

Half Year Report

for the six months ended 30 June 2019

Fundsmith Emerging Equities Trust plc



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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.

Total assets less liabilities as at 30 June 2019 were £334.4 million (30 June 2018: £320.9 million) and the market capitalisation was £318.3 million (30 June 2018: £323.1 million).

Management

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

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

Capital Structure

As at 30 June 2019 the Company had in issue 26,640,056 Ordinary Shares of 1p each (30 June 2018: 25,950,056 and 31 December 2018: 26,390,056).

Gearing

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

ISA Status

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

Retail Investors advised by IFAs

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



Performance Summary

	As at 30 June 2019	As at 30 June 2018	As at 31 December 2018
Net asset value per share	1,255.1p	1,236.7p	1,222.0p
Share price	1,195.0p	1,245.0p	1,190.0p
(Discount)/premium of the share price to the net asset value per share	(4.8%)	0.7%	(2.6%)
Ongoing charges ratio	1.4%	1.6%	1.5%

	Six months to 30 June 2019	Six months to 30 June 2018	Year ended 31 December 2018
Net asset value per share (total return)	2.9%	(1.8%)	(3.0%)
Share price (total return)	0.6%	(5.3%)	(9.4%)
Benchmark[†] (total return)	10.7%	(4.5%)	(9.3%)

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

This report contains terminology that may be unfamiliar to some readers. The Glossary on pages 21 and 22 gives definitions for frequently used terms.

Introduction

I am pleased to report on your Company's activities in the six months to 30 June 2019 and on its financial position as at that date; now some five years since its launch. Your attention is drawn to the Investment Manager's Review on page 7, which deals with investment performance and portfolio matters.



Performance

During the first half of the year, the Company's net asset value ("NAV") per share total return was +2.9% (2018: -1.8%) and the share price total return was +0.6% (2018: -5.3%). At the period end, the shares stood at a 4.8% discount to the NAV per share (2018: 0.7% premium). The trend in the deterioration of the premium evident most of the time since inception is being monitored closely by the Board and its advisers. More on this later.

Over the same period, the Company's benchmark (the MSCI Emerging & Frontier Markets Index, measured on a net sterling adjusted basis) increased by 10.7% (2018: fell by 4.5%). The factors explaining the relative underperformance are given in the Investment Manager's Review, including the significant impact that inflows into Exchange Traded Funds have had on the Index, inflating the share prices of larger but (in our Investment Manager's view) poorer-quality companies, which are not within our investment universe.

Management Update

The Company announced in May that the roles of Michael O'Brien and Sandip Patodia had been given a higher profile by the

Company's Investment Manager, Fundsmith LLP ("Fundsmith"), to be that of portfolio manager and assistant portfolio manager, respectively, with effect from 31 May 2019.

Michael and Sandip joined Fundsmith ahead of the launch of the Company in 2014 and have formed the dedicated core of the Company's investment management team since inception. The promotions were made in consultation with the Board and we believe they represent a recognition of the natural progression of the team over five years, reflecting in fact the prominent roles they have had for some time. Terry Smith, in his capacity as Chief Investment Officer ("CIO") of Fundsmith, will continue to provide advice and support to Michael and Sandip using his considerable investment experience and expertise. The Board is looking forward to working more closely with Michael and Sandip, with Terry's ongoing support, which has been impressed tangibly with further investment by him since the announcement. Terry now holds over 3% of the Company's shares.

In addition, the Company announced in May that the Board has agreed with Fundsmith a reduction in the Company's annual investment management fee from 1.25 per cent to 1.00 per cent per annum of the Company's net asset value, also with effect from 31 May 2019. The fee reduction brings the charges closer into line with Fundsmith's other funds whilst recognising that greater geographical research coverage must be maintained on the Company's portfolio.

Revenue and Dividends

In the last annual report, it was noted that the Company had made a revenue profit in 2018 and that revenue losses from previous years had been reversed. Accordingly, in order to maintain investment trust status, the Board recommended to shareholders a final dividend of 2 pence per share for the year ended

31 December 2018. Following shareholder approval at the Company's Annual General Meeting ("AGM") on 22 May 2019, this dividend was paid on 29 May 2019.

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

Share Issuance

Demand for the Company's shares in the first three months of the year led to the issue of a total of 250,000 new shares at an average price of £12.21 per share, raising £3.0 million. This is in line with our policy of enlarging the Company's invested capital to the benefit of all shareholders, rather than seeing its shares rise to a material premium to NAV per share in the market. The issuance of new shares takes place only at a premium to the NAV per share and is therefore accretive, improving the liquidity of the Company's shares and controlling the premium to NAV at which the shares trade. In addition, operating costs are spread over a larger capital base, reducing the ongoing charges ratio. As at 30 June 2019, the Company had 26,640,056 shares of 1p each in issue (30 June 2018: 25,950,056).

At the AGM on 22 May 2019, the shareholder authority to issue new shares equal to 10% of the Company's issued share capital on a non-pre-emptive basis was renewed.

Share Price Discount

Shortly after the Company's AGM on 22 May 2019, the Company's share price fell to a discount to the NAV per share.

As mentioned above, the Board has been monitoring the share price discount closely and considering ways in which it may be addressed, including through share buy backs but also through the Company's marketing strategy. During this period, we have welcomed the support of Terry Smith, together with other members of Fundsmith LLP, who have shown their conviction in the Company through the purchase of additional shares in the secondary market. These purchases have provided support to the share price.

Overall, the Board is of the opinion that share buy backs are not always in the best interests of shareholders as they reduce the size of the Company and increase the ongoing charges ratio, and has

thus far not taken action. However, we will continue to monitor the discount and should a sustained and material discount emerge, the Board has authority from shareholders to buy back up to 14.99% of the issued share capital in the market. Repurchased shares may be cancelled or held in Treasury for resale.

Communications with Shareholders

In order to further reduce the Company's already minimal carbon footprint, as well as producing cost savings and accelerating the provision of information to shareholders, the Board has decided to offer shareholders the option to receive all Company information electronically.

The Board will be writing to all shareholders on the register early next year to offer this opportunity. Shareholders who elect to receive Company communications this way will be notified by post or, if you choose, by e-mail when information such as annual reports, notices of shareholder meetings and other documents required to be made available to you are published on our website www.feetplc.co.uk.

Shareholders will still have the right to request (at no extra charge) hard copy versions of the documents or information sent or supplied to you by means of the website.

Outlook

It is likely that developments within our eligible emerging markets are likely to result in continued volatility. However, the Board shares our Investment Manager's strong belief that the economies of the eligible countries in which your Company invests have growth prospects that far exceed more developed markets. Accordingly, our Investment Manager's fundamental approach and portfolio construction processes remain unchanged, focusing on long-established, well-managed companies with cash generative brands of consumer staple products. The Board continues to support this investment strategy and believes that it should deliver attractive returns for our shareholders in the long term.

Martin Bralsford

Chairman

25 July 2019

Investment Policy

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

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

- (i) not more than 5% of the Company's gross assets can be invested in shares issued by any single company. This limit rises to 10% in respect of up to 40% of gross assets;
- (ii) not more than 40% of the Company's gross assets can be invested in shares issued by companies domiciled in any single jurisdiction. Where, as a result of investment performance, the total value of the companies in a particular jurisdiction exceeds 40 per cent. 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.



Performance

	Total Return 01.01.19 to 30.6.19 (%)	Inception* to 30.6.19 (%)
FEET NAV	+2.9	+26.3
FEET Share Price	+0.6	+19.7
Benchmark ¹	+10.7	+50.7
UK Bonds ²	+3.1	+22.2
Cash ³	+0.4	+2.9

*25 June 2014

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

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

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

Company and Market Commentary

During the first half of the year, both the share price and net asset value (NAV) of Fundsmith Emerging Equities Trust plc ("FEET") rose. The share price increased by 0.6%, whilst the NAV of the Company rose by 2.9% on a per share basis.

Although the NAV rose in the period, its increase was below the increase in the MSCI Emerging and Frontier Equities Index. While the performance of the index was volatile, most notably falling sharply in May before rebounding in June, sentiment towards the end of the period improved on the back of optimism that the US and China would reach a trade deal. Emerging markets were also positively impacted by a growing view that the US was unlikely to increase interest rates further.

Political developments also impacted several emerging markets, with Brazil benefiting from the proposed reforms of pro-business President Jair Bolsonaro, whilst the re-election of Prime Minister Modi in India and President 'Jokowi' in Indonesia also were well received by investors.

As we have previously alluded to, FEET has typically underperformed the MSCI Emerging and Frontier Markets Index in periods where the index has performed strongly. This is because in these periods over recent years, the inflow of investors money has been in the form of Exchange Traded Funds which typically invest in proportion to the weighting a stock has in the index, and thus concentrate buying on the largest stocks, having a disproportionate impact on their share prices.

As long-term investors concentrating on a number of high quality companies found in a limited range of sectors, the index plays little part in the way in which we invest shareholders' money.

In terms of the contributors to performance for the six months ended 30 June 2019, the tables below show the top five contributors to and detractors from our performance.

Top Five Contributors	Contribution (%)	Of which currency (%)
Foshan Haitian Flavouring	2.19	+0.02
Vitasoy International Holdings	1.53	+0.09
MercadoLibre	1.48	+0.03
PT Prodia Widyahusada Tbk	0.65	+0.03
Philippine Seven Corporation	0.60	+0.09

Top Five Detractors	Contribution %	Of which currency %
Eris Lifesciences	-0.85	+0.02
TravelSky Technology	-0.78	-0.01
Godrej Consumer Products Ltd	-0.68	+0.03
Britannia Industries Ltd	-0.53	+0.04
Emami Ltd	-0.43	-0.04

(Source: Northern Trust)

The Star performer in the period was Foshan Haitian, the only mainland-listed Chinese stock we own. Foshan Haitian continues to benefit from market share gains in the fragmented soy sauce market in China, alongside the introduction of new products. The group is a beneficiary of both the increasing prosperity of the Chinese consumer, which is driving an increasing proportion of premium products in the sales mix, and increased concerns over food provenance.

The second-best performer in the period was another soya company, Vitasoy. Vitasoy subsequently gave up some ground after its results in June, however the shares were a strong performer as the group's business in mainland China continued to exhibit strong growth. Vitasoy continues to take a cautious approach to expansion in the People's Republic and we expect a year of more subdued performance as the group invests in production, logistics and brand development.

MercadoLibre performed strongly on the back of 93% revenue growth in local currency terms on a Q1 on Q1 basis and increasing investor interest following a strategic investment from PayPal. Both Prodia and Philippine Seven (the master franchisee for Seven-Eleven in the Philippines) performed well; the former on the back of the finalisation of the implementation of Indonesia's public health care system and the latter on reduced competitive intensity amongst convenience store chains in the Philippines.

Four of the bottom five performers were in India, where economic growth was subdued in the run-up to April's general election, with company results in the second quarter of the year largely reflecting this, producing a subsequent impact in stock prices.

Eris has been affected by a slowdown in growth in the Indian pharmaceutical market because of a structural decline in inventory levels within the distribution network following the introduction of the Goods and Service Tax (GST). The company is also seeing slower than expected growth in its diabetes & cardiology business and recently acquired neurology portfolio.

Godrej has seen a significant increase in competition in its insecticides business from illegal incense stick product launches by informal players, something which we expect the authorities to clamp down on. It has also seen lower than expected growth in the African hair care business.

TravelSky was adversely impacted by concerns over Chinese outbound travel in light of slowing economic growth and the renminbi weakening against the US dollar.

Britannia was affected by some profit taking in the shares following a strong run, whilst Emami has seen its competitive position erode after the introduction of GST because of very high exposure to wholesale distributors who were severely impacted by both demonetisation and GST introduction. We reduced our stake in Emami during the period and exited after the half year end.

Currencies

The impact of currencies on the portfolio can be gauged by the following attribution:

Top 5 Currencies	Total return 01.01.19 to 30.6.19 (%)
Egypt	0.45
India	0.28
South Africa	0.12
Hong Kong	0.09
Philippines	0.09

Bottom 5 Currencies	Total return 01.01.19 to 30.6.19 (%)
Turkey	-0.15
Ghana	-0.09
Pakistan	-0.07
Bangladesh	-0.00
Vietnam	-0.00

(Source: Northern Trust)

The Turkish lira was the weakest-performing currency in the first half of the year whilst over the last decade it has depreciated by almost 75% against the US dollar. The Pakistan rupee also fell on the back of the country's ongoing economic problems which, despite a recently signed IMF bailout and help from Gulf allies and China, remain severe.

The Egyptian pound was the best-performing currency on the back of foreign exchange inflows from the tourism and energy sectors, alongside higher remittances from Egyptians working overseas. The Indian rupee also contributed positively as the election produced a conclusive victory for the BJP and its allies.

Portfolio turnover and dealing costs

Portfolio turnover in the period was 17.1%, or 16.1% when adjusted to ignore turnover caused by inflows from share issues. During the period we raised £3.0m through tap issues of shares at a premium to the NAV per share.

Dealing costs in the half year were £141,703, equivalent to 0.04% of the fund's NAV. This is much lower than the average in the past, despite us moving towards a more concentrated portfolio at the lower end of the 35-55 stock range we indicated at the time of the Company's launch in 2014.

Sales and purchases

We acquired two new holdings in the period, both in India.

We bought Metropolis in a recent IPO to increase our exposure to the diagnostics sector in India. The business has market leadership in west and south India. It is worth noting one of our other investee companies in the diagnostics sector, Dr Lal Pathlabs, has a very strong presence in north and east India.

We also bought Info Edge, the largest company in the online classified market in India with presence in jobs, real estate, matrimony and education segments.

We exited seven stocks, three in India, three in Africa and one in Asia.

We sold Colgate India because of market share losses due to increasing competition from domestic players in the natural toothpaste segment. Its dependence on a single category gave it little scope for respite. We sold Ajanta and Eicher due to concerns over business performance.

We sold our stake in Unilever Indonesia, which like Colgate India, had been in the portfolio for a considerable length of time. Although the business continues to have attractive returns, growth has slowed sharply amidst dramatically increased competition in a number of categories, particularly ice cream.

We also sold our stakes in the two breweries in Nigeria we owned, Guinness Nigeria and Nigerian Breweries as the consumer outlook in the country, despite having great long-term promise, remains challenged with another competitor aggressively chasing market share. A similar decision was made in relation to our holding in Fan Milk in Ghana. All three were amongst the smallest holdings in the portfolio and we had previously struggled to build these stakes to meaningful levels.

The opportunity

We retain the strong belief that the portfolio remains well placed to benefit from long term trends driving the growth of the consumer in emerging markets.

Put simply, in developing markets growing populations are getting richer. Drilling down beneath this, there are several visible trends we see every time we meet companies, or more pertinently, observe on the ground when we visit countries in which those companies operate.

These trends encompass several components. Richer consumers ultimately purchase more expensive, higher margin products, which clearly benefits both the turnover and margin of those companies selling them. Before markets 'premiumise', however, there are a number of trends which we can benefit from 'on the way through'.

These include greater awareness of food provenance and quality, which leads to 'mom and pop' producers losing market share to established producers of branded products. This greater awareness of food quality leads to the development of modern retail formats such as supermarkets and convenience stores in the developing world. And as the economies of emerging markets develop, consumers become increasingly 'cash rich, time poor' which again leads to the growth of the consumption and economic development trends from which the portfolio looks to benefit.

Across the companies we invest in, there are four common traits which make up our exacting criteria;

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

Within these four common themes, there are a number of trends supporting both the ability of businesses to make and sustain high returns and to reinvest them at attractive rates. As well as demographics, formalisation and premiumisation, other competitive advantages we seek to benefit from include, but are not limited to, the strength of a brand, distribution capability, the wherewithal to consolidate fragmented markets and regulation.

We also expect the development of the emerging market consumer to ultimately broaden the range of sectors in which the fund will be invested. Since the Company launched just over five years ago, we have built up a not insignificant exposure to healthcare, primarily through medical diagnostics businesses, aided by people becoming more aware of illness and disease. This is driven by the increasing prevalence of lifestyle diseases in emerging markets such as cancer, heart disease and diabetes.

Beyond healthcare, we believe that there will be increasing opportunities to invest in technology companies providing products and, in particular, services to emerging market consumers and corporations given the competitive advantage provided by skilled labour availability.

This is a trend being driven by digitalisation which is increasing mobile phone penetration and the development of non-cash transaction platforms. Recently, we have increased our exposure to MercadoLibre, the Latin American e-commerce and payments business. We have also made an investment in an Indian online classified business, Info Edge.

Michael O'Brien

Fundsmith LLP

Investment Manager

25 July 2019

Principal Risks and Uncertainties

A review of the half year and the outlook for the Company can be found in the Chairman's Statement and in the Investment Manager's Review. The principal risks and uncertainties faced by the Company fall into the following broad categories: investment activity and strategy; accounting, legal and regulatory; corporate governance and shareholder relations; operational and financial. Information on the risks relating to the Company is given in the annual report for the year ended 31 December 2018. 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.

Directors' Responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make 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
25 July 2019

Investments held as at 30 June 2019

Security	Country of incorporation	Fair value £'000	% of investments
Vitasoy International Holdings Ltd	Hong Kong	22,659	6.9
Foshan Haitian Flavouring	China	20,029	6.1
Eastern Tobacco	Egypt	15,055	4.6
Britannia Industries Ltd	India	14,203	4.3
Godrej Consumer Products Ltd	India	12,944	3.9
Marico Ltd	India	12,505	3.8
Philippine Seven Corp	Philippines	12,327	3.7
Mercadolibre Inc	Argentina	11,365	3.4
Hindustan Unilever Ltd	India	10,751	3.3
Asian Paints Ltd	India	10,719	3.2
Top 10 Investments		142,557	43.2
Hypera SA	Brazil	10,696	3.2
Nestlé India Ltd	India	10,545	3.2
Havells India Ltd	India	10,400	3.1
Integrated Diagnostics Holdings Plc	Jersey ¹	10,242	3.1
Vietnam Dairy Products JSC	Vietnam	10,159	3.1
Travelsky Technology Ltd	China	9,278	2.8
Eris Lifesciences Ltd	India	8,862	2.7
Dali Foods Group Co Ltd	China	7,646	2.3
Procter + Gamble Hygiene	India	7,471	2.3
Walmart De Mexico SAB de CV	Mexico	7,463	2.3
Top 20 Investments		235,319	71.3
Info Edge (India) Ltd	India	6,777	2.0
Ceylon Tobacco Co Plc	Sri Lanka	6,129	1.9
Nestlé Nigeria Plc	Nigeria	6,045	1.8
British American Tobacco	Bangladesh	5,830	1.8
Dabur India Ltd	India	5,772	1.7
East African Breweries Ltd	Kenya	5,705	1.7
Dr Lal Pathlabs Ltd	India	5,569	1.7
Metropolis Healthcare Ltd	India	5,497	1.7
Mr Price Group Ltd	South Africa	5,458	1.7
DP Eurasia NV	Netherlands ²	5,454	1.7
Top 30 Investments		293,555	89.0

¹ Principal place of business Egypt

² Principal place of business Turkey

Investments held as at 30 June 2019 – continued

Security	Country of incorporation	Fair value £'000	% of investments
Tiger Brands Ltd	South Africa	5,115	1.5
Bim Birlesik Magazalar AS	Turkey	5,048	1.5
Edita Food Industries SAE	Egypt	4,854	1.5
Clicks Group Ltd	South Africa	4,800	1.5
Thyrocare Technologies Ltd	India	4,748	1.4
PT Prodia Widyahusada Tbk	Indonesia	4,724	1.4
PT HM Sampoerna Tbk	Indonesia	3,872	1.2
Emami Ltd	India	2,063	0.6
Nestlé Pakistan Ltd	Pakistan	1,212	0.4
Total Investments		329,991	100.0

For the six months ended 30 June 2019

	Notes	(Unaudited) Six months ended 30 June 2019			(Unaudited) Six months ended 30 June 2018			(Audited) Year ended 31 December 2018		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Dividend income	4	2,826	-	2,826	3,789	-	3,789	6,970	-	6,970
Gains/(losses) on investments										
Gains/(losses) on investments held through profit and loss	3	-	8,511	8,511	-	(7,061)	(7,061)	-	(10,441)	(10,441)
Gains/(losses) on foreign exchange transactions		29	(13)	(42)	(6)	30	24	17	22	39
Management fees		(1,930)	-	(1,930)	(1,938)	-	(1,938)	(3,933)	-	(3,933)
Other expenses including dealing costs		(462)	644	182	(759)	652	(107)	(1,119)	(570)	(1,689)
Profit/(loss) before finance costs and tax		463	9,168	9,631	1,086	(6,379)	(5,293)	1,935	(10,989)	(9,054)
Tax		(251)	-	(251)	(348)	-	(348)	(552)	-	(552)
Profit/(loss) for the period/year		212	9,168	9,380	738	(6,379)	(5,641)	1,383	(10,989)	(9,606)
Earnings/(loss) per share (basic and diluted) (p)		0.80	34.48	35.28	2.90	(25.06)	(22.16)	5.35	(42.47)	(37.12)

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

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

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

Statement of Changes in Equity

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For the six months ended 30 June 2019

	Share Capital £'000	Share Premium £'000	Capital* Reserve £'000	Revenue Reserve £'000	Total £'000
Balance at 1 January 2019	264	78,560	242,391	1,271	322,486
Profit/(loss) for the period	-	-	9,168	212	9,380
Dividend	-	-	-	(533)	(533)
	264	78,560	251,559	950	331,333
Issue of Ordinary Share Capital	2	3,035	-	-	3,037
Balance at 30 June 2019	266	81,595	251,559	950	334,370

For the six months ended 30 June 2018

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

* Capital Reserve is considered distributable.

Statement of Financial Position

As at 30 June 2019

	(Unaudited) 30 June 2019 £'000	(Unaudited) 30 June 2018 £'000	(Audited) 31 December 2018 £'000
Non-Current Assets			
Investments held at fair value through profit and loss	329,991	320,109	321,493
	329,991	320,109	321,493
Current Assets			
Receivables	910	349	676
Cash and cash equivalents	5,283	1,920	2,709
	6,193	2,269	3,385
Total assets	336,184	322,378	324,878
Current Liabilities			
Trade and other payables	(1,814)	(1,454)	(2,392)
	(1,814)	(1,454)	(2,392)
Total assets less current liabilities	334,370	320,924	322,486
Equity Attributable to Equity Shareholders			
Ordinary share capital	266	260	264
Share premium	81,595	73,037	78,560
Capital reserves	251,559	247,001	242,391
Revenue reserve	950	626	1,271
Total equity	334,370	320,924	322,486
Net asset value per share (p)	1,255.1	1,236.7	1,222.0

Statement of Cash Flows

For the six months ended 30 June 2019

	(Unaudited) Six months ended 30 June 2019 £'000	(Unaudited) Six months ended 30 June 2018 £'000	(Audited) Year ended 31 December 2018 £'000
Cash Flows from Operating Activities			
Profit/(loss) for the period/year	9,631	(5,293)	(9,054)
Adjustments for:			
Gains/(losses) on investments	(8,511)	7,061	10,441
(Loss)/gain on foreign exchange	(42)	(24)	(39)
Sale of investments ^[a]	31,390	16,626	28,294
Purchases of investments ^[a]	(31,377)	(37,150)	(53,582)
Increase in receivables	(234)	(18)	(345)
(Decrease)/increase in payables	(578)	(168)	770
Overseas taxation paid	(251)	(348)	(552)
Net Cash Flow from Operating Activities	28	(19,314)	(24,067)
Cash Flows from Financing Activities			
Proceeds from issue of new shares	3,052	15,972	21,526
Issue costs relating to new shares	(15)	(80)	(107)
Dividends paid	(533)	-	-
Net Cash Flow from Financing Activities	2,504	15,892	21,419
Net increase/(decrease) in Cash and Cash Equivalents	2,532	(3,422)	(2,648)
Effect of foreign exchange rates	42	24	39
Change in cash and cash equivalents	2,574	(3,398)	(2,609)
Cash and Cash Equivalents at start of the period	2,709	5,318	5,318
Cash and Cash Equivalents at end of the period	5,283	1,920	2,709

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

1. General Information

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

Principal Activity

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

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

2. Significant Accounting Policies

- A Basis of preparation – the financial statements have been prepared under the historical cost convention (modified to include investments at fair value through profit or loss) on a going concern basis and in accordance with applicable International Financial Reporting Standards as adopted by the EU (IFRS) and with the Statement of Recommended Practice ‘Financial Statements of Investment Trust Companies and Venture Capital Trusts’ issued by the Association of Investment Companies in November 2014 (and updated in February 2018). They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The Company is a UK listed company with a predominantly UK shareholder base. The results and the financial position of the Company are expressed in sterling, which is the functional and presentational currency of the Company. The accounting policies have been disclosed consistently and in line with Companies Act 2006.
- B Income from investments (other than capital dividends), including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex-dividend, or where no ex-dividend date is quoted, when the Company’s right to receive payment is established. Special dividends are credited to capital or revenue, according to the circumstances. Income from underwriting commission is recognised as earned.
- C Interest receivable and payable, management fees, and other expenses are treated on an accruals basis.
- D The management fee is recognised as a revenue item in the Income Statement. All other expenses are charged to revenue except expenditure of a capital nature, which is treated as capital. The Board will keep under review and amend this treatment if required. With effect from 31 May 2019, annual management fee payable to Fundsmith was reduced from 1.25 per cent to 1.00 per cent of the Company’s net asset value.
- 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 – gains or losses on realisation of investments are transferred to the capital reserve. Any changes in fair values of investments that are not readily convertible to cash are treated as unrealised gains or losses within the capital reserve.
- K Taxation – the charge for taxation is based upon the revenue for the year and is allocated according to the marginal basis between revenue and capital using the Company’s effective rate of corporation tax for the accounting period.
- L Deferred taxation – deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in future have occurred at the balance sheet date measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying temporary differences can be deducted. Timing differences are differences arising between the Company’s taxable profits and its results as stated in the 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.
- M Issue costs – these have been offset against the proceeds of share issues and dealt with in the share premium account.

3. Gains/(losses) on Investments

	(Unaudited) Six months ended 30 June 2019 £'000	(Unaudited) Six months ended 30 June 2018 £'000	(Audited) Year ended 31 December 2018 £'000
Gains/(losses) on investments			
Loss on sales of investments	(9,577)	(4,796)	(7,538)
Investment holding unrealised gain/(loss)	18,088	(2,265)	(2,903)
	8,511	(7,061)	(10,441)

4. Income

	(Unaudited) Six months ended 30 June 2019 £'000	(Unaudited) Six months ended 30 June 2018 £'000	(Audited) Year ended 31 December 2018 £'000
Overseas dividends	2,826	3,789	6,970
	2,826	3,789	6,970

Alternative Investment Fund Managers Directive (AIFMD)

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

Developing Economy or Emerging Market

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

Discount or Premium

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

Gearing

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

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

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

Leverage

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

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

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

Net Asset Value (NAV)

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

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.

	Six months to 30 June 2019	Year to 31 December 2018
Opening NAV	1,222.0p	1,259.7p
Increase/(decrease) in NAV	33.1p	(37.7p)
Closing NAV	1,255.1p	1,222.0p
% increase/(decrease) in NAV	2.7%	(3.0%)
Impact of reinvested dividends	0.2%	-
NAV Total Return	2.9%	(3.0%)

Ongoing Charges

Ongoing charges are calculated by taking the Company's annualised operating expenses excluding finance costs, taxation and exceptional items, and expressing them as a percentage of the average daily net asset value of the Company over the year.

	Six months to 30 June 2019	Year to 31 December 2018
Operating expenses	4,517	5,052
One off expense write offs	-	(291)
Total Ongoing Charges	4,517	4,761
Average net assets	326,153	312,711
Ongoing Charges (annualised)	1.4%	1.5%

Share Price Total Return

Share price total return to a shareholder, on a last traded price to a last traded price basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

	Six months to 30 June 2019	Year to 31 December 2018
Opening share price	1,190.0p	1,314.0p
Increase/(decrease) in share price	5.0p	(124.0p)
Closing Share Price	1,195.0p	1,190.0p
% increase/(decrease) in share price	0.4%	(9.4%)
Impact of reinvested dividends	0.2%	-
Share Price Total Return	0.6%	(9.4%)

Investment Platforms

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

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

Link Asset Services – Share Dealing Service

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

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

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

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

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

Further Information

Risk Warnings

- Past performance is no guarantee of future performance.
- The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined, in part, by the changing conditions in the relevant stockmarkets in which the Company invests and by the supply and demand for the Company's shares.
- As the shares in an investment trust are traded on a 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, all of the holdings in the portfolio are currently denominated in currencies other than sterling and therefore they may be affected by movements in exchange rates. As a result, the value of your investment may rise or fall with movements in exchange rates.
- Investors should note that tax rates and reliefs may change at any time in the future.
- The value of ISA and Junior ISA tax advantages will depend on personal circumstances. The favourable tax treatment of ISAs and Junior ISAs may not be maintained.

Company Information

Directors

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

Registered Office

33 Cavendish Square
London W1G 0PW

Website

www.feetplc.co.uk

Company Registration Number

08756681 (Registered in England and Wales)

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

Investment Manager and AIFM

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

Company Secretary

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

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

Administrator

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

Depository

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

Custodian and Banker

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

Independent Auditor

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

Registrars

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

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

†calls cost 12p per minute plus your phone company's access charge and may be recorded for training purposes. Calls outside the UK will be charged at the applicable international rate. Lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday excluding public holidays in England and Wales.

Brokers

Investec Bank plc
2 Gresham Street
London EC2V 7QP

Solicitors

Travers Smith LLP
10 Snow Hill
London EC1A 2AL

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


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