

Half Year Report

for the six months ended
30 June 2016

Fundsmith Emerging Equities Trust plc



Fundsmith

Contents

2	Company Summary
3	Financial Highlights
4-5	Chairman's Statement
6	Investment Policy
7-9	Investment Manager's Review
10	Interim Management Report
11-12	Investment Portfolio
13	Statement of Comprehensive Income
14	Statement of Changes in Equity
15	Statement of Financial Position
16	Statement of Cash Flows
17-19	Notes to the Financial Statements
20-21	Glossary of Terms
22-23	How to Invest
24	Company Information

Financial Calendar

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



The Association of
Investment Companies

A member of the Association of Investment Companies.

Company Summary

Fundsmith Emerging Equities Trust plc aims to provide shareholders with an attractive return by investing in a portfolio of shares issued by listed or traded companies which have the majority of their operations in, or revenue derived from, developing economies* and which provide direct exposure to the rise of the consumer classes in those countries.

Company Summary

The Company

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

Total assets less current liabilities as at 30 June 2016 were £213.4 million (2015: £187.7 million) and the market capitalisation was £209.0 million (2015: £188.6 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 2016 the Company had in issue 20,615,806 Ordinary Shares of 1p each.

*See glossary on page 20 for further information.

Further details of the Company’s investment policy are set out on page 6.

Gearing

The Company will, in the ordinary course of business, not have gearing. However, it 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 draw down 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 2016	As at 30 June 2015	As at 31 December 2015
NAV per share	1035.1p	970.8p	927.4p
Share price	1014.0p	975.0p	955.0p
Discount/Premium	-2.1%	+0.4%	+2.9%

	Six months to 30 June 2016	Six months to 30 June 2015	Year ended 31 December 2015
NAV per share	+11.6%	-2.6%	-7.0%
Share price	+6.2%	-9.0%	-10.9%
Emerging Market Equities[†]	+17.1%	+1.9%	-10.0%

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

Chairman's Statement

I am pleased to report on your Company's progress in 2016 and on its financial position as at 30 June 2016; mid-point of the current financial year and just over two years since its launch. I also draw your attention to the Investment Manager's Review beginning on page 7 of this report.

Performance

During the first half of the Company's financial year, the Company's net asset value per share grew by 11.6% or 105.3 pence per share (2015: loss of 26.2 pence per share). This comprised a revenue loss of 0.1 pence per share and a capital gain of 105.4 pence per share; all of which occurred in the final week of the period. The market value of the Company's shares increased by 6.2% over the period (2015: decreased by 9.0%). At the period end the shares stood at a 2.1% discount to the NAV per share.

Over the same period, the Company's benchmark, (the MSCI Emerging & Frontier Markets Index measured on a net sterling adjusted basis) rose by 17.1%. The factors explaining the relative underperformance are given in the Investment Manager's Review on page 9.

The Company's results for the half year include the early effects of the UK's referendum vote to leave the European Union, announced one week prior to closing. Sterling weakened immediately after the announcement and the Company's NAV per share and share price both increased significantly. Volatility in the market meant that the share price lagged the gain in the NAV in the days following, as reflected in the share price discount to NAV per share at the half year end. However, the share price has subsequently returned to a premium to NAV per share and, as at 29 July 2016 (being the latest practicable date prior to publishing this report), the share price stood at a 4.2% premium.

Revenue and Dividends

As mentioned in previous reports, the Company's principal objective is to provide capital growth rather than income and the Board's policy is to pay dividends as required to maintain UK investment trust status. An interim dividend has not been declared by the Board. The allocation of management expenses between capital and revenue is to be reviewed in the second half of the year.

Share Issuance

The Board has now implemented a share issuance programme to increase the total issued share capital of the Company. The first issue was in March 2016 and continued investor demand has resulted in the issue of a total of 1,277,885 new shares in this half year, raising £12.4 million, an average issue price of £9.72 per share. As at 30 June 2016, and to the date of this report, the Company had 20,615,806 shares in issue (30 June 2015: 19,337,921). Details of how the funds have been invested are contained in the Investment Manager's Review (beginning on page 7).

During 2016 to date, the following steps have been taken to address the demand for your Company's shares:

- a new block listing authority was obtained from the UK Listing Authority in March 2016 to enable shares to be issued as cost effectively as possible; and
- shareholder authority to issue further shares equal to 25% of the Company's issued share capital on a non-pre-emptive basis was granted at the Company's Annual General Meeting held in May 2016.

To comply with the Prospectus Directive, if the Company issues 10% or more of its issued share capital within a 12 month rolling period, a prospectus must be published in order that the Company can continue to issue shares. The Company will continue to be proactive in managing its share price premium to the NAV per share and issuing new shares when accretive to existing shareholders. This will also improve the liquidity of the Company's shares, control the premium to net asset value at which the shares trade and spread the operating costs over a larger capital base, so reducing the ongoing charges ratio.

Outlook

The long-term effects of the UK leaving the European Union on global confidence and growth remain to be seen. However, our Investment Manager's fundamental approach and portfolio construction processes remain unchanged, focussing on long-established, well-managed companies with cash generative brands of consumer staple products in Developing Economies*. The Board believes that these investments will deliver investment performance in excess of the benchmark over the long term.

Martin Bralsford

Chairman

2 August 2016

*See Glossary on page 20

Investment Policy

Investment Approach and Policy

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

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

- (i) not more than 5% of the Company's gross assets can be invested in shares issued by any single company. This limit rises to 10% in respect of up to 40% of gross assets;
- (ii) not more than 40% of the Company's gross assets can be invested in shares issued by companies domiciled in any single jurisdiction;
- (iii) not more than 20% of the Company's gross assets can be in deposits held with a single bank or financial institution. In applying this limit all uninvested cash (except cash representing distributable income or credited to a distribution account that the Depositary holds) should be included;
- (iv) not more than 20% of the Company's gross assets can consist of shares and approved money market instruments issued by the same group. When applying the limits set out in (i) this provision would allow the Company to invest not more than 5% in the shares of each of four group member companies, or 10% in two of them (if applying the 40% limit);
- (v) the Company's holdings in any combination of shares or deposits issued by a single company or fund must not exceed 20% of the Company's gross assets overall;
- (vi) the Company must not acquire shares issued by a company and carrying rights to vote at a general meeting of that company if the Company has the power to influence significantly the conduct of business of that company (or would be able to do so after the acquisition of the shares). The Company is to be taken to have power to influence significantly if it exercises or controls the exercise of 20% or more of the voting rights in that company;
- (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; and
- (viii) not more than 10% of the Company's gross assets at the time an investment is made can be invested in other closed-ended investment funds which are listed on the London Stock Exchange.

Uninvested cash or surplus capital or assets may be invested on a temporary basis in:

- cash or cash equivalents, money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a single-A (or equivalent) or higher credit rating as determined by an internationally recognised rating agency; or
- any "government and public securities" as defined for the purposes of the FCA rules.

In general, the Company will not use portfolio management techniques such as interest rate hedging and credit default swaps. However, the Company may use currency hedging, through derivatives if necessary, as a portfolio management technique. Whilst the Company, generally, will not hedge its currency exposure, it does reserve the right to do so in the circumstances where, in the opinion of the Investment Manager, a significant depreciation of a currency has become likely but the Investment Manager wishes to continue owning the companies in the portfolio denominated in that currency and where the cost of hedging that currency is unlikely, in the opinion of the Investment Manager, to extinguish any gains from hedging.

Investment Manager's Review

How has Fundsmith Emerging Equities Trust plc ("FEET") fared during the half year to 30 June 2016 and since inception?

	Total Return 1.1.16 to 30.6.16 %	Inception* to 30.6.16 %
FEET NAV PER SHARE	+11.6	+4.0
FEET SHARE PRICE	+6.2	+1.4
Emerging and Frontier Equities ¹	+17.1	+6.0
UK Bonds ²	+7.7	+16.9
Cash ³	+0.3	+1.1

*25 June 2014

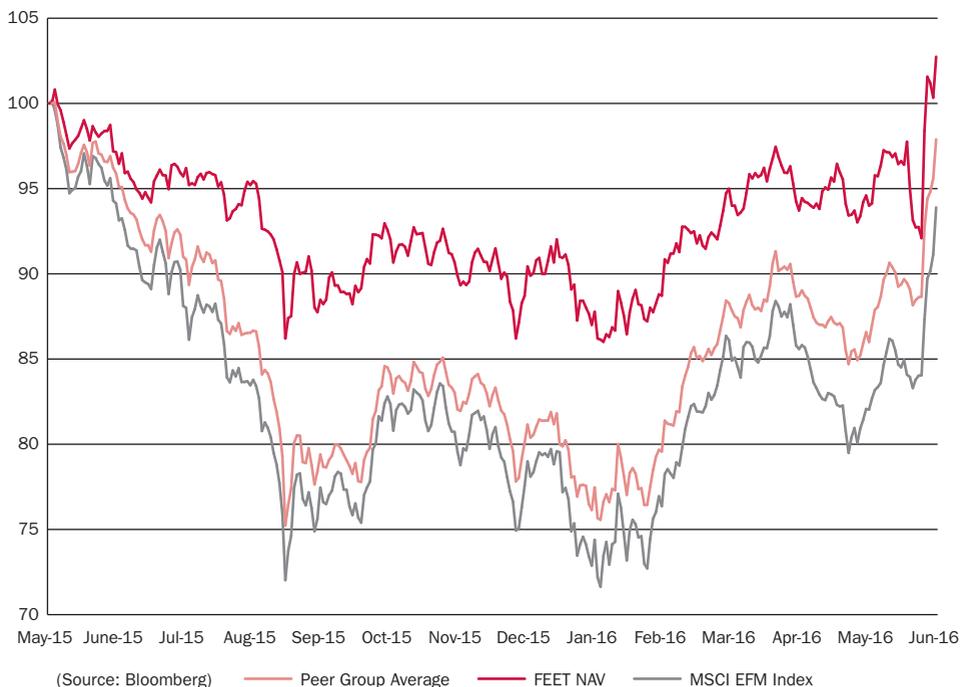
¹ MSCI Emerging and Frontier Markets Index, measured on a net sterling adjusted basis (source: www.msci.com)

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

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

During the first half of 2016, FEET generated positive returns both in terms of the Net Asset Value ("NAV") of the portfolio and its share price.

Taking a longer perspective, during the past year which more or less marks the period since FEET became fully invested, it has also outperformed both the MSCI Emerging and Frontier Market Indices (the "Index") which is its benchmark, and its peer group, as this chart shows:



Investment Manager's Review

In terms of the contribution to performance for the six months ended 30 June 2016, the tables below show the top five contributors to and detractors from our performance.

Top Five Contributors	Contribution %	Of which currency %
Godrej Consumer Products Ltd	+1.07	+0.31
Philippine Seven Corp	+0.96	+0.30
Marico Ltd	+0.93	+0.27
Hypermecas SA	+0.89	+0.67
Unilever Indonesia TBK PT	+0.81	+0.27

Top Five Detractors	Contribution %	Of which currency %
Nestle Nigeria Plc	-0.46	-0.56
Unilever Nigeria PLC	-0.39	+0.04
Edita Food Industries Reg S	-0.39	+0.22
Guinness Nigeria Plc	-0.31	+0.04
Nigerian Breweries Plc	-0.25	-0.48

Source: Fundsmith LLP

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

Top 5 Currencies	Total return 1.1.16 to 30.6.16 %
India	+5.27
South Africa	+1.38
Brazil	+1.03
Philippines	+0.87
Indonesia	+0.73

Bottom 5 Currencies	Total return 1.1.16 to 30.6.16 %
Nigeria	-0.93
Ghana	+0.04
Pakistan	+0.09
Egypt	+0.10
Mexico	+0.12

Source: Bloomberg

Fairly obviously Nigeria has been a problem in terms of both currency and stock prices. We foresaw the devaluation of the naira and sold our two weakest performers in fundamental terms – Guinness Nigeria and Unilever Nigeria – during the period and ahead of the currency devaluation. However, selling the stocks is at best only half the battle of protecting returns in these circumstances. We were forced to hold the disposal proceeds in naira due to the lack of availability of foreign exchange, so we still suffered from the devaluation.

In addition to the sale of the Nigerian stocks mentioned above, we weeded out our weakest fundamental performer in Indonesia and South Africa and cut our already-low exposure to China. We lost the Thai retailer Big C to a takeover.

We began buying stakes in Olympic Industries, Bangladesh's biggest biscuit manufacturer, and Dali Foods, a Chinese food company. We also began buying stakes in two clinical laboratory businesses based in India and Egypt. Healthcare exposure is hard to find in the developing world, and most of the private hospital groups have returns which are encumbered by real estate and some of their revenue is derived from medical tourism rather than the rise of local consumers which is what we are seeking to benefit from. We also finally got to purchase a stake in Vietnam Dairy which we have been seeking since inception.

FEET did not outperform the Index during the six months to 30 June 2016. Emerging and frontier markets began to show distinct signs of life over the period, partly and ironically as a safe haven as investors took fright over the Brexit vote and sought an alternative to European investments, an effect compounded for investors in the UK by the decline in sterling over this period. However, so far the rush to reinvest in emerging markets and the resulting performance has benefitted FEET less than the Index as you can gauge by the performance of the major stocks in the Index for the half year to 30th June 2016 in sterling terms. The top three holdings in the Index are Tencent, Samsung and Taiwan Semi. These stocks rose 28.5%, 29.0% and 20.6% respectively in the period.

These stocks are not amongst those which would ever fit within FEET's investment strategy. The beneficiaries of the revival of interest in emerging markets have unsurprisingly been stocks of companies which are a) large and therefore easy to deal in and which by definition dominate the Index; and b) mostly in sectors in which we would not invest. It is not surprising that in the early stages of renewed interest in emerging markets the large cyclical stocks and sectors which benefit most are not the ones in which we would invest. However, if this presages an improvement in the fundamental economic conditions in the developing world we still expect this to lead to superior fundamental and share price performance from our portfolio companies in due course.

Total portfolio turnover for the first six months was 36% which is higher than we would normally expect and was because of the portfolio changes which were made in the first half of the year. As we do not anticipate similar changes in the remainder of the year, the annual percentage figure should be significantly lower. Perhaps a more meaningful way of looking at this, as this is a half year report, is that we spent £227,918 or 0.12% of FEET's NAV on dealing in the first half of 2016.

During the period, we raised £12.4 million through tap issues of shares. As these all took place at a premium to NAV they benefit existing shareholders, providing of course the proceeds are invested in stocks which produce returns in line with or better than the existing portfolio, which we believe they have. In fact, we would dearly like more funds to invest given some of the opportunities which we can perceive.

Terry Smith

Fundsmith LLP
Investment Manager
2 August 2016

Interim Management Report

Principal Risks and Uncertainties

A review of the half year and the outlook for the Company can be found in the Chairman's Statement beginning on page 4 and in the Investment Manager's Review on page 7 to page 9. The principal risks and uncertainties faced by the Company remain unchanged and fall into the following broad categories: investment activity and strategy; accounting, legal and regulatory; corporate governance and shareholder relations; operational and financial. Information on the risks relating to the Company is given in the Company's issuance prospectus dated 25 May 2014 and the annual report for the year ended 31 December 2015.

Related Party Transactions

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

Going Concern

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

Directors' Responsibilities

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

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

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

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

and the Directors confirm that they have done so.

Martin Bralsford

Chairman

2 August 2016

Investment Portfolio

Investments held as at 30 June 2016

Security	Country of Incorporation	Fair value £'000	% of investments
Godrej Consumer Products Ltd	India	8,564	4.0%
Marico Ltd	India	7,491	3.6%
Emami Ltd	India	6,791	3.2%
Universal Robina Corp	Philippines	6,522	3.1%
Dabur India Ltd	India	6,403	3.0%
Vitasoy Intl Holdings Ltd	Hong Kong	6,177	2.9%
Philippine Seven Corp	Philippines	6,164	2.9%
Britannia Industries Ltd	India	6,109	2.9%
Colgate Palmolive (India) Ltd	India	6,039	2.9%
Jollibee Foods Corp	Philippines	5,631	2.7%
Top 10 Investments		65,891	31.2%
Nestlé India Ltd	India	5,379	2.5%
Hindustan Unilever Ltd	India	5,251	2.5%
Asian Paints Ltd	India	5,110	2.4%
Tanzania Breweries Ltd	Tanzania	5,030	2.3%
East African Breweries Ltd	Kenya	4,948	2.3%
Mr Price Group Ltd	South Africa	4,849	2.3%
Ceylon Tobacco Co Plc	Sri Lanka	4,835	2.3%
Foshan Haitian Flavouring	China	4,812	2.3%
Shoprite Holdings Ltd	South Africa	4,774	2.3%
Ambev SA	Brazil	4,762	2.3%
Top 20 Investments		115,641	54.7%
Nestlé Lanka Plc	Sri Lanka	4,726	2.2%
Eastern Tobacco	Egypt	4,697	2.2%
Grupo Lala SAB De CV	Mexico	4,679	2.2%
Bim Birllesik Magazalar AS	Turkey	4,608	2.2%
Bajaj Corp Ltd	India	4,607	2.2%
HM Sampoerna TBK PT	Indonesia	4,467	2.1%
Unilever Indonesia TBK PT	Indonesia	4,406	2.1%
Nestlé Nigeria Plc	Nigeria	4,326	2.1%
Vietnam Dairy Products JSC	Vietnam	4,306	2.0%
Edita Food Industries Reg	Egypt	4,275	2.0%
Top 30 Investments		160,738	76.0%

Investment Portfolio

Investments held as at 30 June 2016 – continued

Security	Country of Incorporation	Fair value £'000	% of investments
Procter + Gamble Hygiene	India	4,249	2.0%
Hypermarcas SA	Brazil	4,226	2.0%
Forus SA	Chile	4,198	2.0%
GlaxoSmithKline Consumer Healthcare Ltd	India	4,166	2.0%
Famous Brands Ltd	South Africa	4,132	1.9%
Spur Corp Ltd	South Africa	3,811	1.8%
British American Tobacco	Bangladesh	3,680	1.7%
Nigerian Breweries Plc	Nigeria	3,217	1.5%
Walmart De Mexico SAB De CV	Mexico	3,198	1.5%
Magnit PJSC Spon GDR Regs	Russia	3,102	1.5%
Top 40 Investments		198,717	93.9%
Integrated Diagnostics Holdings Plc	Jersey ¹	2,649	1.3%
Dr Lal Pathlabs Ltd	India	2,513	1.2%
Olympic Industries Ltd	Bangladesh	2,400	1.1%
Nestlé Pakistan Ltd	Pakistan	1,958	0.9%
Dali Foods Group Co Ltd	China	1,784	0.9%
Fan Milk Ltd	Ghana	1,505	0.7%
Total Investments		211,526	100.0%

¹ Principal place of business in Egypt

Statement of Comprehensive Income (Unaudited)

for the six months ended 30 June 2016

	Notes	(Unaudited) Six months ended 30 June 2016			(Unaudited) Six months ended 30 June 2015			(Audited) Year ended 31 December 2015		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Dividend income	4	1,928	–	1,928	1,316	–	1,316	3,001	–	3,001
Other operating income		3	–	3	5	–	5	7	–	7
		1,931	–	1,931	1,321	–	1,321	3,008	–	3,008
Gains/(losses) on investments										
Gains/(losses) on investments held through profit and loss	3	–	22,954	22,954	–	(4,084)	(4,084)	–	(12,003)	(12,003)
Gains/(losses) on foreign exchange transactions		16	(1,006)	(990)	–	(211)	(211)	9	(495)	(486)
Management fees		(1,267)	–	(1,267)	(1,196)	–	(1,196)	(2,308)	–	(2,308)
Other expenses including dealing costs		(514)	(228)	(742)	(464)	(316)	(780)	(934)	(503)	(1,437)
Profit/(loss) before finance costs and tax		166	21,720	21,886	(339)	(4,611)	(4,950)	(225)	(13,001)	(13,226)
Finance costs		–	–	–	–	–	–	–	–	–
Profit/(loss) before tax		166	21,720	21,886	(339)	(4,611)	(4,950)	(225)	(13,001)	(13,226)
Tax		(187)	–	(187)	(111)	–	(111)	(230)	–	(230)
(Loss)/profit for the period/year		(21)	21,720	21,699	(450)	(4,611)	(5,061)	(455)	(13,001)	(13,456)
(Loss)/earnings per share (basic and diluted) (p)		(0.11)	105.36	105.25	(2.33)	(23.84)	(26.17)	(2.35)	(67.23)	(69.58)

The Company does not have any income or expenses which are not included in the profit for the half year. Accordingly the “profit for the period” is also the “total comprehensive income for the period”, as defined in IAS 1 (revised).

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

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

All items in the above statement derive from continuing operations.

Statement of Changes in Equity (Unaudited)

for the six months ended 30 June 2016

	Share Capital £'000	Share Premium £'000	Capital* Reserve £'000	Retained* Earnings £'000	Total £'000
Balance at 1 January 2016	193	0	180,276	(1,125)	179,344
Profit/(Loss) for the period	0	0	21,720	(21)	21,699
	193	0	201,996	(1,146)	201,043
Issue of Ordinary Share Capital	13	12,341	0	0	12,354
Balance at 30 June 2016	206	12,341	201,996	(1,146)	213,397

for the six months ended 30 June 2015

	Share Capital £'000	Share Premium £'000	Capital* Reserve £'000	Retained* Earnings £'000	Total £'000
Balance at 1 January 2015	193	0	193,277	(670)	192,800
Loss for the period	0	0	(4,611)	(450)	(5,061)
	193	0	188,666	(1,120)	187,739
Balance at 30 June 2015	193	0	188,666	(1,120)	187,739

* Capital Reserve and Retained Earnings are considered distributable.

Statement of Financial Position (Unaudited)

as at 30 June 2016

	(Unaudited) 30 June 2016 £'000	(Unaudited) 30 June 2015 £'000	(Audited) 31 December 2015 £'000
Non-Current Assets			
Investments held at fair value through profit and loss	211,526	186,938	177,706
	211,526	186,938	177,706
Current Assets			
Receivables	238	181	40
Cash and cash equivalents	3,321	2,692	2,691
	3,559	2,873	2,731
Total assets	215,085	189,811	180,437
Current Liabilities			
Trade and other payables	(1,688)	(2,072)	(1,093)
	(1,688)	(2,072)	(1,093)
Total assets less current liabilities	213,397	187,739	179,344
Equity Attributable to Equity Shareholders			
Ordinary share capital	206	193	193
Share premium	12,341	0	0
Capital reserves	201,996	188,666	180,276
Retained earnings	(1,146)	(1,120)	(1,125)
Total equity	213,397	187,739	179,344
Net asset value per share (p)	1,035.1	970.8	927.4

Statement of Cash Flows (Unaudited)

for the six months ended 30 June 2016

	(Unaudited) Six months ended 30 June 2016 £'000	(Unaudited) Six months ended 30 June 2015 £'000	(Audited) Year ended 31 December 2015 £'000
Cash Flows from Operating Activities			
Profit/(loss) for the period/year	21,699	(5,061)	(13,456)
Adjustments for:			
(Gain)/loss on investments	(22,954)	4,084	12,003
Sale of investments ^(a)	28,127	69,107	25,513
Sale of money market funds	0	0	84,355
Purchases of investments ^(a)	(38,993)	(71,221)	(109,519)
Purchases of money market funds	0	0	(1,150)
(Increase)/decrease in receivables	(198)	13	154
Increase/(decrease) in payables	595	77	(902)
Net Cash Flow from operating activities	(11,724)	(3,001)	(3,002)
Cash Flows from Financing Activities			
Proceeds from issue of new shares	12,449	0	0
Issue costs relating to new shares	(95)	0	0
Net Cash Flow from Financing Activities	12,354	0	0
Net Increase/(Decrease) in Cash and Cash Equivalents	630	(3,001)	(3,002)
Cash and Cash Equivalents at start of the year/period	2,691	5,693	5,693
Cash and Cash Equivalents at end of the year/period	3,321	2,692	2,691

^(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.

Notes to the 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 EU (IFRS) and with the Statement of Recommended Practice ‘Financial Statements of Investment Trust Companies and Venture Capital Trusts’ issued in November 2014. They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The company is a UK listed company with a predominantly UK shareholder base. The results and the financial position of the company are expressed in sterling, which is the functional and presentational currency of the company. The accounting policies have been disclosed consistently and in line with Companies Act 2006.
- B Income from investments (other than capital dividends), including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex-dividend, or where no ex-dividend date is quoted, when the company’s right to receive payment is established. Special dividends are credited to capital or revenue, according to the circumstances. Income from underwriting commission is recognised as earned.
- C Interest receivable and payable, management fees, and other expenses are treated on an accruals basis.
- D The management fee is recognised as a revenue item in the income statement. All other expenses are charged to revenue except where they directly relate to the acquisition or disposal of an investment, in which case, they are added to the cost of the investment or deducted from the sale proceeds.
- E Investments – investments have been designated upon initial recognition as fair value through profit or loss. Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured at fair value. Subsequent to initial recognition, investments are valued at fair value. For listed investments, this is deemed to be bid market prices. Gains and losses arising from changes in fair value are included in net profit or loss for the year as a capital item in the income statement and are ultimately recognised in the capital reserve.
- F Transaction costs incurred on the purchase and disposal of investments are recognised as a capital item in the income statements.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

- G Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the balance sheet or at the related forward contract rate. Transactions in foreign currency are converted to sterling at the rate ruling at the date of the transaction or, where forward foreign currency contracts have been taken out, at contractual rates and included as an exchange gain or loss in the capital reserve or the revenue account depending on whether the gain or loss is of a capital or revenue nature.
- H Cash at bank and in hand comprises cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value. Other debtors and creditors (excluding borrowings) do not carry any interest, are short-term in nature and are accordingly stated at nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.
- I Equity dividends payable to shareholders are recognised when the shareholders right to receive them is established.
- J Capital reserve – gains or losses on realisation of investments and changes in fair values of investments are transferred to the capital reserve. Any changes in fair values of investments that are not readily convertible to cash are treated as unrealised gains or losses within the capital reserve.
- K Taxation – the charge for taxation is based upon the revenue for the year and is allocated according to the marginal basis between revenue and capital using the Company's effective rate of corporation tax for the accounting period.
- L Deferred taxation – deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in future have occurred at the balance sheet date measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying temporary differences can be deducted. Timing differences are differences arising between the company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods. Due to the company's status as an investment trust company, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.
- M Issue costs – These have been offset against the proceeds of share issues and dealt with in the share premium account.

3. Gains/(losses) on Investments

	(Unaudited) Six months ended 30 June 2016 £'000	(Unaudited) Six months ended 30 June 2015 £'000	(Audited) Year ended 31 December 2015 £'000
Gain/(loss) on investments			
Loss on sales of investments	(6,161)	(3,621)	(5,741)
Investment holding gain/(loss)	29,115	(463)	(6,262)
	22,954	(4,084)	(12,003)

4. Income

	(Unaudited) Six months ended 30 June 2016 £'000	(Unaudited) Six months ended 30 June 2015 £'000	(Audited) Year ended 31 December 2015 £'000
UK dividends	0	122	143
Overseas dividends	1,928	1,194	2,858
	1,928	1,316	3,001

Glossary of Terms

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

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.

How to Invest

Investment Platforms

The Company's shares are traded openly on the London Stock Exchange and can be purchased through a stock broker 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:

Alliance Trust Savings	http://www.alliancetrustsavings.co.uk/
Barclays Stockbrokers	https://www.barclaysstockbrokers.co.uk/Pages/index.aspx
Club Finance	http://www.clubfinance.co.uk/
Fidelity	http://www.fidelity.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/
IG Index	http://www.igindex.co.uk/
Interactive Investor	http://www.iii.co.uk/
IWEB	http://www.iweb-sharedealing.co.uk/
James Brearley	http://www.jbrearley.co.uk/Marketing/index.aspx
Saga Share Direct	https://www.sagasharedirect.co.uk/
Selftrade	http://www.selftrade.co.uk/
The Share Centre	https://www.share.com/
Sippdeal	http://www.sippdeal.co.uk/
Saxo Capital Markets	http://uk.saxomarkets.com/
TD Direct Investing	http://www.tddirectinvesting.co.uk/

Capita Asset Services – Share Dealing Service

A quick and easy share dealing service is available to existing shareholders through the Company's Registrar, Capita 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 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.capitadeal.com (online dealing) or +44(0)371 664 0445 (telephone dealing).

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 8.00 a.m. to 4.30 p.m. Monday to Friday excluding public holidays in England and Wales.

Risk Warnings

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

Company Information

Directors

Martin Bralsford (Chairman)
David Potter (Chairman of the Management Engagement Committee)
John Spencer (Chairman of the Audit Committee)

Company Registration Number

08756681 (Registered in England)
The Company is an investment company as defined under Section 833 of the Companies Act 2006.
The Company was incorporated in England and Wales on 31 October 2013 as FEET plc.

Website

www.feetplc.co.uk

Registered Office

33 Cavendish Square,
London W1G 0PW

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.

Administrator

State Street Bank and Trust Company
20 Churchill Place
Canary Wharf
London E14 5HJ

Depository

State Street Trustees Limited
20 Churchill Place
Canary Wharf
London E14 5HJ

Custodian and Banker

State Street Bank and Trust Company
20 Churchill Place
Canary Wharf
London E14 5HJ

Independent Auditor

Deloitte LLP
2 New Street Square,
London EC4A 3BZ

Stockbrokers

Investec Bank plc
2 Gresham Street,
London EC2V 7QP

Registrars

Capita Asset Services
The Registry,
34 Beckenham Road, Beckenham,
Kent BR3 4TU
Telephone (in UK): 0871 664 0300†
Telephone (from overseas): +44 208 639 3399
Facsimile: +44 (0) 1484 600911
E-Mail: shareholderenquiries@capita.co.uk
Website: www.capitaassetservices.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 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.-5.30 p.m. Monday-Friday excluding public holidays in England and Wales.

The Company's net asset value per share is announced daily on the TrustNet website at www.trustnet.com

Solicitors

Travers Smith
10 Snow Hill
London EC1A 2AL

Identification Codes

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

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