Islands[2]	10,915	2.7
Integrated Diagnostics Holdings Plc	Jersey[5]	10,095	2.5
Walmart De Mexico SAB de CV	Mexico	9,546	2.4
Top 20 Investments		**292,778**	**73.2**
Vitasoy International Holdings Ltd	Hong Kong	8,955	2.2
Vietnam Dairy Products JSC	Vietnam	8,241	2.1
Clicks Group Ltd	South Africa	7,705	1.9
Dabur India Ltd	India	7,308	1.8
British American Tobacco	Bangladesh	7,093	1.8
Philippine Seven Corp	Philippines	6,832	1.7
Thyrocare Technologies Ltd	India	6,655	1.7
Hypera SA	Brazil	6,532	1.6
Eastern Company S.A.E	Egypt	6,452	1.6
Eris Lifesciences Ltd	India	5,944	1.5
Top 30 Investments		**364,495**	**91.1**
Nestlé Nigeria Plc	Nigeria	5,693	1.4
PB Fintech Ltd	India	5,596	1.4
Procter + Gamble Hygiene	India	5,560	1.4
XP Inc	Brazil	5,376	1.3
Medlive Technology Ltd	China	5,365	1.3
DP Eurasia NV	Netherlands[6]	5,292	1.2
Yihai International Holdings	Cayman Islands[2]	2,520	0.5
Ceylon Tobacco Co Plc	Sri Lanka	2,038	0.4
Total Investments (38)		**401,935**	**100.0**

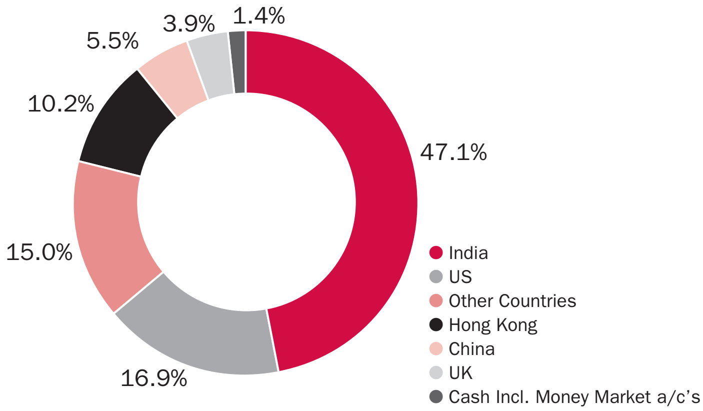
[1] Principal place of business Brazil [2] Principal place of business China [3] Principal place of business India
[4] Principal place of business USA [5] Principal place of business Egypt [6] Principal place of business Turkey

Portfolio Distribution
as at 31 December 2021

By Sector (based on net asset value GICS® Categories)

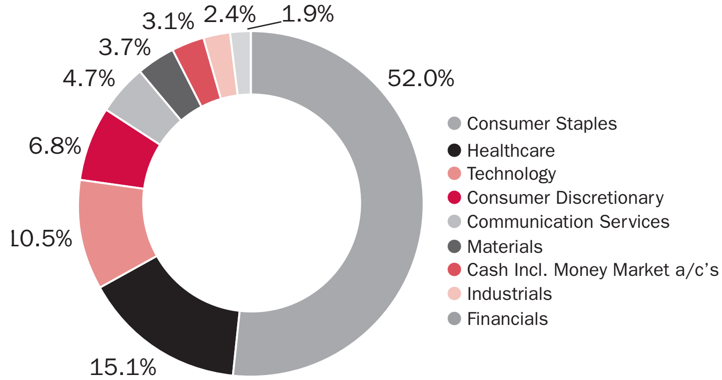


By Geography (by Country of Listing)

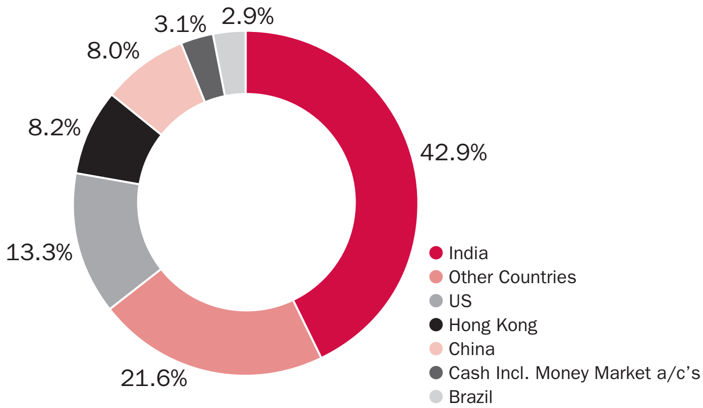


as at 31 December 2020

By Sector (based on net asset value GICS® Categories)



By Geography (by Country of Listing)



Top Purchases and Sales in 2021

Top Purchases			Top Sales		
	Security	**Country of incorporation**		**Security**	**Country of incorporation**
1	Tata Consultancy Services	India	1	Metropolis Healthcare Ltd	India
2	NetEase Inc	Cayman Islands	2	Britannia Industries Ltd	India
3	Genpact	Bermuda	3	MercadoLibre Inc	USA
4	WNS Holdings Ltd	Jersey	4	Dali Foods Group Co Ltd	Cayman Islands
5	Yihai International Holdings	Cayman Islands	5	Dr Lal Pathlabs Ltd	India
6	Tencent Holdings	Cayman Islands	6	Eris Lifesciences Ltd	India
7	PB Fintech Ltd	India	7	BIM Birlesik Magazalar AS	Turkey
8	Medlive Technology Ltd	China	8	East African Breweries Ltd	Kenya
9	Taiwan Semiconductor Manufacturing	Taiwan	9	PT Prodia Widyahusada Tbk	Indonesia
			10	Procter + Gamble Hygiene	India

The Fundsmith Emerging Equities Trust had a positive 2021 in terms of both absolute and relative performance.

Total return	1 January – 31 December 2021 %
FEET Net Asset Value Per Share	+3.8
FEET Share Price	-3.4
MSCI Emerging and Frontier Markets Index	-1.4

Source: MSCI, Bloomberg

The net asset value (NAV) per share increase of 3.8% compared to a decline in the MSCI Emerging & Frontier Markets Index (MSCI Index) of 1.4%. The share price declined over the course of the year because of the discount increasing in the latter stages of the year. Since launch to the end of 2021, the Company has (after fees) produced a cumulative NAV per share return of 52.9%, or a return of 5.8% on an annualised basis.

2021 was a year where markets were impacted by the ongoing global pandemic, increased talk of an end of quantitative easing measures and, in the case of emerging markets, increased regulatory activity in a number of sectors of China's economy. The impact of these, and how the portfolio was positioned to deal with them, will be discussed later.

As with the prior year (2020), the Company comfortably outperformed its index, with its NAV per share rising and the index declining marginally, leading to outperformance of c.520bps, down slightly on the outperformance of c.630bps recorded in 2020.

Performance in more detail can be seen below;

	%									
	2021	2020	2019	2018	2017	2016	2015	2014*	Since inception	Annualised
FEET NAV[1]	+3.8	+20.7	-0.5	-3.0	+21.2	+12.0	-7.0	+0.1	+52.9	+5.8
FEET Share price[2]	-3.4	+29.1	-7.4	-9.4	+24.5	+10.5	-10.9	+7.2	+37.4	+4.3
Emerging Markets[3]	-1.4	+14.4	+13.9	-9.3	+25.3	+32.4	-10.0	+0.5	+74.8	+7.7
UK Bonds[4]	-4.5	+4.6	+3.8	+1.2	+1.4	+6.5	+1.0	+7.4	+23.0	+2.8
UK Cash[5]	+0.1	+0.3	+0.8	+0.7	+0.4	+0.5	+0.6	+0.3	+3.7	+0.5

[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 consistently stated since the inception of the Company, the composition of the index is very different to our portfolio. This of course makes the Company's relative performance against that of the index subject to the impact of ETF fund flows. In 2019, net inflows into ETF funds into emerging markets were almost US$14bn. In 2020, emerging markets experienced net outflows of

$1.9bn, with US$11.5bn of outflows from ETFs and US$9.6bn of inflows in active funds.

The largest constituents of the index are shown below;

Top 10 MSCI E+FM Index constituents (at 31.12.2021)	Weight %	ROCE[1] (%)
Taiwan Semiconductor Manufacturing	6.9	26
Tencent	4.2	13
Samsung Electronics	4.0	14
Alibaba	2.9	7
Meituan Dianping	1.5	-14
Reliance Industries	1.1	7
Infosys	1.1	34
China Construction Bank	0.8	5
Mediatek	0.8	22
JD.com	0.8	2
Total Average	24	12

Source: MSCI
[1] See Glossary beginning on page 96.

At the end of 2021 the top ten constituents accounted for 24% of the index, and are thus ongoing beneficiaries of any sustained ETF fund flows. The average return on capital employed (ROCE) of these 10 companies is 12%. In the Company's portfolio, the top ten holdings accounted for 45% and had an average ROCE of 37%.

Top 10 Portfolio Holdings	Weight (%)	ROCE[1] (%)
MercadoLibre	6.0	8
Foshan Haitian	5.5	40
Asian Paints	5.3	30
Havells	5.0	24
Info Edge	4.6	7
Avenue Supermarts	4.6	11
Nestle India	3.8	141
Marico	3.3	43
Tata Consultancy Services	3.3	51
Tencent	3.2	13
Total Average	45	37

Source: Fundsmith
[1] See Glossary beginning on page 96.

Our active share (the proportion of our holdings which do not overlap with the index) at the end of December 2021 was 91%. We own shares in just two of the top ten index constituents – Taiwan Semiconductor Manufacturing and Tencent – and between them they accounted for 6% of the Company's NAV. We continue to retain the view that these two stocks are the only two in the top ten index constituents which are currently of the appropriate quality for the Company to invest in. We may invest in other major index constituents over time should we get comfortable with doing so.

2021 was a year in which a number of the concerns we have had about investing in China came to the fore. Needless to say these included concerns about overseas listings, regulation across a number of sectors, slower rates of economic growth and a controlling political party returning closer to its Marxist origins. Any thawing of relations between China and the US since the Biden administration took office has been minimal at best.

We continue to take the view that China is governed by the Communist Party with its own interests of ideology and self-survival at the forefront of policy making, whether it be social, economic or diplomatic. On the regulatory front, a number of sectors were materially impacted in 2021. The government announced a ban on for-profit tuition in core curriculum subjects and also foreign ownership in the sector. This ban was implemented with almost immediate effect and no right of appeal. Highlighting the level of economic disruption which China's state council is willing to take in the name of its own policy desires (in this case pressure on students and cost for their parents), the sector is estimated to be worth over £100 billion per annum.

Education was not alone. Regulations were brought in on video-gaming companies restricting the amount of time minors can spend playing video games to just an hour a day on Fridays, weekends and holidays and restricting that time to between 8pm and 9pm. This was a tightening of previous policies limiting game time. There has also been an apparent slowdown in the rate at which new titles are approved for release by the authorities. Other technology companies have been impacted by increased rules on data protection, which ultimately led to one high profile 2021 listing in the US, Didi Global, being told by China's Cyberspace Administration that it could not take on new customers within two days of listing. Other draconian regulations have hit sectors such as non-bank lending and property. Simply put, the rules governing the operation of the 'free market' in China are arbitrary, not transparent and not subject to legal challenge. We do not expect this to change shortly.

Even if we were to disregard the legal environment for investors (and particularly foreign ones), we have found an inordinate amount of companies in China which have inadequate governance, questionable accounting standards, issues over ownership and voting rights alongside poor capital allocation. As we have previously stated, 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 markets in which the Company has the ability to invest. Others, whether it be fund flows from ETFs or mainland Chinese private investors investing in Hong Kong stocks, are welcome to take the risks which we won't.

Thus, we are not basing an investment approach around a company's size, index weighting or susceptibility to liquidity flows. Instead, our focus continues to be buying good companies and this will continue to be our one and only priority, assuming of course that they are operating in jurisdictions where the economic and political risk is acceptable to our investment approach.

As a result of this focus, the Company continues to provide investors with a portfolio which, when compared to the index, has higher returns and margins, stronger cash conversion and, typically, faster rates of cash flow growth. We seek investments which have the ability to invest in their businesses at attractive rates of return and as such those businesses in which we invest will typically have no debt and, if not, only a conservative level of financial leverage. We believe that these characteristics will be reflected in the share price performance of the businesses which the Company owns. The characteristics of the Company's portfolio as of the 31 December 2021 compared with the index were;

	FEET %	MSCI E+FM Index (ex-financials)%
LTM ROCE	35	14
LTM Gross margin	51	32
LTM Operating Margin	20	15
LTM NFCF conversion	99	86
LFY NFCFE growth	21	13

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 96.

Unsurprisingly given our investment process and philosophy, 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" as in assuming that capital expenditure above the level of depreciation is expansionary and can therefore be disregarded in this calculation).

	FEET	MSCI EM&FM (ex-financials)
LTM NFCF yield	3.2	4.5
LTM portfolio dividend yield	1.3	2.0

Source: Fundsmith, MSCI, Bloomberg

As we have previously remarked, 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.

Somewhat impacted by the changes to the investment policy which were approved in 2021, portfolio turnover in the year was 38% (or 39% when adjusted for share buybacks), compared to 21% in 2020. The OCF (ongoing charges fees) was 1.25% of net asset value, whilst actual dealing costs were 0.06% of net asset value.

At the end of 2020, the portfolio had 38 holdings. During the year, we acquired seven new holdings and exited seven. The portfolio closed 2021 with 38 holdings, in line with where it ended the prior year. This is in line with the changes to the investment mandate approved in 2021 which will see the portfolio typically having between 25 and 40 holdings.

The seven new holdings were Genpact, Medlive, NetEase, PolicyBazaar (PB Fintech), TCS (Tata Consultancy Services), WNS and Yihai. We exited our positions in BIM, Britannia, Dali Foods, East African Breweries, EDITA, Lojas Renner and Prodia.

Several of the new holdings reflect the wider range of opportunities open to the Company since the investment policy change approved by shareholders at the Annual General Meeting in 2021. The policy change has given the Company a wider investment remit and has broadened it to include being able to invest in businesses which are exposed to 'the broader social and/ or economic development' of the countries in which they operate. The addition of two holdings in the Business Process Management (BPM) space – Genpact and WNS, and that of TCS in the IT services space reflected us taking advantage of this change. All of these are businesses we had followed for a considerable period before the change in investment policy.

Genpact and WNS both operate in a market which has gone through three phases. The first phase of industry development targeted Business Process Outsourcing (BPO) customers who were focused on the outsourcing of basic business processes to save costs, the second (BPM) was focused on outsourcing more complex activities with the outsourcing company taking responsibility for the services and the third phase of digitalisation.

Since its inception in the late 1960s, both the Indian IT services and BPO/ BPM industries have consistently gained market share from international peers in a growing market. This has been driven by the competitive advantages of strong brand, client relationships, consistency of service delivery, technology expertise, labour availability, language, scale and cost of delivery. Whereas it is estimated that over 50% of IT services are outsourced globally, the penetration of BPM services is much lower at around 15% to 20%.

The origins of the two BPM businesses in itself is interesting, and shows just how outsourcing has developed from serving just captive customers looking for cost savings. WNS originally emerged as British Airways' World Network Services operation in 1996, before being sold to a private equity group and subsequently listing in the US in 2006. Similarly, Genpact, was founded as a subsidiary of GE Capital in 1997 to manage the outsourcing of its in-house business processes, before becoming independent of GE and listing on the NYSE in 2007.

There have been several common themes shared in the development of both of these businesses. First, developing processes for an in-house client typically taking advantage of developing world labour rates; second, selling those services to third party customers; third a change of ownership which takes the business out of the 'orbit' of its original parent and potentially provides sharper commercial focus; and fourth, the development of new products and services which they can sell to both existing and new customers. Although in a different market and still with a controlling shareholder in the form of Tata Sons, TCS has been able to also exhibit many of these traits.

The original growth of the businesses came from cost-saving and the arbitrage between labour costs and skills between the developed world and the developing world (although both industries have built their largest footprint in India, there are other emerging markets where they are a notable presence). Since then, both have grown in scale, typically by greater client confidence in the advantages outsourcing can bring, including easing the regulation and compliance burdens on customers and the need to analyse increasing amounts of data.

Thus, whilst clients are still looking to benefit from process efficiency, cost advantage and labour arbitrage from their BPO/BPM or IT services providers, there is now a strong focus on providing value-added services like customer experience, data-led insights, and digital solutions. The increased focus on variable cost structures have resulted in alternative service delivery and pricing models such as transaction-based, outcome-based and subscription models. And as the services operated by both sectors become more complicated, they become more embedded in their client's business processes thus making them harder to replace with competitors.

The Company also initiated a holding in NetEase in the year. In spite of having its origins in free internet services, NetEase is the world's second largest mobile gaming company and is one of China's largest internet technology businesses. Video games (both PC and mobile) account for c.80% of revenues and comprises both self-developed games marketed in China and overseas, alongside licensing games from third parties and distributing them within the PRC.

One of the attractions of NetEase to us is its focus on deliberately creating games with longevity in mind, thus allowing them to become a long-established franchise, typically with follow-on titles and the development of content across genres. For example, NetEase launched its first PC game Westward Journey in 2001, yet in 2019 this was the sixth highest ranked mobile game in China in terms of user spending.

The group is targeting to derive 30% of its gaming sales from international markets. 2022 will see the international launch of Harry Potter: Magic Awakened after a highly successful 2021 launch in China where it debuted at number one in the iOS charts. NetEase has a considerable net cash position on its balance sheet, which will allow it to develop both its gaming operations and other businesses such as streaming.

Another business we bought following the change to the investment policy was Medlive. Medlive is both China's largest online professional physician platform and its largest physician platform-based digital healthcare marketing service providers. The stake was acquired at IPO (Initial Public Offering) (a relatively rare event for the Company) and neither of the two major investors, M3 of Japan (a business well-known to Fundsmith) and the founders, sold stock.

Medlive's main source of revenue comes from the precision marketing of drugs to physicians. Digital marketing has significant cost and time efficiencies. Frost and Sullivan estimate that the average click-through rate for content using general digital marketing is 1 to 3%, whilst the efficiency rate for content delivered using precision digital marketing is typically between 20% and 40%. Thus, drug companies have every incentive to move marketing online. Of the estimated 3.9m registered physicians in China, 2.5 million are on Medlive's platform, and we estimate only 400k of these are regular users who make a meaningful economic contribution. Herein lies one opportunity.

Another opportunity is although the government price regulation of drugs and healthcare products, such as implants, is increasing, there are still a number of facets which make China's healthcare industry, in certain instances, attractive. These include an aging population, increasing disposable income, a greater prevalence of lifestyle and acute diseases such as cancer and heart problems, greater health awareness and a move from traditional medicine into scientifically developed drugs.

PolicyBazaar (or PB Fintech) was an Indian IPO where we invested after having become familiar with the business through our investment in Info Edge, a major shareholder in PB Fintech. PB Fintech is the largest distributor of life and health insurance to retail customers in India, with a 90% plus market share in these categories from its eponymous online insurance platform.

PB Fintech was founded in 2008 in order to capitalise on the opportunity to professionalise the way insurance in India is distributed. The majority of insurance in India is sold by offline agents to consumers, leading to high commissions, the risk of fraud and unprofessional service. Meanwhile, customers are often unwilling to fully disclose their health conditions and thus it makes it hard for insurers to ascertain likely claim rates reliably. The insurance market in the main categories represented by PolicyBazaar are growing at around 15 - 20% per annum.

PB Fintech's model benefits both suppliers of insurance and their customers. For insurance providers, by disintermediating the agent, it reduces policy commissions (and the cost to customers) and also both the scope for fraud, misspelling and poor customer services from agents. Insurance companies benefit as PB Fintech's signing on process reduces the ability of customers to mislead insurers about their ailments. Thus, both provider and customer benefit from using the platform.

Insurance in India is a nascent market. The health and life insurance markets in the country are highly underpenetrated and growing quickly. At present, online insurance distribution accounts for under 1% of the market (in the UK it is around 30%). As such, there is considerable scope for growth in a fragmented market. India is just the world's tenth largest life-insurance market. Supporting growth is a greater awareness of illness, a wider incidence of serious medical conditions and a lack of social safety net. Per capita healthcare spending in India significantly lags both that of the developed world and other large emerging markets such as China and Brazil.

Yihai was the smallest new investment we made in the year, and also the most disappointing to date. Yihai was founded in 2005 as an internal supplier to Haidilao (China's largest hot pot restaurant chain) for soup flavourings. It first started supplying hot pot condiments to the retail market outside of Haidilao in 2007, and now third party sales are the majority of Yihai's sales. The hot pot market is the largest segment of China's catering market, accounting for 14% of a market which is seemingly valued at around US$550bn. In the long term, we believe that Yihai through its brand, distribution presence, market position (it is the second largest hot pot condiment manufacturer in the PRC) and ability to further develop its premium product offer will continue to gain share in a highly fragmented market.

Although we believe that formal food manufacturers will ultimately be beneficiaries of greater awareness about food provenance in the post Covid world, Yihai’s share price has been affected by China’s ‘zero-Covid’ restrictive policy impacting restaurant trade customers and the surge in ‘eat at home’ sales of early 2020 when Covid first hit China not being sustained. Sentiment has also been affected by Haidilao slowing its opening schedule as break-even for new openings take longer.

Our holding in Dali Foods, the Hong Kong listed Chinese foods business, was sold. Much of Dali’s future growth was predicated on the development of short shelf life bread and plant based beverages; we agreed with the company that they could be RMB10bn per annum product categories. Unfortunately, growth has not matched its (or our) expectations. Over the last five full financial years, the group’s revenue grew at a CAGR of c.4% and EBIT at a CAGR of 3%, with a sharp deterioration over the last three years. Return on Invested Capital has also fallen over the period. We do not sense a particular urgency amongst management to address this and believe that management have been slow to evaluate other potential growth opportunities for the business.

We also exited our holding in Prodia, the Indonesian medical diagnostics business. Although the business has seen a marked benefit from Covid-19 testing, we feel that this will ease off as the pandemic becomes increasingly manageable and Indonesia has been one of the more progressive Asian economies for dealing with Covid, with only limited lockdowns. We have become increasingly concerned as to the underlying scope of growth for Prodia’s branch network for traditional diagnostic tests. We believe that this is leading the group to allocate capital to more esoteric areas such as clinics and wellbeing testing where we have doubts about the opportunities in the market.

We also exited our holding in BIM, the Turkish discount retailer. We believe that the business itself is sound and the fact that foreign food retailers have largely avoided establishing businesses in Turkey is witness to this. Unfortunately, for BIM, the operating environment in Turkey has deteriorated due to the implosion of the Turkish Lira, the interlocking impact of increasing inflation on that and a government which has threatened to both impose controls on prices and profit margins of the food retailing sector. Add to that the increasingly populist policies of President Erdogan and the potential for it to be declassified as an emerging market brings a degree of external risk to the investment that we are currently unwilling to countenance.

We also took the decision to sell our holding in Lojas Renner, a business where we took a small position in the previous year. Setting aside the macro issues facing Brazil of currency weakness, a volatile political situation ahead of the autumn 2022 Presidential election and a poor response to the pandemic, it became increasingly clear to us that Lojas Renner had a number of challenges that were not clear to investors at the time of investment. These include the need for higher investment in the digital offer than we (and it) had originally anticipated and the broader development of the product offer and service offer, both of which do not come without ongoing investment cost, both in terms of capital and operating spend. As part of this process, it became clear that the amount of capital being diverted to building the low-return financial services segment of the business was disproportionately high.

Our stake in East African Breweries was sold, leading to the Company now having no exposure to the alcohol segment. As we opined in the 2021 half-year report, when the Company was launched we believed that the brewing segment would offer an attractive investment opportunity capitalising on a number of the trends we felt the Company could benefit from. These included consumption growth, changing tastes benefiting formally manufactured products, premiumisation and the strength of brands that have been protected from imports due to distribution and import tax barriers. Unfortunately, our experience in the sector has been disappointing, driven by higher demand elasticity than we expected, irrational competition, whilst margins can often be put at risk due to the impact of currency movements on raw material imports.

Again flagged in the 2021 half-year report, we exited our stake in Britannia, with the capital reallocated to WNS. Britannia had performed strongly since we owned it and we felt that WNS, the business into which we reinvested the capital, was more appropriately valued. Although Britannia is run by a strong management team led by Varun Berry, we became concerned about the company's related party loans to other companies owned by the Wadia family.

The stake in EDITA was sold due to inconsistent returns over recent years, in spite of the opportunities open to it in the Egyptian market. In spite of its undoubted promise and market position, EDITA had proven to be a business which flatters to deceive, with return on capital approximately halving over the 2015-2020 period.

Portfolio Commentary

By sector, the breakdown of the portfolio as at 31 December 2021 is as below:

GICS Sector Split	%
Consumer Staples	41.6
Health Care	14.0
Information Technology	12.7
Communication Services	10.3
Consumer Discretionary	8.8
Materials	5.0
Industrials	4.7
Financials	1.5
Cash	1.4
TOTAL	100

Source: Fundsmith, Bloomberg

Compared with the Index:

GICS Sector Split	%
Information Technology	22.4
Financials	19.6
Consumer Discretionary	13.4
Communication Services	10.7
Materials	8.6
Consumer Staples	5.9
Energy	5.5
Industrials	5.1
Health Care	4.3
Real Estate	2.1
Utilities	2.4
TOTAL	100

Source: Fundsmith, Bloomberg

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.

Our geographical weightings and those of the index continue to markedly differ;

FEET Country Breakdown	Weight (%)
India	53.3
China (including Hong Kong)	15.7
Argentina	6.0
Egypt	4.1
Taiwan	3.2
Brazil	3.0
Other Emerging Markets	7.4
Frontier Markets	5.8
Cash	1.4
TOTAL	100

Source: Fundsmith

MSCI EM&FM Index Country Breakdown	Weight (%)
China (including Hong Kong)	32.0
Taiwan	15.9
South Korea	12.7
India	12.3
Brazil	3.9
Other Frontier & Emerging Markets	23.2
TOTAL	100

Source: MSCI, Bloomberg

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

Top Five Contributors	Country	%
Avenue Supermarts	India	2.15
Metropolis	India	1.96
Havells	India	1.82
Dr Lal Pathlabs	India	1.59
Asian Paints	India	1.09

Source: Fundsmith

The top five performers share the common theme of being Indian companies. In spite of the impact of Covid on the country, the underlying trends in which our investments in the country will take advantage of continue to increase, and we also benefited from holdings in three medical diagnostic testing businesses that have been beneficiaries of the Covid outbreak.

The biggest contributor to performance was Avenue Supermarts, the Indian grocery retailer. The business has reported strong revenue and EBIT growth as Covid related store disruptions eased. The group added 29 stores in the first nine months of its 2021/22 financial year and alongside an accelerated rate of openings the average size of new stores continues to be higher than the average. We believe its value for money proposition makes it well placed to mitigate inflationary pressures and the group continues to take a cautious approach to e-commerce, concentrating its offer on a select range of geographies where it can target high basket sizes.

Metropolis and Dr Lal Pathlabs both benefitted from the impact of Covid on the testing market, leading to a sharp increase in overall tests. Experience from the first wave of Covid affecting the country led people to understand how to go about their way of life safely in subsequent waves, leading to more resilient demand for testing in subsequent waves. Covid, in our view, has accelerated health awareness in India and both businesses are well placed to benefit from this. The market remains fragmented, allowing considerable scope for growth for branded players through a combination of greenfield sites and acquisitions, with a particular opportunity for businesses to expand their footprint in smaller cities and towns. Both Dr Lal and Metropolis made acquisitions of complementary chains in the year.

All three businesses we own in this segment (Thyrocare being the third) also have the benefit of economies of scale as they build their networks. Digitalisation has helped this, and an Indian online pharmaceutical retailer, PharmEasy, acquired a controlling stake in Thyrocare in the period.

We did, however, take the opportunity to reduce our holdings in all three as we felt that there were better investment opportunities elsewhere, with the proceeds typically used to fund the investment in the Indian BPO/ BPM space and also the PB Fintech investment.

Both Havells and Asian Paints benefitted from increasing spend on home improvements due to a combination of the impact of the pandemic and the long-term growth drivers for both businesses, including market share gains from both other branded players and informal operators. The Indian real estate market, although not an area we would likely directly invest in, is showing a recovery after a difficult past decade.

Havells performed strongly in spite of the second wave of Covid heavily disrupting the peak selling period of its air-conditioning business. Positive drivers of the business include a resilient supply chain, new product launches, increased capacity and import restrictions of air conditioning components from China. The group's larger, non-consumer business is benefiting from formalisation as both consumers and distributors move towards larger branded players in the aftermath of Covid. The group's consumer switch gear and electrical products business will be a beneficiary of increased residential construction activity commensurate with both post-Covid recovery and the long-term economic growth of the country, whilst its industrial products business is well placed to benefit from the development of trends such as energy efficiency, the Internet of Things and smart cities. Havells is a business which, to us, positively surprises in difficult market conditions, helped by a strong relationship with its dealer network.

Like Havells, Asian Paints has a strong dealer network and the scale and efficiency of its technology enabled supply infrastructure and ability to forecast demand gives it a major competitive edge. The business continues to exhibit exposure to multiple growth drivers, including an increasing (albeit still relatively small) proportion of homes made from modern construction materials which lend themselves to painting; and higher incomes resulting in a greater use of both paints and adjacent products like waterproofing to enhance property usability. Although inflationary pressures may be a short-term issue, the group has a proven ability to pass on price rises, The group is in the embryonic stages of developing a home décor and services initiative and believes that the proportion of revenues derived from this segment could triple over the next three years.

The group is to undertake significant investment in manufacturing capacity over the next three years to allow it to benefit from the growth of its underlying markets.

The Top five detractors from performance were;

Top Five Detractors	Country	%
Foshan Haitian	China	-2.29
Vitasoy	Hong Kong	-2.06
Yihai	China (listed in HK)	-1.43
MercadoLibre	Argentina (listed in US)	-1.16
Tencent	China (listed in HK)	-0.84

Source: Fundsmith

Foshan Haitian was the biggest single detractor from performance, after a number of years of being a strong portfolio performer. Foshan Haitian's strategy (and strengths) remain unchanged, although the business had two factors to contend with in the year. The first of these was on and off restrictions on the catering trade in the PRC, which is the group's main end market in spite of efforts to develop its consumer offer. In addition, and not unique to Foshan Haitian, the group has had to deal with significant raw material price pressures in the year. As discussed elsewhere, Yihai suffered from similar factors, exacerbated by the impact of Covid-19 on its sister restaurant company Haidilao.

Vitasoy was the second largest detractor from performance, following on from 2020 where its Wuhan factory was forcibly closed by Chinese authorities for several weeks during the initial phases of the Covid outbreak, and subsequent lockdowns and school closures in both China and Hong Kong. In 2021, continued movement restrictions and school closures continued to impact Hong Kong and as Vitasoy's products are typically sold for 'on the go' consumption, the impact has been marked. Worse, however, was to come over summer after the group became subject to a netizen's boycott of product in the PRC after one of its employees was involved in the stabbing of a police officer during pro-democracy protests in Hong Kong. This led to a sharp fall in sales in the group's China business, something which it had previously built up into the largest part of its business over several decades. We suspect that sales in China will recover (and there is some early evidence of that) but the speed of this remains uncertain.

Tencent was a further weak performer, and was the fifth largest detractor from the Company's performance. As noted elsewhere, regulatory moves in China have affected a number of sectors, and 'platform' businesses such as Tencent have been impacted. China has placed time restrictions on the use of gaming by minors, which has affected the revenues of the group's gaming business which derives most of its revenues from the PRC. In addition, scrutiny of apps, content of chat sites and the handling of data have all become issues for regulators in China. We believe, however, that Tencent will be able to adapt to these regulations and we also believe that there remains significant opportunity in its investment portfolio.

After two years of strong positive contribution, MercadoLibre was the fourth largest detractor from performance. The group's share price weakness primarily came in the closing months of the year, caused by a combination of increasing fears of competition from players such as SEA and Amazon, deteriorating sentiment towards high-growth stocks and a surprise issue of new equity, which caught both the market and ourselves unawares. We continue to believe that the group's position in both the Latin American e-commerce and payments market stands it in good stead.

The table below shows the impact of currencies on the portfolio.

Top Five	%	Bottom Five	%
China	0.53	India	-0.42
United States	0.20	Turkey	-0.34
Vietnam	0.04	South Africa	-0.13
Egypt	0.03	Philippines	-0.10
Kenya	0.00	Brazil	-0.10

Source: Fundsmith

The China category includes both the Chinese RMB and the Hong Kong dollar, the latter which is pegged to the US dollar. The Chinese RMB was strong in the year, helped by China posting yet another record trade surplus in spite of efforts by successive US administrations to rectify this. The Vietnamese Dong, another currency that benefits from an export orientated economy was also a small positive contributor to performance.

The Indian Rupee was the largest single detractor to performance. Although efforts are being made to improve the situation, India has a material structural trade deficit (not helped by a reliance on imported oil) and has seen a marked uptick in inflation. Although a much smaller absolute exposure, the Turkish Lira's collapse in 2021 which was driven by continued Presidential interference in monetary policy leading to inflation reaching 36% by the end of 2021.

The regional geographic breakdown of the portfolio by listing at the end of December 2021 is shown below

Region	Percentage of Portfolio (%)
India	47.1
US	16.9
Hong Kong	10.2
China	5.5
UK	3.9
Other Countries	15.0
Cash	1.4
TOTAL	100

Source: Fundsmith

India remains the largest geography in the portfolio and made a material positive contribution to 2021 performance. As we have previously said, our weighting in India is not a deliberate policy but instead an outcome of where we have pursued the most attractive investment opportunities open to us.

Reflected in the opportunities open to our investments in India are a growing population, rising incomes, urbanisation, premiumisation and established, functioning institutions. Specifically, sectors such as IT Services and BPM benefit from high levels of educational aspiration and achievement, the English language and the rapid development of a venture capital infrastructure in the country.

Although India's Fast Moving Consumer Goods (FMCG) sector delivered its worst underperformance against the local index for a decade, a number of our stocks in this area performed well.

Godrej Consumer appointed a new CEO, Sudhir Sitapati, in the year who joined from Hindustan Unilever, a move which led to expectations of improved performance for the group through both an acceleration of growth in its core categories and the development and expansion of new products. The group's African business is showing improved performance and we expect the Indonesian business to recover post-Covid. We note that the business was also ranked number one in India for sustainability by the CSR journal.

Dabur also performed strongly in the year. The group continues to launch new products both domestically and internationally, with a focus on premiumisation. The reduced impact of Covid in the country has led to increased out-of-home consumption, whilst e-commerce revenues now account for approaching 10% of sales. Increasing wellness awareness continues to drive interest in its Ayurveda products in both food and beverage and personal care segments, which have now been diversified into categories such as children's drinks.

Hindustan Unilever has seen a degree of gross margin slippage due to higher commodity prices, the impact of which have not been fully passed on in pricing, partially as a result of slowing demand growth. We believe the group continues to have long-term attractions with the scope for continued product and category development, premiumisation and the ability to take advantage of both its distribution network and the opportunity offered by e-commerce. We continue to monitor strategic and organisational developments at the group's parent for any impact on its listed subsidiaries in which the Company can invest.

In spite of being impacted by a moderation in rural demand growth rates, due to a combination of factors such as high levels of home consumption in 2020 unwinding and higher inflation, Marico has seen a resilient performance in both its core Saffola and Parachute categories. The group is focused on re-accelerating growth through a combination of digital marketing, enhanced rural distribution and the development of its packaged food business. The group's Bangladesh business continues to perform well.

Nestlé India continues to exploit India's size by geo-targeting products in a focused way, with variants of core products such as coffee and noodles being adapted for regional markets. As with a number of our FMCG holdings in India, the group is also expanding its presence into smaller towns and villages.

Proctor & Gamble India remains the market leader in the female hygiene market in India, with a market share in excess of 50%. The penetration of sanitary towels in the country is low (a figure of 15% - 20% is widely stated) and we believe that the market has strong growth potential through a combination of demographics, rising incomes, product awareness and diminishing social taboos.

Info Edge's share price performance was more muted (in 2020 the shares rose 88%). Although the performance of its core recruitment and real estate platforms was encouraging, a lot of 2020's performance was due to the anticipated listing of both Zomato and PolicyBazaar, which took place in 2021. We remain encouraged by the standards of corporate governance exhibited by the group, and believe this also be carried into those companies in which it has material investments.

Eris Lifesciences operates in India's growing branded generics pharmaceutical market with a focus on chronic therapies such as diabetes and cardiology. Eris has reached a stage in its development where nine out of its 15 brands have top five market positions. Eris has accelerated investment to support capacity growth that will be focused on the domestic market where it is growing share. More recently, the group announced a joint venture with MJ Biopharma to enter the insulin market, which will complement its existing diabetes treatments and allow it to treat the progression of the diseases in patients.

We increased our holding in Taiwan Semiconductor Manufacturing (TSMC) during the year. The global chip industry has a number of strong end market drivers - 5G, high performance computing and servers, artificial intelligence, the internet of things and the increasing use of chips in sectors such as automotive. TSMC is the leader in the fabless sector and will bring 3nm chips into commercial production later this year. This is an industry where the barriers to entry are high, the risk of switching for customers potentially disastrous and where market leaders are well placed to improve returns on investment in new technologies.

Elsewhere in Asia, we have retained our holdings in both Vietnam Dairy and Philippine Seven. Both share a number of characteristics which the Company was set up to invest in - operating in countries with growing populations, long-term economic growth and the changing tastes this brings in areas such as formalisation and premiumisation. Both countries Vietnam and, in particular, the Philippines have not been exempt from the impact of the pandemic. Whilst Vietnam has experienced disruption from a zero-Covid approach, the Philippines has struggled to deal with the pandemic, with multiple movement restrictions and the longest school closure in the world. Both countries, we believe, will be well placed to resume strong economic growth when the pandemic subsides.

Our two South Asian cigarette stocks had divergent performance. BAT Bangladesh performed well on the back of share gains, its strong position in the premium segment and, additionally capital expenditure which will allow it to take advantage of export opportunities. The shares also benefitted from enhanced liquidity following a share split. Ceylon Tobacco on the other hand has not been fully insulated from an economic slowdown in Sri Lanka, which has been exacerbated by the impact of Covid on tourism and a ban on fertiliser imports which has led to reduced agricultural production, both of which have hampered incomes. The economic situation in the country, which has unsustainable levels of government external borrowing, is likely to remain difficult for a while, with an impact on cigarette demand and increased switching to lower cost informal products such as bidi.

Our third tobacco stock is Eastern Group, Egypt's largest cigarette producer. The shares were impacted in the year by concerns over the potential issuance of a new license to produce cigarettes in the country, which would have increased competition. The first license tender failed to produce a successful bidder, leading to a second license tender. On this we await developments, although we take the view that even if a new producer enters the country, Eastern's strong market position and government shareholding will insulate it somewhat. In our view, there are also significant self-help measures Eastern can undertake to improve returns.

Integrated Diagnostic Holdings, our other Egypt focused holding was a beneficiary of Covid, which has led to revenues more than doubling. Stripping out the impact of Covid tests, the group's revenues will have risen by around 30% year on year, with a strong single digit percentage increase in pricing, helped by an increase in capacity of its house call service.

Supported by the cash flow coming from the strong performance of the business, towards the end of the year the group announced the acquisition of a 50% stake in one of Pakistan's largest integrated diagnostics providers which has a network of over 80 centres in 30 cities in Pakistan. This looks a sensible extension of the group's geographic footprint and, like Egypt, diagnostic test prices are not regulated by government and healthcare spending as a percentage of GDP is well below the global average.

Nestlé Nigeria saw revenue growth of over 20% in the year, indicating to us that volume growth in the food segment has returned. Nigeria continues to be a difficult operating environment due to a combination of currency, logistics and security and we believe the group's performance is a testimony to its underlying quality, although suspect that elevated commodity prices may hold back returns over coming quarters.

Clicks was impacted by two events which were outside of investor control - the departure of its well-respected CEO to run a business in Australia, an event all too reflective of South Africa's ongoing brain-drain. His internal replacement does not have operational experience in the group, something which has concerned investors in a business renowned for operational excellence. In addition, the business was caught up in the July looting in Kwazulu-Natal, which affected both a number of distribution centres and stores. Underlying trading remains encouraging, helped by the vaccination programme encouraging people to visit stores. Both retail and wholesale growth have shown positive like for like sales in the first few months of the group's new financial year.

Although not a top-five contributor to performance, DP Eurasia performed well in the year, helped by the early signs of a turnaround at its Russian business during the course of 2021 and strong like-for-like performance at its main operation in Turkey. The business also attracted corporate attention, with Jubilant Foodworks, the master Dominos franchise in India acquiring a 32.8% stake in the business and then making a tender offer (which was subsequently largely rebuffed) to take its holding up to 49.99%. We believe that Jubilant may ultimately return and have suggested that DP Eurasia improve the protection mechanisms in place for minority shareholders should such an event recur.

After negative Q1 2021/22 like for like sales, Walmart de Mexico has shown like for like sales growth over subsequent quarters and continues to capture market share, a trend which it has enjoyed since 2015. As well as new store openings, the group continues to convert its underperforming Superama chain into the Walmart Express format with encouraging results, whilst Sam's Club is exhibiting strong momentum in the country of 130 million people. The group has recently announced a strategic review over part of its central American business covering Honduras, El Salvador and Nicaragua.

XP was a business we acquired at the start of the pandemic and we believed that it was well placed to benefit from increased consumer interest in Brazil's financial markets. 2021 has not proved easy for XP as Brazilian interest rates have soared, making non-equity investments more attractive and the local economy has struggled, placing pressure on share prices and dampening investor enthusiasm for the local equity market. XP has ambitious plans to develop a broader Fintech offer, although we are monitoring the impact of this on returns closely.

Aside from the travails of the Brazilian economy and political situation, Hypera shares were also impacted by a court ordering it to return half the proceeds of the sale of its nappy business in 2017 to the acquirer. The group continues to focus on its domestic market and sold a portfolio of pharmaceutical products in Colombia and Mexico towards the end of the year. Although we continue to watch events at the company closely, we believe the acquisition of product portfolios from multinationals is the correct strategy. We expect to see evidence of these seemingly low-risk acquisitions bedding down increasingly impact the group's financial performance.

Environmental, Social and Governance (ESG) and Climate Change

ESG factors have increasingly become of concern to investors. Fundsmith are signatories of the UN PRI* and our ESG approach is overseen by the Fundsmith Stewardship and Sustainability Committee, on which the Company's Portfolio Manager sits.

*See the Glossary on page 98.

As we have commented in the past, as long-term investors, we approach ESG in the widest possible sense taking into account all of the factors that may impact a business's potential to sustain returns into the long term. We very much take the view that why would you buy shares in a company for the long term which is busy destroying its environment and economic sustainability, behaves unethically towards stakeholders or has unacceptable governance, all factors which are likely to lead to a company's share price to go down.

Our approach thus means that ESG is an integral part of our investment approach and we believe that the Company provides an attractive outcome for investors in this regard, supported by the fact that as long-term investors we are concerned about the sustainability of a company's returns. Our view is that businesses with weak ESG facets are unlikely to be able to produce the long-term sustainable returns which we seek.

Dealing first with the environment, whilst we do not actively seek to invest in 'positive good' sectors, our investment process, driven by the facets of what make a 'good company', leads us to avoid-asset intensive, low return and cyclical businesses. Examples of these industries in which we would never invest include mining, oil and gas, cement, steel and aluminium manufacturing and palm oil production. Others are welcome to them, but we suspect that the regulatory and fiscal (i.e. taxes on polluters) environment will increasingly reduce returns for investors in environmentally destructive industries and make it harder for them to access capital. We are also very unlikely to invest in businesses which lend money to these businesses.

Company specific data relating to climate change in emerging market companies is limited in scope and quality. We are aware of the risks of climate change both from an environmental and economic point of view. Emerging market economies, by their very nature, are less able to deal with the issues caused by climate change.

How we approach climate change is very much based in our approach to ESG. As previously mentioned, we are highly unlikely to invest in carbon intensive, low return industries in sectors such as heavy manufacturing, oil and gas, coal and cement. We increasingly believe businesses in these sectors are likely to face higher costs of capital and greater difficulty in accessing funding, something which again does not suit our long-term approach to investing. We believe that the Company's portfolio has a significantly lower weighted average carbon intensity than its comparable benchmark.

We expect the businesses we own to produce social positive outcomes. This comes from the businesses we own typically having either brands or public perception amongst customers to protect. ESG and brand stewardship are linked and will increasingly become so, particularly in areas such as environmental and social awareness.

Governance is a material element of our evaluation of candidates for our investible universe, which provides the pool of companies in which we can invest. Although we look at a wide number of governance metrics, areas we take particular interest in include board structure, voting rights parity, familial links within management, related party transactions, management remuneration/ incentivisation and share ownership, brand and subsidiary ownership arrangements and royalty agreements. We place much greater store on these than the markets oft-quoted 'quality of management' which is both subjective and quite often proven to be wrong.

We vote on all proxies we receive ourselves and regularly engage with management on areas such as ESG, remuneration, business performance, strategy and innovation.

Outlook

As we have consistently said, we put the quality and long-term potential of the companies in which the Company invests ahead of short-term factors driving investment markets. Simply put, we can control the former; we cannot second-guess the latter.

At the time of writing, the global pandemic is currently at the Omicron wave, which is clearly weaker than its predecessor variants. We are encouraged as to where, on current scientific evidence, the pandemic appears to be heading.

The one exception to this are those countries that are pursuing a zero-Covid policy, most notably China. China continues to place whole cities under quarantine measures following small outbreaks of the virus, causing significant economic disruption. Hong Kong has followed similar measures across its leisure and education sectors. Aside from the concerns about debt and capital investment at diminishing rates of returns, the zero Covid approach is also likely to place pressure on the PRC's economy where growth is already slowing.

Aggressive use of central bank balance sheets over the Covid period will, at some point have to be reversed, resulting in rising interest rates (although in China where the state has high levels of leverage over the economy the likelihood is for further cuts). Although this has affected the valuation of some of the growth companies we own in the early weeks of this year, we remain confident of the businesses in which we are invested and were we not, we would not own them. Therefore, in the short term, the market may favour sectors such as banks and resource companies, we are happy to let this pass us by. Just as we have always bought businesses and not business plans in sectors such as healthcare and technology, we continue to believe that the investments in the portfolio are well placed to benefit from the secular trends supporting the multi-generational growth of these markets.

The businesses we own are well placed to withstand the worst impacts of rising rates and inflationary pressures. They typically have high gross margins, do not have energy or hydrocarbon intensive production processes and by and large have no net debt on their balance sheets. Over the longer term, we expect these qualities, and not the ephemeral fickleness of the market, to be the determinant of share price performance.

Across our investment careers, we have seen multiple examples of regulation in emerging markets that simply defies economic or market logic. Over the last two years, this has been exacerbated by the political imperative of Communist Party of China, which is moving increasingly back to its harder line, Marxist-derived roots.

We are of the opinion with, Xi Jinping most likely to have his term in office extended later this year, this trend is only going to continue, whether it be Beijing's approach to the governing of Hong Kong, dissent, criticism (both domestically and internationally) and international relations. From an investment point of view, although China's economy is likely to continue to open up, it will do so very much in the interests of the party. Do not expect favourable treatment as a foreign investor.

In particular, Taiwan is an issue, which could, over coming years, increasingly play on investors' minds. Beijing's increasing belligerence to Taiwan should not be seen as just a territorial dispute - instead, there are many, particularly on the harder line side of the Chinese communist party who see the seizure of Taiwan as the ultimate end of the civil war. Taiwan and China, between them, account for around half the emerging market index.

Political risk will continue to be a greater issue for developing markets as against developed ones, and the majority of investments open to investors in emerging markets do not have the geographical diversification of larger developed world countries. The year will see elections in Brazil and the Philippines (amongst others) and it is clear that a number of other countries in which the fund can or does invest have challenges. At the time of writing, the Russia-Ukraine situation remains unresolved. We have no investments that have their primary business operations focused on Russia.

Cognisant of these risks, we continue to seek high-quality companies, which offer patient, long-term investors like ourselves the scope for long-term appreciation by their disciplined approach to allocating capital in the growth opportunities open to them. From this, we will not deviate.

Michael O'Brien
Fundsmith LLP
Investment Manager
16 March 2022

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. Although we own two of these, the rest fail to meet our rigorous investment criteria and are typically in sectors in which we, as a result, would never invest 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
16 March 2022

Business Review

The Strategic Report on pages 2 to 37 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 42 to 45.

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 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 41.

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 early part of the year, Northern Trust Global Services SE 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 Northern Trust Global Services SE (the "Depositary Agreement"). However, following the UK's exit from the European Union, Northern Trust undertook a reorganisation of its depositary business. As a result of this, Northern Trust's depositary functions were transferred from Northern Trust Global Services SE to Northern Trust Investor Services Limited (the "Depositary"), an FCA authorised and regulated entity in the UK, with effect from 1 September 2021. The Depositary Agreement was amended by means of a Novation and Amendment Agreement although the terms remained unchanged. 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 total return 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 96).

Please refer to the Glossary beginning on page 96 for definitions of these terms and an explanation of how they are calculated.

Net asset value (NAV) return against the Index

The Company's NAV per share is shown on the Statement of Financial Position on page 72. The Directors regard the Company's NAV 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 net total return, sterling adjusted basis. Fundsmith's investment style, however, is such that performance is likely to deviate from that of the Index.

During the year under review the Company's NAV per share total return was +3.8%, outperforming the benchmark by 5.2% (2020: +20.7%, outperforming the benchmark by 6.3%).

A full description of performance during the year under review is contained in the Investment Manager's Review beginning 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 -3.4%, underperforming the benchmark by 2.0% (2020: +29.1%, outperforming the benchmark by 14.7%).

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 2021, the discount of the Company's share price to the NAV per share was 9.8% (2020: 3.1%). The Chairman's Statement, beginning on page 5, 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 2021, the ongoing charges ratio was 1.3% (2020: 1.3%). Please see page 4 for further information.

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 NAV 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 (see the Chairman's Statement on pages 5 and 6 for further action taken by the Board during the year). 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. Portfolio management arrangements have been 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 55. The operational and regulatory risks that arose from the Covid-19 pandemic, and measures introduced to combat its spread continued to be 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. Also, the potential impact of the remaining Brexit uncertainties.	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 88. 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. The Board continues to monitor whether Brexit poses a discrete risk to the Company. 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 88 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 (See below for further information).
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 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 above. 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.

Impact of Covid-19

Coronavirus (Covid-19) continues to represent an additional area of risk, both to the Company's investment performance and to its operations. The Investment Manager has continued its dialogue with investee companies and the Board has stayed in close contact with the Investment Manager and has been regularly monitoring portfolio and share price developments. The Board also continues to receive 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 continued development of vaccines, the outlook is becoming more 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 stated on pages 34 and 35 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 94.8% of the current portfolio could be liquidated within 30 trading days with 87.9% 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 look to 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 continued to be 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.

Furthermore, the Audit Committee again considered the operational resilience of the Company's principal service providers, and thereby the operational viability of the Company. The Company's principal service providers were contacted with regard to their business continuity systems in place due to the pandemic as well as their IT and cyber security systems to prevent fraudulent activity. No issues were raised and the Audit Committee was reassured that all of the Company's principal service providers were operating well while ensuring the safety of their employees by enabling them to work remotely.

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 five 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.

It is the Board's view that, in order to achieve long-term success, companies need to maintain high standards of corporate governance and corporate responsibility. Further information can be found in the Investment Manager's Review beginning on page 12. 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 29. Also see the Investment Manager's Review on pages 26 and 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.

Climate Change

The risks associated with climate change represent an increasingly important issue and the Board and the Investment Manager are aware the transition to a low-carbon economy will affect all businesses, irrespective of their size, sector or geographic location. Therefore, no company's revenues are immune and the assessment of such risks must be considered within any effective investment approach. (See the Investment Manager's Review on pages 26 and 27 for further information).

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 Environmental, Social and Governance (ESG) Standards 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 37 has been signed for and on behalf of the Board.

Martin Bralsford
Chairman
16 March 2022

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 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.

Professor Heather McGregor, CBE, FRSE, CGMA

Appointed to the Board of Directors on 26 May 2021, Professor McGregor is a chartered management accountant and a financial communications specialist, and has been Executive Dean of Edinburgh Business School, Heriot Watt University since 2016. Professor McGregor is a Director of Edinburgh Business School, Heriot-Watt University Malaysia, Lowell Financial Services and International Game Technology Plc.

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 2021, and each Director's attendance, is shown below:

Type and number of meetings held during the year ended 31 December 2021	Board (5)	Audit Committee (2)	Management Engagement Committee (1)
Martin Bralsford	5	2	1
Rachel de Gruchy	5	2	1
David Potter	5	2	1
John Spencer	5	2	1
Professor Heather McGregor*	2	1	1

* Joined the Board on 26 May 2021.

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 2021
Martin Bralsford	100,000
Rachel de Gruchy	2,000
David Potter	12,432
John Spencer	5,000
Professor Heather McGregor	5,250

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 shares (2020: 847,000) in the Company. Michael O'Brien, the Company's Portfolio Manager at Fundsmith LLP, held interests in 30,000 shares (2020: 27,425) 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

Four 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 51 and 55 to 59 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 32.

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 and for the Company to conduct itself respectfully, ethically and fairly in its relationships with service providers.

The Board regularly meets members of the wider team at Fundsmith LLP, the Company's Investment Manager and AIFM. Through these meetings the Board is able to observe and monitor the culture that exists there.

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 broker) 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 met with investors on request. Topics discussed included investment performance and also the Board's approach to addressing the share price discount (see Chairman's Statement on page 5 and also details of how the Directors have discharged their duty under s172 of the Companies Act, beginning on page 43 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 Senior Independent Director are also contactable by email (see page 110 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 50 to 53.

Stakeholder Interests and Board Decision-making

Under the AIC Code, the Directors must 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 5 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. Both new and treasury 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 the 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 at a premium to the prevailing net asset value per share if conditions permit. The Company currently holds 351,773 shares in treasury.	The Investment Manager 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, both formally at Board meetings and also informally outside of these meetings, 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 meant that it was vital to continue 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 continued to 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 and climate change factors into the investment process assists in understanding and mitigating risks of an investment as well as identifying future potential opportunities.	Engagement on ESG and climate change 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, the level of the discount of the share price to the net asset value per share and ESG and climate change 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, including ESG and climate change engagement with portfolio companies. Also, the level of the discount of the share price to the net asset value per share. • The impact of Covid on their business and the portfolio.	• Updates are received by the Board at every Board meeting and on an ad hoc basis where appropriate. • 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 Senior Independent Director ("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 five 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 5.

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 40.

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 51.

Relationship with Other Service Providers

The Management Engagement Committee also 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 2021, 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. Fundsmith are signatories of the UN PRI*. During the year, the Board reviewed Fundsmith's stewardship policy and a summary of their voting and engagement record.

*See Glossary on page 98.

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

In early 2022, 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.

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

With the exception of any Directors retiring from the Board, all Directors submit themselves for annual election or 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 107. Following the evaluation process, the Board recommends that shareholders vote in favour of the Directors' seeking election or 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 five Directors have been appointed since the launch of the Company, a review process, initiated by the Chairman and carried out by Rachel de Gruchy and Professor Heather McGregor was undertaken 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 6 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.

Professor Heather McGregor, CBE, joined the Board at the conclusion of the 2021 AGM held on 26 May 2021. 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.

Board Diversity

The Board supports the principle of Boardroom diversity, of which gender and ethnicity are two important aspects. 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 two women exceeds the original recommendation of Lord Davies' report on Women on Boards. The Board is aware that gender representation objectives have been set for FTSE 350 companies and that targets concerning ethnic diversity have been recommended. The Parker Review, which includes research undertaken by the FRC, set a target for each FTSE 100 board to have at least one director of colour by 2021 and for each FTSE 250 board to have the same by 2024. When appointing new Board members, the Directors will consider gender and ethnic diversity in addition to knowledge, skills and experience.

Audit, Risk and Internal Control

The Statement of Directors' Responsibilities on page 54 describes the Directors' responsibility for preparing this report.

The Audit Committee Report, beginning on page 55, 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 37.

The Board's assessment of the Company's longer-term viability is set out in the Strategic Report on page 36 and 37.

Remuneration

The Directors' Remuneration Report beginning on page 60 and the Directors' Remuneration Policy Report on page 62 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 8	Authority to allot shares
Resolution 9	Authority to disapply pre-emption rights
Resolution 10	Authority to sell shares held in Treasury on a non pre-emptive basis
Resolution 11	Authority to buy back shares
Resolution 12	Authority to hold General Meetings (other than the Annual General Meeting) on at least 14 clear days' notice

The full text of the resolutions can be found in the Notice of Annual General Meeting on pages 101 to 106.

By order of the Board

Frostrow Capital LLP
Company Secretary
16 March 2022

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 2021.

The Corporate Governance Report on pages 41 to 49 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 37.

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 29.

Results and Dividend

The results attributable to shareholders for the year are shown on page 71.

In 2021, the Company made a small revenue profit. However, due to a reduction in the portfolio's yield, it is below the threshold that requires the Company to pay a dividend. The Board has therefore has not recommended the payment of a final dividend to shareholders this year (2020: a final dividend of 2.0p per share was paid). 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.

Information on the Company's dividend policy is also detailed in the Chairman's Statement on pages 5 and 8.

Alternative Performance Measures

The Financial Statements (on pages 71 to 91) 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 33. 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 beginning on page 96.

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 Directive ("AIFMD"), 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 96 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 AIFMD Disclosures beginning on page 93.

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 2021, with a recommendation being made to the Board.

The Board believes the continuing appointment of Fundsmith, under the terms summarised on page 32, 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 net asset value, 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 page 36 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. The Company's shares traded at an average discount of 6.6% during the year ended 31 December 2021 and so 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 5 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 pages 38 and 39.

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

* Joined the Board on 26 May 2021.

All Directors, with the exception of Mr Potter, are seeking election or re-election by shareholders at this year's Annual General Meeting.

Directors' & Officers' Liability Insurance

Directors' & officers' liability insurance cover was maintained during the year ended 31 December 2021. It is intended that this cover will continue for the year ending 31 December 2022 and subsequent years.

Substantial Share Interests

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

	28 February 2022		31 December 2021	
Shareholder	Number of shares	% of issued share capital	Number of shares	% of issued share capital
Hargreaves Lansdown	2,713,909	10.3	2,750,131	10.5
Interactive Investor	1,998,984	7.6	1,999,672	7.6
1607 Capital LCC	2,427,051	9.2	1,969,842	7.5
Allspring Global Investments	1,931,255	7.4	1,798,378	6.8
AJ Bell Securities	1,344,316	5.1	1,300,491	5.0
City of London Investment Group	1,011,606	3.9	1,011,606	3.9
Mr Simon Justin Nixon	548,599	2.1	1,000,000	3.8
Mr Terry Smith	8,47,000	3.2	847,000	3.2

As at 31 December 2021 and the date of this report, the Company had 26,288,283 shares in issue (excluding 351,773 shares held in treasury).

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 87.

Share Capital

At the start of the year under review, the Directors had shareholder authority to issue up to 2,662,437 ordinary shares of 1 penny each on a non-pre-emptive basis. At the Company's Annual General Meeting held on Wednesday, 26 May 2021, this authority expired and a new authority to allot up to 2,659,937 ordinary shares (representing 10% of the Company's issued share capital) on a non-pre-emptive basis was granted. Authority to repurchase up to 3,987,245 ordinary shares was also granted.

316,089 shares were repurchased during the year, these shares are held in treasury. As at 31 December 2021, there were 26,288,283 shares in issue excluding 351,773 shares held in treasury (2020: 26,604,372 shares in issue excluding 35,684 shares 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 101.

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 104.

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 Group, has been engaged to collate such information and file the reports with HMRC on behalf of the Company.

Key Information Document ("KID")

The Packaged Retail Investment and Insurance-based Products ("PRIIPs") Regulations cover investment trusts and require Boards or AIFMs to prepare a 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 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, 25 May 2022 at 12.30 pm at Barber-Surgeons' Hall, Monkwell Square, London EC2Y 5BL.

The Notice of the AGM and the explanatory notes to the proposed resolutions can be found on pages 101 to 109.

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
16 March 2022

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 pages 38 and 39. 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 pages 38 and 39 confirms 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 2021; 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
16 March 2022

Statement from the Chairman

I am pleased to present the Audit Committee report for the year ended 31 December 2021. The Committee met twice during the year. Attendance by each Director is shown in the table on page 40. The Committee also met on 8 March 2022 to consider this report.

Role and Responsibilities

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).

Composition

The Committee comprises all of the Directors. 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 myself and Martin Bralsford are chartered accountants. The experience of the Committee members can be assessed from the Directors' biographies set out on pages 38 and 39.

Meetings and Business

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

March 2021

- Review of the Company's annual results;
- Approval of the 2020 annual report and financial statements;
- Review of risk management, internal controls and compliance;
- Review of Fundsmith's Valuation Policy;
- Held a meeting with and received a report from the Company's Depositary; and
- Review of the outcome of the audit.

July 2021

- Review of the Committee's terms of reference and non-audit services policy;
- 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 whistleblowing arrangements put in place by the Company's service provider;
- Review of the Company's Audit Tender Guidelines;
- Review of the assessment of the external audit;
- Review of the Company's half-year results; and
- Approval of the half-year report.

Significant Issues Considered by the Audit Committee During the Year

Significant Reporting Matters Considered	How the issue was addressed
Audit Regulation	Over the past few years there have been a number of initiatives to consider the roles, responsibilities and accountability of Directors, Audit Committees, Auditors and the Regulator itself, with reports published by Kingman, Brydon and the CMA. The Business, Enterprise, Industry and Skills (BEIS) Select Committee has also published a report containing its views on the future of audit. The Audit Committee has considered the various recommendations and how they may potentially affect the Company should they be implemented. The Committee has updated the non audit services policy in-line with the ethical standards and does not at this time recommend any change to the current practices employed in the external audit process in response to these reviews, but will continue to monitor developments as they unfold. In addition to this, the Committee also reviews the outcomes of the FRC's annual Audit Quality Reviews and discusses the findings with our Auditor.

Significant Reporting Matters Considered	How the issue was addressed
Annual Report and Financial Statements	The Board asked the Audit Committee once again to confirm that, in its opinion, 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. In doing so, the Committee considered: • the comprehensive control framework around the production of the Annual Report, including the verification process in place to deal with the factual content; • the detailed levels of review that were undertaken in the production process, by Frostrow, Fundsmith, Northern Trust and by the Committee; and • the internal control environment as operated by Fundsmith LLP (the Investment Manager), Frostrow Capital LLP (Frostrow, the Company Secretary), Northern Trust (the Custodian, Administrator and Depositary) and other service providers.
Valuation of Investments	During the year the Committee reconfirmed the robustness of the Investment Manager's processes in place for recording investment transactions as well as ensuring the valuation of assets is carried out in accordance with the adopted accounting polices set out in note 1 beginning on page 75.
Existence and Ownership of Investments	Once again the Committee received assurance that all investment holdings and cash/deposit balances had been agreed by Fundsmith to an independent confirmation from the Custodian or relevant bank. The Committee reviewed the internal controls reports of Fundsmith, Frostrow and Northern Trust, the Custodian.

Other Reporting Matters

Covid-19

The long-term effects of the pandemic on the global economy and, in particular, emerging markets will continue to become clearer and the Committee will continue to monitor its impact; this 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.

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.

Accounting Policies

The current accounting policies, as set out on pages 75 to 78, 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 51.

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 36 and 37 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 Directors have identified main areas of risk as described in the Strategic Report on pages 2 to 37. 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 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.

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.

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.

External Auditor

Meetings:
The nature and scope of the audit together with Deloitte LLP's audit plan were considered during the year.

The Committee met Deloitte LLP (the "Auditor") on 8 March 2022 to review the outcome of the audit and the draft 2021 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 Auditor has to be pre-approved 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 Auditor 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 Auditor 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 has carried out no non-audit work.

Audit Tendering

Deloitte LLP has been the appointed Auditor since the Company's launch in 2014. Deloitte has carried out the audit for the years ended 31 December 2014-2021 and is 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, in order that the successful candidate's appointment or re-appointment can be approved by shareholders at the Annual General Meeting to be held in 2024. A range of audit firms will be considered not just those who are considered to be part of the "Big Four" group of audit firms.

The Committee will be mindful of any potential conflicts of interest. Any firms providing services to the Company within a two-year period of the date of the audit tender will be unable to participate.

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 March 2022. 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
16 March 2022

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 AGM. 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 63 to 70.

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 10 November 2021, it was decided that Directors fees would again remain unchanged for the year ending 31 December 2022. The projected fees for 2022 are set out on page 62. No remuneration consultants were appointed during the year (2021: 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 32 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 (2020: nil).

Single Total Figure of Remuneration (audited)

Director	Date of Appointment to the Board	Fees 2021 (£)	Fees 2020 (£)	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	–
Professor Heather McGregor	26 May 2021	14,583	–	–
Total		**123,583**	**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.

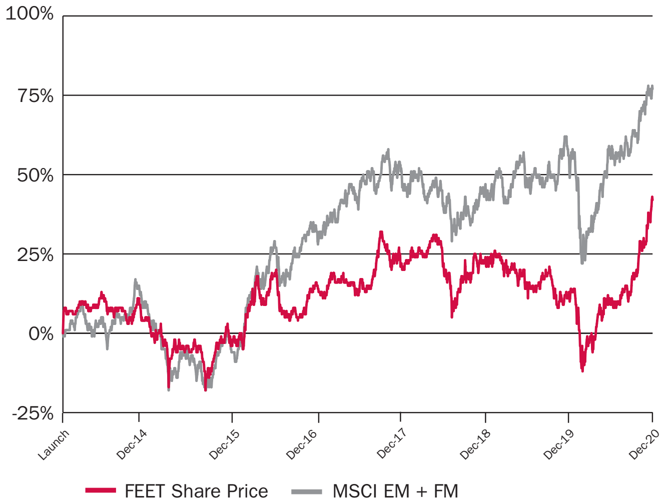
Loss of Office

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 2021 using the MSCI Emerging and Frontier Markets Index (measured on a net total return, 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.

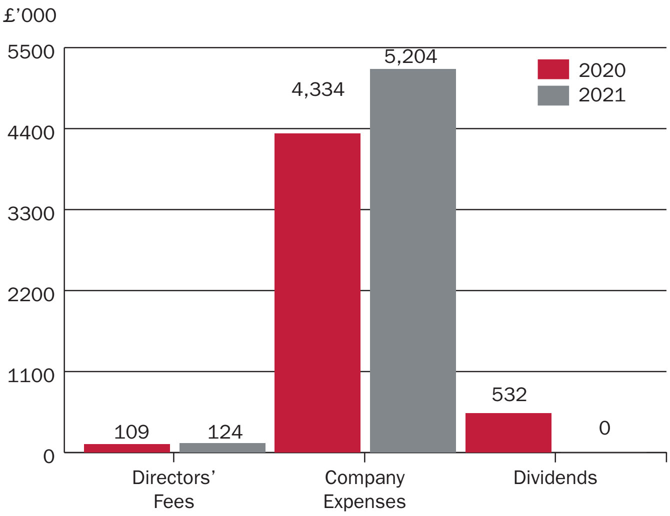
Total Shareholder Return for the period 25 June 2014 to 31 December 2021



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 2020 and 2021.



Statement of Voting at the Annual General Meeting

At the AGM held on 26 May 2021, 7,850,899 votes (99.94%) were received in favour of the resolution seeking approval of the Directors' Remuneration Report, 14,585 (0.19%) were against, and 1,071 votes were withheld; the percentage of votes excludes votes withheld.

Directors' Interests in the Company's Shares as at 31 December 2021 (audited)

	Ordinary shares of 1p each 2021	2020
Martin Bralsford *(Chairman)*	100,000	100,000
Rachel de Gruchy	2,000	2,000
David Potter	12,432	19,996
John Spencer	5,000	5,000
Professor Heather McGregor	5,250	–
Total	**124,682**	**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
16 March 2022

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 2021 (2020: none) and so no additional fees were paid to any of the Directors. The projected Directors' fees for 2022 are shown in the table below. The Company does not have any employees.

Directors' Fees Projected and Current

	Fees 2022 (£)	Fees 2021 (£)
Martin Bralsford	30,000	30,000
Rachel de Gruchy†	26,205	25,000
David Potter*	10,726	27,000
John Spencer	27,000	27,000
Professor Heather McGregor**	25,000	14,583
Total	**118,931**	**123,583**

†Rachel de Gruchy will take over as Chair of the Management Engagement Committee on 25 May 2022.
*David Potter will retire from the Board on 25 May 2022.
**Professor Heather McGregor joined the Board on 26 May 2021.

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 26 May 2021. 7,837,246 votes (99.78%) were received in favour, 16,913 (0.22%) were against, and 1,071 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 Annual General Meeting to be held in 2024.

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 2021 and of its profit for the year then ended;**
- **have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (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, United Kingdom adopted international accounting standards and IFRSs 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 we have not provided any non-audit services prohibited by the FRC's Ethical Standard 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 matter that we identified in the current year was: • Valuation 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 2021.
Scoping	Audit work to respond to the risks of material misstatement are 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 the date of signing the financial statements (from March 2022) for reasonableness;
- Assessing any other market altering factors such as COVID-19 by looking at the operational impact and business continuity plans;
- 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 £401m as at 31 December 2021 (2020: £382m) which has increased by 5% from the prior year. 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.

There is a risk that investments may not be valued correctly or may not represent the property of the company. This may result in a material misstatement within the investments held at fair value through profit or loss. 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.

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.

Investments are valued by the 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 9 to the financial statements. The valuation of investment is included within the Audit Committee report as a significant reporting matter on page 58.

How the scope of our audit responded to the key audit matter	We performed the following procedures to address the valuation and ownership of investments key audit matter: ● We assessed the service auditor report of the administrator to obtain an understanding of the relevant controls over the valuation and ownership of investments and adopt a controls reliance approach over investment valuation; ● We independently valued 100% of the investment portfolio to the closing bid prices published by an independent pricing source; and ● We confirmed the ownership of 100% of investments at the year-end date by obtaining independent third party confirmations directly from the custodian. 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 assessed the post year-end volume of trade data, the number of days where no trades occurred and also the bid-ask spreads on investment holdings that were not traded out within 10 business days from the year end; and ● We assessed the completeness and accuracy of disclosures in relation to fair value measurements and liquidity risk.
Key observations	Based on the work perform we concluded that the valuation and ownership of investments is appropriate.

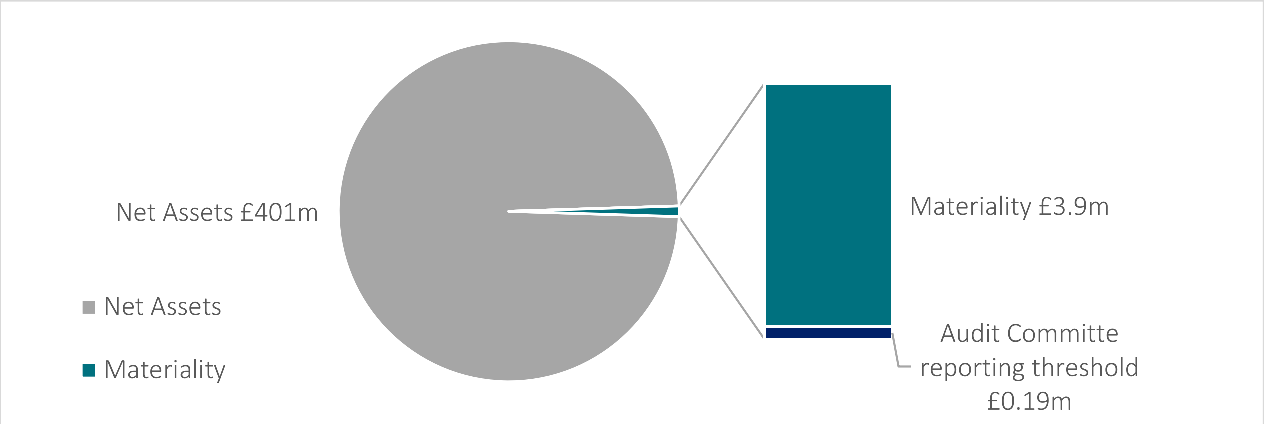
6. Our application of materiality

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 (2020: £3.9 million)
Basis for determining materiality	1% (2020: 1%) of net assets.
Rationale for the benchmark applied	Net asset value has been chosen as a benchmark as it is 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 2021 audit (2020: 60%). 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 risk in the Company's operating environment caused by the uncertainty and volatility brought about by the Covid-19 pandemic.

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 (2020: £0.19m), 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. As part of this we relied upon the controls report of the administrator and adopted a controls reliance approach with respect to investments (valuation).

7.3. Our consideration of climate related risks

In planning our audit, we have considered the potential impact of climate change on the Company's business and its financial statements. The Company continues to develop its assessment of the potential impacts of environmental, social and governance ("ESG") related risks, including climate change, as outlined on page 37. As a part of our audit, we held discussions to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Company's financial statements. We performed our own qualitative risk assessment of the potential impact of climate change on the Company's account balances and classes of transactions and did not identify any additional risks of material misstatement.

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 valuation 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 and tax legislation given the company's qualification as an Investment Trust.

In addition, we considered provisions of other laws and regulations that 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.

11.2. Audit response to risks identified

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

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, the audit committee and external legal counsel 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 51;
- 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 page 36;
- the directors' statement on fair, balanced and understandable set out on page 54;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 34 to 36;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 34 and 36; and
- the section describing the work of the audit committee set out on pages 56 to 59.

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 re-appointed by the Board on 23 November 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 8 years, covering the years ending 31 December 2014 to 31 December 2021.

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
16 March 2022

Statement of Comprehensive Income

	Notes	For the year ended 31 December 2021 Revenue £'000	Capital £'000	Total £'000	For the year ended 31 December 2020 Revenue £'000	Capital £'000	Total £'000
Income from investments held at fair value through profit or loss	2	5,634	–	5,634	5,987	–	5,987
Gains on investments held at fair value through profit or loss	9	–	19,800	19,800	–	70,010	70,010
Foreign exchange losses		–	(60)	(60)	–	(135)	(135)
Investment management fees	4	(3,941)	–	(3,941)	(3,374)	–	(3,374)
Other expenses including transaction costs	5	(1,012)	(251)	(1,263)	(857)	(103)	(960)
Profit before taxation		681	19,489	20,170	1,756	69,772	71,528
Taxation	6	(533)	(5,400)	(5,933)	(568)	(4,328)	(4,896)
Profit for the year		148	14,089	14,237	1,188	65,444	66,632
Return per share (basic) (p)	**7**	**0.56**	**53.22**	**53.78**	**4.46**	**245.69**	**250.15**
Return per share (diluted) (p)	**7**	**0.56**	**52.88**	**53.44**	**4.46**	**245.66**	**250.12**

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

All of the profit and other 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 75 to 91 are an integral part of these financial statements.

Statement of Financial Position

	Notes	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Non-Current Assets			
Investments held at fair value through profit or loss	9	401,935	382,535
		401,935	382,535
Current Assets			
Receivables	10	705	738
Cash and cash equivalents		6,737	13,410
		7,442	14,148
Total assets		409,377	396,683
Current Liabilities			
Trade and other payables	11	(1,558)	(2,234)
		(1,558)	(2,234)
Total assets less current liabilities		**407,819**	**394,449**
Non-current liabilities			
Deferred tax liability	12	(10,099)	(5,981)
Net assets		**397,720**	**388,468**
Equity Attributable to Equity Shareholders			
Ordinary share capital	13	266	266
Share premium	14	81,595	81,595
Capital reserve		313,357	303,721
Revenue reserve		2,502	2,886
Total equity		397,720	388,468
Net asset value per share (p) – basic	**15**	**1,512.9**	**1,460.2**
Net asset value per share (p) – diluted	**15**	**1,510.9**	**1,460.1**

The financial statements on pages 71 to 91 were approved by the Board on 16 March 2022 and were signed on its behalf by:

Martin Bralsford
Chairman

The accompanying notes on pages 75 to 91 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 2021

	Notes	Share Capital £'000	Share Premium £'000	Capital Reserves £'000	Revenue Reserve £'000	Total £'000
Balance at 1 January 2021		266	81,595	303,721	2,886	388,468
Profit for the year		–	–	14,089	148	14,237
		266	81,595	317,810	3,034	402,705
Ordinary shares bought back and held in treasury		–	–	(4,453)	–	(4,453)
Dividends paid	8	–	–	–	(532)	(532)
Balance at 31 December 2021	15	**266**	**81,595**	**313,357**	**2,502**	**397,720**

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	8	–	–	–	(852)	(852)
Balance at 31 December 2020	15	**266**	**81,595**	**303,721**	**2,886**	**388,468**

The accompanying notes on pages 75 to 91 are an integral part of these financial statements.

Statement of Cash Flows

	Notes	For the year ended 31 December 2021 £'000	For the year ended 31 December 2020 £'000
Operating activities			
Profit before taxation		20,170	71,528
Adjustments for:			
Net gain on investments held at fair value through profit or loss	9	(19,549)	(69,907)
Decrease in receivables		33	54
(Decrease)/increase in payables		(728)	1,173
Overseas taxation paid	6	(1,763)	(568)
Net cash from operating activities		**(1,837)**	**2,280**
Investing activities			
Sales of investments held at fair value through profit or loss	9	75,387	35,731
Purchases of investments held at fair value through profit or loss	9	(75,238)	(36,092)
Net cash from investing activities		**149**	**(361)**
Financing activities			
Dividends paid		(532)	(852)
Purchase of Treasury shares		(4,453)	(455)
Net cash from financing activities		**(4,985)**	**(1,307)**
Net (decrease)/increase in cash and cash equivalents		**(6,673)**	**612**
Cash and cash equivalents at start of the year		13,410	12,798
Cash and cash equivalents at end of the year	16	**6,737**	**13,410**
Comprised of:			
Cash at bank		**6,737**	**13,410**
Cash flows from operating activities			
Dividends received		5,694	6,016

The accompanying notes on pages 75 to 91 are an integral part of these financial statements.

1. Accounting Policies

The financial statements of the Company have been prepared in accordance with UK-adopted 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 UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB and with the Statement of Recommended Practice ("SORP") 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies ("AIC") in November 2014 (and updated in April 2021).

(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.

(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.

Interest receivable and payable, management fees, and other expenses are recognised 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. Expenses which are incidental to the purchase and sale of an investment are recognised in the capital column and allocated to capital reserves.

(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 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.

1. Accounting Policies continued

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.

(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 in accordance with IFRS 9 'Financial Instruments'. 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.

1. Accounting Policies continued

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 account
- 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 account and is distributable by way of dividend.

(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.

1. Accounting Policies continued

(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).
- Amendments to IAS1 'Classification of liabilities as current or non-current' (effective for accounting periods beginning on or after 1 January 2023).
- Amendments to IAS 8 'Definition of Accounting Estimates' (effective for accounting periods on or after 1 January 2023).
- Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies' (effective for accounting periods on or after 1 January 2023).
- Amendments to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective for accounting periods 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 amendment to standards:

- 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).

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

2. Dividend Income

	2021 £'000	2020 £'000
Overseas Dividends	5,136	5,987
Overseas Dividends – Special	497	–
Fixed Interest Income	1	–
Total	**5,634**	**5,987**

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 increasing 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 71. A geographical split of the portfolio can be seen on page 11.

4. Investment Management Fee

	2021 £'000	2020 £'000
Investment Management Fee	3,941	3,374

As at 31 December 2021, an amount of £1,016,000 (2020: £1,785,000) was payable to the Investment Manager.

Details of the terms of the Investment Management Agreement are provided on page 32.

5. Other Expenses

	2021			2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Transactions costs on investments at fair value through profit or loss	–	251	251	–	103	103
Directors' fees	124	–	124	109	–	109
Employers' National Insurance contributions	3	–	3	2	–	2
Auditor's remuneration	36	–	34	34	–	34
Registrar fees	32	–	32	28	–	28
Broker fee	40	–	40	37	–	37
Company Secretarial fees	112	–	112	100	–	100
Custody fees	283	–	283	244	–	244
Depositary fees	70	–	70	52	–	52
Postage and printing	28	–	28	20	–	20
Legal fees	25	–	25	11	–	11
Administration fees	132	–	132	111	–	111
Other expenses	127	–	129	109	–	109
Total expenses	**1,012**	**251**	**1,263**	**857**	**103**	**960**

Transaction costs on investments at fair value through profit or loss represent such costs incurred on both purchase and sales of those investments. Transaction costs on purchases amounted to £92,000 (2020: £36,000) and on sales amounted to £159,000 (2020: £67,000).

5. Other Expenses continued

Auditor's remuneration

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

Revenue	2021 £'000	2020 £'000
Fees payable to the Company's Auditor for the audit of the Company's annual financial statements	36	34
Total audit fees	**36**	**34**

6. Taxation

(a) Analysis of tax charge in the year

	2021			2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Taxation on ordinary activities						
Irrecoverable overseas withholding tax	533	–	533	568	–	568
Overseas capital gains tax	–	5,400	5,400	–	4,328	4,328
Total tax	**533**	**5,400**	**5,933**	**568**	**4,328**	**4,896**

6. Taxation continued

(b) Factors affecting current tax charge for the year

The effective corporation tax rate was 19% (2020: 19%). The tax charge for the year differs from the charge resulting from applying the standard rate of corporation tax in the UK. The differences are explained below:

	2021			2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit before taxation	**681**	**19,489**	**20,170**	**1,756**	**69,772**	**71,528**
Corporation tax at effective rate of 19% (2020: 19%)	129	3,703	3,832	334	13,256	13,590
Effects of non taxable items:						
– Overseas dividends	(1,070)	–	(1,070)	(1,138)	–	(1,138)
– Net gains on investments held at fair value through profit or loss	–	(3,762)	(3,762)	–	(13,302)	(13,302)
– Expenses and foreign exchange losses	–	59	59	–	46	46
– Deferred tax asset not recognised	941	–	941	804	–	804
Total corporation tax	**–**	**–**	**–**	**–**	**–**	**–**
Irrecoverable overseas withholding tax	533	–	533	568	–	568
Overseas capital gain tax	–	5,400	5,400	–	4,328	4,328
Total tax	**533**	**5,400**	**5,933**	**568**	**4,328**	**4,896**

As at 31 December 2021, the Company has tax losses of £31.8 million (2020: £26.8 million) carried forward. It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these losses and therefore no deferred tax asset in respect of these losses has been recognised. Due to the Company's status as an investment trust and the intention to continue to meet the conditions required to maintain the Company's status, 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 and Bangladesh stocks of £9,599,000 and £552,000 (2020: £5,981,000 and £nil), respectively. The Company has recognised a deferred tax liability of £10,099,000 (2020: £5,981,000) on capital gains which may arise if Indian and Bangladesh investments are sold.

7. Return per Share

Return per Ordinary Share is as follows:

	2021 Revenue	2021 Capital	2021 Total	2020 Revenue	2020 Capital	2020 Total
Profit for the year (£'000)	148	14,089	14,237	1,188	65,444	66,632
Return per share (basic) (p)	**0.56**	**53.22**	**53.78**	**4.46**	**245.69**	**250.15**
Return per share (diluted) (p)	**0.56**	**52.88**	**53.44**	**4.46**	**245.66**	**250.12**

Return per share is based on returns for the year and the weighted average number of ordinary shares in issue of 26,473,683 excluding treasury shares (31 December 2020: 26,636,576).

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 2020: 26,640,056).

8. Dividends

Dividends relating to the year ended 31 December 2021 which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered below:

Dividends proposed:

	2021 pence	2021 £'000	2020 pence	2020 £'000
Final dividend proposed	–	–	2.0	532

Where a final dividend is proposed it 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.

9. Investments Held at Fair Value Through Profit or Loss

	2021 £'000	2020 £'000
Opening cost at 1 January	242,860	236,547
Opening unrealised gains at 1 January	139,675	75,720
Valuation at 1 January	382,535	312,267
Purchases at cost	75,238	36,092
Sales – proceeds	(75,387)	(35,731)
Investment holding gains	19,549	69,907
Closing Fair Value at 31 December	401,935	382,535
Closing cost at 31 December	261,466	242,860
Closing unrealised gain at 31 December	140,469	139,675
Valuation at 31 December	**401,935**	**382,535**

The Company received £75,387,000 from investments sold in the year (2020: £35,731,000). The book cost of the investments when they were purchased was £56,632,000 (2020: £29,779,000). 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 £19,549,000 (2020: gains of £69,907,000) include the dealing costs of £251,000 (2020: £103,000) 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.
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, etc).
- Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments).

During the year to 31 December 2021, Philippine Seven Corp (2020: £9,484,000) and DP Eurasia NV (2020: £2,732,000) were transferred from level 1 to level 2. This was due to a lower volume of trade.

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

Fair value measurements recognised in the Statement of Financial Position

	2021			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments held at fair value through profit or loss	371,986	29,949	–	401,935
Total	**371,986**	**29,949**	**–**	**401,935**

	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**

10. Receivables

	2021 £'000	**2020 £'000**
Accrued income	646	682
Other receivables	59	56
Total	**705**	**738**

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.

11. Trade and Other Payables

	2021 £'000	**2020 £'000**
Management fee payable	1,016	1,785
Overseas capital gains tax payable	52	–
Other payables	490	6,430
Total	**1,558**	**8,215**

12. Deferred Tax Liabilities

	2021 £'000	2020 £'000
Deferred tax liability on unrealised capital gains on securities	10,099	5,981
Total	**10,099**	**5,981**

Deferred tax liability is recognised on unrealised capital gains on Indian and Bangladeshi securities, as detailed in note 6.

13. Share Capital

	2021 Ordinary Shares Number	2021 Treasury Shares Number	2021 Total Shares Number	2021 Nominal Value £'000	2020 Total Shares Number	2020 Nominal Value £'000
Issued, allotted and fully paid (ordinary)						
Ordinary shares in issue at start of year	26,604,372	35,684	26,640,056	266	26,640,056	266
Shares issued	–	–	–	–	–	–
Ordinary shares bought back and held in treasury	(316,089)	316,089	–	–	–	–
Total shares in issue at end of year	**26,288,283**	**351,773**	**26,640,056**	**266**	**26,640,056**	**266**

During the year ended 31 December 2021, the Company repurchased 316,089 shares of £0.01 each (2020: repurchased 35,684) at a net consideration of £4,453,000 (2020: £455,000). Details of the shareholder authorities granted to Directors to issue and buy back shares during the year are provided on page 52.

14. Share Premium Account

	2021 £'000	2020 £'000
Balance at 1 January	81,595	81,595
Balance at 31 December	**81,595**	**81,595**

15. Net Asset Value per Share

	2021 pence	2020 pence
Net asset value per share – basic	**1,512.9**	**1,460.2**
Net asset value per share – diluted	**1,510.9**	**1,460.1**

The net asset value per share is based on the net assets attributable to equity shareholders of £397,720,000 (2020: £388,468,000) and on 26,288,283 excluding treasury shares (2020: 26,604,372) shares in issue at 31 December 2021.

The diluted net asset value per share is based on the net assets attributable to equity shareholders of £402,504,000 (2020: £388,972,000) and on 26,640,056 (2020: 26,640,056) shares in issue at 31 December 2021.

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.

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:

	2021 £'000	**2020 £'000**
Cash and cash equivalents	6,737	13,410
Receivables	705	738

16. Risk Management and Financial Instruments continued

All the assets of the Company which are traded on a recognised exchange are held by The Northern Trust Company, 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 34 to 36.

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 2021				
	Investments £'000	**Cash £'000**	**Receivables £'000**	**Payables £'000**	**Total £'000**
Bangladeshi Taka	7,093	–	–	(552)	6,541
Brazilian Real	6,532	–	257	–	6,789
Chinese Yuan	21,874	–	–	–	21,874
Egyptian Pound	6,452	5	348	–	6,805
Hong Kong Dollar	40,424	–	–	–	40,424
Indian Rupee	197,036	–	–	(9,599)	187,437
Mexican Peso	9,546	–	–	–	9,546
Nigerian Naira	5,693	281	–	–	5,974
Philippine Peso	6,832	–	–	–	6,832
South African Rand	7,705	–	–	–	7,705
Sri Lankan Rupee	2,037	–	–	–	2,037
US Dollar	77,178	(14)	41	–	77,205
Vietnam Dong	8,241	–	–	–	8,241
	396,643	**272**	**646**	**(10,151)**	**387,410**

As at 31 December 2021, the investment portfolio included £5.693 million (2020: £5.318 million) of Nigerian securities out of the total investment portfolio of £401.9 million (2020: £382.5 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 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
Indian Rupee	172,672	–	–	(5,981)	166,691
Indonesian Rupiah	3,762	–	–	–	3,762
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**

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	2021 £'000	2020 £'000	2021 £'000	2020 £'000
	+5%	+5%	-5%	-5%
Effect on net assets for the year	19,371	18,729	(19,371)	(18,729)
Effect on capital return	19,325	18,691	(19,325)	(18,691)

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 £6,737,000 (2020: £13,410,000) 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 £34,000 (2020: £67,000). 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 £34,000 (2020: £67,000). 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 2021, the impact on profit or loss and net assets would have been negative £40.2 million (2020: £38.3 million). If the investment portfolio valuation rose by 10% at 31 December 2021, the impact on profit or loss and net assets would have been positive £40.2 million (2020: £38.3 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	**2021 £'000**	**2020 £'000**
Asset at fair value through profit or loss	401,935	382,535
Cash and cash equivalents	6,737	13,410
Investment income receivable	646	682
Other receivables	59	56
Overseas capital gains tax payable	(52)	–
Deferred tax liability on unrealised capital gains on securities	(10,099)	(5,981)
Other payables	(1,506)	(8,215)
	397,720	**382,487**

Liquidity risk exposure

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

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 2021 held £6,737,000 cash (2020: £13,410,000).

16. Risk Management and Financial Instruments continued

The contractual maturities of the Company's financial liabilities at 31 December 2021, based on the earliest date on which payment can be required, were as follows:

	31 December 2021				31 December 2020			
	3 months or less £'000	Not more than one year £'000	Between one and five years £'000	Total £'000	3 months or less £'000	Not more than one year £'000	Between one and five years £'000	Total £'000
Overseas capital gains tax payable	52	–	–	52	–	–	–	–
Deferred tax liability on unrealised capital gains	–	–	10,099	10,099	–	–	5,981	5,981
Other payables	1,506	–	–	1,506	2,234	–	–	2,234

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. The Company's capital is its equity share capital and reserves that are shown in the Statement of Financial Position at a total of £397,720,000 (2020: £388,468,000).

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 2021. there were no contingent liabilities or capital commitments. (2020: 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 60. 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 79.

Terry Smith, the Managing Partner at Fundsmith LLP, the Company's AIFM and Investment Manager holds interests in 847,000 shares in the Company (2020: 847,000) amounting to 3.2% (2020: 3.2%) of the Company's issued share capital as at the date of this report.

19. Events after the reporting period

Since the year-end and up to 15 March 2021, (the latest practicable date before publication of the Report and Accounts), no further shares were repurchased nor were any shares issued by the Company.

Financial Calendar

31 December	Financial Year End
March	Final Results Announced
May	Annual General Meeting
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 at Barber-Surgeons' Hall, Monkwell Square, London EC2Y 5BL on Wednesday, 25 May 2022 at 12.30pm.

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.

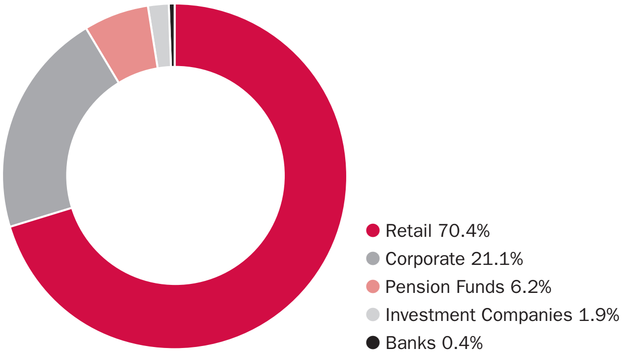
Daily Net Asset Value

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.

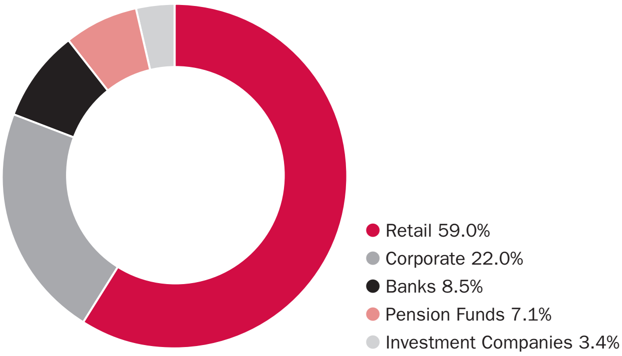
Profile of the Company's Ownership

% of Ordinary Shares held at

31 December 2021



31 December 2020



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:

- Capitalised 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 2021	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

Fundsmith LLP (Fundsmith), as the AIFM of the Company, is required to make this remuneration disclosure to the Company's investors in accordance with the AIFMD as incorporated into UK law and regulation.

The Company represents approximately 1% of Fundsmith's total funds under management.

The financial period of the Company runs from 1 January to 31 December, whereas the financial year of Fundsmith runs from 1 April to 31 March. The latest financial year of Fundsmith is the year to 31 March 2021, and the figures disclosed below are taken from the financial report and accounts for that period. These figures have been independently audited and filed with Companies House.

During the year ending 31 March 2021, Fundsmith employed an average of 26 staff in the year, with total remuneration, excluding pension contributions, for those staff of £14,220,477 comprising fixed remuneration of £2,895,006 and variable remuneration of £11,325,471.

The profits of the Firm are shared among the Members according to their profit-sharing arrangements. Fundsmith had an average of 9 Members during the year who shared the Firm's profit of £57,617,498.

The Members are the sole owners of Fundsmith, and the firm's capital is derived entirely from the Members contributions. Members are each entitled to a pre-determined, fixed proportion of the business's net profits, in accordance with their ownership of the Firm. Allocations of profits to Members are not discretionary and these amounts are due to the Members because of their investment of capital and their ownership of the business and is regarded as fixed, not variable remuneration.

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

The rules require Fundsmith to disclose both the amount of remuneration paid in total, and the amount paid to Remuneration Code Staff.

The Management Committee of Fundsmith has considered carefully which of its staff fall within the definition of Remuneration Code Staff. The Management Committee has determined that for the AIFM Remuneration Code (SYSC 19B) the Remuneration Code Staff are those individuals undertaking Senior management Functions that require approval by the FCA and any employee who is the lead investment manager of a fund.

For the year to 31 March 2021 the only Remuneration Code Staff who are not Members of the Firm are the two portfolio managers of the investment trusts, and Fundsmith has chosen not to disclose their aggregate remuneration of the basis of confidentiality.

Statement on the Alternative Investment Fund Managers Remuneration Code

The Company is classified as an Alternative Investment Fund (AIF). Fundsmith is duly authorised as an Alternative Investment Fund Manager (AIFM) for the purpose of managing the Company. As an authorised AIFM, Fundsmith 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).

Fundsmith's Remuneration Policy is designed to ensure that it complies with the AIFM Remuneration Code.

A description of how the remuneration and benefits paid to Fundsmith staff and Members is set out in the Remuneration Policy disclosure which is available on Fundsmith's website.

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 (*).

Brexit

The advisory public referendum which was held on 23 June 2016 in the United Kingdom to indicate whether voters wished to remain or withdraw from membership of the European Union (EU). The referendum vote was cast in favour of leaving the EU. The process of actually leaving is termed Brexit. The United Kingdom officially left the EU on 31 January 2020 and on 31 December 2020, the 11-month transition period came to an end.

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.

* Alternative Performance Measure.

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 2021	31 Dec 2020
Opening NAV	**1,460.2p**	1,213.0p
Increase in NAV	**52.7p**	247.2p
Closing NAV	**1,512.9p**	1,460.2p
% increase in NAV	**3.6%**	20.4 %
Impact of reinvested dividends	**0.2%**	0.3 %
NAV Total Return	**3.8%**	20.7 %

Diluted NAV Total Return*

	31 Dec 2021	31 Dec 2020
Opening diluted NAV	**1,460.1p**	1,213.0p
Increase in diluted NAV	**50.8p**	247.1p
Closing diluted NAV	**1,510.9p**	1,460.1p
% Increase in diluted NAV	**3.5%**	20.4 %
Impact of reinvested dividends	**0.2%**	0.3 %
Diluted NAV Total Return	**3.8%**	20.7 %

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 2021 £'000	**31 Dec 2020 £'000**
Operating expenses	**4,953**	4,231
Average net assets during the year	**394,408**	337,757
Ongoing charges (annualised)	**1.3%**	1.3%

* Alternative Performance Measure.

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 2021	**31 Dec 2020**
Opening share price	1,415.0p	1,100.0p
(Decrease)/increase in share price	(50.0p)	315.0p
Closing share price	**1,365.0p**	**1,415.0p**
% (decrease)/increase in share price	(3.5%)	28.6 %
Impact of reinvested dividends	0.1%	0.5%
Share Price Total Return	**(3.4%)**	**29.1 %**

* Alternative Performance Measure.

UN Principles for Responsible Investment ("UN PRI")

The UN PRi is a network of investors (supported by the UN) that works to promote sustainable investment through the incorporation of environmental, social and governance factors.

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/
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
The Share Centre	https://www.share.com/

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.

Investment scams are often sophisticated and difficult to spot

How to avoid investment scams

1 Reject unexpected offers
Scammers usually cold call, but contact can also come by email, post, word of mouth or at a seminar. If you've been offered an investment out of the blue, chances are it's a high risk investment or a scam.

2 Check the FCA Warning List
Use the FCA Warning List to check the risks of a potential investment – you can also search to see if the firm is known to be operating without FCA authorisation.

3 Get impartial advice
Get impartial advice before investing – don't use an adviser from the firm that contacted you.

If you're suspicious, report it

You can report a firm or scam to the Financial Conduct Authority on 0800 111 6768 or through www.fca.org.uk/scamsmart

If you've lost money in a scam, contact Action Fraud on 0300 123 2040 or www.actionfraud.police.uk

Be ScamSmart and visit www.fca.org.uk/scamsmart

FCA FINANCIAL CONDUCT AUTHORITY
Be a ScamSmart investor

Notice is hereby given that the Annual General Meeting of Fundsmith Emerging Equities Trust plc will be held at Barber-Surgeons' Hall, Monkwell Square, London EC2Y 5BL on Wednesday, 25 May 2022 at 12.30pm 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 2021, including the financial statements and the directors' and auditors' reports thereon.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2021.
3. To re-elect Martin Bralsford as a Director of the Company.
4. To re-elect Rachel de Gruchy as a Director of the Company.
5. To elect Professor Heather McGregor, CBE as a Director of the Company.
6. To re-elect John Spencer as a Director of the Company.
7. 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 9, 10, 11 and 12 will be proposed as special resolutions:

Authority to Issue Shares

8. 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 £26,288 (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 2,628,882 shares of 1 penny each or, if changed, the number representing 10% of the issued share capital of the Company at the date at which this resolution is passed, 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 2023 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

9. 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 £26,288 (or, if changed, the number representing 10% of the issued share capital of the Company at the date of the meeting at which this resolution is passed);

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

10. THAT in substitution of all existing powers (but in addition to any power conferred on them by resolution 9 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 this power shall be limited to the sale of relevant shares having an aggregate nominal value of £26,288, being 10% of the issued share capital of the Company as at the date of this Notice of Annual General Meeting and representing 2,628,882 Shares or, if changed, the number representing 10% of the issued share capital of the Company at the date of the meeting at which this resolution is passed, 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 9 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

11. 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 2023 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

12. 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.

By order of the Board

Registered office:
33 Cavendish Square
London W1G 0PW

Frostrow Capital LLP
Company Secretary
16 March 2022

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 12.30 p.m. on 23 May 2022.
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 23 May 2022 (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 15 March 2022 (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, 351,773 shares are held in treasury. Therefore, the total voting rights in the Company as at 15 March 2022 is 26,288,283.
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 0371 664 0300† (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.

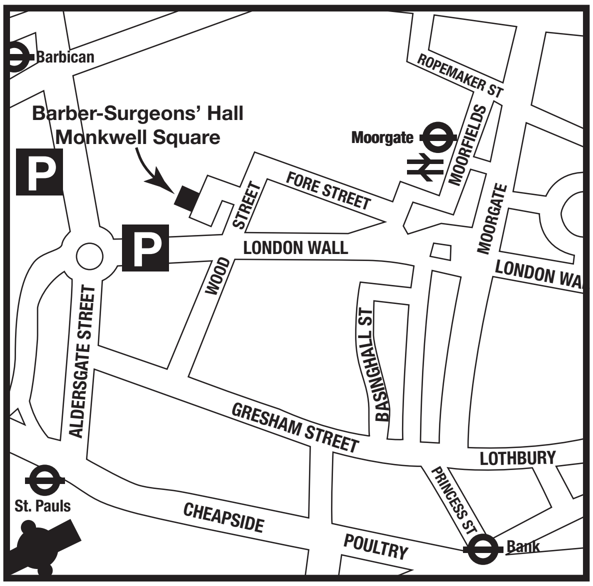
19. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified 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.

Further Information

LOCATION OF THE ANNUAL GENERAL MEETING

Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL



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)0371 664 0300† 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 12.30 p.m. on 23 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.

Explanatory Notes to the Resolutions

Resolution 1 – To receive the Annual Report and Financial Statements

The Annual Report for the year ended 31 December 2021 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 60 and 61.

Resolutions 3 to 6 – Election and Re-Election of Directors

Resolutions 3 to 6 deal with the re-election or election of the Directors. Biographies of each of the Directors can be found on pages 38 and 39 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.

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.

Professor Heather McGregor, CBE, FRSE, CGMA

Professor McGregor is a chartered management accountant and financial communications specialist. She also has an MBA from the London Business School and a PhD in Structured Finance.

Resolution 7 – Re-Appointment of Auditor and the determination of their remuneration

Resolution 7 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 8 and 9 – Issue of Shares

Ordinary Resolution 8 in the Notice of Annual General Meeting will renew the authority to allot unissued share capital up to an aggregate nominal amount of £26,288 (equivalent to 2,628,882 shares, or 10% of the Company's existing issued share capital on the date of the notice convening the meeting) or, if changed, the number representing 10% of the issued share capital of the Company at the date of the meeting at which these resolutions are passed. 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 9 will, if passed, give the Directors power to allot for cash equity securities up to 10% of the Company's existing share capital on the date of the notice covering the meeting, or, if changed, the number representing 10% of the issued share capital of the Company at the date of the meeting at which the resolution is passed, 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 8 and 9 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. Any issue of shares would only take place at a premium to the prevailing net asset value per share.

Resolution 10 – 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 9, Special Resolution 10, 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 premium to the prevailing net asset value per share. 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 share capital on the date of the notice covering the meeting, or, if changed, the number representing 10% of the issued share capital of the Company at the date of the meeting at which the resolution is passed (reduced by any equity securities allotted for cash on a non-pro rata basis pursuant to Resolution 9, 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 11 – 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 11 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 12 – General Meetings

Special Resolution 12 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.

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 124,682 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)*
Professor Heather McGregor, CBE, FRSE, CGMA

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 SE, UK Branch
50 Bank Street
Canary Wharf
London E14 5NT

Depositary

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

Authorised and regulated by the Financial Conduct Authority.

*Amended with effect from 1 September 2021. Previously Northern Trust Global Services SE

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

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.

This report is printed on Revive 100% White Silk a totally recycled paper produced using 100% recycled waste at a mill that has been awarded the ISO 14001 certificate for environmental management.

The pulp is bleached using a totally chlorine free (TCF) process.

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A member of the Association of Investment Companies

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