Fundsmith
Emerging Equities Trust

Half Year Report

for the six months ended 30 June 2021

Fundsmith Emerging Equities Trust plc

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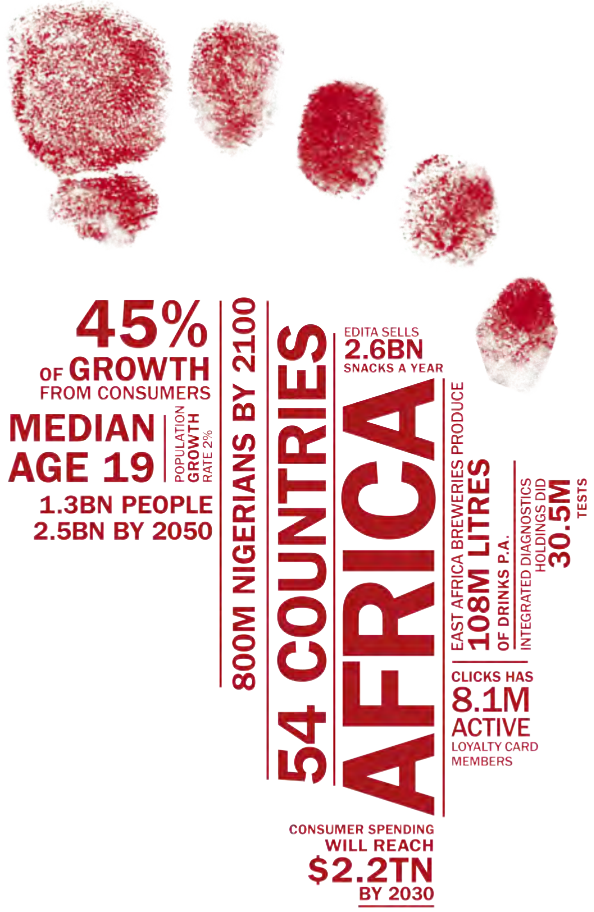

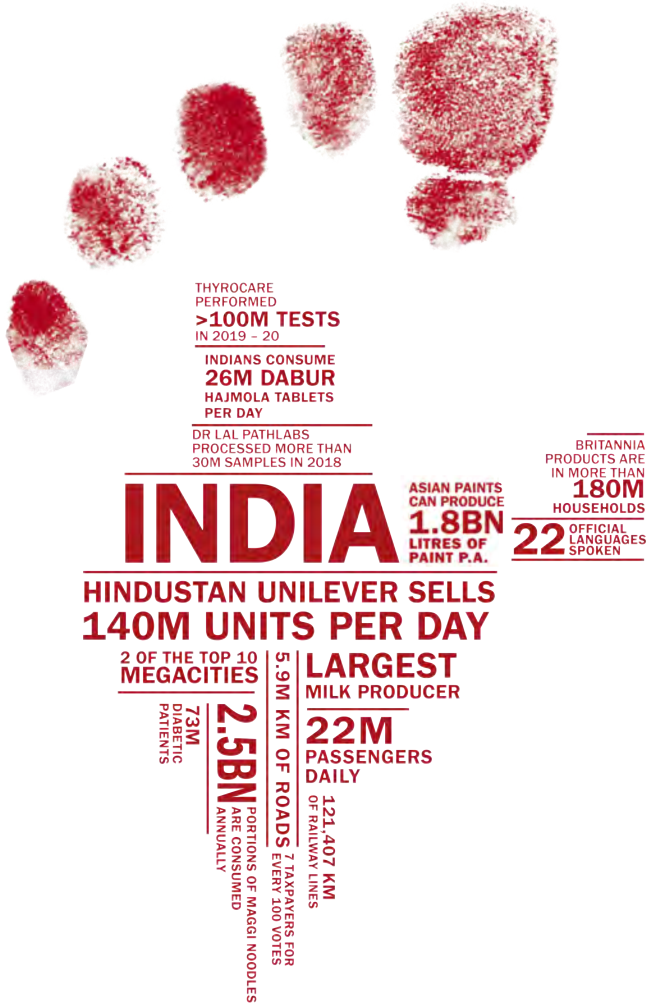

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Financial Calendar

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

Company Summary

The Company

The Company is an investment trust and its shares are 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 ("AIC").

Total assets less liabilities as at 30 June 2021 were £395.4 million (30 June 2020: £336.3 million) and the market capitalisation was £370.9 million (30 June 2020: £293.0 million).

Management

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

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

Capital Structure

As at 30 June 2021 the Company had in issue 26,589,372 Ordinary Shares of 1p each (30 June 2020: 26,640,056 and 31 December 2020: 26,604,372) excluding 50,684 Ordinary Shares held in treasury (30 June 2020: nil and 31 December 2020: 35,684).

Gearing

The Company has the power to borrow using short-term banking facilities to raise funds for short-term liquidity purposes or for discount management purposes including the purchase of its own shares, provided that the maximum gearing represented by such borrowings shall be limited to 15% of the Company's net assets at the time of drawdown of such borrowings. The Company is not currently geared.

ISA Status

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

Retail Investors advised by IFAs

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

Financial Highlights

Performance Summary

	As at 30 June 2021	As at 30 June 2020	As at 31 December 2020
Net asset value per share - basic	**1,487.0p**	1,262.3p	1,460.2p
Net asset value per share - diluted	**1,486.8p**	1,262.3p	1,460.1p
Share price	**1,400.0p**	1,100.0p	1,415.0p
Discount of the share price to the net asset value per share*	**5.9%**	12.9%	3.1%
Ongoing charges ratio*	**1.3%**	1.3%	1.3%

	Six months to 30 June 2021	Six months to 30 June 2020	Year ended 31 December 2020
Net asset value per share total return*	**+2.0%**	+4.3%	+20.7%
Share price total return*	**-0.9%**	+0.3%	+29.1%
Index† total return	**+6.4%**	-3.4%	+14.4%

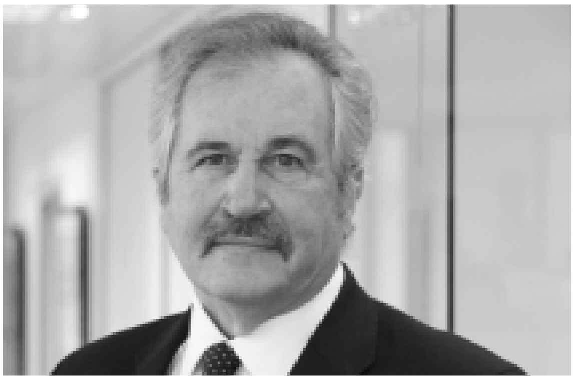
* Alternative Performance Measure (see Glossary beginning on page 25)

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

Please refer to the Glossary on pages 25 to 27 for definitions of these terms and the basis of their calculation.

Introduction

I am pleased to report on your Company's activities in the six months to 30 June 2021 and on its financial position as at that date; now some seven years since its launch. Your attention is drawn to the Investment Manager's Review (beginning on page 7), which deals with investment performance and portfolio



Performance

At the end of 2020, hopes for an end of the Covid-19 pandemic around the world had been high as vaccines were showing a high levels of efficacy and the first vaccination programmes were being initiated. It is now evident that we have not seen the end of the pandemic yet. Countries around the world have had to deal with subsequent waves of Covid-19 infections and many had to re-enforce restrictions just as they were beginning to be lifted. Progress is however being made albeit slower than we had wished for. Global markets have shown themselves to be confident overall and economies are starting to follow. However, market volatility has continued to be in evidence, particularly in July 2021.

The Company's net asset value ("NAV") per share total return* was +2.0% (2020: +4.3%) and the share price total return* was -0.9% (2020: +0.3%) during the first half of the Company's financial year. At the period end, the shares stood at a 5.9% discount* to the NAV per share (2020: 12.9% discount).

* Alternative Performance Measure (see Glossary beginning on page 25)

Over the same period, the Company's principal performance comparator, the MSCI Emerging & Frontier Markets Index, measured on a total return, net sterling adjusted basis, rose by 6.4% (2020: decreased by 3.4%).

Management Arrangements

The Board has continued to keep in frequent contact with our Investment Manager and also with the Company's other principal service providers to ensure that the day-to-day business of the Company continues to run effectively. While working from home continues, plans are being formulated for a return to the office in the coming months. I would remind Shareholders that the Company itself has no employees. Your Board has continued its meetings on schedule, using video conferencing very successfully.

Revenue and Dividends

In the last Annual Report, it was noted that the Company had made a small revenue profit in 2020. Accordingly, in order to maintain investment trust status, the Board recommended to Shareholders a final dividend of 2.0 pence per share for the year ended 31 December 2020 (2019: 3.2 pence per share). Following Shareholder approval at the Company's Annual General Meeting ("AGM") on 26 May 2021, this dividend was paid on 3 June 2021.

As we have reminded Shareholders in the past, the Company's principal objective is to provide Shareholder returns through capital growth, and neither the Board nor the Investment Manager target a particular level of income. Therefore, the Board's current policy remains (as from inception) to pay only those dividends required to maintain UK investment trust status. Consequently, the Board has not declared an interim dividend.

Share Price Discount

In my statement at the year-end, I repeated the Board's aspiration that the Company's shares would not trade at a price which, on average, represented a discount that was out of line with the Company's peer group (the AIC Global Emerging Markets Sector). The Board has continued to monitor the position very closely and, as part of the Board's discount management strategy, the Company repurchased a total of 170,074 shares to be held in treasury at a total cost of £2.3m during the half-year and to 4 August 2021, the latest practicable date prior to publication of this report. The Company now has a total of 205,758 shares held in treasury. The Board and its advisers continue to monitor the discount closely and the Company will make further purchases of shares if the Board deems it to be appropriate.

No new shares were issued during the period and to 4 August 2021.

As at 4 August 2021, the Company had 26,434,298 shares of 1p each in issue excluding the shares held in treasury (2020: 26,640,056 – no shares held in treasury).

Investor Communications

Due to continued restrictions, we were again not able to stage our usual AGM this year. A presentation from our Portfolio Manager, Michael O'Brien has been made available on our website www.feetplc.co.uk. Overall, our website displays the latest news, share prices and performance information, portfolio details and updates from the Investment Manager. I encourage all Shareholders to register for updates on our website and to make use of the materials available thereon. Shareholders may also submit questions to the Board by sending an email to me at FEETChairman@fundsmith.co.uk or to the Investment Manager at FEET@fundsmith.co.uk.

Change to the Company's Investment Objective and Policy

I am pleased to confirm that Shareholders approved minor amendments to the Company's Investment Objective and Policy at the AGM held in May, as requested by our Investment Manager. The change to the Company's Investment Objective was made in order to allow the Company to benefit from the significant development of the economies and capital markets since launch in those countries it can invest in, particularly in areas such as business services, software and information technology. The increased portfolio concentration afforded by the change to the Company's Investment Policy allows the Company to hold the stocks in which our Investment Manager has the highest level of conviction, whilst still allowing for the management of assets in a way that is consistent with the objective of spreading risk.

Composition of the Board

I am delighted that Professor Heather McGregor CBE joined the Board at the conclusion of the AGM held on 26 May 2021. Heather is already contributing greatly to the Board's deliberations.

Outlook

Our Investment Manager continues to believe that the case for emerging markets has not diminished, with growing consuming classes, strong local brands, innovative business models and the emergence of some high-quality management teams. Emerging markets are catching up with the developed world and continue to present good opportunities for investors.

Further, our Investment Manager believes that the Company's portfolio remains well placed to benefit from the long-term trends driving the growth of the consuming classes in these markets, most notably growing populations becoming more affluent, consuming more and ultimately undergoing changes in their tastes which lead to both the development of premium products and the growth of new areas of markets.

The Board continues to support the investment strategy and believes that it should deliver attractive returns for the long-term investor.

Martin Bralsford
Chairman
5 August 2021

Investment Objective

To provide shareholders with an attractive return by investing in a portfolio of shares issued by listed or traded companies which have the majority of their operations in, or revenue derived from, Developing Economies* and which provide direct exposure to the rise of the consumer classes in those countries or to the broader social and/or economic development of those countries.

* See Glossary on page 25

Investment Policy

The Company maintains a portfolio diversified by issuer concentration and it is anticipated that the Company's portfolio will comprise 25 to 40 investments.

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

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

(ii) not more than 40% of the Company's gross assets can be invested in shares issued by companies domiciled in any single jurisdiction. 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 the 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.

Fund and Market Commentary

	Total Return 01.01.21 to 30.06.21 %	Inception to 30.06.21 Cumulative %	Inception to 30.06.21 Annualised %
FEET NAV per share*	+2.0%	+50.2%	+6.0%
FEET share price*	-0.9%	+40.9%	+5.0%
Emerging Markets	+6.4%	+88.6%	+9.5%
UK Bonds	-3.2%	+24.6%	+3.2%
UK Cash	+0.0%	+3.7%	+0.5%

During the first half of the year, the net asset value ("NAV") per share total return* of Fundsmith Emerging Equities Trust was +2.0%. The Company's share price total return* was -0.9%, representing a widening of the discount of the share price to the NAV per share* to 5.9% at the 30 June.

Although the Company's NAV per share rose in the half-year, it underperformed the MSCI Emerging and Frontier Markets Index (the "index") which rose by 6.4%. Since inception, the Company has recorded an annualised NAV per share total return* of +6.0% (to 30 June 2021) against one of +9.5% for the index. As at 30 June 2021, the Company's NAV per share total return* was +50.2%, against a return for the index over the same period of +88.6%.

The performance of the index was volatile in the first half of 2021, performing strongly in January and June, and exhibiting weakness in the months in between. In contrast, the Company had a weak first quarter in absolute (rising only in the month of January) and relative terms, and a much stronger second quarter. The Company underperformed the index in all three months of the first quarter, whilst in the second quarter; the Company's NAV reported rises in all three months and outperformed the index in two of these months.

Although we see the index as a poor benchmark of how we run money (our active share at the end of June was c.94%), we are inevitably compared against it. The index performed strongly at the start of the year as a result primarily of a continued strong performance in the Asian technology sector, although this began to unwind from mid-February due to a combination of fears of higher interest rates, concerns over computer chip availability and greater regulation of the sector in China. In addition, the evolution of the Covid-19 pandemic has also evolved negatively in a number of emerging market countries, with new variants, failings in public health systems and often-chaotic vaccination programmes all delaying recovering from the pandemic.

The first half of 2021 also saw the impact of a switch from 'growth' to 'value', as the prospect of rising interest rates meant investors became more cautious of businesses impacted by rising discount rates. This led to a rise in the share prices of businesses in sectors such as resources, banking and heavy industrials, all sectors where, simply put, we will not invest. The Company's split of investment as measured by the Global Industry Classification Standard ("GICS") is shown below:

GICS Sector Split	(as at 30.06.2021) %
Consumer Staples	45.9
Health Care	16.1
Communication Services	11.0
Consumer Discretionary	8.9
Materials	4.8
Information Technology	4.6
Industrials	3.7
Financials	2.0

As we have previously communicated, we invest in businesses not business plans. Although some of the exuberance has deflated in the very recent past, we have previously cautioned against bubble valuations in Chinese equities, particularly in some of the more speculative technology areas of the economy which are being aggressively subsidised by central government

* Alternative Performance Measure (see Glossary beginning on page 25)

in China. Following the half-year end the Company participated in its first initial public offering ("IPO") in Hong Kong and China since launch. Even though this was carried out at the same time as some Chinese IPOs in the US suffered high profile problems, the issue was heavily oversubscribed (we suspect by a factor of 10x), suggesting to us that the amount of liquidity chasing equities remains somewhat elevated.

For reference, as at 30 June 2021, the geographical breakdown of where the portfolio was invested was:

Region	%
India	44.6
Asia (ex-India)	31.3
Latin America	14.1
Eastern Europe, Middle East and Africa	9.4
TOTAL	99.3

Geopolitical tensions remain in a number of the countries and regions in which the Company invests, with the US-China relationship an ongoing issue. The election of President Biden only seems to have created a more coherent policy response to China's trade and geopolitical ambitions. Although the most blatant elements of populism have been removed from US policy, this has been replaced not only by greater cooperation with the country's traditional allies but also greater pressure on China to release more information about the origins of the Covid-19 outbreak. China's belligerence to Taiwan has also continued. Although we suspect that China's armed forces are currently not in a position to invade Taiwan, their continued provocation of the island and improved capabilities, suggest that this could change over the course of the current decade.

China is also exerting its power over Hong Kong, where the national security law that was implemented last year has led to both reduced pro-democracy activities and civil liberties. Exacerbated by Covid-19 (of which we touch on later), political protests have taken place in a large number of countries where the Company has investments such as Brazil, Bangladesh and South Africa.

As well as political machinations, we have seen a number of countries struggle on the economic front. Turkey, Bangladesh and Nigeria remain indices at risk of downgrade from the index by MSCI, which has recently announced plans for Argentina to be removed from the index series altogether and Pakistan to be downgraded from an emerging market to a frontier one. We fortunately do not own any indigenously listed companies in these two markets.

Performance

Stocks

In terms of the contributors to performance over the first six months of the year:

Top Five Contributors	Contribution (%)	Of which currency (%)
Metropolis	1.31	-0.12%
Dr Lal Pathlabs	1.02	-0.10%
Marico	0.89	-0.09%
Thyrocare	0.78	-0.09%
Avenue Supermarts (DMart)	0.58	-0.06%

All five of the top performing stocks in the portfolio in half-year were in India with India being the single largest geographical contributor to performance. Three of these were healthcare investments- Metropolis, Dr Lal Pathlabs and Thyrocare. All of these three are in the medical diagnostics space and were clear beneficiaries of the surge in cases witnessed in India, a country that had previously been praised for its Covid-19 response. The recovery in non-Covid-19 testing has also been faster than anticipated.

The business models of all three of these companies have benefitted from consolidation in a fragmented market, enhanced brand awareness and operationally geared models, terms of unit economics and their reputation amongst customers. In June, Thyrocare announced that its founder had agreed to sell his stake in the business to PharmEasy, an online pharmacy company backed by (among others) Softbank of Japan, Prosus and TPG which has resulted in a tender offer for the majority of the outstanding shares in the business.

The third best performing stock in the portfolio in the half-year was Marico, which reported continued very strong performance across both its value-added hair oil and food divisions, with double-digit volume growth and revenue growth of over 30% highlighted in its Q1 trading statement, with its international businesses showing 20% plus revenue growth. DMart performed strongly in anticipation of India exiting lockdown restrictions and strong growth in its e-commerce offer.

Bottom Five Contributors	Contribution (%)	Of which currency (%)
Foshan Haitian	-1.21%	0.02%
Yihai	-1.13%	0.00%
MercadoLibre	-0.47%	-0.13%
BIM Berselik	-0.47%	-0.23%
Philippine Seven	-0.45%	-0.05%

Foshan Haitian was the biggest negative stock contributor to performance in the period primarily due to investor sentiment over raw material price increases and the level of inventory in distribution channels. We believe that these are now unwinding and a post Covid-19 recovery in the food service segments is now evident.

It is worth noting that it was one of the largest positive contributors to performance in both 2019 and 2020 and we retain the view that the underlying fundamentals of the business and its ability to make market share gains in a fragmented market where formalisation will be a major influence will continue.

The second worst performer in the half-year was Yihai, a recent addition. This is another business in the condiments sector in the People's Republic of China ("PRC") and like Foshan Haitian has been impacted by raw material price rises. In the first half of 2020 the business performed strongly on the back of accelerated trends to home consumption, which has led to the market being concerned about year-on-year growth, again something which we believe will diminish over the course of the second half.

Like Foshan Haitian, MercadoLibre has been a consistently strong performer over recent years and we substantially increased our shareholding in 2019, something that has made a major net contribution to performance since that time. MercadoLibre has, in our view, primarily been impacted by concerns about inflation leading to investors discounting future growth in returns. The business remains the market leader in the geographies in which it operates (most notably Brazil) and e-commerce and digital payments remain heavily underpenetrated compared to both developed countries and China.

BIM has been adversely affected by a combination of a weak Turkish Lira and an underperforming Turkish economy. With inflation reaching almost 20% in the country we believe that BIM's format as a limited range discount retailer places it in good stead to manage the challenges its operating environment is producing.

Philippine Seven was also a negative contributor to performance in the period. The Philippines has seen severe lockdowns, particularly in and around the capital Manila which is where Philippine Seven's stores are primarily located. Footfall has been impacted by stay at home orders and the businesses focus on convenience products rather than grocery essentials has had a negative effect. The slow rollout of the country's vaccination programme also suggests that recovery will likely be muted in the short term. In response, the group's expansion programme, which has encouragingly restarted (it has recently opened its 3,000th store in the country) will now focus more on residential locations rather than business districts. We retain our view that the business is a high quality one and well placed to benefit not just from the country's economic development but also the growth of the modern retail trade in the country.

Currencies

Only three currencies contributed positively to performance- the Brazilian Real, the South African Rand and the Chinese RMB. The first two of these benefitted from higher commodity prices and the latter from continued foreign currency inflows into the PRC driven by its current account surplus.

Top 5 currencies	%
Brazilian Real	0.12
South African Rand	0.04
Chinese Yuan	0.03
Mexican Peso	0.00
Kenyan Shilling	-0.01

The Indian Rupee was the worst performing currency in the half and affected performance by 131 basis points. The Indian currency was adversely impacted by concerns over potential inflation risks from higher commodity prices, supply chain shortages and the likelihood of a return to strong economic growth.

The Turkish Lira was weak on inflation concerns, with inflation reaching 17.5% in June, ahead of the government's target of 5%.

Growth in the country has been hampered not just by Covid-19 but also interest rates approaching 20%.

Both the Sri Lankan Rupee and Nigerian Naira continued their long-term weakness in the half. The trust now only holds one company in each of these two countries. The weaker US dollar affected the three US listed stocks we owned throughout the period- XP, MercadoLibre and Taiwan Semiconductor (where we hold the American Depository Receipts).

Bottom 5 currencies	%
Indian Rupee	-1.31
Turkish Lira	-0.23
United States Dollar	-0.19
Sri Lankan Rupee	-0.10
Nigeria Naira	-0.06

Portfolio Turnover and Dealing Costs

Portfolio turnover in the period was 17.2%, up from 12.4% in first half of 2020. The Company bought 15,000 shares for Treasury at an overall cost of £202,250. No new shares were issued in the half-year.

Dealing costs were £119,410, equivalent to 0.03% of the Company’s NAV. This compares to £65,962 in the previous year (0.02% of the Company’s NAV). The increased dealing costs are reflective of the increased portfolio turnover.

Sales and Purchases

The Company made three new holdings in the period and exited five.

Yihai is a condiment and ready to eat food manufacturer listed in Hong Kong and based in mainland China. Starting life as a captive supplier to hotpot restaurant Chain Haidilao, the company is now the second largest supplier of hot pot condiments in China with a market share of c.7%, but more importantly, given the trends the company aims to capitalise on, has a 35% share of the mid-to-premium end hotpot segment. We believe that the group’s strong market position, brand and premiumisation opportunities all offer potential for market share growth, whilst there is scope to considerably grow its distribution network and enter new channels. The business has exhibited strong revenue growth over recent years and has an attractive margin profile.

NetEase is one of China’s largest internet technology businesses and is the second largest mobile gaming company in the world, a segment that accounts for around 80% of its revenues. As well as seeing accelerated growth in mobile gaming during the work from home phase of the pandemic, the group’s gaming business also has structural growth drivers from the rising spending power of Chinese consumers, increasing mobile internet penetration, which will be supported by 5G launches and the shift to mobile gaming from desktop gaming.

The cashflow from the group’s gaming business supports the development of the group’s other businesses. The group’s activities outside of its gaming businesses are characterised by large installed user bases- for instance, the group has over 1 billion email users, 800m NetEase Cloud registered users and Youdao (it’s education business) over 100m average users. It has also improved capital allocation by selling its Kaola e-commerce business in 2019. 2020 saw the group carry out a joint listing in Hong Kong (its initial listing was on NASDAQ) which in our mind reduces any regulatory risk (which we already deem low) from China’s increasing attention to how customer data is managed by overseas-listed businesses operating in the PRC.

WNS was the first business bought following the change to the Company’s investment policy. WNS is the second largest stand-alone Business Process Outsourcing (“BPO”) company in the world and has its headquarters in Mumbai. Since its inception in the late 1960s, the Indian IT and BPO 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, scale and delivery cost.

The BPO industry started out as a way for large companies based in Europe and the US to save costs on non-mission critical business processes by offshoring them to lower labour cost countries like India. Since that point, the industry has diversified from taking on non-critical back office business processes to providing more complex business processes and higher value added services, thus moving into Business Process

Management. Services provided by BPO firms now includes business process (re)design, managing critical operations and providing decision making tools, all of which are increasing ‘value-added’ propositions with low-penetration and significant scope for growth. This has given a high degree of resilience to WNS’s business model, which over the five years to March 2020 reported double-digit compound revenue growth and considerable margin expansion.

The stake in Prodia was sold because of capital allocation concerns. At the time of sale, the group had one of the lowest returns on invested capital of the Company’s holdings and over recent years had struggled to grow its geographical footprint. Although the group’s diagnostic business is a short-term beneficiary of Covid-19, in the long run we had increasing concerns about the allocation of capital towards more resource intensive activities.

We also exited our position in Dali Foods. The group’s growth potential, particularly in the two product areas of plant-based beverages and fresh bread has failed to match our expectations. Although both of these should be multi-billion Yuan segments in the Chinese market, increased competition, particularly in the plant-based beverage segment has had an adverse impact on the group. We also take the view that the group has been slow to evaluate other potential growth markets that could offer synergies with its distribution base.

Our stake in East African Breweries (“EABL”) was sold, meaning that the Company now has no exposure to the alcohol segment. When we launched the Company, we believed that the brewing segment would offer an attractive investment opportunity driven by consumption growth, premiumisation and strong local brands protected by the high cost of transportation. Our experience in the sector has been disappointing, with higher demand elasticity than we originally thought, government policies that over-tax and over-regulate the sector and margins at risk from the need to import raw materials. EABL’s share price had continued to be impacted by uncertainty over tax policy in Kenya and given it had seen a long-term trend of deteriorating returns, we took the decision that the capital allocated to the investment could be put to better use elsewhere. A similar decision was made in relation to EDITA, the Egyptian bakery business that had seen a persistent deterioration in returns over recent years.

We exited our stake in Britannia Foods, with the capital reallocated to WNS. Britannia had performed strongly since we owned it and we felt WNS to be more appropriately valued.

Covid-19 impact

Covid-19 continues to affect a number of geographies in which the Company invests, with Brazil and the Philippines both suffering from major public health failings, whilst India was caught largely unawares by the Delta variant which spread rapidly after the country lifted restrictions in early spring.

We have avoided making any specific investment decisions based around the impact of Covid-19. Instead, we take the view that the portfolio is well placed to mitigate both the short-term challenges and long-term opportunities associated with the pandemic.

We have no direct exposure to the travel and aviation sector. It is increasingly clear to us that the aviation sector recovery will be a long-haul (no pun intended), with knock on effects for hotel companies, another area where we currently have no investments. Other areas such as retail and hospitality face sporadic lockdowns and activity curtailments well into the medium term.

A number of companies we own saw an almost immediate positive impact from the pandemic, particularly in areas such as consumer staples, grocery retail, healthcare and technology. These benefits have largely carried on into the current financial year, and the market positions and strong balance sheets they typically have make them well placed to benefit from further market disruptions and uncertainties.

We remain of the view that Covid-19 is likely to significantly structurally change several industries, with the three biggest impacts being formalisation, digitalisation and consolidation. These trends will help the companies that we own gain share from informal, smaller players that lack access to capital and either manufacture or sell product in environments where provenance is becoming an increased concern. Digitalisation is driving a shift in consumption to on-line channels and benefitting those businesses with well-invested logistics chains to support the rapid distribution requirements of on-line retailers. Although we are not necessarily fans of corporate activity, we believe that there are a number of opportunities for businesses we own to make bolt-on acquisitions, which are complementary to their own business models.

Environmental, Social and Governance

Environmental, Social and Governance ("ESG") is an increasing area of investor interest and concern. We believe our approach to investment produces favourable outcomes across all three elements of the ESG spectrum and set out the reasons why here.

We take very strong notice of governance when we look at whether a stock is worthy of inclusion in the Investible Universe from which we draw those companies the Company can invest in. When we consider governance, we do more than just look at board structure and remuneration. We look at aspects as diverse as shareholder structure, familial links in the business, whether there are differentiated voting rights, the transparency and level of disclosure, management integrity and, if it is raising capital, the reasons for the raise.

Moreover, when we own a company, we regularly engage management on business performance and governance issues. All proxies we receive are analysed and voted by ourselves, not an external agency. Fundsmith is also a signatory of the UN PRI and the individual who manages the Company's portfolio sits on Fundsmith's in-house ESG committee.

The nature of the businesses in which we invest preclude the Company from investing in cyclical businesses which are asset intensive and offer low returns. This means that we do not invest in mining, agribusiness (such as palm oil production), oil and gas and heavy industries such as steel making or chemical production. Nor do we invest in cement, a sector in favour with so many fund managers in emerging markets that is one of the most environmentally destructive industries on the planet. The low returns on invested capital prevalent in the banking sector means that we also do not invest in those who finance these activities.

The majority of the businesses we own are brand owners, and thus have to protect their brands. Just as long-term investors we expect all of the businesses we own to be environmental responsible in the sense that they do not damage their operating environment to the long-term detriment of the business, we expect them to be stewards of their brands. Encompassed in this is the, often not immaterial, time and monetary investments the businesses we own put into helping the less fortunate in society. Where, how and how much a business reinvests in social good is always something we evaluate when we deem whether a company can fit into our investible universe.

The Opportunity

The portfolio remains well placed to benefit from the long-term trends driving the growth of the consuming classes in emerging markets, most notably growing populations getting richer, consuming more and ultimately undergoing changing tastes which lead to both the development of premium products and the growth of new market segments.

The Company continues to have four common traits that it seeks from its investments to fit the manager's exacting criteria:

- High returns on operating capital employed in cash;
- Growth driven from the reinvestment of these cash flows at high rates of return;
- Revenues derived from a large number of everyday, small ticket, repeat, predictable transactions; and
- The ability to protect returns against competition.

Over the last two years, Fundsmith have operated with a changed emphasis in four different areas relating to how the Company is managed. First, it has reduced its exposure to those countries where we feel macro and political risk is high. Second (and in line with the same evolutionary pattern of the Fundsmith Equity Fund), we have increased our exposure to resilient growth stocks that operate in technology and healthcare. Third, we have reduced our exposure to listed multinational subsidiaries and fourth, we have increased portfolio concentration. At the end of June 2021 we had 36 holdings.

At the 2021 Annual General Meeting in May, Shareholders approved two changes to the Company's investment objectives and policy.

* See Glossary on page 25

First, the Company's investment objective was changed (with changes highlighted in bold and underlined) to '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 **<u>or to the broader social and/or economic development of those countries</u>**'.

Second, the investment policy was similarly changed so that 'The Company maintains a portfolio diversified by issuer concentration and the Company's portfolio will normally comprise (35)**<u>25</u>** to (55)**<u>40</u>** investments'.

Of these changes, the first was made in order to allow the Company to benefit from the significant development of the economies and capital markets since launch in those countries it can invest in, particularly in areas such as business services, software and information technology. The Company's management team had identified a small number of businesses that the previous investment policy would not have allowed them to invest in. The increased portfolio concentration afforded by the investment policy change allows the Company to hold the stocks in which it has the highest level of conviction, whilst still allowing for the management of assets in a way that is consistent with the objective of spreading risk.

The changes to the investment objectives and policy to us do not represent a revolutionary change, but more a natural response to the way in which both the economies and capital markets of the countries in which the Company has developed since launch in 2014. We will continue to focus on those investment opportunities available for investment in high quality businesses offering meaningful growth opportunities and sustainable returns.

Michael O'Brien
Fundsmith LLP
Investment Manager
5 August 2021

Principal Risks and Uncertainties

While equity markets have begun to recover from the falls that occurred during the Covid-19 pandemic, volatility is still in evidence. The Directors have considered the impact of the continued uncertainty on the Company's financial position and, based on the information available to them at the date of this report, have concluded that no adjustments are required to the accounts as at 30 June 2021.

A review of the half-year and the outlook for the Company can be found in the Chairman's Statement and in the Investment Manager's Review. The principal risks and uncertainties faced by the Company fall into the following broad categories: corporate strategy; investment strategy and activity; operational (service providers); financial; and legal and regulatory. Information on these risks is given in the annual report for the year ended 31 December 2020. The Board believes that the Company's principal risks and uncertainties have not changed materially since the date of that report and are not expected to change materially for the remaining six months of the Company's financial year.

Related Party Transactions

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

Going Concern

The Directors believe, having considered the Company's investment objective, risk management policies, capital management policies and procedures, and the nature of the portfolio and the expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future, and, more specifically, that there are no material uncertainties relating to the Company that would prevent its ability to continue in such operational existence for at least twelve months from the date of approval of this half yearly financial report. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the financial statements. In reviewing the position as at the date of this report, the Board has considered the guidance on this matter issued by the Financial Reporting Council.

Directors' Responsibilities

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

(i) the condensed set of financial statements contained within the half year report has been prepared in accordance with the applicable International Accounting Standards (IAS) 34; and

(ii) the interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the UK Listing Authority Disclosure Guidance and Transparency Rules.

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

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

and the Directors confirm that they have done so.

On behalf of the Board of Directors

Martin Bralsford
Chairman
5 August 2021

Investment Portfolio

Investments held as at 30 June 2021

Security	Country of incorporation	Fair value £'000	% of investments
MercadoLibre Inc	USA[1]	27,292	7.0
Foshan Haitian Flavouring	China	25,954	6.6
Asian Paints Ltd	India	20,252	5.2
Info Edge (India) Ltd	India	18,418	4.7
Vitasoy International Holdings Ltd	Hong Kong	16,129	4.1
Havells India Ltd	India	15,335	3.9
Marico Ltd	India	15,309	3.9
Metropolis Healthcare Ltd	India	15,126	3.9
Avenue Supermarts	India	15,115	3.8
Tencent Holdings	Cayman Islands[2]	14,774	3.8
Top 10 Investments		**183,704**	**46.9**
Nestlé India Ltd	India	13,381	3.4
Dr Lal Pathlabs Ltd	India	13,136	3.3
Hindustan Unilever Ltd	India	12,741	3.2
NetEase Inc	Cayman Islands[2]	11,412	2.9
Taiwan Semiconductor Manufacturing	Taiwan	11,270	2.9
Godrej Consumer Products Ltd	India	10,814	2.8
Eris Lifesciences Ltd	India	10,214	2.6
Thyrocare Technologies Ltd	India	9,826	2.5
Integrated Diagnostics Holdings Plc	Jersey[3]	9,166	2.3
Hypera SA	Brazil	8,659	2.2
Top 20 Investments		**294,323**	**75.0**
Vietnam Dairy Products JSC	Vietnam	8,362	2.1
Walmart De Mexico SAB de CV	Mexico	8,263	2.1
XP Inc	Brazil	7,982	2.0
Procter + Gamble Hygiene	India	7,968	2.0
Philippine Seven Corp	Philippines	7,681	2.0
Dabur India Ltd	India	7,029	1.8
Eastern Company S.A.E	Egypt	6,985	1.8
WNS Holdings Ltd	Jersey[4]	6,864	1.7
Clicks Group Ltd	South Africa	6,575	1.7
British American Tobacco	Bangladesh	5,970	1.5
Top 30 Investments		**368,002**	**93.7**

Investment Portfolio (continued)

Investments held as at 30 June 2021 (continued)

Security	Country of incorporation	Fair value £'000	% of investments
Nestlé Nigeria Plc	Nigeria	5,048	1.3
BIM Birlesik Magazalar AS	Turkey	4,832	1.2
DP Eurasia NV	Netherlands[5]	4,398	1.1
Yihai International Holdings	Cayman Islands[2]	3,592	0.9
Lojas Renner	Brazil	3,535	0.9
Ceylon Tobacco Co Plc	Sri Lanka	3,167	0.8
Britannia Industries LTD[6]	India	53	0.1
Total Investments (37)		**392,627**	**100.0**

[1] Principal place of business Brazil

[2] Principal place of business China

[3] Principal place of business Egypt

[4] Principal place of business India

[5] Principal place of business Turkey

[6] Fixed Interest 5.50% June 2024

Statement of Comprehensive Income

For the six months ended 30 June 2021

		(Unaudited) Six months ended 30 June 2021			(Unaudited) Six months ended 30 June 2020			(Audited) Year ended 31 December 2020		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income from investments held at fair value through profit or loss	4	2,499	–	2,499	2,695	–	2,695	5,987	–	5,987
Gains on investments held at fair value through profit or loss	3	–	10,575	10,575	–	14,005	14,005	–	70,010	70,010
Foreign exchange losses		–	(113)	(113)	(29)	(7)	(36)	–	(135)	(135)
Management fees		(1,915)	–	(1,915)	(1,589)	–	(1,589)	(3,374)	–	(3,374)
Other expenses including transaction costs		(480)	(119)	(599)	(439)	(66)	(505)	(857)	(103)	(960)
Profit before taxation		104	10,343	10,447	638	13,932	14,570	1,756	69,772	71,528
Taxation		(295)	(2,505)	(2,800)	(259)	(336)	(595)	(568)	(4,328)	(4,896)
(Loss)/profit for the period/year		(191)	7,838	7,647	379	13,596	13,975	1,188	65,444	66,632
(Loss)/return per share (basic) (p)	5	**(0.72)**	**29.47**	**28.75**	**1.42**	**51.04**	**52.46**	**4.46**	**245.69**	**250.15**
(Loss)/return per share (diluted) (p)	5	**(0.72)**	**29.42**	**28.70**	**1.42**	**51.04**	**52.46**	**4.46**	**245.66**	**250.12**

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

All of the profit and total comprehensive income for the period/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 ("AIC").

All items in the above statement derive from continuing operations.

The accompanying notes on pages 21 to 24 are an integral part of these financial statements.

Statement of Changes in Equity

For the six months ended 30 June 2021 (Unaudited)

	Share Capital £'000	Share Premium £'000	Capital* Reserve £'000	Revenue Reserve £'000	Total £'000
Balance at 1 January 2021	266	81,595	303,721	2,886	388,468
Profit/(loss) for the period	–	–	7,838	(191)	7,647
	266	81,595	311,559	2,695	396,115
Ordinary shares bought back and held in treasury	–	–	(205)	–	(205)
Dividends paid	–	–	–	(532)	(532)
Balance at 30 June 2021	**266**	**81,595**	**311,354**	**2,163**	**395,378**

For the six months ended 30 June 2020 (Unaudited)

	Share Capital £'000	Share Premium £'000	Capital* Reserve £'000	Revenue Reserve £'000	Total £'000
Balance at 1 January 2020	266	81,595	238,732	2,550	323,143
Profit for the period	–	–	13,596	379	13,975
Dividends paid	–	–	–	(852)	(852)
Balance at 30 June 2020	**266**	**81,595**	**252,328**	**2,077**	**336,266**

For the year ended 31 December 2020 (Audited)

	Share Capital £'000	Share Premium £'000	Capital* Reserve £'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	–	–	–	(852)	(852)
Balance at 31 December 2020	**266**	**81,595**	**303,721**	**2,886**	**388,468**

* Capital Reserve is considered distributable.

The accompanying notes on pages 21 to 24 are an integral part of these financial statements.

Statement of Financial Position

As at 30 June 2021

	Notes	(Unaudited) 30 June 2021 £'000	(Unaudited) 30 June 2020 £'000	(Audited) 31 December 2020 £'000
Non-current assets				
Investments held at fair value through profit or loss		392,627	330,422	382,535
		392,627	330,422	382,535
Current assets				
Receivables		537	1,074	738
Cash and cash equivalents		12,094	7,854	13,410
		12,631	8,928	14,148
Total assets		405,258	339,350	396,683
Current liabilities				
Trade and other payables		(9,880)	(3,084)	(8,215)
		(9,880)	(3,084)	(8,215)
Total assets less current liabilities		395,378	336,266	388,468
Equity attributable to equity shareholders				
Ordinary share capital		266	266	266
Share premium		81,595	81,595	81,595
Capital reserve		311,354	252,328	303,721
Revenue reserve		2,163	2,077	2,886
Total equity		395,378	336,266	388,468
Net asset value per share (p) - basic	6	**1,487.0**	**1,262.3**	**1,460.2**
Net asset value per share (p) - diluted	6	**1,486.8**	**1,262.3**	**1,460.1**

The accompanying notes on pages 21 to 24 are an integral part of these financial statements.

Statement of Cash Flows

For the six months ended 30 June 2021

	Notes	(Unaudited) Six months ended 30 June 2021 £'000	(Unaudited) Six months ended 30 June 2020 £'000	(Audited) Year ended 31 December 2020 £'000
Cash flows from operating activities				
Profit for the period/year before taxation		10,447	14,570	71,528
Adjustments for:				
Net gain on investments held at fair value through profit or loss	3	(10,575)	(14,005)	(69,907)
Net loss on foreign exchange		113	36	135
Decrease/(increase) in receivables		252	(282)	54
(Decrease)/increase in payables		(840)	34	1,173
Overseas taxation paid		(299)	(259)	(568)
Net cash flow from operating activities		**(902)**	**94**	**2,415**
Cash flows from investing activities				
Sales of investments held at fair value through profit or loss		33,599	18,295	35,731
Purchases of investments held at fair value through profit or loss		(33,163)	(22,445)	(36,092)
Net cash flow from investing activities		**436**	**(4,150)**	**(361)**
Cash flows used in financing activities				
Purchase of shares to be held in treasury		(205)	–	(455)
Dividend paid		(532)	(852)	(852)
Net cash flow from financing activities		**(737)**	**(852)**	**(1,307)**
Net (decrease)/increase in cash and cash equivalents		(1,203)	(4,908)	747
Effect of foreign exchange rates		(113)	(36)	(135)
Change in cash and cash equivalents		(1,316)	(4,944)	612
Cash and Cash Equivalents at start of the period/year		13,410	12,798	12,798
Cash and cash equivalents at end of the period/year		**12,094**	**7,854**	**13,410**
Comprised of: Cash at bank		**12,094**	**7,854**	**13,410**
Cash Flow from Operating Activities includes				
Dividends received		**2,789**	**2,401**	**6,016**

The accompanying notes on pages 21 to 24 are an integral part of these financial statements.

1. General Information

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

Principal Activity

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

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

2. Significant Accounting Policies

A Basis of preparation – the financial statements have been prepared under the historical cost convention (modified to include investments at fair value through profit or loss) on a going concern basis and in accordance with applicable International Financial Reporting Standards as adopted by the UK (IFRS) and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies in November 2014 (and updated in April 2021). They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The Company is a UK listed company with a predominantly UK shareholder base. The results and the financial position of the Company are expressed in sterling, which is the functional and presentational currency of the Company. The accounting policies have been disclosed consistently and in line with Companies Act 2006.

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

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

D The management fee is recognised as a revenue item in the Income Statement. All other expenses are charged to revenue except expenditure of a capital nature, which is treated as capital. The Board will keep under review and amend this treatment if required.

E Investments – investments have been designated upon initial recognition as fair value through profit or loss. Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured at fair value. Subsequent to initial recognition, investments are valued at fair value. For listed investments, this is deemed to be bid market prices. Gains and losses arising from changes in fair value are included in net profit or loss for the year as a capital item in the income statement and are ultimately recognised in the capital reserve.

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

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

H Cash at bank and in hand comprises cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value. Other debtors and creditors (excluding borrowings) do not carry any interest, are short-term in nature and are accordingly stated at nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

I Equity dividends payable to shareholders are recognised when the shareholders right to receive them is established.

J Capital reserve – This reserve reflects any:

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

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

K Issue costs – these have been offset against the proceeds of share issues and dealt with in the share premium account.

L 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.

M Deferred taxation – deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in future have occurred at the balance sheet date measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying temporary differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the 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 UK tax on any capital gains and losses arising on the revaluation or disposal of investments.

The Company has made a provision for deferred tax for capital gains payable on Indian stocks.

3. Gains on Investments held at Fair Value through Profit or Loss

	(Unaudited) Six months ended 30 June 2021 £'000	**(Unaudited) Six months ended 30 June 2020 £'000**	**(Audited) Year ended 31 December 2020 £'000**
Gains on investments held at fair value through profit or loss			
Gain on sales of investments	119	2,901	6,055
Investment holding unrealised gain	10,456	11,104	63,955
	10,575	**14,005**	**70,010**

4. Income from Investments held at Fair Value through Profit or Loss

	(Unaudited) Six months ended 30 June 2021 £'000	(Unaudited) Six months ended 30 June 2020 £'000	(Audited) Year ended 31 December 2020 £'000
Overseas dividends	2,203	2,695	5,987
Overseas dividends - Special	295	-	-
Fixed interest income	1	-	-
	2,499	**2,695**	**5,987**

5. Return per share

	(Unaudited) Six months ended 30 June 2021			(Unaudited) Six months ended 30 June 2020			(Audited) Year ended 31 December 2020		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
(Loss)/profit for the period/year	(191)	7,838	7,647	379	13,596	13,975	1,188	65,444	66,632
(Loss)/return per share (basic) (p)	(0.72)	29.47	28.75	1.42	51.04	52.46	4.46	245.69	250.15
(Loss)/return per share (diluted) (p)	(0.72)	29.42	28.70	1.42	51.04	52.46	4.46	245.66	250.12

Return per share is based on returns for the period and the weighted average number of ordinary shares in issue of 26,602,733 excluding treasury shares (30 June 2020: 26,640,056; 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 (30 June 2020: 26,640,056; 31 December 2020: 26,640,056).

6. Net asset value per share

	(Unaudited) Six months ended 30 June 2021 £'000	(Unaudited) Six months ended 30 June 2020 £'000	(Audited) Year ended 31 December 2020 £'000
Net asset value per share - basic	**1,487.0**	**1,262.3**	**1,460.2**
Net asset value per share - diluted	**1,486.8**	**1,262.3**	**1,460.1**

The net asset value per share is based on the net assets attributable to equity shareholders of £395,378,000 (30 June 2020: £336,266,000; 31 December 2020: £388,468,000) and on 26,589,372 excluding treasury shares (30 June 2020: 26,640,056; 31 December 2020: 26,604,372) shares in issue at 30 June 2021.

The diluted net asset value per share is based on the net assets attributable to equity shareholders of £395,904,000 (30 June 2020: £336,266,000; 31 December 2020: £388,972,000) and on 26,640,056 (30 June 2020: 26,640,056; 31 December 2020: 26,640,056) shares in issue at 30 June 2021.

During the period ended 30 June 2021, the Company repurchased 15,000 shares of £0.01 each (30 June 2020: nil, 31 December 2020: repurchased 35,864 shares of £0.01 each) at a net consideration of £205,000 (31 December 2020: £455,000). Details of the shareholder authorities to issue and buy back shares during the year are provided in the annual accounts.

These are not statutory accounts in terms of Section 434 of the Companies Act 2006 and are unaudited. Statutory accounts for the year to 31 December 2020, which received an unqualified audit report, have been lodged with the Registrar of Companies. No statutory accounts in respect of any period after 31 December 2020 have been reported on by the Company's auditor or delivered to the Registrar of Companies.

Earnings for the first six months should not be taken as a guide to the results for the full year.

7. Fair Value Hierarchy

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

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

- Level 1 – quoted prices in active markets for identical instruments. As at 30 June 2021, £370,677,000 (30 June 2020: £306,797,000; 31 December 2020: £364,266,000) of the investment portfolio was classified as level 1.
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, etc). As at 30 June 2021, £21,950,000 (30 June 2020: £23,625,000; 31 December 2020: £18,269,000) of the investment portfolio was classified as level 2.
- Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments).

There are no level 3 investments.

During the period to 30 June 2021, Ceylon Tobacco Company Plc (30 June 2020: £4,556,000; 31 December 2020: £4,388,000) was transferred from level 2 to level 1. This was due to a higher volume of trade. Also, during the period, Philippine Seven Corp (30 June 2020: £10,888,000; 31 December 2020: £9,484,000) was transferred from level 1 to level 2 due to a lower volume of trade.

Fair value measurements recognised in the Statement of Financial Position

	As at 30 June 2021			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity Investments	370,677	21,897	-	392,574
Debt Investments	-	53	-	53
Total	**370,677**	**21,950**	**-**	**392,627**

	As at 30 June 2020			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity Investments	306,797	23,625	-	330,422
Total	**306,797**	**23,625**	**-**	**330,422**

	As at 31 December 2020			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity Investments	364,266	18,269	-	382,535
Total	**364,266**	**18,269**	**-**	**382,535**

Alternative Investment Fund Managers Directive (“AIFMD”)

A European Union Directive, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds (“AIFs”) and requires them to appoint an Alternative Investment Fund Manager (“AIFM”) and depositary to manage and oversee the operations of the investment vehicle. The Board of the Company retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

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 (*).

Developing Economy or Emerging Market

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

Discount or Premium*

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

Gearing

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

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

Potential gearing is the company’s borrowings expressed as a percentage of shareholders’ funds.

Leverage

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”)

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

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 investment management performance of investment trusts which is not affected by movements in the share price.

	30 June 2021	30 June 2020	31 December 2020
Opening NAV	1,460.2p	1,213.0p	1,213.0p
Increase in NAV	26.8p	247.2p	247.2p
Closing NAV	**1,487.0p**	**1,262.3p**	**1,460.2p**
% increase in NAV	1.8%	4.0%	20.4%
Impact of reinvested dividends	0.2%	0.3%	0.3%
NAV Total Return	**2.0%**	**4.3%**	**20.7%**

Diluted NAV Total Return*

	30 June 2021	30 June 2020	31 December 2020
Opening diluted NAV	1,460.1p	1,213.0p	1,213.0p
Increase in diluted NAV	26.7p	247.1p	247.1p
Closing diluted NAV	**1,486.8p**	**1,262.3p**	**1,460.1p**
% increase in diluted NAV	1.8%	4.0%	20.4%
Impact of reinvested dividends	0.2%	0.3%	0.3%
Diluted NAV Total Return	**2.0%**	**4.3%**	**20.7%**

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.

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
Operating expenses	4,857	4,056	4,231
Average net assets	386,311	319,803	337,757
Ongoing Charges (annualised)	**1.3%**	**1.3%**	**1.3%**

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.

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
Opening share price	1,415.0p	1,100.0p	1,100.0p
(Decrease)/increase in share price	(15.0p)	-	315.0p
Closing Share Price	**1,400.0p**	**1,100.0p**	**1,415.0p**
% (decrease)/increase in share price	(1.1%)	-	28.6%
Impact of reinvested dividends	0.2%	0.3%	0.5%
Share Price Total Return	**(0.9%)**	**0.3%**	**29.1%**

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 Smart Investor	https://www.smartinvestor.barclays.co.uk/
Bestinvest	http://www.bestinvest.co.uk/
Charles Stanley Direct	https://www.charles-stanley-direct.co.uk/
Halifax Share Dealing	https://www.halifaxsharedealing-online.co.uk/
Hargreaves Lansdown	http://www.hl.co.uk/
HSBC	https://www.hsbc.co.uk/investments/
iDealing	http://www.idealing.com/
Interactive Investor	http://www.iii.co.uk/
IWEB	http://www.iweb-sharedealing.co.uk/share-dealing-home.asp
The Share Centre	https://www.share.com/

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.

Company Information

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

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

Registered Office
33 Cavendish Square
London W1G 0PW

Website
www.feetplc.co.uk

Company Registration Number
08756681 (Registered in England and Wales)

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

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

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

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

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

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

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

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

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

Registrars
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL
Telephone (in UK): +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.

Brokers
Investec Bank plc
2 Gresham Street
London EC2V 7QP

Solicitors
Travers Smith LLP
10 Snow Hill
London EC1A 2AL

Company Information (continued)

Further Information

Identification Codes

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

Foreign Account Tax Companies Act ("FATCA")

32RSE8.99999.SL.826

Legal Entity Identifier

2138003EL6XV8JYU8V55

The Association of
Investment Companies

A member of the Association of Investment Companies

Fundsmith Emerging Equities Trust plc
33 Cavendish Square, London W1G 0PW
www.feetplc.co.uk

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