Fundsmith
Emerging Equities Trust

Annual Report

for the year ended 31 December 2019

Fundsmith Emerging Equities Trust plc

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Company Summary

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

*See Fundsmith’s Investment Philosophy on page 24 for further information

Company Summary

The Company

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

Total assets less current liabilities as at 31 December 2019 were £323.1 million (2018: £322.5 million) and the market capitalisation was £293.0 million (2018: £314.0 million).

Management

The Company employs Fundsmith LLP ('Fundsmith') as Investment Manager and Alternative Investment Fund Manager ('AIFM'). Further details of the terms of these appointments are provided on page 27.

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

Capital Structure

The Company's capital structure is composed of Ordinary Shares. Further details are given in note 13 to the financial statements on page 77.

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.

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

Financial Highlights

Performance Summary

	As at 31 December 2019	As at 31 December 2018
Share price	**1,100.0p**	**1,190.0p**
Net asset value per share	**1,213.0p**	**1,222.0p**
Discount of the share price to the net asset value per share*	**9.3%**	**2.6%**
Ongoing charges ratio*	**1.4%**	**1.5%**

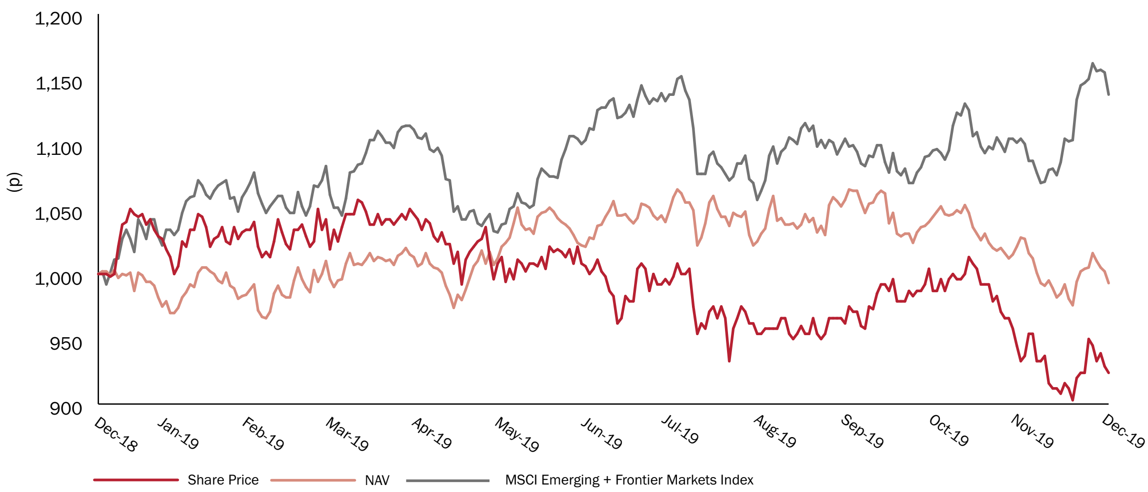
	For the year ended 31 December 2019	For the year ended 31 December 2018
Net asset value per share total return*	**-0.5%**	**-3.0%**
Share price total return*	**-7.4%**	**-9.4%**
Index total return[1]	**+13.9%**	**-9.3%**

*Alternative Performance Measure (see Glossary beginning on page 87)

[1]MSCI Emerging and Frontier Markets Index (measured on a net sterling adjusted basis)

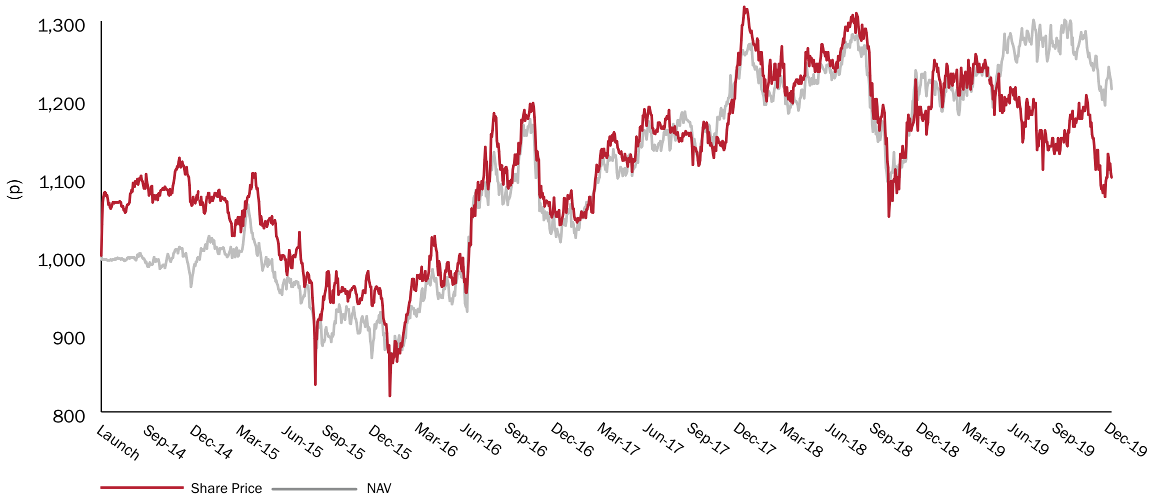
Please refer to the Glossary on pages 87 to 89 for definitions of these terms and the basis of their calculation.

Performance over one year



Source: MSCI/Bloomberg
Figures rebased to 1,000 as at 31 December 2018

Performance since launch



Source: MSCI/Bloomberg

Five Year Record

31 December	Shareholders' funds £'000	Net asset value per share	Share price	Premium/discount of the share price to the net asset value per share	Dividend per share	Ongoing charges
2015	**179,344**	**927.4p**	**955.0p**	**3.0%**	**N/A**	**1.7%**
2016	**238,583**	**1039.0p**	**1055.5p**	**1.6%**	**N/A**	**1.7%**
2017	**310,673**	**1259.7p**	**1314.0p**	**4.3%**	**N/A**	**1.7%**
2018	**322,486**	**1222.0p**	**1190.0p**	**-2.6%**	**2.0p**	**1.5%**
2019	**323,143**	**1213.0p**	**1100.0p**	**-9.3%**	**3.2p**	**1.4%**

Introduction

I present our sixth Annual Report which covers the year ended 31 December 2019.

Performance

The Company's net asset value (NAV) per share total return* for the year was -0.5% (2018: -3.0%) and the share price total return* was -7.4% (2018: -9.4%). At the year end, the shares stood at a 9.3% discount* to the NAV per share (2018: 2.6%). The MSCI Emerging and Frontier Markets Index, measured on a total return, net sterling adjusted basis, rose by 13.9% over the same period (2018: -9.3%).

*Alternative Performance Measure

This was a difficult year for the Company, particularly in terms of share price performance, which is discussed in more detail later in this Statement. Substantial inflows into Exchange Traded Funds continue to have a significant impact on the Index and the Company's relative performance, inflating the prices of larger but (in our Investment Manager's opinion) poorer-quality companies, which are not within our investment universe. Fundsmith LLP ('Fundsmith'), our Investment Manager, provides a thorough explanation of this relative underperformance and a comprehensive analysis of the performance of the Company's portfolio during the year, in their report beginning on page 12.

Although the performance of the portfolio this year is disappointing, both in absolute terms and by reference to the Index, the Board believes that shareholders should be reassured by the positive financial characteristics of the underlying investee companies, further details of which can be found in the Investment Manager's report. The Investment Manager is researching the reasons why the good financial performance of investee companies is not reflected fully in their share prices and hence our NAV. They will report more fully on this to shareholders at our forthcoming Annual General Meeting ('AGM'). Nevertheless, your Board shares Fundsmith's confidence in these high-quality companies and continues to believe that their strong underlying characteristics will ultimately determine the long-term performance of the Company.

Management

During the year, Fundsmith, in consultation with the Board, promoted Michael O'Brien and Sandip Patodia to the roles of portfolio manager and assistant portfolio manager, respectively. Terry Smith, in his capacity as chief investment officer of Fundsmith LLP, continues to meet with the Board and is always accessible to the Board as required. He also provides advice and support to Michael and Sandip.

This new arrangement is working well and the Board has been impressed with Michael and Sandip's approach since the transition in May. Michael's first contribution to the annual report on behalf of Fundsmith begins on page 12.

Also during the year, and as previously reported, the Board agreed with Fundsmith a reduction in the investment management fee from 1.25% to 1.00% per annum of the Company's net asset value. The fee reduction brings the charges closer into line with Fundsmith's other funds (as well as the Company's peer group) whilst recognising the relatively small size of our Company and the greater geographical research coverage that needs to be maintained on the Company's portfolio.

"The Board considers it desirable that the Company's shares do not trade at a price, which on average, represents a discount that is out of line with the Company's peer group."

Share Issuance

Demand for the Company's shares in the first three months of 2019 led to the issue of a total of 250,000 new shares during the year (2018: 1,727,500 shares), raising gross proceeds of £3.0 million (2018: £21.5 million). This was in line with the policy of enlarging the Company's invested capital to the benefit of all shareholders, rather than seeing the shares rise to a material premium to NAV per share in the market.

As at 31 December 2019, the Company had 26,640,056 shares of 1p each in issue (2018: 26,390,056). The net proceeds received from the issue of these new shares were invested in line with the Company's investment objective.

At the last AGM in May 2019, shareholders granted the Board authority to issue up to 10% of the Company's issued share capital without pre-emption rights. The Board will ask for the same authority again, to issue up to 10% of issued share capital without pre-emption rights, at the forthcoming AGM.

Share Price Discount

Shortly after the Company's AGM in May 2019, the Company's share price fell to a discount to the NAV per share. The Board has, in consultation with its advisers, been monitoring the share price discount very closely and considering ways in which it may be addressed, principally through share buybacks but also through the Company's marketing strategy.

To date the Board has been of the opinion that share buybacks are not always in the best interests of shareholders as they reduce the size of the Company and therefore increase the ongoing charges ratio. The Board is also conscious that emerging markets have been under pressure generally and that selling has been piecemeal, rather than as a result of a single large seller. For these reasons, the Board has thus far not taken action, opting to give the market a period of time to assess the new portfolio management arrangements and the resulting performance.

However, the Board considers it desirable that the Company's shares do not trade at a price which, on average, represents a discount that is out of line with the Company's peer group (the AIC Global Emerging Markets Sector). The Board will continue to monitor the discount and, should a material and sustained deviation emerge in the Company's discount from that of its peer group, it has the authority to buy back shares in the market.

Dividend

The Company made a small revenue profit during the year and, as a result, the Board recommends to shareholders the payment of a dividend to allow the Company to comply with the investment trust rules regarding distributable income.

Subject to shareholder approval at the forthcoming AGM, a final dividend of 3.2p per share will be paid on 3 June 2020 to shareholders on the register on 15 May 2020. The associated ex-dividend date will be 14 May 2020.

The Company's principal objective remains to provide shareholder returns through capital growth in its investments rather than income and the Board is maintaining its current policy to pay only those dividends required to maintain UK investment trust status. Subject to the investment trust rules, any dividends and distributions will continue to be at the discretion of the Board from time to time.

The Board

There have been no changes to the Board during the year. In accordance with the Board's policy and the revised AIC Code of Corporate Governance, all Directors will be standing for re-election at the forthcoming AGM. You will find the appropriate resolutions in the Notice of the AGM on page 92 and a summary of the

"We remain optimistic on the longer-term outlook for Emerging Markets and believe that the investment thesis on which the Company was launched remains valid."

contribution each Director makes to the Board and the Company in the explanatory notes on page 98.

Communications with Shareholders

As communicated in the last interim report, during the year the Board decided to offer shareholders the option to receive all Company information electronically. This has led to a 92% reduction in the number of hard copy annual reports printed this year, further reducing the Company's already minimal impact on the environment, as well as producing a small cost saving.

Shareholders who elect to receive Company communications electronically still have the right to request (at no extra charge) hard copy versions of the documents sent or supplied via the website.

Shareholders who have elected to continue receiving hard copies may be reassured to know that this year, the annual report (including the front cover) is printed on 100% recycled and recyclable paper.

Outlook

As predicted, there was considerable volatility in emerging markets throughout 2019 and this looks set to persist; geopolitical factors are likely to continue affecting global economic growth in 2020. The emergence and spread of the new coronavirus is also causing disruption and this is considered further on page 31. Your Investment Manager and your Board will continue to monitor developments and the potential impact upon the Company's portfolio holdings.

However, while there will inevitably be periods of volatility, the Board remains confident that an investment in the Company should prove rewarding over the long term. We remain optimistic on the longer-term outlook for emerging markets and believe that the investment thesis on which the Company was launched remains valid. Fundsmith will therefore remain focused on selecting high-quality companies with superior returns on capital, profit margins and growth than many of the companies in the Index.

Annual General Meeting

The Company's AGM will be held on Wednesday, 27 May 2020 at 12 noon and will again be held at Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL. Further details can be found on pages 92 to 100.

The AGM provides shareholders with an opportunity to meet the Directors and to receive a presentation from our Investment Manager and we hope as many shareholders as possible will attend. I look forward to meeting you at that time, together with my Board colleagues. If any shareholders are unable to attend or wish to raise a matter with the Board, please contact me through the Company Secretary whose details are set out on page 101. An edited video of the Investment Manager's presentation will be made available on the Company's website (www.feetplc.co.uk) shortly after the event.

Shareholders who hold their shares directly can vote online by visiting www.myfeetshares.co.uk and following instructions. Any shareholders who require a hard copy form of proxy may request one from the Registrar, Link Asset Services (instructions are provided on page 97). Shareholders who hold their shares through an investment platform or a nominee will need to contact them to enquire about voting arrangements.

Martin Bralsford
Chairman
5 March 2020

Investment Objective and Policy

Investment Objective

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

Investment Policy

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

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

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

(ii) not more than 40% of the Company's gross assets can be invested in shares issued by companies domiciled in any single jurisdiction. Where, as a result of investment performance, the total value of the companies in a particular jurisdiction exceeds 40% of gross assets, this restriction shall not apply to a portfolio rebalancing transaction (an investment funded from the proceeds of a disposal of shares in a company domiciled in the same jurisdiction, executed at the same time).

(iii) not more than 20% of the Company's gross assets can be in deposits held with a single bank or financial institution. In applying this limit all uninvested cash (except cash representing distributable income or credited to a distribution account that the Depositary holds) should be included;

(iv) not more than 20% of the Company's gross assets can consist of shares and approved money market instruments issued by the same group. When applying the limits set out in (i) this provision would allow the Company to invest not more than 5% in the shares of each of four group member companies, or 10% in two of them (if applying the 40% limit);

(v) the Company's holdings in any combination of shares or deposits issued by a single company or fund must not exceed 20% of the Company's gross assets overall;

(vi) the Company must not acquire shares issued by a company and carrying rights to vote at a general meeting of that company if the Company has the power to influence significantly the conduct of business of that company (or would be able to do so after the acquisition of the shares). The Company is to be taken to have power to influence significantly if it exercises or controls the exercise of 20% or more of the voting rights in that company; and

(vii) the Company must not acquire shares which do not carry a right to vote on any matter at a general meeting of the company that issued them and represent more than 10% of these securities issued by that company.

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

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

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

*See Fundsmith's Investment Philosophy beginning on page 24 for further information

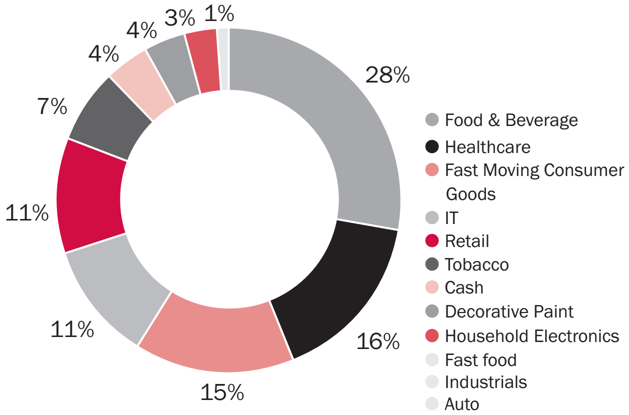
Investments held as at 31 December 2019

Security	Country of incorporation	Fair value £'000	% of investments
Vitasoy International Holdings Ltd	Hong Kong	16,414	5.3
MercadoLibre Inc	USA[1]	15,026	4.8
Foshan Haitian Flavouring & Food Co Ltd	China	14,768	4.7
Eastern Company S.A.E	Egypt	14,749	4.7
Asian Paints Ltd	India	13,127	4.2
Godrej Consumer Products Ltd	India	12,390	4.0
Philippine Seven Corp	Philippines	12,333	3.9
Nestlé India Ltd	India	12,127	3.9
Hypera SA	Brazil	11,675	3.7
Travelsky Technology Ltd	China	10,827	3.5
Top 10 Investments		**133,436**	**42.7**
Hindustan Unilever Ltd	India	10,735	3.4
Marico Ltd	India	10,698	3.4
Info Edge (India) Ltd	India	10,269	3.3
Havells India Ltd	India	10,022	3.2
Britannia Industries Ltd	India	9,628	3.1
Vietnam Dairy Products JSC	Vietnam	9,312	3.0
Dali Foods Group Co Ltd	China	8,190	2.6
Metropolis Healthcare Ltd	India	8,131	2.6
Integrated Diagnostics Holdings Plc	Jersey[2]	7,751	2.5
Eris Lifesciences Ltd	India	7,649	2.4
Top 20 Investments		**225,821**	**72.2**
Walmart De Mexico SAB de CV	Mexico	7,540	2.4
Procter & Gamble Hygiene and Health Care Ltd	India	7,367	2.4
Dr Lal Pathlabs Ltd	India	7,229	2.3
Nestlé Nigeria Plc	Nigeria	6,266	2.0
Dabur India Ltd	India	6,154	2.0
Clicks Group Ltd	South Africa	5,814	1.9
East African Breweries Ltd	Kenya	5,665	1.8
Bim Birlesik Magazalar AS	Turkey	5,526	1.8
Thyrocare Technologies Ltd	India	5,122	1.6
Ceylon Tobacco Co Plc	Sri Lanka	4,984	1.6
Top 30 Investments		**287,488**	**92.0**
Avenue Supermarts Ltd	India	4,874	1.6
Tiger Brands Ltd	South Africa	4,660	1.5
PT Prodia Widyahusada Tbk	Indonesia	4,387	1.4
British American Tobacco Bangladesh Company Limited	Bangladesh	4,011	1.3
Edita Food Industries SAE	Egypt	3,617	1.2
DP Eurasia NV	Netherlands[3]	3,230	1.0
Total Investments		**312,267**	**100.0**

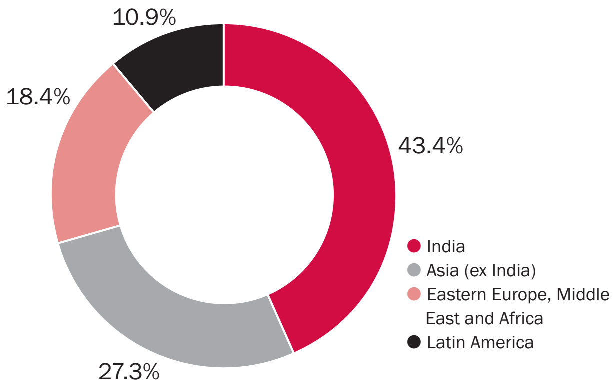
[1] Principal place of business Argentina
[2] Principal place of business Egypt
[3] Principal place of business Turkey

Portfolio Distribution
as at 31 December 2019

By Sector (based on net asset value)

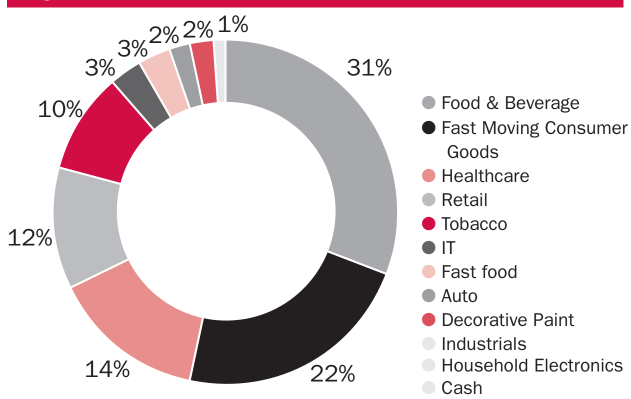


By Geography (by Country of Incorporation)

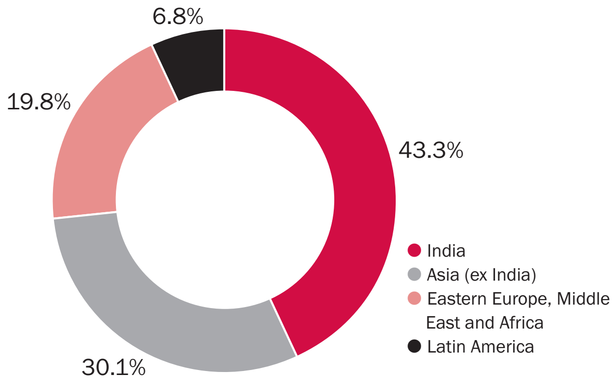


as at 31 December 2018

By Sector (based on net asset value)



By Geography (by Country of Incorporation)



Top 10 Purchases and Sales in 2019

Top 10 Purchases

	Security	Country of incorporation
1	Info Edge (India) Ltd	India
2	MercadoLibre Inc	USA[1]
3	Avenue Supermarts Ltd	India
4	Metropolis Healthcare Ltd	India
5	Eastern Company S.A.E	Egypt
6	Havells India Ltd	India
7	Integrated Diagnostics Holdings Plc	Jersey[2]
8	Godrej Consumer Products Ltd	India
9	Tiger Brands Ltd	South Africa
10	Vietnam Dairy Products JSC	Vietnam

Top 10 Sales

	Security	Country of incorporation
1	Colgate-Palmolive (India) Ltd	India
2	PT Unilever Indonesia Tbk	Indonesia
3	Britannia Industries Ltd	India
4	Emami Ltd	India
5	Foshan Haitian Flavouring & Food Co Ltd	China
6	Mr Price Group Ltd	South Africa
7	PT HM Sampoerna TBK	Indonesia
8	Eicher Motors Ltd	India
9	Ajanta Pharmaceutical Ltd	India
10	Nestlé Pakistan Ltd	Pakistan

[1] Principal place of business Argentina
[2] Principal place of business Egypt

"Since launch to the end of 2019, the Company has produced a cumulative NAV return of 22%, or a return of 3.7% on an annualised basis."

Fundsmith Emerging Equities Trust plc ("FEET" or the "Company") had a disappointing 2019, both in terms of absolute and relative performance.

Total return	1 January – 31 December 2019 %
FEET Net Asset Value per Share	-0.5
FEET Share Price	-7.4
MSCI Emerging & Frontier Markets Index	+13.9

Table 1: Source: MSCI/Bloomberg

The net asset value ("NAV") fall of 0.5% compared to an increase in the MSCI Emerging & Frontier Markets Index (the "Index") of 13.9%. The share price fall of 7.4% was more pronounced than the fall in the NAV as a result of the discount widening in the year. Since launch to the end of 2019, the Company has produced a cumulative NAV total return of 22%, or a return of 3.7% on an annualised basis.

Whereas in 2018 the performance was encouraging in a year when the Index fell and our strategy seemed well placed to deliver value preservation in a downturn, 2019 was a strong year for emerging markets and our performance on a relative basis lagged.

Performance in more detail is shown below:

	%							
	2019	2018	2017	2016	2015	2014*	Since incep-tion	Annual-ised
FEET NAV [1]	-0.5	-3.0	+21.2	+12.0	-7.0	+0.1	+22.0	+3.7
FEET Share Price [2]	-7.4	-9.4	+24.5	+10.5	-10.9	+7.2	+10.2	+1.8
Emerging Markets [3]	+13.9	-9.3	+25.3	+32.4	-10.0	+0.5	+55.0	+8.3
UK Bonds [4]	+3.8	+1.2	+1.4	+6.5	+1.0	+7.4	+23.0	+3.8
UK Cash [5]	+0.8	+0.7	+0.4	+0.5	+0.6	+0.3	+3.3	+0.6

Table 2:

1 Net of fees, priced at UK market close (source: Fundsmith)
2 At LSE close (source: Fundsmith)
3 MSCI Emerging & Frontier Markets Index (£ Net) priced at close of business US EST (source: www.msci.com)
4 Bloomberg/EFFAS Bond Indices UK Govt 5-10yr (source: Bloomberg)
5 3m £ LIBOR Interest Rate (source: Bloomberg)
* From 25 June 2014

As we have previously stated, the composition of the Index is very different to our portfolio. In 2019 emerging markets experienced net outflows of US$17.7bn. This net outflow figure was comprised of net inflows into emerging markets ETFs of almost US$14bn which were dwarfed by net outflows from "active" funds of US$31.6bn.

Cumulative EM fund flows since 2016

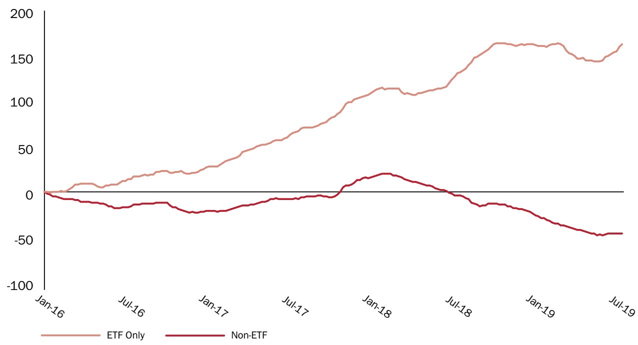


Figure 1: Source: EPFR Global

"It increasingly strikes us that emerging markets are currently viewed as a homogeneous single asset class by asset allocators who, rather than having a strategy of which stocks to buy and why, simply buy the Index."

At present we have no investments in any of the top 10 Index constituents, which are shown below:

Top 10 MSCI E+FM Index constituents	Weight %	ROCE[1] %
Alibaba	5.7	8
Tencent	4.4	19
TSMC	4.3	20
Samsung Electronics	3.6	10
China Construction Bank	1.3	6
Naspers	1.1	-2
Ping An Insurance	1.0	3
Reliance Industries	1.0	10
HDFC Bank	0.9	12
China Mobile	0.8	12
Total Average	**24.0**	**10**

Table 3: Source: MSCI

[1] See Glossary on page 87.

Collectively they account for 24% of the Index and thus are the major beneficiaries of ETF fund flows.

This concentration is far more marked in emerging markets than it is in developed markets. The top five MSCI Emerging & Frontier Markets Index constituents account for almost 20% of that Index, whereas the top five constituents of the MSCI World Index account for just 9% of that index. This magnifies the impact of ETF flows into the major constituents of the Index. It could also produce some problems if or when these flows reverse. Just one company, Taiwan Semiconductor Manufacturing Company ("TSMC"), accounts for 40% of the value of the Taiwanese stock market. Yet TSMC is overwhelmingly held by foreign investors. It may be that in this and other emerging market stocks, local demand may not be able to supply the necessary liquidity if international investors, represented by ETF fund flows, decide to sell out.

Alibaba, Tencent, Samsung, TSMC and Naspers (whose main asset was its stake in Tencent) accounted for over 40% of the increase in the Index in 2019 and were the largest determinant of the Index's relative performance in the year (in contrast, the top five constituents of the MSCI World Index (Apple, Microsoft, Amazon, JP Morgan and Facebook) contributed 14% of the absolute performance of that index).

It increasingly strikes us that emerging markets are currently viewed as a homogeneous single asset class by asset allocators who, rather than having a strategy of which stocks to buy and why, simply buy the Index.

Whilst we continue to analyse some of the stocks which dominate the Index to see if they are developing into businesses we would be comfortable investing in, as yet we have not found this to be the case, as illustrated by the ROCEs in the table above.

There are other issues which derive from the composition of the Index and therefore our Company's divergence from it. One is that the China element of the Index is not predominantly, as you might think, made up of Chinese companies listed on Chinese markets. Instead it comprises Chinese companies listed in the US, Chinese companies listed in Hong Kong, and Hong Kong companies. The smallest element of the Index element categorised as 'China' is Chinese companies listed in mainland China.

Concerns about these 'Chinese' stocks in particular, which were identified in our due diligence ahead of launching the Company in 2014, include issues around corporate governance, accounting standards, shareholding structures and voting rights, government intervention and legal ownership of business assets. Equally, a large proportion of the China weighting in the Index is either listed in the

"We continue to focus on buying good companies and won't shy from this regardless of what the Index is doing. FEET owns stakes in companies which, as a whole, have superior financial characteristics to the Index."

US and priced in dollars or Hong Kong listed (whose currency is pegged to the dollar), thus adding an additional layer of complexity.

These issues continue to concern us, yet seem to us to be disregarded by many investors, particularly those 'hugging the Index'. That does not mean we have ruled out investing in China-focused companies, it just means that our exacting standards have to date limited the number of companies suitable for the Company.

2019 saw the joint listing of Alibaba in Hong Kong. Alibaba's share price performed strongly after that point, not necessarily because of what the listing brought to the business, but from what the listing brought to the market. The Hong Kong Exchange has only recently liberalised the rules for joint listings, particularly regarding companies which have preferential voting rights for founders.

It appears to us that such joint listings of Chinese stocks in Hong Kong will lead to rises in these stocks as they ultimately become eligible for inclusion in the local indices in Hong Kong. In addition, the listing of the business in Hong Kong (in contrast to the US) allows Chinese investors to buy stock in what is a household name in the People's Republic.

Other Chinese companies listed in the US have already said they are likely to follow Alibaba's joint listing move. If by doing so they have a similar impact on their share price performance as Alibaba had, then we are set for other instances where Index constituents benefit from technical changes, not fundamentals.

We continue to focus on buying good companies and won't shy from this regardless of what the Index is doing. FEET owns stakes in companies which, as a whole, have superior financial characteristics to the Index. Relative to the Index, FEET offers emerging market investors the ability to invest in companies with higher returns and margins, stronger cash conversion and faster rates of cashflow growth.

Ideally the companies we own will have no debt, and if not certainly only a conservative level of financial leverage. Ultimately, we believe that these characteristics will be reflected in the share prices of the companies that the Company owns. The characteristics of the FEET portfolio as at 31 December 2019 compared with the Index were:

	FEET %	MSCI E+FM Index (ex-Financials) %
LTM ROCE	39	14
LTM Gross Margin	48	32
LTM Operating Margin	19	18
LTM NFCF Conversion	98	86
LFY Revenue Growth	14	18
LFY NFCF Growth	15	7

Table 4: Source: Fundsmith, MSCI, Bloomberg

Abbreviations: LTM: last twelve months, LFY: last full year, ROCE: return on capital employed, NFCF: neutral free cash flow. See Glossary beginning on page 87.

Unsurprisingly, our stocks are significantly more highly rated than the Index based upon either the measures of Price Earnings ("PE") ratio or Neutral Free Cash Flow yield ("Neutral" as in assuming that capital expenditure above the level of depreciation is expansionary and can therefore be disregarded in this calculation).

	FEET	MSCI E&FM (ex-financials)
LTM PE Ratio	38.0	27.4
LTM NFCF Yield	3.8	5.1
LTM Dividend Yield	2.0	2.4

Table 5: Source: Fundsmith, MSCI, Bloomberg

“It is disappointing that much of the cashflow growth demonstrated by the portfolio companies has not been captured in the performance of the Company. Much of this is due to currency movements.”

Valuation is, we believe, unlikely to be the main determinant of the performance of our strategy in the long term. Instead, we believe quality, with continued reinvestment of earnings at high rates of return, will be the main determinant in the long term.

It is disappointing that much of the cash flow growth demonstrated by the portfolio companies has not been captured in the performance of the Company. Much of this is due to currency movements (cash flow growth is recorded in local currency whilst the Company reports in sterling). This is a problem that we are mindful of and hope to ultimately rectify by the portfolio changes we are implementing.

Portfolio turnover in the year was 28% (or 27% when adjusted for new issuance). This is higher than we anticipated at the start of the year, but reflective of our continued move to concentrate the portfolio in those stocks and countries in which we have the greatest confidence. We will continue this exercise in the current year.

We took three new positions in the year, all in India. Two were new for the portfolio, the third a company where we previously had been a shareholder. We took a stake in Metropolis, the medical testing and diagnostics business, at its IPO. We also acquired a stake in Info Edge, the largest online classified advertiser in India, focusing mainly on the jobs and property segments, with an overall market share of around 20%. The third, Avenue Supermarkets, is a business we initially acquired at IPO and subsequently sold as we did not get an adequate shareholding. We remain impressed by the business’s ability to execute in a highly fragmented grocery market.

We made 11 disposals from the portfolio in the year. Four of these were in India- Ajanta Pharmaceuticals, Eicher Motors, Colgate Palmolive India and Emami.

We sold our holding in Colgate India as a result of the business losing market share due to increasing competition from domestic competitors. We fully exited our position in Emami, a business which has seen its competitive position erode following the introduction of the Goods and Services Tax (“GST”) which impacted the group’s wholesale customers. We sold our stakes in Ajanta Pharmaceuticals and Eicher Motors due to concerns over the predictability and cyclicality of their business models.

Two stocks were sold in Indonesia in the year, HM Sampoerna and Unilever Indonesia. The stake in Unilever Indonesia was sold as we took the view that the competitive environment was becoming more intense, particularly in the ice cream segment. We sold our holding in HM Sampoerna because we felt the next round of tobacco duty increases in the country would be higher than they traditionally had been as the government sought funds to plug its budget deficit amidst falling growth forecasts. This proved to be the case.

We also sold two of our three holdings in Nigeria, Guinness Nigeria and Nigerian Breweries. This leaves us with just one company in Nigeria, Nestlé Nigeria. Although the longer-term outlook for beer consumption in the country remains positive, the market is being disrupted by a price war led by a third player seeking to gain market share.

We exited three other companies - Nestlé Pakistan, Mr Price and Fan Milk. All were relatively small holdings in the portfolio and were suffering from adverse trading conditions which we felt would be difficult to recover from in an appropriate period of time.

"As well as the constituent companies of the indices which attract ETF flows being distinctly different to those we would be willing to invest in, the geographical weightings of the Index remain very different to where the Company's portfolio is invested."

By sector, the breakdown of FEET as at 31 December 2019 is as below:

FEET GICS Sector Split	%
Consumer Staples	60.9
Healthcare	16.0
Consumer Discretionary	5.6
Materials	4.0
Technology	3.4
Communication Services	3.2
Industrials	3.1
Cash	3.8
	100

Table 6: Source: Fundsmith, Bloomberg

Compared with the Index:

MSCI GICS Sector Split	%
Financials	24.9
Communication Services	11.1
Information Technology	15.4
Consumer Discretionary	13.9
Energy	7.3
Materials	7.3
Consumer Staples	6.3
Industrials	5.3
Real Estate	3.1
Health Care	2.8
Utilities	2.6
	100

Table 7: Source: Fundsmith, Bloomberg

By sector, the breakdown of FEET at 31 December 2019 as we would describe the sectors rather than those used by the Index (which are rather generic) was:

Sector (%)	2019	2018
Food & Beverage	28	31
Fast Moving Consumer Goods	15	22
Healthcare	16	14
Retail	11	12
Information Technology	11	3
Tobacco	7	10
Decorative Paint	4	2
Household Electricals	3	0
Fast Food	1	3
Auto	0	2
Industrials	0	1
Cash	4	0
	100	**100**

Table 8: Source: Fundsmith

As you can see, the portfolio changes significantly boosted the investment in Technology.

As well as the constituent companies of the indices which attract ETF flows being distinctly different to those we would be willing to invest in, the geographical weightings of the Index remain very different to where the Company's portfolio is invested. Last year we commented that Qatar, rising by 38% was the best performing market in 2018. This year its near neighbour, Bahrain, took that mantle, rising by 55%. As with Qatar, Bahrain is a stock market dominated by banks, property companies and (esoterically enough) an aluminium smelter. All sectors where we are happy to say we have no investments.

"After being the second biggest contributor to performance in 2018, Foshan Haitian was the most significant positive contributor to the Company in 2019. The business continues to exhibit strong, above industry average growth and generate attractive returns."

Our geographical weightings and those of the Index are shown below:

FEET Country Breakdown	Weight %
India	41.4
China (incl. Hong Kong)	15.6
Egypt	5.7
US	4.6
Philippines	3.8
Other Emerging Markets	15.6
Frontier Markets	9.4
Cash	3.9
	100

Table 9: Source: Fundsmith

MSCI E+FM Index Country Breakdown	Weight %
China (incl. Hong Kong)	33.6
South Korea	11.5
Taiwan	11.5
India	8.5
Brazil	7.3
Other Frontier & Emerging Markets	27.6
	100

Table 10: Source: MSCI, Bloomberg

In terms of contributors to performance, the table below shows the top five contributors to our performance by stock:

Top 5 Contributors	Country	%
Foshan Haitian	China	2.1
MercadoLibre Inc	Argentina	1.2
Metropolis Healthcare Ltd	India	0.8
Nestlé India Ltd	India	0.8
Dr Lal Pathlabs Ltd	India	0.8

Table 11: Source: Fundsmith

After being the second biggest contributor to performance in 2018, Foshan Haitian was the most significant positive contributor to the Company in 2019. The business continues to exhibit strong, above industry average growth and generate attractive returns. The markets in which it operates remain fragmented and increasing awareness of both food provenance and the group's brands in the People's Republic of China stand the business in good stead going forward.

MercadoLibre (which at the time of writing is now the largest holding in the portfolio) was the second biggest contributor to performance in the year. We increased our stake in the business after PayPal invested US$750m in the business alongside a broader public offering in the spring to support growth. We believe the PayPal investment and associated collaboration with PayPal offers the group the chance to dominate the payments space in Latin America.

The next three best performers were Indian stocks- Metropolis Healthcare (acquired in the year), Nestlé India and Dr Lal Pathlabs. Dr Lal and Metropolis have benefitted from strong growth in the diagnostic sector in India and market share gains from informal players because of their focus on quality, brand and network expansion into new areas across the country. National and regional chains have a share of only around 15% of the diagnostic laboratories segment in India, alongside considerable scope for geographical expansion. Nestlé India, a business which has renewed focus and vigour following the product recall of 2015, continued its strong operating performance.

“Currencies impacted the Company negatively by 430 basis points of performance.”

The table below shows the top five detractors from performance by stock:

Top Five Detractors	Country	%
Eris Lifesciences Ltd	India	-1.2
DP Eurasia NV	Netherlands	-1.0
Godrej Consumer Products Ltd	India	-0.8
Mr Price Group Ltd	South Africa	-0.7
Marico Ltd	India	-0.5

Table 12: Source: Fundsmith

The biggest negative contributor to portfolio performance was Eris Lifesciences. Eris was impacted by a slowdown in the growth rate of the Indian pharmaceutical market and a structural decline in inventory levels within the distribution network following the introduction of the GST in India. The company is also seeing slower than expected growth in its diabetes and cardiology business and recently acquired neurology portfolio.

Eris was followed by DP Eurasia, the master franchisee for Domino’s Pizza in Turkey and Russia. We believe that a large element of the underperformance of DP Eurasia comes not from the operating performance of the business itself (it continues to post robust like for like sales growth), but the fact that the business is listed on the London Stock Exchange. Post-float share price underperformance has led to the company effectively becoming a small cap company listed in London, not the natural home for emerging markets investors, and to reinforce our earlier point about the impact on indices and ETF flows, it is entirely excluded from emerging markets indices.

The other biggest detractors from performance were Godrej, Marico and Mr Price. We note elsewhere that we sold our stake in Mr Price in the year, primarily as the group was seeing negative same store sales growth with little imminent signs of recovery, not ideal for an operationally geared business.

Godrej saw 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 its African hair care business. Marico has seen a slowdown in rural consumption due to liquidity issues in the trade channel and increasing competition in the hair oil segment due to renewed competitive focus from rival Dabur, another portfolio holding for us.

Shown below, the impact of currencies on the portfolio in the year. Currencies impacted the Company negatively by 430 basis points of performance.

Top Five	%	Bottom Five	%
Egypt	0.5	India	-2.8
Indonesia	0.0	China	-0.6
Mexico	0.0	Turkey	-0.3
South Africa	0.0	Brazil	-0.3
Sri Lanka	0.0	US	-0.2

Table 13: Source: Fundsmith

Yet again the Indian rupee was the biggest detractor from performance and in 2019 it was the biggest sole impact on the Company’s performance. The other big negative currency impacts on the portfolio were the Chinese Yuan and Hong Kong dollar, the Turkish Lira, the Brazilian Real and the US dollar. The only currency which made any positive contribution of note to the portfolio was the Egyptian Pound which had a second year of strong performance following the implementation of an IMF restructuring programme.

"As we have always invested focused on the quality of the company and the opportunity open to them rather than putting the economic fundamentals of a particular country first, the Company's position in India is an outcome rather than a design. Despite this, our investments anywhere cannot be immune from macro-economic or political risk."

The regional geographic breakdown of the portfolio as at the end of December 2019 is shown below:

Region	%
Asia (ex-India)	27
Eastern Europe, Middle East and Africa	15
India	43
Latin America	11
Cash	4
	100

Table 14: Source: Fundsmith

India remains our largest geographical exposure and the Indian economy entered one of its weakest spells for a while. As we opined last year, the elections were likely to bring a degree of disruption, which certainly proved to be the case. Although the election results ultimately saw a resounding victory for incumbent Prime Minister Modi's BJP party, India's economic growth slowed ahead of the election and was slower to recover than most commentators predicted. Indeed, the IMF has recently cut its 2019/20 growth forecast for India to 4.8%, and to 5.8% for the 2020/21 budgetary year.

The Indian stock market did, however, witness a major one-off positive move in September when the government announced major corporate tax cuts. We would not be surprised if further major economic reform measures are announced during this year, especially as 2019 saw the Indian economy grow at under 6% for two consecutive quarters for the first time since 2013. We suspect such measures would focus on consumption and increasing liquidity in a banking system already seeing major reform. Encouragingly, we note that India's position in the World Bank's ease of doing business rankings has increased from 130th to 63rd over the past three years.

As we have always invested focused on the quality of the company and the opportunity open to them rather than putting the economic fundamentals of a particular country first, the Company's position in India is an outcome rather than a design. Despite this, our investments anywhere cannot be immune from macro-economic or political risk. Over the last three years or so companies operating in India have had to deal with both demonetisation and the implementation of the GST. We are now over a year beyond both events, and the impact of the first is somewhat more opaque than the side effects we have seen from the second, where businesses more reliant on wholesalers as a route to market have generally not seen the same level of benefit as those reliant on direct sales to retail channels.

With regards to our investments operating in India which we have not yet touched on, Hindustan Unilever continues delivering above market revenue growth and strong double-digit profit growth led by margins gains from faster growth in premium products, new product launches and cost savings. We believe it is worth noting that around 98% of households in India use one or more of Hindustan Unilever's brands - it's distribution reach is a great strength. Asian Paints, the largest decorative paints company in India, continues to deliver double digit volume growth with strong demand from smaller towns, continued market share gains and increasing per capita consumption of paints in India. Most of its sales are derived from repainting rather than sales into the new build market. Havells is well placed to benefit from growth in penetration and availability of electricity in India, its strong distribution network and the pricing power of its electrical product brands in the market over the medium-to-long-term.

Our second largest geography by exposure is China. We have four China exposed holdings, three of which are listed in Hong Kong

"Our investment approach is to seek resilient business models, something which we feel is likely to be tested in China over coming years."

(which to us typically provides greater transparency and governance standards to mainland listed comparators) but at the end of 2019, two of our largest three holdings were companies which derive the bulk of their revenues from the People's Republic.

We have opined in recent years that China has specific issues which have reduced the investment opportunities for the Company. These include the lack of an independent legal system, poor corporate governance, government 'guidance' in the economy, regulation and, in the case of Chinese companies listed overseas, the use of weighted voting rights and variable interest entities which deprive overseas investors of any control.

Based on this, our investment approach is to seek resilient business models, something which we feel is likely to be tested in China over coming years. China's economic progress since the post-Mao liberalisation has been staggering but its main economic indicators are starting to slow. 2020 GDP growth is likely to be below 6% which will be a 30-year low. Setting aside the economic model of investment driven growth and the misallocation of capital that brings, there remains unanswered questions in the Chinese economy which we believe could catch investors unawares.

The Chinese economy has weathered the trade spat with the US well, potentially too well. In spite of the signing of an 'interim deal', reaching a broader second round agreement with the US in an election year may be a somewhat harder task. We would also not be surprised if US authorities start to take a greater interest in imports from China which are routed into the US by way of third-party countries.

Then there is China's debt. The Institute of International Finance estimates that China's total corporate, household and government debt is now somewhere in the order of 300% of GDP and close to 15% of global debt. Most of China's debt is not issued by the central government but by local governments (often in special purpose vehicles) or state-owned enterprises, the latter area quite often operating in industries with major overcapacity. Although there has been some success in curbing the activities of the shadow banking sector in the country, its role in the economy has increased in 2019 amidst tighter credit conditions. One study suggested that shadow lenders accounted for 45% of corporate lending in Q3 2019. We also note that the level of margin lending in the stock market, after several years of the authorities trying to reduce it, is now back over the RMB1trn level. Throw property into the mix, and China appears to have a triple bubble in investment, real estate and credit. Arguably the People's Bank, with eight cuts to its reserve ratio requirement in the last 24 months, is exacerbating this.

Very few countries have accumulated debt at the rate of China in its economic boom and have made it beyond the middle-income trap. And China's position is not helped by a birth rate which is at a multi-decade low and a rapidly aging population.

Of our holdings in Asia, Vitasoy which started the year as our largest holding had, in footballing terms, a year of two halves. The first half saw continued upwards share price momentum and the entry of the stock into the MSCI index series which was announced in May. The second half of 2019 saw share price weakness following the announcement of the full year results which saw the group reduce its profit growth expectations as a result of both brand and physical asset investment. We are not concerned about this as it follows on from several years of sustained, above forecast growth. Given the opportunities open to the group in mainland China, it is bringing forward measures to support growth.

"As the Company becomes longer established, we believe we have increasing insights into what we do well, or where applying the Fundsmith approach to emerging markets has not worked as well as we initially thought it would do."

Of our other two China focused holdings, 2019 was a disappointment on the implementation front for Dali Foods as the launch of both its fresh bread and plant-based drinks ranges failed to meet the more bullish expectations in the market. Despite this, the share price rose marginally on the hope of growth in these categories in 2020 and a commitment to a high dividend pay-out ratio from the group's cash rich balance sheet. Travelsky's shares fell as a result of the broader slowdown of the Chinese economy and growth rates for air passenger travel below the long-term average. The recent outbreak of a coronavirus in the city of Wuhan has caused further share price weakness post the year-end.

Moving outside of Hong Kong and China, Philippine Seven shares performed well as the group continued to outperform its convenience store rivals in the country, helped by the footfall generated by the continued introduction of ancillary services, coffee and take-away food into its store portfolio. We are, however, increasingly cognisant of the risk posed by the rapid expansion of the Alfamart minimarket chain in the country which operates from larger size stores and has impacted 7-Eleven sales when opening nearby.

Vinamilk had a disappointing year as a result of increased competition and weak demand, particularly in rural areas. The group has just gained control of one of its major rivals, which we see as positive. Two external factors are, in our view, likely to be beneficial for performance in the current year - first, the Vietnamese government reducing its stake further and second any fund flows should Kuwait leave the Frontier Markets Index, which would significantly increase the country weighting of Vietnam, an economy the IMF forecasts will grow at 6.5% this year.

Prodia's share price has been volatile as a result of the implementation of Indonesia's public healthcare scheme, although we believe that the impact of this is now behind the group and it is well placed to capitalise on its market leading position in this country of over a quarter of a billion people.

We continue to own two tobacco stocks in Asia. Ceylon Tobacco continues to capitalise on its near-monopoly position in Sri Lanka, but competition from locally made beedi and government policies continue to drag on the business's true potential. British American Tobacco Bangladesh has meanwhile seen the impact of the acquisition of its largest competitor by Japan Tobacco and the increased competition which has followed in the world's eighth largest cigarette market.

Moving on to Turkey, setting aside DP Eurasia which we commented on earlier, our other Turkish focused investment is BIM, a neighbourhood value-based retailer. BIM has performed well in Turkey's period of economic stress and to us remains a very well-run business, even if its international ambitions have not exactly gone to plan.

Egypt is also seeing falling inflation and improving growth following the IMF reform package agreed in 2016. Eastern Company remains our largest holding in the country and we are watching with interest efforts to improve the operating performance and capital efficiency of the business. We believe that Edita is well placed to benefit from both its market position in Egypt and growth opportunities across the wider region. Our third Egyptian holding, Integrated Diagnostics (which is listed on the London Stock Exchange) saw encouraging volume and revenue per patient growth, although the group's operations in Nigeria and Sudan have underperformed the rest of the Group.

"FEET has thus proved to be a good vehicle at preserving capital in bad markets, but has been less impressive in markets with a greater appetite for risk. The greatest challenge for the Company as we now see it, is to try and keep the former, whilst improving the latter."

Elsewhere in Africa we believe that Nestlé Nigeria remains the most attractive way in which the Company can gain exposure to that country's burgeoning consumer classes (we likewise believe that East African Breweries provides the Company with similar upside to volume and value growth in the African beer and spirits market). We have recently increased our stake in South Africa's Clicks as we believe that this is a very well-run business with strong operating metrics and exposed to the growth of the middle class in Africa's second largest economy. The holding in Tiger Brands has continued to disappoint in the aftermath of the Listeria outbreak and we are closely watching how management try and improve returns.

MercadoLibre has been our standout performer in Latin America. Of our other investments in the region, Walmart de Mexico continues to outperform a seemingly slowing retail environment in the country, whilst Hypera (the Brazilian pharmaceuticals company) has performed satisfactorily as a result of seemingly reduced regulatory risk and the acquisition of two over-the-counter brands from Boehringer for US$320m.

As the Company becomes longer established, we believe we have increasing insights into what we do well, or where applying the Fundsmith approach to emerging markets has not worked as well as we initially thought it would do.

Although we have discussed the Company's performance elsewhere, it is increasingly clear that the Company's relative performance is heavily dependent on market conditions. This is shown below:

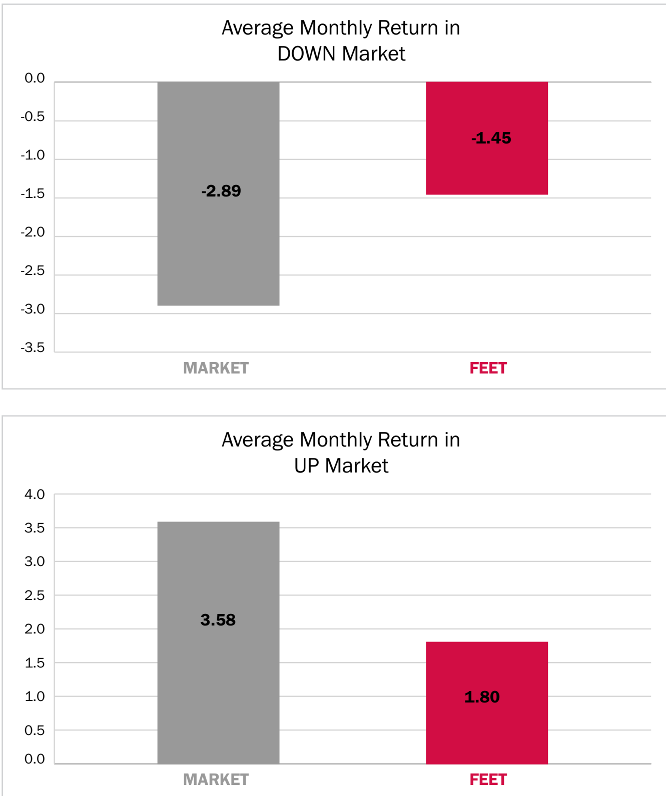


Figure 2: Source: MSCI, Bloomberg, Fundsmith

In months where the market (as judged by the Index) has gone down, the Company has typically outperformed, whilst in those months where the market has gone up, the Company has underperformed.

“We are convinced that there remains an attractive opportunity for the Company in the years ahead.”

FEET has thus proved to be a good vehicle at preserving capital in bad markets, but has been less impressive in markets with a greater appetite for risk. The greatest challenge for the Company as we now see it, is to try and keep the former, whilst improving the latter.

We believe we can achieve that by way of a greater weighting towards segments such as healthcare and technology, a reduced exposure to some of the more economically challenged countries in our universe and awareness that listed multinational subsidiaries often lack the agility of their rivals. Our portfolio is moving towards being able to capture these performance characteristics more adeptly than it has been in the past.

We also clearly hold some very good companies in FEET. The operating performance of those businesses demonstrates it.

We are therefore convinced that there remains an attractive opportunity for the Company in the years ahead.

Michael O’Brien
Fundsmith LLP
Investment Manager
5 March 2020

Fundsmith Emerging Equities Trust plc ('FEET') invests in companies which have the majority of their operations in, or revenue derived from, Developing Economies* and which provide direct exposure to the rise of the consumer classes in those countries.

Fundsmith LLP applies a three step investment process to implement that strategy:

1. We aim to invest in high quality businesses

In our view, a high quality business is one which can sustain a high return on operating capital employed in cash.

We are seeking a sustainable high rate of return. An important contributor to this is repeat business, usually from consumers. A company that sells many small items each day is better able to earn consistent returns over the years than a company whose business is cyclical, like a steel manufacturer, or "lumpy", like a property developer, a movie studio or even a drugs company. This approach rules out most businesses that do not sell directly to consumers or which make goods which are not consumed at short and regular intervals.

Capital goods companies and industrial suppliers make components, ingredients and packaging to sell to businesses. Business buyers are able to defer purchases of such products when the business cycle turns down. Moreover, business buyers employ staff whose sole *raison d'être* is to drive down the cost of purchase and lengthen their payment terms. In contrast we as consumers have no direct bargaining power.

An important contributor to resilience is a resistance to product obsolescence. This means that we try not to invest in industries which are subject to rapid technological innovation. Innovation is often sought by investors but does not always produce lasting value for them. Developments such as canals, railroads, aviation, microchips and the internet have transformed industries and people's lives. They have created value for some investors, but a lot of capital gets destroyed for others, just as the internet has destroyed the value of many traditional media industries, most notably newspapers, as well as quite a lot of capital invested in the internet companies that didn't make it and at the peak of bubbles such as the Dotcom boom.

Even when a company sells to consumers, it is unlikely to fit our criteria if its products have a life which can be extended. When consumers hit hard times, they can defer replacing their cars, houses and appliances, but not food, toiletries, cosmetics and cleaning products. Hence we do not intend to invest in manufacturers of consumer durables.

We seek to invest in businesses whose assets are intangible and difficult to replicate. It may seem counter-intuitive to seek businesses which do not rely upon tangible assets. The businesses we seek to invest in do something very unusual: they break the rule of mean reversion that states returns must revert to the average as new capital is attracted to business activities earning above-average returns.

They can do this because their most important assets are not physical assets, which can be replicated by anyone with access to capital, but intangible assets which can be very difficult to replicate, no matter how much capital a competitor is willing to spend. Moreover, it's hard for companies to replicate these intangible assets using borrowed funds, as banks tend to favour the (often illusory) comfort of tangible collateral. This means that the business does not suffer from economically irrational (or at least innumerate) competitors when credit is freely available. To be fair, during equity market "bubbles", some irrational competition can be funded by equity which seems to require no foreseeable return, but such Dotcom style phenomena mostly seem to attract capital to technology, biotech, social networking, e-tailing and online businesses and not the less glamorous world of consumer non-durables.

The kinds of intangible assets we seek are brand names, trademarks, dominant market shares, patents, licenses, franchises, intellectual property or know how, distribution networks, supply chains, client relationships and installed bases of equipment or software that lock in clients for service, spares, repairs, renewals, consumables and transactions. Some combination of such intangibles defines a company's franchise. Since stock markets

**Where we refer to our investments in Developing Economies or Emerging Markets we mean countries other than those included in the MSCI World Index, i.e. in the widest possible sense. Clearly when referring to others' references to emerging markets, developing economies or the developing world their own definition applies.*

typically value companies on the not unreasonable assumption that their returns will regress to the mean, businesses whose returns do not do this can become undervalued. Therein lies our opportunity as investors.

We avoid companies that have to use leverage to make an adequate return on equity. We only invest in companies that earn a high return on their capital on an unleveraged basis. The companies we invest in may well have leverage, but they don't require borrowed money to function. For example, financial companies (such as banks, investment banks, credit card lenders or leasing companies) typically earn a low unleveraged return on their assets. They then have to lever up that capital several times over with money from lenders and depositors in order to earn what they deem to be an acceptable return on their shareholders' equity. This means that not only are their unlevered equity returns inadequate, but periodically the supply of credit is withdrawn, often with disastrous consequences given the illiquidity of their asset base. In assessing leverage, we include off-balance sheet finance in the form of operating leases, which are common in some sectors, such as retailing.

The businesses we seek must have growth potential. It is not enough for companies to earn a high unlevered rate of return. Our definition of growth is that they must also be able to reinvest at least a portion of their excess cash flow back into the business to grow, while generating a high return on the cash thus reinvested. Over time, this should compound shareholders' wealth by generating more than a pound of stock-market value for each pound reinvested. In our view, growth cannot be thought about sensibly in isolation from returns. Rapid growth may be good news or it may be bad news. It depends on how much capital you have to invest to generate that growth.

The source of growth is also a factor to consider. Growth in profits from increasing prices can simply build an umbrella beneath which competitors can flourish. We are more interested in companies which have physical growth in the merchandise or service sold than simply pricing power, although having both is nice.

2. We try not to overpay for shares when investing

We only invest when we believe the valuation is attractive. We estimate the free cash flow of every company after tax and interest, but before dividends and other distributions, and after adding back any discretionary capital expenditure which is not needed to maintain the business. Otherwise we would penalise companies which can invest in order to grow. Our aim is to invest only when free cash flow per share as a percentage of a company's share price (the free cash flow yield) is high relative to long-term interest rates and when compared with the free cash flow yields of other investment candidates both within and outside the portfolio. Our goal is to buy securities that we believe will grow and compound in value, which bonds cannot, at yields that are similar to or better than what we would get from a bond.

3. We aim to buy and hold

We aim to be long-term, buy-and-hold investors. We seek to own only stocks that will compound in value over the years. Accordingly, we try to be very careful about the stocks we pick. We do not have a good new investment idea every day, or indeed, not even every year. Even when we are able to find a new company we would like to invest in, we have to wait, sometimes forever, for a price and valuation at which we can justify investing. The resulting low level of dealing activity also minimises the frictional costs of trading, a cost which is often overlooked by investors as it is not normally disclosed as part of the costs of running funds.

Our investment philosophy is also defined by a number of things we don't do:

(A) We try never to engage in so-called "Greater Fool Theory"

We really want to own all of the companies that we invest in. We do not buy them knowing that they are not good businesses or are over-valued in the hope that someone more gullible will come along and pay an even higher price for them. We assume that there is no greater fool than us.

(B) Indices are not used for portfolio construction

We are interested in indices in order to benchmark our performance but not as a tool to aid our portfolio construction.

The simplest reason for this is that we wish to perform better than the relevant indices and the majority of fund managers who hug the index composition with their portfolio selections. As the legendary investor Sir John Templeton said "If you want to have a better performance than the crowd, you must do things differently from the crowd."

There is also the problem that the MSCI Emerging Markets Index is dominated by companies of a sort that we would never own.

The top ten companies in the MSCI Emerging Markets Index are all in the banking, energy, technology and telecoms sectors. They all fall into sectors which we would never invest in because they are cyclical, rely on leverage to deliver an adequate return, are subject to rapid and unpredictable change and/or have returns controlled by governments.

In contrast, under 10% of the Index is in Consumer Staples, which is the bedrock of the Fundsmith strategy and a consistent producer of shareholder value with high unlevered returns on capital in cash.

(C) We do not attempt market timing

Once we are fully invested we will not attempt to manage the percentage invested in equities in our portfolio to reflect any view of market levels, timing or developments. Getting market timing right is a skill we do not possess. We assume that if you own shares in FEET you have already taken the decision to invest that portion of your portfolio in Emerging Market equities, managed in the manner we describe.

Our inability and unwillingness to try to make market timing calls is one factor which prevents us from investing in sectors which are highly cyclical. It is possible to deliver performance from such investments, but it requires a good sense of timing for the economic cycle and how the market cycle relates to it. It also requires strong nerves, because such investments are often counter-intuitive, as exemplified in the investment adage “Only buy cyclicals when they look expensive”. This is because when they have little or no earnings, and so look expensive on the basis of their price/earnings ratio, they are at, or close, to the bottom of the cycle. The converse applies: you should sell them when they look cheap, as they are then at, or close, to peak earnings.

We are not sure we have either the skill set or the constitution for such investing. In any event, investing in cyclical businesses has one big disadvantage. They are mostly poor quality businesses which struggle to make adequate returns on their capital. Whilst you wait to see whether you have got your timing right, the underlying value of your investment is more likely to erode than compound whilst you await the upturn, and of course occasionally they do not survive a cycle at all.

(D) Corporate Governance

Investment in Emerging Markets has dangers which might loosely be labelled as problems of corporate governance. There are examples of companies which have had assets confiscated by governments, which have had their know-how taken by a local joint venture partner who has set up in competition with them, of minority investment in business controlled by local families which have gone awry.

We do not intend to bring enlightenment to Emerging Markets in the form of improved corporate governance via our investments. We are minority investors and we will assume that the corporate governance landscape we see is the one we have to deal with rather than assuming we can change it. Then we will select investments in that environment the same way that porcupines make love – carefully.

We are helped in this regard by the fact that about a fifth of the companies in our Investable Universe and about a quarter of the portfolio for FEET are quoted subsidiaries, associates or franchisees of multinational companies. This certainly helps from a due diligence/corporate governance standpoint.

(E) Currencies

Our policy is generally not to hedge FEET’s currency exposure. The exception in FEET would be in the circumstances where we believe significant depreciation of a currency has become likely but we wish to continue owning the companies in FEET denominated in that currency and we are comfortable that we can put in place a hedge the cost of which will not extinguish any gains from hedging. Such a combination of circumstances is unusual.

Fundsmith LLP
Investment Manager
5 March 2020

The Strategic Report on pages 2 to 32 has been prepared to provide information to shareholders to assess how the Directors have performed their duty to promote the success of the Company. Further information on how the Directors have discharged their duty under s172 of the Companies Act 2006 can be found in the Corporate Governance Report beginning on page 35.

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Business Model

The Company is an externally managed investment trust and its shares are listed on the premium segment of the Official List and traded on the main market of the London Stock Exchange.

The purpose of the Company is to provide a vehicle for investors to gain exposure to a portfolio of companies in Developing Economies, through a single investment.

The Company's strategy is to create value for shareholders by addressing its investment objective, which is to provide shareholders with an attractive return by investing in a portfolio of shares issued by listed companies which have the majority of their operations in, or revenue derived from, Developing Economies and which provide direct exposure to the rise of the consumer classes in those countries.

The Company is an alternative investment fund ("AIF") under the European Union's alternative investment fund managers' directive ("AIFMD") and has appointed Fundsmith LLP as its alternative investment fund manager ("AIFM").

As an externally managed investment trust, all of the Company's day to day management and administrative functions are outsourced to service providers. As a result, the Company has no executive directors, employees or internal operations.

The Board is responsible for all aspects of the Company's affairs, including setting the parameters for monitoring the investment strategy and the review of investment performance and policy. It also has responsibility for all strategic policy issues, including share issuance and buybacks, share price and discount/premium monitoring, corporate governance matters, dividends and gearing.

Further information on the Board's role and the topics it discusses with the Investment Manager is provided in the Corporate Governance Report beginning on page 35.

Investment Manager and AIFM

Fundsmith LLP ("Fundsmith") under the terms of the Investment Management Agreement provides, inter alia, the following services:

- seeking out and evaluating investment opportunities;
- recommending the manner by which monies should be invested, disinvested, retained or realised;
- advising on how rights conferred by the investments should be exercised;
- analysing the performance of investments made;
- advising the Company in relation to trends, market movements and other matters which may affect the investment policy of the Company; and
- acting as AIFM to the Company.

During the year, the periodic fee payable to Fundsmith reduced from 1.25% to 1.00% per annum of the Company's net asset value. The change took effect on 31 May 2019.

The Investment Management Agreement may be terminated by either party giving notice of not less than 12 months.

Depositary

During the year, Northern Trust Global Services SE (the "Depositary") acted as the Company's depositary in accordance with the AIFMD on the terms and subject to the conditions of the depositary agreement between the Company, Fundsmith and the Depositary (the "Depositary Agreement"). Under the terms of the Depositary Agreement, the Depositary is entitled to receive an annual fee of the higher of (i) £25,000; or (ii) an amount equivalent to 0.015% of the net assets of the Company.

The Depositary provides the following services:

- safekeeping and custody of the Company's custodial investments and cash;
- processing of transactions and foreign exchange services;
- taking reasonable care to ensure that the Company is managed in accordance with the AIFMD, the FUND sourcebook and the Company's articles of association in relation to the net asset value per share and the application of income of the Company; and
- monitoring the Company's compliance with investment restrictions and leverage limits set in its offering documents.

The Depositary Agreement may be terminated upon three months' written notice from the Company to the Depositary or the Depositary to the Company.

Custodian

The Depositary has delegated the custody and safekeeping of the Company's assets to The Northern Trust Company which in turn appoints sub-custodians in each of the jurisdictions in which the Company's assets are held. The liability of the Depositary is not affected by the fact that it has delegated safekeeping to a third party.

The Depositary is entitled to a variable custody fee which depends on the type and location of the custodial assets of the Company. Variable transaction charges are also chargeable.

Key Performance Indicators

The Board of Directors reviews performance against the following Key Performance Indicators (KPIs). They comprise specific financial and shareholder-related measures and are also considered to be the Company's alternative performance measures (APMs). The KPIs have not changed from the prior year:

- Net asset value total return against the MSCI Emerging and Frontier Markets Index measured on a net sterling adjusted basis;
- Share price total return;
- Premium/discount of share price to net asset value per share; and
- Ongoing charges ratio.

Please refer to the Glossary beginning on page 87 for definitions of these terms and an explanation of how they are calculated.

Net asset value return against the Index

The Company's net asset value per share is shown on the Statement of Financial Position on page 63. The Directors regard the Company's net asset value return as being the overall measure of value delivered to shareholders over the long-term. The Board considers the most important comparator to be the MSCI Emerging and Frontier Markets Index measured on a total return, net sterling adjusted basis. Fundsmith's investment style is such that performance is likely to deviate from that of the Index.

During the year under review the Company's net asset value per share total return was -0.5%, underperforming the benchmark by 14.4% (2018: -3.0%, outperforming the benchmark by 6.3%).

A full description of performance during the year under review is contained in the Investment Manager's Review commencing on page 12 of this annual report.

Share price total return

The Directors also regard the Company's share price total return to be a key indicator of performance. Share price performance is monitored closely by the Board.

During the year under review the Company's share price total return was -7.4%, underperforming the benchmark by 21.3% (2018 -9.4%, underperforming the benchmark by 0.1%).

Premium/discount of share price to net asset value per share

The Board monitors the level of premium/discount as a key indicator of shareholder sentiment and demand for the Company's shares. The Board aims to achieve a sustainable low discount or premium to the NAV per share, taking account of market conditions. The Board therefore considers ways in which share price performance may be enhanced, including the effectiveness of marketing, share issuance and buybacks, where appropriate. The making or timing of any share issuance and/or buyback is at the discretion of the Board.

As at 31 December 2019, the discount of the Company's share price to the NAV per share was 9.3% (2018: 2.6%). The Chairman's Statement, beginning on page 6, describes the actions the Board took to address share price performance during the year.

Ongoing charges ratio

Ongoing charges represent the costs that shareholders can reasonably expect to pay from one year to the next, under normal circumstances. The Board continues to be conscious of expenses and works hard to maintain a sensible balance between good quality service and costs. The Board therefore considers the ongoing charges ratio to be a KPI and reviews the figure both in absolute terms and in comparison to the Company's peers.

As at 31 December 2019, the ongoing charges ratio was 1.4% (2018: 1.5%).

Risk Management

The Board is responsible for the ongoing identification, evaluation and management of the principal risks faced by the Company and the Board has established a process for the regular review of these risks and their mitigation. This process accords with the UK Corporate Governance Code and the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Directors have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. The risks are broadly unchanged from the previous year.

The Board has categorised the risks faced by the Company under five headings as follows:

- Corporate strategy;
- Investment strategy & activity;
- Operational (service providers);
- Financial; and
- Legal & regulatory.

The following sections detail the risks the Board considers to be the most significant to the Company under these headings:

Principal Risks and Uncertainties	Mitigation
Corporate Strategy The share price return may differ materially from the NAV per share i.e. the shares may trade at a material discount to the NAV per share.	In consultation with its advisers, the Board regularly reviews the level of share price premium or discount to the net asset value per share and consideration is given to ways in which share price performance may be enhanced, including the effectiveness of share issuance, marketing and share buybacks, where appropriate. The Board receives regular reports on shareholder activity and is kept informed of shareholder sentiment. Regular contact is maintained with major shareholders.
Investment Strategy and Activity The investment strategy adopted by Fundsmith may be unsuccessful and result in underperformance against the Company's principal performance comparator and peer companies.	The Board regularly reviews the Company's investment mandate and Fundsmith's long-term investment strategy in relation to market and economic conditions, and the performance of the Company's peers. Fundsmith provides an explanation of stock selection decisions and an overall rationale for the make-up of the portfolio. Fundsmith discuss current and potential investment holdings with the Board on a regular basis. The Board sets appropriate investment restrictions and guidelines.
The portfolio may be affected by volatile market movements (in both equity and foreign exchange markets) in the sectors and regions in which it invests.	The Board has appointed Fundsmith to manage the portfolio within the remit of the investment objective and policy. The investment policy limits ensure that the portfolio is diversified, reducing the risks associated with individual stocks and markets. Compliance with the investment restrictions is monitored by Fundsmith on a daily basis. The Board monitors exposure to investments, performance, and compliance with the investment objective and policy. The Board sets the policy on hedging, which is detailed on page 9.
The departure of a key member of Fundsmith's investment team may affect the Company's performance.	The Investment Manager reports to the Board on developments at Fundsmith at each Board meeting. During the year new portfolio management arrangements were put in place which reduce reliance on any single individual.

Principal Risks and Uncertainties	Mitigation
Operational (Service Providers) As an externally-managed investment trust, the Company is reliant on the systems of its service providers for dealing, trade processing, administrative services, financial and other functions. If such systems were to fail or be disrupted (including as a result of cyber-crime) this could lead to a failure to comply with applicable laws, regulations and governance requirements and/or to a financial loss.	The Audit Committee reviews the internal controls reports and key policies (including disaster recovery procedures) put in place by its principal service providers. These reviews include consideration of the associated cyber security risks facing the Company. Fundsmith provides a quarterly compliance report to the Audit Committee, which details their compliance with applicable laws and regulations. The Audit Committee maintains the Company's risk matrix which details the risks to which the Company is exposed, the approach to managing those risks, the key controls relied upon and the frequency of the controls operation. Further details are set out in the Audit Committee Report on pages 48 and 49.
Financial The Company is exposed to liquidity risk and credit risk arising from the use of counterparties. If a counterparty were to fail, it could adversely affect the Company through either delay in settlement or loss of assets. The most significant counterparty to which the Company is exposed is the Depositary, which is responsible for the safekeeping of the Company's custodial assets.	The Company's assets comprise liquid securities which can be sold to meet funding requirements, if necessary. Further information on financial instruments and risk can be found in note 16 to the financial statements beginning on page 77. The Board reviews the services provided by the Depositary and the internal controls report of the Custodian to ensure that the security of the Company's custodial assets is maintained. Fundsmith is responsible for undertaking reviews of the credit worthiness of the counterparties that it uses. The Board reviews the Investment Manager's approved list of counterparties.
Legal and Regulatory The regulatory or political environment in which the Company operates could change to the extent that it affects the Company's viability.	The Board monitors regulatory developments but relies on the services of its external advisers to ensure compliance with applicable law and regulations. The Board has appointed a specialist investment trust company secretary who provides industry and regulatory updates at each Board meeting. The Board believes that the UK's exit from the European Union ('Brexit') does not pose a unique risk to the Company and is unlikely to affect the Company's share price or how its shares are sold.

Brexit

The Board has considered whether the UK's exit from the European Union ("Brexit") poses a unique threat to the Company. At the date of this report, the UK had entered into a "transition period" while it negotiates new arrangements with the EU. There is, therefore, still considerable uncertainty about the effects of Brexit.

The effects of Brexit are likely to be very limited on the Company's investee companies as they have an immaterial exposure to the UK market. As the Company is priced in sterling, however, sharp movements in exchange rates can affect the net asset value (see page 80 for the foreign currency sensitivity analysis). This is not a reflection of the underlying value of the companies in their base currencies but may lead to an increase or decrease in the Company's net asset value simply because of currency movements.

Furthermore, whilst the Company's current shareholders are predominantly UK based holders, sharp or unexpected changes in investor sentiment, or tax or regulatory changes, could lead to short term selling pressure on the Company's shares which potentially could lead to the share price discount widening.

Overall, however, the Board believes that over the longer term, Brexit is unlikely to affect the Company's business model or whether the shares trade at a premium or discount to the net asset value per share. The Board will continue to monitor developments as they occur.

Coronavirus

The Board has considered whether the emergence and spread of coronavirus (COVID-19) poses a significant risk to the Company's portfolio. At the date of this report, approximately 15% of the Company's portfolio was comprised of stocks listed in China or Hong Kong and the Company had no exposure to Taiwan or South Korea where there has also been significant disruption.

While there has been significant volatility in trading recently, the Investment Manager expects that the Chinese holdings will not suffer a material long-term impact and should recover quickly once containment measures ease. The Board and the Investment Manager will continue to monitor developments as they occur.

Viability Statement

In accordance with the AIC Code of Corporate Governance and the Listing Rules, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision. Taking account of the anticipated investment holding periods and the medium term prospects of the Company's investment portfolio, the Board decided that a four year period was appropriate for their assessment.

In reviewing the Company's viability, the Board considered the Company's position with reference to its business model, the principal risks and uncertainties as detailed on pages 29 to 30 of this report, and its present and expected financial position. In considering the Company's financial position, the Board reviewed the liquidity of the Company's portfolio and the Company's forecast expenses and cash flows. In addition, the Board considered the appropriateness of the Company's current investment objective in the prevailing investment market and environment.

The Board regularly reviews the prospects for the Company's portfolio and receives reports from the Investment Manager on the opportunities for new investments. The Board also reviews the Company's financing arrangements at least quarterly to ensure that the Company is able to continue to meet its liabilities as they fall due.

The Directors have assumed that:

- the Board and the Investment Manager will continue to adopt a long-term view when making investments;
- investors will continue to wish to have exposure to listed companies in emerging markets;
- there will continue to be demand for investment trusts;
- regulation will not increase to a level that makes the running of the Company uneconomical; and
- the performance of the Company will be satisfactory.

Based on the results of this review, the Directors have formed a reasonable expectation that the Company will continue operating and meet its expenses and liabilities as they fall due over the next four years.

Anti-Bribery and Corruption Policy

The Board has adopted a zero tolerance approach to instances of bribery and corruption. Accordingly it expressly prohibits any Director or associated persons, when acting on behalf of the Company, from accepting, soliciting, paying, offering or promising to pay or authorise any payment, public or private in the UK or abroad to secure any improper benefit for themselves or for the Company.

The Board applies the same standards to its service providers in their activities for the Company.

A copy of the Company's Anti Bribery and Corruption Policy can be found on the website at www.feetplc.co.uk. The policy is reviewed annually by the Audit Committee.

Prevention of the Facilitation of Tax Evasion

In 2017, in response to the implementation of the Criminal Finances Act 2017, the Board adopted a zero-tolerance approach to the criminal facilitation of tax evasion. A copy of the Company's policy on preventing the facilitation of tax evasion can be found on the Company's website www.feetplc.co.uk. The policy is reviewed annually by the Audit Committee.

Social, Human Rights and Environmental Matters

The Company is an externally-managed investment trust, with no employees and four non-executive Directors. Therefore, the Company has no material, direct impact on the environment or any particular community and the Company itself has no environmental, human rights, social or community policies. In carrying out its activities and in relationships with suppliers, the Company aims to conduct itself responsibly, ethically and fairly.

The Directors, through the Investment Manager, encourage companies in which investments are made to adhere to best practice with regard to corporate governance. The Investment Manager's approach to corporate governance in emerging markets is set out in their Investment Philosophy beginning on page 24.

The Investment Manager's investment process includes an evaluation of potential investee companies' social and environmental impact and corporate governance. They maintain a sustainability database of company comments on a range of issues including environmental, governance, social and innovation matters. Further information can be found in the Investment Manager's stewardship policy, which is published on their website: www.fundsmith.co.uk.

As an investment company, the Company does not provide goods and services in the normal course of business and does not have customers or employees. Accordingly, the Company falls outside the scope of the Modern Slavery Act 2015. The Company's suppliers are typically professional advisers and the Company's supply chains are considered to be low risk in this regard.

Performance and Future Developments

The Board concentrates its attention on the Company's investment performance and the Investment Manager's investment approach, and on factors that may have an effect on this approach. The Board is regularly updated on wider investment trust industry issues and discussions are held at each Board meeting concerning the Company's future development and strategy.

An overview of the main trends and factors affecting the performance of the Company is set out in the Investment Manager's Review beginning on page 12.

The Directors continue to believe that the emerging markets sector together with Fundsmith's investment strategy should provide good returns for the long-term investor.

It is expected that the Company's overall corporate and investment strategies will remain unchanged in the coming year.

This Strategic Report on pages 2 to 32 has been signed for and on behalf of the Board.

Martin Bralsford
Chairman
5 March 2020

Martin Bralsford

Chairman

Martin was articled with Pannell Kerr Forster & Co, London, qualifying as a chartered accountant in 1970 and obtained a masters degree at the London Business School in 1974. Until July 2007 he was Chief Executive of C.I. Traders, taking up this role in August 2002 when it acquired Le Riche Group. Prior to this he had been Chairman of Premier Brands and held a number of financial and general management appointments in Calor Gas, Rank Group, SmithKline Beecham and Cadbury Schweppes. He has served as an independent member of the boards of a number of commercial, banking and investment companies including Gartmore Capital Strategy Fund Limited and Acorn Income Fund Limited. He is a trustee of a number of charitable trusts; including the Durrell Wildlife Conservation Trust of which he is a Life Trustee.

Rachel de Gruchy

Rachel has over thirty years of international investment industry experience having held senior roles in Jersey and Australia. She began her career with Laurie, Milbank & Co in Jersey and was a Director of Matheson Securities (CI) Ltd (owned by the Jardine Matheson Group) from 1993 to 1997, subsequently moving to a role specialising in advisory and client portfolio management services with Wilson Investment Group Ltd in Australia. From 2013 to 2018 Rachel was Managing Director, Jersey Branch of IAM Advisory, which provides an independent investment advisory service, including performance measurement and manager research, to professional trustees, charities, sovereign wealth and UHNWI clients. Rachel is a Chartered Fellow of the Chartered Institute for Securities and Investment (CISI), having been previously elected a Member of the London Stock Exchange in 1989 and is a designated Chartered Wealth Manager. She holds the CISI Diploma and has a Masters of Applied Finance, the Institute of Directors (IoD) Diploma in Company Direction and is a Member of the IoD.

David Potter

Chairman of the Management Engagement Committee and Senior Independent Director

After 35 years in the City (CSFB, Montagu, Midland, Guinness Mahon, Investec) David has spent the last 20 years as a chairman, non-executive director, trustee and advisor in a wide range of companies and institutions. He is currently Chairman of Gresham House Strategic PLC, Illustrated London News Limited, and Chairman of the Bryanston Foundation.

John Spencer

Chairman of the Audit Committee

John qualified as a chartered accountant in 1966 and worked with KPMG from 1966 to 1969. He joined Barclays Bank in 1969 and held a variety of posts, including President of Barclays Bank of New York and chief executive of the USA Banking division. He returned to the UK in 1990 as deputy chief executive of BZW and chief executive of the Global Markets division and was appointed a member of the Group Executive Committee. He was Non-Executive Chairman of Regent Inns plc from 1995 to 1998 and served as Non-Executive Chairman of Softtechnet.com plc, a director of Numerica Group plc and Chief Executive of Snell & Wilcox Limited, a private company. He was appointed Director of Tullett Prebon (originally Collins Stewart) in 2000 until 2007 where he was the Senior Independent Non-executive Director and a member of the Audit, Remuneration and Nominations Committees. He is a Non-executive Director of tpSEF Inc, ICAP SEF (US) LLC and ICAP Global Derivatives Limited. John is an Independent Member for Value Assessment at Fundsmith LLP (see page 38 for further details).

All Directors are members of the Audit and Management Engagement Committees.

Meeting Attendance

The number of Board and Committee meetings held during the year ended 31 December 2019, and each Director's attendance, is shown below:

Type and number of meetings held during the year ended 31 December 2019	Board (4)	Audit Committee (2)	Management Engagement Committee (1)
Martin Bralsford	4	2	1
Rachel de Gruchy	4	2	1
David Potter	4	2	1
John Spencer	4	2	1

Directors' Interests

The beneficial interests of the Directors and their families in the Company were as set out below:

	Ordinary Shares of 1p each 31 December 2019
Martin Bralsford	100,000
Rachel de Gruchy	2,000
David Potter	19,969
John Spencer	5,000

There have been no changes in the above Directors' interests to the date of this report.

Manager's Interests

As at the date of this report, Terry Smith, the CEO of Fundsmith LLP, the Investment Manager, held interests in 847,000 (2018: 580,000) shares in the Company. Michael O'Brien, the Company's Portfolio Manager at Fundsmith LLP, held interests in 20,925 shares in the Company.

The Board and Committees

Responsibility for effective governance lies with the Board whose role is to promote the long-term success of the Company. The governance framework of the Company reflects the business model as an externally managed investment company; it has no employees and outsources investment management, risk management, company management, company secretarial, administrative and marketing services to third parties. The Board generates value for shareholders through its oversight of the service providers and management of costs associated with running the Company.

Copies of the full terms of reference, which clearly define the responsibilities of each committee, can be obtained from the Company Secretary, will be available for inspection at the Annual General Meeting, and can be found on the Company's website at www.feetplc.co.uk.

The Directors have decided that, given the size of the Board, it is unnecessary to form separate remuneration and nomination committees; the duties that would ordinarily fall to those committees are carried out by the Board as a whole. However, the Chairman takes no part in discussions involving his own remuneration and will not chair any discussions relating to the appointment of his successor.

The Board

Chairman – Martin Bralsford

Three additional non-executive Directors, all considered independent.

Key roles and responsibilities:
- to provide leadership and set strategy within a framework of prudent, effective controls which enable risk to be assessed and managed;
- to ensure that a robust corporate governance framework is implemented; and
- to challenge constructively and scrutinise performance of all outsourced activities.

Management Engagement Committee

Chairman – David Potter

All Directors

Key roles and responsibilities:
- to review regularly the contracts, the performance and the remuneration of the Company's principal service providers.
- to make recommendations to the Board regarding the continuing appointment of the AIFM.

Audit Committee

Chairman – John Spencer

All Directors

Key roles and responsibilities:
- to review the Company's financial reports;
- to oversee the risk and control environment; and
- to review the performance of the Company's external Auditor.

The work of the Management Engagement Committee and the Audit Committee during the year is set out on pages 43 and 47 to 50 respectively.

Corporate Governance

The Board has considered the principles and provisions of the AIC Code of Corporate Governance (the "AIC Code") published in February 2019. The AIC Code addresses the principles and provisions set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and provisions of the AIC Code (which has been endorsed by the Financial Reporting Council) will provide better information to shareholders. By reporting against the AIC Code, the Company meets its obligations under the UK Code (and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules) and as such does not need to report further on issues contained in the UK Code which are irrelevant to the Company.

The AIC Code is available on the AIC's website (www.theaic.co.uk) and the UK Code can be viewed on the Financial Reporting Council website (www.frc.org.uk). The AIC Code includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

The Company has complied with the principles and provisions of the AIC Code.

Board Leadership and Purpose

Purpose and Strategy

The purpose and strategy of the Company are described in the Strategic Report on page 27.

Board Culture

The Board aims to fully enlist differences of opinion, unique vantage points and areas of expertise. The Chairman encourages open debate to foster a supportive and co-operative approach for all participants. Strategic decisions are discussed openly and constructively. The Board aims to be open and transparent with shareholders and other stakeholders.

The Board has gained assurance on whistleblowing procedures at the Company's principal service providers to ensure employees at those companies are supported in speaking up and raising concerns. No concerns relating to the Company were raised during the year.

Shareholder Relations

During the year, representatives of Fundsmith and Investec Bank plc (the Company's corporate stockbroker) regularly met with institutional shareholders and private client asset managers to understand their views on governance and the Company's performance. Reports on investor sentiment and the feedback from investor meetings were discussed with the Directors at the following Board meeting. The Chairman and the Senior Independent Director met with investors on request. They discussed topics including investment performance and the Board's approach to addressing the share price discount (see Chairman's Statement on page 7 for further information). As a result of one shareholder meeting, the Board asked the Investment Manager to research why the good financial performance of the portfolio companies is not always reflected in their share prices and Fundsmith have undertaken to report on this matter at the forthcoming AGM.

Shareholder Communications

The Board supports the principle that the AGM be used to communicate with private investors. It is the intention that the full Board will attend the forthcoming AGM under the chairmanship of the Chairman of the Board. All shareholders are encouraged to attend the AGM, where they are given the opportunity to question the Chairman, the Board and representatives of Fundsmith. Fundsmith will make a presentation to shareholders covering the investment performance and strategy of the Company at the forthcoming AGM. An edited video of Fundsmith's presentation will subsequently be made available on the Company's website. Details of proxy votes received in respect of each resolution will be made available to shareholders at the meeting and will also be published on the Company's website.

The Directors welcome the views of all shareholders and place considerable importance on communications with them. Shareholders wishing to communicate with the Chairman, or any other member of the Board, may do so by writing to the Company Secretary. The Chairman and the SID are also now contactable by email (see page 101 for details).

Significant Holdings and Voting Rights

Details of the shareholders with substantial interests in the Company's shares, the Directors' authorities to issue and repurchase the Company's shares, and the voting rights of the shares are set out in the Report of the Directors on pages 42 to 45.

Stakeholder Interests and Board Decision-making

Under the new AIC Code, the Directors must now explain more fully how they have discharged their duty under s172 of the Companies Act 2006 in promoting the success of the Company for the benefit of the members as a whole. This includes the likely consequences of the Directors' decisions in the long-term and how they have taken wider stakeholders' needs into account.

The Directors aim to act fairly as between the Company's shareholders. The Board's approach to shareholder relations, and the actions taken as a result of the Board's engagement with shareholders, is summarised earlier in this Corporate Governance Report. The Chairman's Statement beginning on page 6 also provides an explanation of the actions taken by the Directors during the year to achieve the Board's long-term aim of ensuring that the Company's shares trade at a price close to the NAV per share, as well as steps that the Board has taken to reduce the Company's impact on the environment.

As an externally managed investment trust, the Company has no employees, customers (in the traditional sense), operations or premises. Therefore, the Company's key stakeholders (other than its shareholders) are considered to be its service providers.

The principal service provider is Fundsmith. As the Investment Manager and AIFM, the services they provide are fundamental to the long-term success of the Company. The Board formally engages with representatives from Fundsmith at each Board meeting. Further details about the matters discussed in Board meetings and the relationship between Fundsmith and the Directors are set out later in this Corporate Governance Report. The Chairman's Statement beginning on page 6 and the Report of the Directors on page 42 describe the key decisions taken during the year relating to Fundsmith. In particular, they describe changes to the Company's portfolio management arrangements and the reduction in the investment management fee, which were decisions taken in consultation with Fundsmith and which the Board and Fundsmith believe will be of benefit to shareholders over the longer term.

The Directors, sitting as the Management Engagement Committee, also review the performance and ongoing appointment of the Company's other principal service providers. The Directors receive regular reports from them throughout the year and invite representatives to attend Board meetings where appropriate. During the year, the Board held a 'deep dive' session at the offices of Northern Trust to better understand their depositary, custodian and fund administration operations.

In summary, the need to foster business relationships with the service providers and maintain a reputation for high standards of business conduct are central to the Directors' decision-making as the Board of an externally managed investment trust. The Directors believe that fostering constructive and collaborative relationships with the Company's service providers will assist in their promotion of the success of the Company for the benefit of all shareholders.

Conflicts of Interest

In line with the Companies Act 2006, the Board has the power to authorise any potential conflicts of interest that may arise and impose such limits or conditions as it thinks fit. A register of interests and potential conflicts is maintained and is reviewed at every Board meeting.

During the year, John Spencer was appointed as an Independent Member for Value Assessment at Fundsmith LLP. As this is a paid role with the Investment Manager, it was deemed to be a potential conflict of interest. Following consultation with its advisers, the Board resolved to authorise the matter on the grounds that there was no conflict with the interests of the Company for the reasons set out on page 38 under the heading 'Director Independence'.

There were no other direct or indirect interests of a Director that conflicted, or potentially conflicted, with the interests of the Company during the year. Appropriate authorisation will be sought prior to the appointment of any new director or if any new conflicts or potential conflicts arise.

Division of Responsibilities

Responsibilities of the Chairman and the SID

The Chairman's primary role is to provide leadership to the Board, assuming responsibility for its overall effectiveness in directing the Company. The Chairman is responsible for:

- taking the chair at general meetings and Board meetings, conducting meetings effectively and ensuring all Directors are involved in discussions and decision-making
- setting the agenda for Board meetings and ensuring the Directors receive accurate, timely and clear information for decision-making
- taking a leading role in determining the Board's composition and structure
- overseeing the induction of new directors and the development of the Board as a whole
- leading the annual board evaluation process and assessing the contribution of individual Directors
- supporting and also challenging the Investment Manager (and other suppliers where necessary)
- ensuring effective communications with shareholders and, where appropriate, stakeholders
- engaging with shareholders to ensure that the Board has a clear understanding of shareholder views

The Senior Independent Director (SID) serves as a sounding board for the Chairman and acts as an intermediary for other Directors and shareholders. The SID is responsible for:

- working closely with the Chairman and providing support
- leading the annual assessment of the performance of the Chairman
- holding meetings with the other non-executive Directors without the Chairman being present, on such occasions as necessary
- carrying out succession planning for the Chairman's role
- working with the Chairman, other Directors and shareholders to resolve major issues
- being available to shareholders and other Directors to address any concerns or issues they feel have not been adequately dealt with through the usual channels of communication (i.e. through the Chairman or the Investment Manager)

Induction/Development

New appointees to the Board are provided with a full induction programme. The programme covers the Company's investment strategy, policies and practices. Directors are also given key information on the Company's regulatory and statutory requirements as they arise including information on the role of the Board, matters reserved for its decision, the terms of reference for the Board committees, the Company's corporate governance practices and procedures and the latest financial information. Directors are encouraged to participate in training courses where appropriate.

Director Independence

The Board consists of four non-executive Directors, each of whom the Board considers to be independent of Fundsmith and the Board believes that there are no relationships or circumstances which are likely to impair or could appear to impair their judgement.

During the year, John Spencer accepted a role with Fundsmith LLP as an Independent Member for Value Assessment. Following consultation with its advisers, the Board concluded that notwithstanding this appointment, Mr Spencer continues to be independent in character and judgement for the following reasons:

- the scope of the role with Fundsmith is limited to assessing the value that Fundsmith delivers to investors in their open-ended funds;
- such independent members are required by the FCA to be independent in character and judgement;
- independent members do not share in Fundsmith's profits and the remuneration for the role (£27,000 per annum) is not considered to be sufficiently material to impact Mr Spencer's independence on the FEET Board.

Directors' Other Commitments

During the year, save for the above, none of the Directors took on any significant new commitments or appointments. All of the Directors consider that they have sufficient time to discharge their duties.

Board Meetings

The primary focus at regular Board meetings is the review of investment performance and associated matters, including asset allocation, marketing/investor relations, gearing, peer group information and industry issues. The Board reviews key investment and financial data, revenue and expenses projections, analyses of asset allocation, transactions, performance comparisons, share price and net asset value performance. The Board's approach to addressing share price performance during the year is described in the Chairman's Statement on page 7.

The Board is responsible for setting the Company's corporate strategy and reviews the continued appropriateness of the Company's investment objective, investment strategy and investment restrictions at each meeting.

The number of meetings and the individual attendance by Directors is set out on page 34.

Matters Reserved for Decision by the Board

The Board has adopted a schedule of matters reserved for its decision. This includes, inter alia, the following:

- Requirements under the Companies Act 2006, including approval of the half year and annual financial statements, recommendation of the final dividend (if any), the appointment or removal of the Company Secretary, and determining the policy on share issuance and buybacks.
- Matters relating to certain Stock Exchange requirements and announcements, the Company's internal controls, and the Company's corporate governance structure, policy and procedures.
- Decisions relating to the strategic objectives and overall management of the Company, including appointment or removal of the AIFM and other service providers, and review of the Investment Policy.
- Matters relating to the Board and Board committees, including the terms of reference and membership of the committees, the appointment of directors (including the Chairman and the SID) and the determination of Directors' remuneration.

Day-to-day operational and investment management is delegated to Fundsmith as AIFM.

The Board takes responsibility for the content of communications regarding major corporate issues, even if Fundsmith acts as spokesman. The Board is kept informed of relevant promotional material that is issued by Fundsmith.

Relationship with the Investment Manager

Representatives from Fundsmith are in attendance at each Board meeting to address questions on specific matters and seek approval for specific transactions which Fundsmith is required to refer to the Board. There is a respectful and constructive partnership between the Board and the Investment Manager, and the two parties worked closely together throughout the year.

The Management Engagement Committee evaluates Fundsmith's performance and reviews the terms of the Investment Management Agreement at least annually. The outcome of this year's review is described on page 43.

Relationship with Other Service Providers

The Management Engagement Committee monitors and evaluates all of the Company's other service providers, including the Company Secretary, Depositary, Registrar and Broker. At the most recent review in November 2019, the Committee concluded that all the service providers were performing well and should be retained for a further year on their existing terms and conditions.

Stewardship and the Exercise of Voting Powers

The Board has delegated authority to Fundsmith (as AIFM and Investment Manager) to engage with companies held in the portfolio and to vote the shares owned by the Company. The Board has instructed that Fundsmith submit votes for such shares wherever possible. Fundsmith may refer to the Board on any matters of a contentious nature.

Fundsmith's approach to stewardship, including their consideration of environmental, social and governance issues, is set out in their stewardship policy which can be found on their website www.fundsmith.co.uk. During the year, the Board reviewed Fundsmith's updated stewardship policy and a summary of their voting and engagement record.

Independent Professional Advice

The Board has formalised arrangements under which the Directors, in the furtherance of their duties, may seek independent professional advice at the Company's expense. No such advice was sought during the year.

Company Secretary
The Directors have access to the advice and services of an investment trust specialist Company Secretary through its appointed representative, which is responsible for advising the Board on all governance matters. The Company Secretary ensures governance procedures are followed and that the Company complies with applicable statutory and regulatory requirements.

Composition, Succession and Evaluation

Board Evaluation
During the course of 2019, the performance of the Board, its committees and the individual Directors (including each Directors' independence) was evaluated through a formal assessment process led by the Chairman.

The Chairman and the Board as a whole are satisfied that the structure and operation of the Board continues to be effective and there is a satisfactory mix of skills, experience and knowledge. This year, board succession was identified as an area requiring further consideration and this is discussed in the following section.

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

All Directors submit themselves for annual re-election by shareholders. Further information on the contribution of each individual Director can be found in the explanatory notes to the notice of the AGM on page 98. Following the evaluation process, the Board recommends that shareholders vote in favour of the Directors' re-election at the forthcoming AGM.

Succession Planning
The Board regularly considers its structure and recognises the need for progressive refreshment.

The Board has an approved succession planning policy to ensure that (i) there is a formal, rigorous and transparent procedure for the appointment of new directors; and (ii) the Board is comprised of members who collectively display the necessary balance of professional skills, experience, length of service and industry/Company knowledge. The policy is reviewed annually and at such other times as circumstances may require.

During the year, the Board reviewed the policy on Directors' tenure and considered the overall length of service of the Board as a whole. As three of the four Directors have been appointed since the launch of the Company, the Chairman initiated a review process to ensure that there is an orderly succession when the time comes for those Directors to retire from the Board.

Appointments to the Board
The rules governing the appointment and replacement of directors are set out in the Company's Articles of Association and the aforementioned succession planning policy. Where the Board appoints a new director during the year, that director will stand for election by shareholders at the next AGM. The minimum number of directors is two and the maximum is 10. When considering new appointments, the Board endeavours to ensure that it has the capabilities required to be effective and oversee the Company's strategic priorities. This will include an appropriate range, balance and diversity of skills, experience and knowledge. The Company is committed to ensuring that any vacancies arising are filled by the most qualified candidates.

No new appointments were made during the year.

Policy on the Director Tenure
The tenure of each independent, non-executive director, including the Chairman, is not expected to exceed nine years. However, in the case of the Chairman, a limited extension may be granted provided it is conducive to the Board's overall orderly succession. The Board believes that this more flexible approach to the tenure of the Chairman is appropriate in the context of the regulatory rules that apply to investment companies, which ensure that the chair remains independent after appointment, while being consistent with the need for regular refreshment and diversity.

Notwithstanding this expectation, the Board considers that a director's tenure does not necessarily reduce his or her ability to act independently and will continue to assess each Director's independence annually, through a formal performance evaluation.

Diversity Policy
The Board supports the principle of Boardroom diversity, of which gender is one important aspect. The Company's policy is that the Board should be comprised of directors who collectively display the

necessary balance of professional skills, experience, length of service and industry knowledge and that appointments to the Board should be made on merit, against objective criteria, including diversity in its broadest sense.

The objective of the policy is to have a broad range of approaches, backgrounds, skills, knowledge and experience represented on the Board. The Board believes that this will make the Board more effective at promoting the long-term sustainable success of the company and generating value for all shareholders by providing a range of perspectives and the challenge needed to support good decision making. To this end, achieving a diversity of perspectives and backgrounds on the Board will be a key consideration in any Director search process.

The gender balance of three men and one woman meets the original recommendation of Lord Davies' report on Women on Boards. The Board is aware that new gender representation objectives have been set for FTSE 350 companies and that targets concerning ethnic diversity have been recommended for FTSE 250 companies. While the Company is not a FTSE 350 constituent and the Board is small in size, the Board will continue to monitor developments in this area and will consider diversity during any director search process.

Audit, Risk and Internal Control

The Statement of Directors' Responsibilities on page 46 describes the Directors' responsibility for preparing this report.

The Audit Committee Report, beginning on page 47, explains the work undertaken to allow the Directors to make this statement and to apply the going concern basis of accounting. It also sets out the main roles and responsibilities and the work of the Audit Committee and describes the Directors' review of the Company's risk management and internal control systems.

A description of the principal risks facing the Company and an explanation of how they are being managed is provided in the Strategic Report on pages 29 and 30.

The Board's assessment of the Company's longer-term viability is set out in the Strategic Report on page 31.

Remuneration

The Directors' Remuneration Report beginning on page 51 and the Directors' Remuneration Policy Report on page 53 set out the levels of remuneration for each Director and explain how Directors' remuneration is determined.

By order of the Board

Frostrow Capital LLP
Company Secretary
5 March 2020

The Directors present their annual report on the affairs of the Company together with the audited financial statements and the Independent Auditor's Report for the year ended 31 December 2019.

The Corporate Governance Report on pages 35 to 41 forms part of this report. Disclosures relating to performance, future developments and risk management can be found in the Strategic Report on pages 2 to 32.

Business and Status of the Company

The Company is registered as a public limited company in England and Wales (Registered Number 08756681) and is an investment company within the terms of Section 833 of the Companies Act 2006 (the 'Act'). Its shares are listed on the premium segment of the Official List and traded on the main market of the London Stock Exchange.

The Company has applied for and been accepted as an approved investment trust under sections 1158 and 1159 of the Corporation Taxes Act 2010 and Part 2 Chapter 1 of Statutory Instrument 2011/2999. The Directors are of the opinion that the Company has conducted its affairs so as to be able to retain such approval.

Investment Policy

In order to achieve its investment objective, the Company invests in a portfolio of shares issued by listed or traded companies which have the majority of their operations in, or revenue derived from, Developing Economies and which provide direct exposure to the rise of the consumer classes in those countries.

Further details concerning the Company's investment policy and strategy can be found in the Strategic Report on page 9 and the Investment Philosophy beginning on page 24.

Results and Dividend

The results attributable to shareholders for the year are shown on page 62.

In 2019, the Company made a revenue profit. Under investment trust rules regarding distributable income, a final dividend will be paid to allow the Company to comply with those rules. The Company's objective remains to provide capital growth rather than income and, subject to the investment trust rules, any dividends and distributions will continue to be at the discretion of the Board from time to time.

Subject to shareholder approval at the forthcoming AGM, a final dividend of 3.2p per ordinary share will be paid on 3 June 2020 to shareholders on the register on 15 May 2020. The associated ex-dividend date is 14 May 2020.

Information on the Company's dividend policy is also detailed in the Chairman's Statement on page 7.

Alternative Performance Measures

The Financial Statements (on pages 62 to 82) set out the required statutory reporting measures of the Company's financial performance. In addition, the Board assesses the Company's performance against a range of criteria which are viewed as particularly relevant for investment trusts, which are summarised on page 4 and explained in greater detail in the Strategic Report, under the heading 'Key Performance Indicators' on page 28. The Directors believe that these measures enhance the comparability of information between reporting periods and aid investors in understanding the Company's performance. The measures used for the year under review have remained consistent with the prior year.

Definitions of the terms used and the basis of calculation adopted are set out in the Glossary on page 87 to 89.

Gearing

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

Leverage

For the purposes of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a Gross and a Commitment method (see Glossary on page 87 for further details). The current maximum permitted limit under the Gross and Commitment methods is 115%. Up to date information is available in the Investor Disclosure Document on the Company's website www.feetplc.co.uk. Further information can be found in the Alternative Investment Fund Managers Directive Disclosures beginning on page 84.

Continuing Appointment of the Investment Manager and AIFM

The performance of Fundsmith LLP, the Company's Investment Manager and AIFM, is reviewed continuously by the Board and its Management Engagement Committee (the "MEC") with a formal evaluation process undertaken each year.

During the year, the MEC met to consider a proposal from Fundsmith regarding the Company's portfolio management arrangements and the investment management fee payable to Fundsmith, with a recommendation being made to the Board. It was subsequently announced that the Board had agreed with Fundsmith a reduction in the investment management fee from 1.25% to 1.00% per annum of the Company's net asset value, with effect from 31 May 2019.

The MEC reviewed Fundsmith's performance and the continuing appropriateness of Fundsmith's appointment on the new terms in November 2019, with a recommendation being made to the Board.

The Board believes the continuing appointment of Fundsmith, under the terms summarised on page 27, is in the interests of shareholders as a whole. In coming to this decision, the MEC and the Board took into consideration, inter alia, the following:

- the terms of the Investment Management Agreement, in particular the level and method of remuneration and the notice period, and the comparable arrangements of a group of the Company's peers;
- the quality of service provided by the portfolio management team and the Company's investment performance in absolute terms and in comparison to the MSCI Emerging and Frontier Markets Index; and
- the quality of service provided by the company management, administrative and marketing teams that Fundsmith allocates to the management of the Company.

Going Concern

The content of the investment portfolio, trading activity, the Company's cash balances and revenue forecasts, and the trends and factors likely to affect the Company's performance are reviewed and discussed at each Board meeting. The Directors, having made relevant enquiries, are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the financial statements as the assets of the Company consist mainly of liquid securities and, accordingly, the Company has adequate financial resources to continue in operational existence for at least the next 12 months.

Continuation of the Company

The Company's constitutional documents require that, if after the end of the fourth financial year of the Company's existence (being the year ended 31 December 2018) or any subsequent year, the Company's Ordinary Shares have traded, on average, at a discount in excess of 10% of the net asset value per ordinary share in that year, the Directors will consider proposing a special resolution at the Company's next annual general meeting that the Company ceases to continue in its present form. As the Company's shares traded at an average discount of 4.7% during the year ended 31 December 2019, no such resolution will be proposed at the forthcoming AGM.

Directors

The Directors of the Company who held office during the year and up to the date of signature of the financial statements are shown below. Further information on the Directors can be found on page 33.

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

All Directors seek re-election by shareholders at each Annual General Meeting.

Directors' & Officers' Liability Insurance

Directors' & officers' liability insurance cover was maintained during the year ended 31 December 2019. It is intended that this cover will continue for the year ending 31 December 2020 and subsequent years.

Directors' Indemnities

As at the date of this report, indemnities are in force between the Company and each of its Directors under which the Company has agreed to indemnify each Director, to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out his or her role as a Director of the Company. The Directors are also indemnified against the costs of defending any criminal or civil proceedings or any claim by the Company or a regulator as they are incurred provided that where the defence is unsuccessful the

Director must repay those defence costs to the Company. The indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006.

A copy of each deed of indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Annual General Meeting.

Substantial Share Interests

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

	3 February 2020		31 December 2019	
Shareholder	Number of shares	% of issued share capital	Number of shares	% of issued share capital
Hargreaves Lansdown	2,686,812	10.09	2,774,550	10.42
Mr Simon Justin Nixon	2,000,000	7.51	2,000,000	7.51
Interactive Investor	1,645,445	6.18	1,651,093	6.20
AJ Bell Securities	1,155,477	4.34	1,197,513	4.50
Alliance Trust	1,069,673	4.02	1,071,446	4.02
Mr Duncan Cameron	1,000,000	3.75	1,000,000	3.75
Mr Terry Smith	847,000	3.18	847,000	3.18
Charles Stanley Group	805,347	3.02	816,503	3.06

As at 31 December 2019 and the date of this report, the Company had 26,640,056 shares in issue.

Beneficial Owners of Shares – Information Rights

Beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Link Asset Services, or to the Company directly.

Capital Structure

The Company's capital structure is summarised in note 13 on page 77.

Share Capital

At the start of the year under review, the Directors had shareholder authority to issue up to 1,983,755 ordinary shares of 1 penny each on a non-pre-emptive basis. At the Company's annual general meeting held on Wednesday, 22 May 2019, this authority expired and a new authority to allot up to 2,659,005 ordinary shares (representing 10% of the Company's issued share capital) on a non-pre-emptive basis was granted. Authority to repurchase up to 3,985,849 ordinary shares was also granted.

During the year, the Company issued 250,000 ordinary shares at a minimum premium of 1.5% to the last published cum-income net asset value per share. Details are provided in notes 13 and 14 to the Financial Statements on page 77.

No shares were repurchased during the year and there are no shares held in Treasury.

The giving of powers to issue or buy-back the Company's shares requires the relevant resolutions to be passed by shareholders. Proposals for the renewal of the Board's powers to issue and repurchase shares are set out in the Notice of Annual General Meeting beginning on page 92.

Voting Rights in the Company's Shares

Details of the voting rights in the Company's shares at the date of this Annual Report are given in note 9 to the Notice of Annual General Meeting on page 95.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no restrictions on voting rights; no agreements between holders of securities regarding their transfer which are known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.

Political Donations

The Company has not made, and does not intend to make, any political donations.

Global Greenhouse Gas Emissions

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Reports and Directors' Reports) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Listing Rule 9.8.4

The Directors confirm that there are no disclosures to be made in regard of Listing Rule 9.8.4.

Common Reporting Standard (CRS)

CRS is a global standard for the automatic exchange of information commissioned by the Organisation for Economic Cooperation and Development and incorporated into UK law by the International Tax Compliance Regulations 2015. CRS requires the Company to provide certain additional details to HMRC in relation to certain shareholders. The reporting obligation began in 2016 and is an annual requirement. The Company's registrar, Link Asset Services, has been engaged to collate such information and file the reports with HMRC on behalf of the Company.

Key Information Document

The European Union's Packaged Retail Investment and Insurance-based Products (PRIIPs) Regulations cover investment trusts and require Boards or AIFMs to prepare a Key Information Document (KID) in respect of their companies. FEET's KID is available on the Company's website. Investors should note that the processes for calculating the risks, costs and potential returns in the KID are prescribed by EU law and the Company has no discretion over the format or content of the document. The illustrated performance returns in the KID cannot be guaranteed and, together with the prescribed cost calculation and risk categorisation, may not reflect figures for the Company derived using other methods. Accordingly, the Board recommends that investors also take account of information from other sources, including this Annual Report.

Nominee Share Code

Where shares are held in a nominee company name, the Company undertakes:

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance; and
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available.

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend the Company's general meetings.

Annual General Meeting

The Company's Annual General Meeting ("AGM") will be held at Barber Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL on Wednesday, 27 May 2020 at 12 noon.

The Notice of the AGM and the explanatory notes to the proposed resolutions can be found on pages 92 to 100.

The Board considers that the resolutions relating to the proposed items of special business are in the best interests of the shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the resolutions to be proposed at the forthcoming AGM as the Directors intend to do in respect of their own beneficial holdings.

Events after the Reporting Period

Since the year end and up to the date of this report, there have been no events that would require adjustment of or disclosure in the financial statements.

By order of the Board

Frostrow Capital LLP
Company Secretary
5 March 2020

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for the period. In preparing these financial statements, the Directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and accounting estimates that are reasonable and prudent;
- presented information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provided additional disclosures when compliance with the specific requirements in IFRS were insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- prepared the financial statements on a going concern basis.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to the Auditor

The Directors at the time of approving the Report of the Directors are listed on page 33. Each Director in office at the date of this report confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's Auditor is unaware; and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditor is aware of that information.

Statement of Directors' Responsibilities:

The Financial Statements are published on the Company's website (www.feetplc.co.uk). The maintenance and integrity of the website is the responsibility of the AIFM. The work carried out by the Auditor does not involve consideration of the maintenance and integrity of the website and, accordingly, the Auditors accept no responsibility for any changes that have occurred to the Financial Statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Each of the Directors, who are listed on page 33 confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and net return of the Company for the year ended 31 December 2019; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Martin Bralsford
Chairman
5 March 2020

Statement from the Chairman

I am pleased to present the Audit Committee report for the year ended 31 December 2019. The Committee met twice during the year. Attendance by each Director is shown in the table on page 34. The Committee also met on 27 February 2020 to consider this report.

The role of the Committee is to ensure that shareholder interests are properly protected in relation to the application of financial reporting and internal control principles and to assess the effectiveness of the audit. The Committee's role and responsibilities are set out in full in its terms of reference which are available on request from the Company Secretary and can be seen on the Company's website (www.feetplc.co.uk). A summary of the Committee's main responsibilities and how it has fulfilled them is set out below.

Composition

The Audit Committee comprises all of the Directors whose biographies are set out on page 33. The Committee as a whole has experience relevant to the investment trust industry with Committee members having a range of commercial, financial and investment experience. Both Mr Spencer and Mr Bralsford are chartered accountants. In light of Mr Bralsford's relevant experience, his continued independence and his valued contributions in Committee meetings, the Audit Committee considers it appropriate that he continues to be a member.

Responsibilities

The Committee's main responsibilities during the year were:

1. **To review the Company's half-year and annual financial statements.** In particular, the Committee considered whether the annual financial statements were fair, balanced and understandable, and provided the information necessary for shareholders to assess the Company's strategy, investment policy, business model, position and financial performance.

2. **To review the risk management and internal control processes** of the Company and its key service providers. As part of this review the Committee again reviewed the appropriateness of the Company's anti-bribery and corruption policy.

3. **To recommend the appointment of an external auditor** and agree the scope of its work and its remuneration, reviewing its independence and the effectiveness of the audit process.

4. **To consider any non-audit work to be carried out by the auditor.** The Audit Committee reviews the need for non-audit services to be performed by the Auditor in accordance with the Company's non-audit services policy, and authorises such on a case by case basis having given consideration to the cost-effectiveness of the services and the objectivity of the Auditor. Deloitte did not provide any non-audit services to the Company during the year. An analysis of the Auditor's remuneration can be found on page 72.

5. **To consider the need for an internal audit function.** Since the Company delegates its day-to-day operations to third parties and has no employees, the Committee has determined there is no requirement for such a function.

Meetings and Business

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

March 2019

- Review of the Company's annual results;
- Approval of the 2018 annual report and financial statements;
- Review of risk management, internal controls and compliance; and
- Review of the outcome of the audit.

July 2019

- Review of the Committee's terms of reference and non-audit services policy;
- Review of the Auditor's plan and terms of engagement for the 2019 audit;
- Review of risk management, internal controls and compliance;
- Review of the Company's anti bribery and corruption policy and the measures put in place by the Company's service providers;
- Review of the Company's half-year results; and
- Approval of the half-year report.

Financial Statements

The Board has asked the Committee to confirm that in its opinion the Board can make the required statement that the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's financial position, performance, business model and strategy. The Committee has given this confirmation on the basis of:

- its review of the whole document, underpinned by involvement in the planning for its preparation; and
- the comprehensive control framework around the production of the Annual Report, including the verification process in place to ensure the accuracy of factual content.

Significant Reporting Matters

The Committee considered key accounting issues, matters and judgements in relation to the Company's financial statements and disclosures relating to:

Valuation and ownership of the Company's Investments

The Committee reviews the valuation and existence of investments every six months. Controls are in place to ensure that valuations are appropriate and existence is verified through reconciliations with the Depositary.

Recognition of Revenue from Investments

The Committee took steps to gain an understanding of the processes in place to record investment income and transactions. The Committee sought confirmation that all dividends receivable have been accounted for correctly.

Other Reporting Matters

Accounting Policies

The current accounting policies, as set out on pages 66 to 69, have been applied consistently throughout the year and the prior period where applicable.

Going Concern

Having reviewed the Company's financial position and liabilities, the Committee is satisfied that it is appropriate for the Board to prepare the financial statements on the going concern basis. Further detail is provided on page 43.

Viability Statement

The Audit Committee reviewed the Company's financial position and principal risks in connection with the Board's statement on the longer term viability of the Company, which is set out on page 31 of the Strategic Report.

Risk Management and Internal Controls

The Board has overall responsibility for risk management and for the review of the internal controls of the Company, undertaken in the context of the Company's investment objective.

The review covers the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of the risks, the Board has considered the Company's operations in light of the following factors:

- the nature of the Company, with all management functions outsourced to third party service providers;
- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall investment objective;
- the threat of such risks becoming a reality; and
- the Company's ability to reduce the incidence and impact of risk on its performance.

A summary of the principal risks facing the Company is provided in the Strategic Report on pages 29 and 30.

Against this background, a risk matrix has been developed which covers all key risks that the Company faces, the likelihood of their occurrence and their potential impact, how these risks are monitored and the mitigating controls in place.

The Board has delegated to the Audit Committee responsibility for the review and maintenance of the risk matrix. The Committee reviews the risk matrix each time it meets, bearing in mind any changes to the Company, its environment or service providers since the last review. The Board considers whether any new risks are emerging as a result of any such changes and any significant changes to the risk matrix are discussed with the Board. There were no changes to the Company's risk management processes during the year and no significant failings or weaknesses were identified from the Committee's most recent risk review.

The Committee reviews the internal controls reports from its principal service providers on an annual basis. The Committee is satisfied that appropriate systems have been in place for the year under review and up to the date of approval of this report.

External Auditor

Meetings:
This year the nature and scope of the audit together with Deloitte LLP's audit plan were considered by the Committee on 23 July 2019.

The Committee met Deloitte LLP (the "Auditor") on 27 February 2020 to review the outcome of the audit and the draft 2019 Annual Report and financial statements.

Independence and Effectiveness:
In order to fulfil the Committee's responsibility regarding the independence of the Auditor, the Committee reviewed:

- the senior audit personnel in the audit plan for the year;
- the Auditor's arrangements concerning any potential conflicts of interest;
- the extent of any non-audit services;
- the statement by the Auditor that they remain independent within the meaning of the regulations and their professional standards; and
- the Auditor's independence.

In order to consider the effectiveness of the audit process, the Committee reviewed:

- the Auditor's fulfilment of the agreed audit plan;
- the report arising from the audit itself; and
- feedback from Frostrow Capital LLP (as Company Secretary) and Fundsmith LLP (as AIFM) on the conduct of the audit.

The Committee is satisfied with the Auditor's independence and the effectiveness of the audit process, together with the degree of diligence and professional scepticism brought to bear.

Non-Audit Services
The Audit Committee monitors the level of non-audit work carried out by the Auditor, if any, and seeks assurances from the Auditor that they maintain suitable policies and procedures ensuring independence, and monitors compliance with the relevant regulatory requirements on an annual basis.

The Company operates on the basis whereby the provision of non-audit services by the Auditor is permissible where no conflict of interest arises, where the independence of the Auditor is not likely to be impinged by undertaking the work and the quality and the objectivity of both the non-audit work and audit work will not be compromised. In particular, non-audit services may be provided by the Auditor if they are inconsequential or would have no direct effect on the Company's financial statements and the audit firm would not place significant reliance on the work for the purposes of the statutory audit. In addition, non-audit fees must not exceed 70% of the average audit fees paid in the last three years.

Details of the fees paid to the Auditor for audit services and non-audit services are set out in note 5 to the Financial Statements on page 72.

Audit Tendering
Deloitte LLP has been the appointed Auditor since the Company's launch in 2014. Deloitte carried out the audit for the years ended 31 December 2014-2019 and was considered independent by the Board. This year Chris Hunter became the designated audit partner.

As a public company listed on the London Stock Exchange, the Company is subject to mandatory auditor rotation requirements. The Company will put the external audit out to tender at least every 10 years, and change auditor at least every 20 years. The Committee will, however, continue to consider annually the need to go to tender for audit quality, remuneration or independence reasons. Unless any such grounds for change arise in the interim, it is expected that the next audit tender will take place in 2023.

The Committee has adopted formal audit tender guidelines to govern the audit tender process.

Auditor Reappointment

The Committee conducted a review of the performance of the Auditor during the year and concluded that performance was satisfactory and there were no grounds for change.

Deloitte LLP have indicated their willingness to continue to act as Auditor to the Company for the forthcoming year and a resolution for their re-appointment will be proposed at the next Annual General Meeting.

Performance Evaluation

The Committee reviewed the results of the annual evaluation of its performance in November 2019. As part of the evaluation, the Committee reviewed the following:

- the composition of the Committee;
- the leadership of the Committee Chairman;
- the Committee's monitoring of compliance with corporate governance regulations;
- the Committee's review of the quality and appropriateness of financial accounting and reporting;
- the Committee's review of significant risks and internal controls; and
- the Committee's assessment of the independence, competence and effectiveness of the Company's external auditor.

It was concluded that the Committee was performing satisfactorily and there were no formal recommendations made to the Board.

John Spencer
Chairman of the Audit Committee
5 March 2020

Statement from the Chairman

I am pleased to present the Directors' Remuneration Report to shareholders. An Ordinary Resolution for the approval of this report will be put to shareholders at the Company's forthcoming Annual General Meeting. The law requires the Company's Auditor to audit certain disclosures provided in this report. Where disclosures have been audited, they are indicated as such and the Auditor's audit opinion is included in its report to shareholders on pages 54 to 61.

The Board considers the framework for the remuneration of the Directors on an annual basis. It reviews the ongoing appropriateness of the Company's remuneration policy and the individual remuneration of Directors by reference to the activities of the Company and comparison with other companies of a similar structure and size. This is in-line with the AIC Code.

Directors' fees during the year were unchanged from the previous year: £30,000 per annum for the Chairman and £25,000 per annum for Directors, with Directors who chair a board committee receiving an additional £2,000 per annum. At a review meeting held on 19 November 2019, it was decided that Directors fees would remain unchanged for the year ending 31 December 2020. The projected fees for 2020 are set out on page 53. No remuneration consultants were appointed during the year (2018: none).

All levels of remuneration reflect both the time commitment and responsibility of the role. The simple fee structure reflects the non-executive nature of the Board, which itself reflects the Company's business model as an externally-managed investment trust (please refer to the Business Review beginning on page 27 for more information). Accordingly, statutory requirements relating to executive directors' and employees' pay do not apply.

Directors' Fees

The Directors, as at the date of this report, received the fees listed in the table above. These exclude any employers' national insurance contributions, if applicable. No other forms of remuneration were received by the Directors and so fees represent the total remuneration of each Director.

No payments were made to former directors of the Company during the year (2018: nil).

Single Total Figure of Remuneration (audited)

Director	Date of Appointment to the Board	Fees 2019 (£)	Fees 2018 (£)	Percentage change (%)
Martin Bralsford	23 May 2014	30,000	30,000	0
Rachel de Gruchy	1 June 2018	25,000	14,600*	0*
David Potter	23 May 2014	27,000	27,000	0
John Spencer	23 May 2014	27,000	27,000	0
Total		**109,000**	**98,600**	

*Ms de Gruchy was paid a pro rata fee in 2018 as she was appointed mid-way through the year. The percentage change reflects the fact that her annual rate of pay did not change in 2019.

Sums paid to Third Parties (audited information)

Fees due to Mr Bralsford were paid to Marbral Limited (a company of which he is a director), otherwise none of the fees referred to in the above table were paid to any third party in respect of the services provided by any of the Directors.

Other Benefits

Article 149 of the Company's Articles of Association provides that Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings. There were no claims for taxable benefits during the year.

Pension related benefits – Article 158 permits the Company to provide pension or similar benefits for Directors and employees of the Company. However, no pension schemes or other similar arrangements have been established and no Director is entitled to any pension or similar benefits pursuant to their Letters of Appointment.

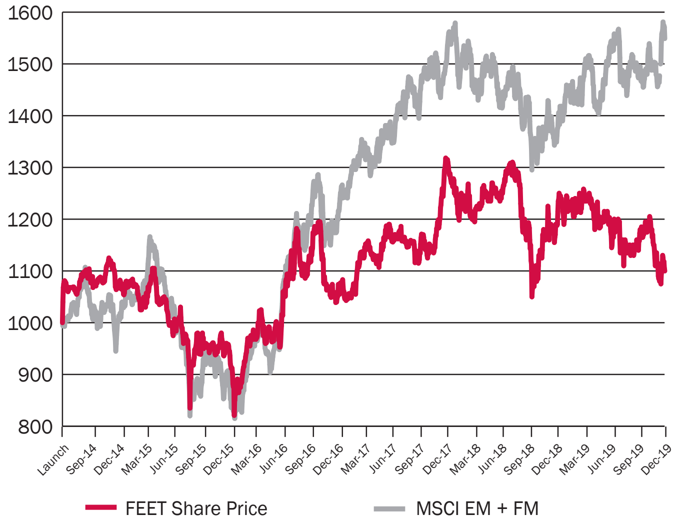
Loss of Office

Directors do not have service contracts with the Company but are engaged under letters of appointment. These specifically exclude any entitlement to compensation upon leaving office for whatever reason.

Share Price Total Return

A performance comparison is required to be presented in this report. As the Company commenced trading on 25 June 2014, the performance comparison is shown for the period from 25 June 2014 to 31 December 2019 using the MSCI Emerging and Frontier Markets Index (measured on a total return, net sterling adjusted basis) which the Board has adopted as the principal comparator for both the Company's performance and that of the Investment Manager for the period.

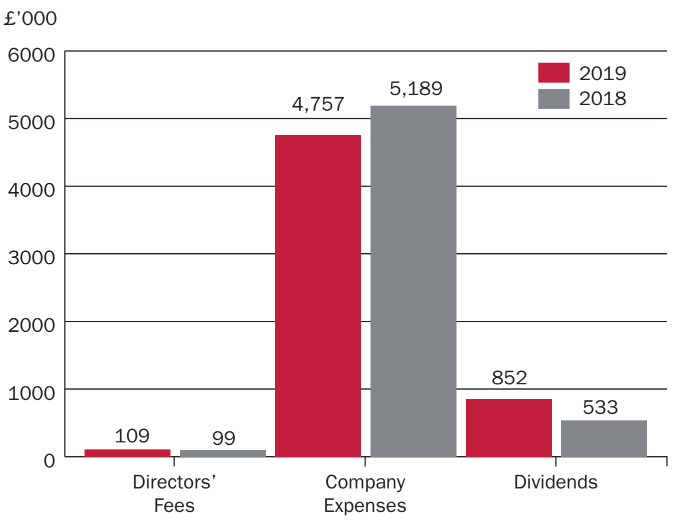
Total Shareholder Return for the period 25 June 2014 to 31 December 2019



Source: MSCI/Bloomberg

Relative Cost of Directors' Remuneration

The bar chart below shows the comparative cost of Directors' fees compared with the proposed level of dividend distribution and Company expenses for the years ended 31 December 2018 and 2019.



Statement of Voting at the Annual General Meeting

At the AGM held on 22 May 2019, 3,417,380 votes (99.93%) were received in favour of the resolution seeking approval of the Directors' Remuneration Report, 2,234 (0.06%) were against, and 2,215 votes were withheld; the percentage of votes excludes votes withheld.

Directors' Interests in the Company's Shares as at 31 December 2019 (audited)

	Ordinary shares of 1p each 2019	2018
Martin Bralsford *(Chairman)*	100,000	100,000
Rachel de Gruchy	2,000	2,000
David Potter	19,969	14,511
John Spencer	5,000	5,000
Total	**126,969**	**121,511**

Directors are not required to hold shares in the Company.

No changes have been notified to the date of this report.

Approved by the Board and signed on its behalf by:

Martin Bralsford
Chairman
5 March 2020

Directors' Remuneration Policy Report

The Company's Remuneration Policy provides that fees payable to the Directors should reflect the value of the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable candidates of high calibre to be recruited. Directors are remunerated in the form of fees payable monthly in arrears, paid to the Director personally or to a specified third party. There are no long-term incentive schemes, share option schemes or pension arrangements and the fees are not specifically related to the Directors' performance, either individually or collectively. Directors' remuneration comprises solely Directors' fees. Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties. Directors may also earn a pro rata day rate in connection with extraordinary corporate events or transactions requiring them to commit significant extra time to the Company. There were no such events in 2019 (2018: none) and so no additional fees were paid to any of the Directors. The projected Directors' fees for 2020 are shown in the table below. The Company does not have any employees.

Directors' Fees Projected and Current

	Fees 2020 (£)	Fees 2019 (£)
Martin Bralsford	30,000	30,000
Rachel de Gruchy	25,000	25,000
David Potter	27,000	27,000
John Spencer	27,000	27,000
Total	**109,000**	**109,000**

During the year, no communications were received from shareholders regarding Directors' remuneration.

The remuneration for the non-executive Directors is determined within the limits set out in the Company's Articles of Association. The present limit is £250,000 in aggregate per annum.

It is the Board's intention that the Remuneration Policy will be considered by shareholders at the Annual General Meeting at least once every three years. This policy was last approved by shareholders at the AGM held on 23 May 2018. 2,563,535 votes (99.63%) were received in favour, 9,628 (0.37%) were against, and 11,263 votes were withheld; the percentage of votes excludes votes withheld. Accordingly, it is expected that an Ordinary Resolution for the approval of this policy will next be considered by shareholders at the Annual General Meeting in 2021. As no changes have been proposed, it is expected that this Remuneration Policy will continue to be applied throughout 2020.

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Fundsmith Emerging Equities Trust plc (the 'Company'):

- **give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and**
- **have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- **the income statement;**
- **the statement of financial position;**
- **the statement of changes in equity;**
- **the statement of cash flows; and**
- **the related notes 1 to 18.**

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of investments; and • Ownership of investments.
Materiality	The materiality that we used in the current year was £3.2 million which was determined on the basis of 1% of net assets as at 31 December 2019.
Significant changes in our approach	In the prior year we considered revenue recognition in dividend income as a key audit matter. After considering the control environment and our knowledge gained from previous years' audits, we assessed that it is no longer a key audit matter in the current year.

4. Conclusions relating to going concern, principal risks and viability statement

4.1 Going concern

We have reviewed the Directors' statement in note 1a to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Company, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Company's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2 Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 29-30 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the Directors' confirmation on page 29 that they have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 31 as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Viability means the ability of the Company to continue over the time horizon considered appropriate by the directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

We are also required to report whether the Directors' statement relating to the prospects of the Company required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 Valuation of Investments

Key audit matter description	As an investment entity, the Company holds investments of £312m as at 31 December 2019 (2018: £321m) which has decreased by 3% from the prior year-end. These represent the most quantitatively significant financial statement line on the balance sheet and as such we deem this more susceptible to manipulation by fraud. In addition, the investments held at fair value through profit or loss are the main driver of the Company's performance and net asset value. The portfolio of investments has a wide geographical spread and there is a risk that investments within the portfolio may not be actively traded and the prices quoted may not be reflective of fair value. This may result in a material misstatement within the investments held at fair value through profit or loss and also the fair value hierarchy for investments disclosures. Investments are valued by Northern Trust (fund administrator) on behalf of the Company. Refer to note 1e to the financial statements for the accounting policy on investments and details of the investments are disclosed in note 10 to the financial statements. The valuation of investment risk is included within the Audit Committee Report on page 48.
How the scope of our audit responded to the key audit matter	We performed the following procedures to address the valuation of investments key audit matter: ● We obtained an understanding over the controls at Northern Trust relating to valuation of investments by using an assurance report over Northern Trust's controls, and receiving reconfirmation from Northern Trust that these controls were in effect during the year; ● We assessed the professional competence and independence of the auditor who provided the assurance report; and ● We agreed 100% of the last traded prices of quoted investments on the schedule of investments at year-end to closing bid prices published by an independent pricing source and investigated total portfolio difference that is above the reporting threshold. In addition, we performed the following procedures to address whether the investment portfolio was actively traded and designated with the correct fair value hierarchy: ● We identified investments that were not actively traded and considered indicators of impairment; ● We monitored the post year-end volume of trade data, the number of 'zero trade' days and also the bid-ask spreads on investment holdings that were not traded out within 10 business days from the year end; and ● We reviewed the completeness and appropriateness of disclosures in relation to fair value measurements and liquidity risk.
Key observations	Based on the work performed we concluded that the valuation of investments and their disclosure in the fair value hierarchy is appropriate.

5.2 Ownership of Investments

Key audit matter description	The Company holds investments of £312m as at 31 December 2019 (2018: £321m) which has decreased by 3% from the prior year-end. These represent the most quantitatively significant financial statement line on the balance sheet. There is a risk that investments recorded may not be owned by the Company at year end and as such we deem this more susceptible to manipulation by fraud. Refer to note 1e for the accounting policy on investments and details of the investments are disclosed in note 10. The ownership of investment risk is included within the Audit Committee report on page 48.
How the scope of our audit responded to the key audit matter	We performed the following procedures to address this risk: • We obtained an understanding over the controls at Northern Trust relating to ownership of investments by using an assurance report over Northern Trust's controls and obtaining confirmation from Northern Trust that these controls were in effect during the year. We also assessed the professional competence and independence of the auditor who provided the assurance report; • We confirmed the ownership of 100% of investments at the year-end date by obtaining independent third party confirmations directly from the custodian; and • We agreed the schedule of investments holding as at the year-end to the independently obtained custodian confirmation and investigated any differences in the holdings.
Key observations	Based on the work performed we did not identify differences in the investment holdings when agreeing the Company's investment portfolio to the confirmation received directly from the custodian.

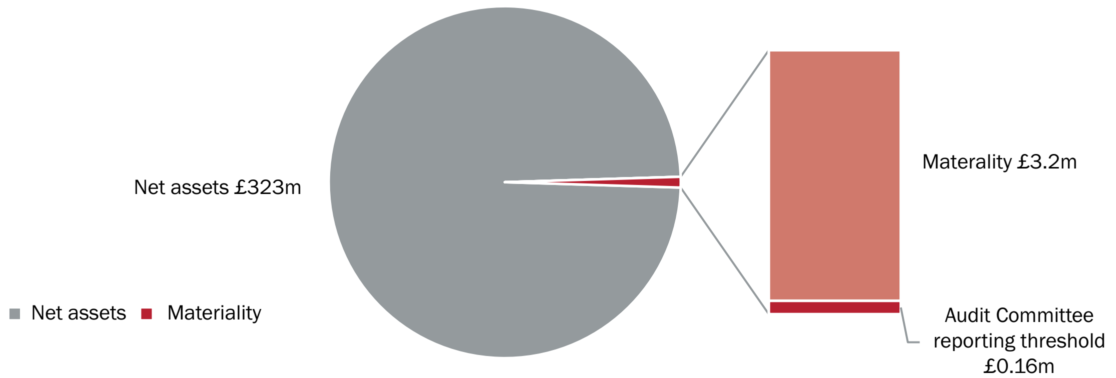
6. Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£3.2 million (2018: £3.2 million)
Basis for determining materiality	1% (2018: 1%) of net assets.
Rationale for the benchmark applied	Net assets has been chosen as it is considered the most relevant benchmark for investors and is a key driver of shareholder value.



6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

a. We have not identified any significant changes in business structure and operations and prior year errors; and

b. our experience from previous audits, which shows which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.16m (2018: £0.06m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1 Scoping

Our audit was scoped by obtaining an understanding of the Company and its environment, including internal control and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2 Our consideration of the control environment

As part of our risk assessment, we assessed the control environment in place at the fund administrator, Northern Trust to the extent relevant to our audit.

8. Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group’s position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors’ statement of compliance with the UK Corporate Governance Code** – the parts of the directors’ statement required under the Listing Rules relating to the company’s compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

9. Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Company's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: valuation of investments and ownership of investments. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included the Company's qualification as an Investment Trust under UK tax legislation.

11.2 Audit response to risks identified

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

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the FCA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors’ remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors’ report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors’ report.

13. Matters on which we are required to report by exception

13.1 Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2 Directors’ remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors’ remuneration have not been made or the part of the Directors’ remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14. Other matters

14.1 Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 11 November 2014 to audit the financial statements for the year ending 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 years, covering the years ending 31 December 2014 to 31 December 2019.

14.2 Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Chris Hunter CA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
5 March 2020

Statement of Comprehensive Income

Financial Statements

	Notes	For the year ended 31 December 2019 Revenue £'000	Capital £'000	Total £'000	For the year ended 31 December 2018 Revenue £'000	Capital £'000	Total £'000
Income from investments held at fair value through profit or loss	2	6,833	–	6,833	6,970	–	6,970
Losses on investments held at fair value through profit or loss:							
Losses on investments held at fair value through profit or loss	10	–	(2,738)	(2,738)	–	(10,441)	(10,441)
(Losses)/gains on foreign exchange transactions		–	(215)	(215)	17	22	39
Investment management fee	4	(3,650)	–	(3,650)	(3,933)	–	(3,933)
Other expenses including transaction costs	5	(901)	(206)	(1,107)	(1,119)	(137)	(1,256)
Profit/(loss) before finance costs and taxation		2,282	(3,159)	(877)	1,935	(10,556)	(8,621)
Finance costs	6	(2)	–	(2)	–	–	–
Profit/(loss) before taxation		2,280	(3,159)	(879)	1,935	(10,556)	(8,621)
Taxation	7	(468)	(500)	(968)	(552)	(433)	(985)
Profit/(loss) for the year		1,812	(3,659)	(1,847)	1,383	(10,989)	(9,606)
Return per share (basic and diluted) (p)	**8**	**6.81**	**(13.75)**	**(6.94)**	**5.35**	**(42.47)**	**(37.12)**

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

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

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

All items in the above statement derive from continuing operations.

The accompanying notes on pages 66 to 82 are an integral part of these financial statements.

Statement of Financial Position

	Notes	As at 31 December 2019 £'000	As at 31 December 2019 £'000	As at 31 December 2018 £'000	As at 31 December 2018 £'000
Non-Current Assets					
Investments held at fair value through profit or loss	10	312,267		321,493	
			312,267		321,493
Current Assets					
Receivables	11	792		676	
Cash and cash equivalents		12,798		2,709	
			13,590		3,385
					324,878
Current Liabilities					
Trade and other payables	12	(2,714)		(2,392)	
			(2,714)		(2,392)
			323,143		322,486
Equity Attributable to Equity Shareholders					
Ordinary Share capital	13		266		264
Share premium	14		81,595		78,560
Capital reserves			238,732		242,391
Revenue reserve			2,550		1,271
			323,143		322,486
Net Asset Value per share (p)	**15**		**1,213.0**		**1,222.0**

The financial statements on pages 62 to 82 were approved by the Board on 5 March 2020 and were signed on its behalf by:

Martin Bralsford
Chairman

The accompanying notes on pages 66 to 82 are an integral part of these financial statements.
Fundsmith Emerging Equities Trust plc – Company Registration Number 08756681 (Registered in England and Wales)

Statement of Changes in Equity

For the year ended 31 December 2019

	Notes	Share Capital £'000	Share Premium £'000	Capital Reserves £'000	Revenue Reserve £'000	Total £'000
Balance at 1 January 2019		264	78,560	242,391	1,271	322,486
(Loss)/profit for the year				(3,659)	1,812	(1,847)
		264	78,560	238,732	3,083	320,639
Issue of Share Capital		2	3,035			3,037
Dividends paid	9	–	–	–	(533)	(533)
Balance at 31 December 2019	15	**266**	**81,595**	**238,732**	**2,550**	**323,143**

For the year ended 31 December 2018

	Notes	Share Capital £'000	Share Premium £'000	Capital Reserves £'000	Revenue Reserve £'000	Total £'000
Balance at 1 January 2018		246	57,159	253,380	(112)	310,673
(Loss)/profit for the year		–	–	(10,989)	1,383	(9,606)
		246	57,159	242,391	1,271	301,067
Issue of Share Capital		18	21,401	–	–	21,419
Balance at 31 December 2018	15	**264**	**78,560**	**242,391**	**1,271**	**322,486**

The accompanying notes on pages 66 to 82 are an integral part of these financial statements.

Statement of Cash Flows

	For the year ended 31 December 2019 £'000	For the year ended 31 December 2018 £'000
Cash Flows used in Operating Activities		
Net loss for the year before taxation	(879)	(8,621)
Adjustments for:		
Add back finance costs	2	–
Net loss on investments held at fair value through profit or loss	2,944	10,441
Net (loss)/gain on foreign exchange	215	(39)
Increase in other receivables	(124)	(345)
(Decrease)/increase in other payables	(179)	337
Overseas taxation paid	(459)	(552)
Net Cash Flow from Operating Activities	**1,520**	**1,221**
Cash Flows used in Investing Activities		
Sales of investments held at fair value through profit or loss	50,123	28,294
Purchases of investments held at fair value through profit or loss	(43,841)	(53,582)
Net Cash Flow from Investing Activities	**6,282**	**(25,288)**
Cash Flows used in Financing Activities		
Proceeds from issue of new shares	3,052	21,526
Issue costs relating to new shares	(15)	(107)
Finance costs	(2)	–
Dividends paid	(533)	–
Net Cash Flow from Financing Activities	**2,502**	**21,419**
Net Increase/(decrease) in Cash and Cash Equivalents	**10,304**	**(2,648)**
Effect of foreign exchange rates	(215)	39
Change in cash and cash equivalents	10,089	(2,609)
Cash and cash equivalents at start of the year	2,709	5,318
Cash and cash equivalents at end of the year	**12,798**	**2,709**
Comprised of:		
Cash at bank	**12,798**	**2,709**
Cash Flow from Operating Activities includes		
Interest paid	(2)	(4)
Dividends received	6,733	6,099

The accompanying notes on pages 66 to 82 are an integral part of these financial statements.

1. Accounting Policies

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee ("IASC") that remain in effect, to the extent that IFRS have been adopted by the European Union.

(a) Accounting Convention

The financial statements have been prepared under the historical cost convention (modified to include investments at fair value through profit or loss) on a going concern basis and in accordance with 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 October 2019). They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The Directors believe that it is appropriate to continue to adopt the going concern basis for preparing the financial statements for the reasons stated on page 43. 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.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Capital accounting judgements and sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not always readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods. There have been no significant judgements, estimates or assumptions for the year.

(b) Presentation of the Statement of Comprehensive Income

In order to better reflect the activities of an investment trust company, and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. Net revenue return is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in section 1158 of the Corporation Tax Act 2010.

1. Accounting Policies continued

(c) Income

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

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

(d) Expenses

The management fee is recognised as a revenue item in the Statement of Comprehensive Income. All other expenses are charged to the revenue column except expenditure of a capital nature, in which case they are charged to the capital column. The Board will, however, keep this under review and an appropriate amendment to this treatment will be made if required.

(e) Investments

Investments have been designated upon initial recognition at fair value through profit or loss. Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured at fair value. Subsequent to initial recognition, investments are valued at fair value. For listed investments, this is deemed to be bid market prices. Gains and losses arising from changes in fair value are included in net profit or loss for the year as a capital item in the Statement of Comprehensive Income and are ultimately recognised in the capital reserve. For any unlisted investments, the fair value will be determined by using valuation techniques. These valuations will maximise the use of observable market data where it is available and with minimal reliance on entity specific estimates. For other investments which do not fit within this criteria the fair value will be determined by the Audit Committee with valuations recommended to the Board of the Company. The Audit Committee will consider the appropriateness of the valuations, models and inputs, using the various valuation methods in accordance with the Company's valuations policy.

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

When a purchase or sale is made under a contract, the terms of which require delivery within the timeframe of the relevant market, the investments concerned are recognised or derecognised on the trade date.

All the investments are defined by IFRS as investments held at fair value through profit or loss. All gains and losses are allocated to the capital return within the Statement of Comprehensive Income as "Gains or losses on investments held at fair value through profit or loss".

All investments are designated upon initial recognition as held at fair value through profit or loss, and are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

The Company derecognises a financial asset only when the contractual right to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been accumulated in equity is recognised in capital on the Statement of Comprehensive Income.

1. Accounting Policies continued

(f) Foreign Currencies

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.

(g) Cash and Cash Equivalents

Cash at bank and in hand comprises cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

(h) Equity Dividends

Interim dividends are recognised in the period in which they are paid. Final dividends are not recognised until approved by shareholders in the annual general meeting.

(i) Other Receivables and Other Payables

Other receivables and other payables do not carry any interest and are short term in nature. Accordingly, they are stated at their amortised cost, which is the same as fair value.

Financial assets held at amortised cost are reviewed for impairment using the credit loss model. Given the nature of the Company's short–term receivables, no credit losses have occurred to date and no credit losses are currently expected to occur in the future.

(j) Nature and Purpose of Reserves

Share capital

Represents the nominal value of the issued share capital.

Share premium account

The share premium arose on the issue of new shares.

Capital reserve

This reserve reflects any:

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

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

1. Accounting Policies continued

Revenue reserve

This reserve reflects all income and expenditure recognised in the revenue column of the statement of comprehensive income and is distributable by way of dividend.

(k) Taxation

The charge for taxation is based upon the revenue for the year and is allocated according to the marginal basis between revenue and capital using the company's effective rate of corporation tax for the accounting period.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in future have occurred at the balance sheet date measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying temporary differences can be deducted. Timing differences are differences arising between the company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods. Due to the Company's status as an investment trust company, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

(l) Adoption of New and Revised Standards

At the date of authorisation of these financial statements the following standards and amendments to standards, which have not been applied in these financial statements, were in issue but not yet effective:

- Amendments to IFRS 3 'Definition of Business' (effective for accounting periods beginning on or after 1 January 2020)
- Amendments to IAS 1 & IAS 8 'Definition of Material' (effective for accounting periods beginning on or after 1 January 2020)
- IFRS 17 'Insurance contracts' (effective for accounting periods beginning on or after 1 January 2021)

The Company does not believe that there will be a material impact on the financial statements or the amounts reported from the adoption of these standards.

The following standard, effective for accounting periods beginning on or after 1 January 2019, has not been applied in preparing these financial statements:

- IFRS 16 'Leases' specifies accounting for leases and removes the distinction between operating and finance leases.

This standard is not applicable to the Company as it has no leases.

For the financial year under review, the Company has applied the following interpretation:

- IFRIC 23 'Uncertainty over Income Tax' provides guidance on uncertain income tax treatments and specifies that an entity must consider whether it is probable that the relevant tax authority will accept each tax treatment or group of tax treatments, that it plans to use in its income tax filing. Where deemed to be more than probable, uncertain tax positions should be disclosed in the financial statements of the company.

There is no material impact on the Company in relation to the adoption of this standard.

2. Dividend Income

	2019 £'000	2018 £'000
Overseas dividends	6,833	6,970
Total	**6,833**	**6,970**

3. Segmental Reporting

The Directors are of the opinion that the Company is engaged in a single segment of business being the investment business. The Company's objective is to be a core investment for investors seeking increasing capital growth and income over the long term. The accounting policies of the operating segment, which operates in the UK, are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on total profit before tax, which is shown in the Statement of Comprehensive Income on page 62. A geographical split of the portfolio can be seen on page 11.

4. Investment Management Fee

	2019 £'000	2018 £'000
Investment management fee	3,650	3,933

As at 31 December 2019, an amount of £840,000 (2018: £965,000) was payable to the Investment Manager.

The investment management fee was reduced from 1.25% to 1.00% of the net asset value of the Company, with effect from 31 May 2019. Details of the terms of the Investment Management Agreement are provided on page 27.

5. Other Expenses

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Transactions costs on fair value through profit or loss investments	–	206	206	–	137	137
Directors' fees	109	–	109	99	–	99
Employers' National Insurance contributions	3	–	3	–	–	–
Auditor's remuneration	31	–	31	43	–	43
Registrar fees	32	–	32	29	–	29
Broker fee	37	–	37	35	–	35
Company Secretarial fees	100	–	100	115	–	115
Custody fees	311	–	311	308	–	308
Depositary fees	48	–	48	50	–	50
Postage and printing	32	–	32	25	–	25
Legal fees	8	–	8	41	–	41
Administration fees	107	–	107	2	–	2
Other expenses	83	–	83	372	–	372
Total expenses	**901**	**206**	**1,107**	**1,119**	**137**	**1,256**

Transaction costs on fair value through profit or loss investments represent such costs incurred on both purchase and sales of those investments. Transaction costs on purchases amounted to £74,000 (2018: £83,000) and on sales amounted to £132,000 (2018: £54,000).

5. Other Expenses continued

Auditor's remuneration

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

Revenue	2019 £'000		2018 £'000	
Fees payable to the Company's Auditor for the audit of the Company's annual financial statements	31		31	
Total audit fees		31		31
Tax compliance services	–		12	
Total non-audit fees		–		12
Total fees paid		**31**		**43**

6. Finance Costs

Revenue	2019 £'000	2018 £'000
Finance costs	2	–

7. Taxation

(a) Analysis of tax charge in the year

	2019			2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Taxation on ordinary activities						
UK corporation tax at 19%	–	–	–	–	–	–
Irrecoverable overseas withholding tax	468	–	468	552	–	552
Overseas capital gains tax	–	500	500	–	433	433
Total tax (7b)	**468**	**500**	**968**	**552**	**433**	**985**

7. Taxation continued

(b) The effective corporation tax rate was 19% (2018: 19%). The tax charge for the year differs from the charge resulting from applying the standard rate of corporation tax in the UK for an investment trust company. The differences are explained below:

	2019			2018		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Profit/(loss) before taxation	**2,280**	**(3,159)**	**(879)**	**1,935**	**(10,989)**	**(9,054)**
Corporation tax at effective rate of 19% (2018: 19%)	433	(600)	(167)	368	(2,088)	(1,720)
Effects of:						
Expenses not deductable for tax purposes	–	39	39	–	108	108
Net losses on investments held at fair value through profit or loss		520	520		1,984	1,984
Foreign exchange loss		41	41		(4)	(4)
Overseas dividends not taxable	(1,298)	–	(1,298)	(1,328)	–	(1,328)
Overseas tax suffered	468	–	468	552	–	552
Overseas capital gain tax	–	500	500	–	433	433
Increase in excess management expenses	865	–	865	960	–	960
Total tax	**468**	**500**	**968**	**552**	**433**	**985**

As at 31 December 2019, the Company had unutilised management expenses of £22.6 million (2018: £18.0 million) carried forward. It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset in respect of these expenses has been recognised. Due to the Company's status as an investment trust and the intention to continue to meet the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred UK tax on capital gains and losses arising on the revaluation or disposal of investments.

(c) The Company has made a provision for capital gains payable on Indian stocks of £1,653,000 (2018: £1,153,000).

8. Return per Share

Return per Ordinary Share is as follows:

	2019			2018		
	Revenue pence	**Capital pence**	**Total pence**	**Revenue pence**	**Capital pence**	**Total pence**
Return/(loss) per Ordinary Share	**6.81**	**(13.75)**	**(6.94)**	**5.35**	**(42.47)**	**(37.12)**

Return per share is calculated based on returns for the year and the weighted average number of shares in issue during the year.

The total loss per share of (6.94p) (2018: (37.12p)) is based on a total loss attributable to equity shareholders of (£1,847,000) (2018: loss of (£9,606,000)).

8. Return per Share continued

The revenue profit per share of 6.81p (2018: 5.35p) is based on a revenue profit attributable to equity shareholders of £1,812,000 (2018: £1,383,000).

The capital loss per share of (13.75p) (2018: (42.47p)) is based on a capital loss attributable to equity shareholders of (£3,659,000) (2018: loss of (£10,989,000)).

The total revenue profit and total capital loss per share are based on the weighted average number of shares in issue of 26,612,549 (2018: 25,875,583) during the year.

9. Dividends

Dividends relating to the year ended 31 December 2019 which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered below:

Dividends proposed:

	2019 pence	2019 £'000	2018 pence	2018 £'000
Final dividend proposed*	3.2	852	2.00	532

* Not included as a liability in the year ended 31 December 2019 accounts.

The final dividend proposed is based on shares in issue at the record date or, if the record date has not been reached, on shares in issue on the date the Statement of Financial Position is signed.

The final dividend proposed will be paid on 3 June 2020 to shareholders on the register on 15 May 2020. The associated ex-dividend date is 14 May 2020.

10. Investments Held at Fair Value Through Profit or Loss

All investments are designated as fair value through profit or loss on initial recognition, therefore all gains and losses arise on investments designated as fair value through profit or loss.

	2019 £'000	2018 £'000
Opening cost at 1 January	248,132	230,382
Opening unrealised gain/(loss) at 1 January	73,361	76,264
Valuation at 1 January	321,493	306,646
Purchases at cost	43,841	53,582
Sales – proceeds	(50,123)	(28,294)
Investment holding (loss)	(2,944)	(10,441)
Closing Fair Value at 31 December	312,267	321,493
Closing cost at 31 December	236,547	248,132
Closing unrealised gain at 31 December	75,720	73,361
Valuation at 31 December	**312,267**	**321,493**

The Company received £50,123,000 from investments sold in the year (2018: £28,294,000). The book cost of the investments when they were purchased was £55,426,000 (2018: £35,832,000). These investments have been revalued over time until they were sold and unrealised gains/losses were included in the fair value of investments.

The total losses of £2,944,000 include the dealing costs of £206,000 as shown in note 5.

All investments are listed.

Fair value of financial instruments

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

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

- Level 1 – quoted prices in active markets for identical instruments. As at 31 December 2019, £282,812,000 (2018: £282,795,000) of the investment portfolio was classified as level 1.
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, etc). As at 31 December 2019, £29,455,000 (2018: £38,698,000) of the investment portfolio was classified as level 2.
- Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments). There are no level 3 investments.

During the year to 31 December 2019, British American Tobacco Bangladesh (2018: £5,138,000) was transferred from level 2 to level 1. This was due to a higher volume of trade. During the year, the following level 2 securities were sold: Nestlé Pakistan (2018: £2,519,000), Fan Milk Ltd (2018: £1,682,000) and Edita Foods (2018: £3,007,000).

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

Fair value measurements recognised in the Statement of Financial Position

	2019 Level 1 £'000	2019 Level 2 £'000	2019 Level 3 £'000	2019 Total £'000
Investments held at fair value through profit or loss	282,812	29,455	–	312,267
Total	**282,812**	**29,455**	**–**	**312,267**

	2018 Level 1 £'000	2018 Level 2 £'000	2018 Level 3 £'000	2018 Total £'000
Investments held at fair value through profit or loss	282,795	38,698	–	321,493
Total	**282,795**	**38,698**	**–**	**321,493**

11. Receivables

	2019 £'000	2018 £'000
Accrued income	732	632
Other receivables	60	44
	792	**676**

The above receivables do not carry any interest and are short term in nature. The Directors consider that the carrying values of these receivables approximate their fair value.

12. Payables

	2019 £'000	2018 £'000
Management fee payable	840	965
Other payables	1,874	1,427
	2,714	**2,392**

13. Share capital

	2019 Number	2019 £'000	2018 Number	2018 £'000
Issued, allotted and fully paid (ordinary)	26,640,056	266	26,390,056	264

During the year ended 31 December 2019, the Company issued 250,000 shares of £0.01 each (2018: 1,727,500) for a net consideration of £3,037,000 (2018: £21,419,000). Details of the shareholder authorities granted to Directors to issue and buy back shares during the year are provided on page 44.

14. Share Premium Account

	2019 £'000	2018 £'000
Balance at 1 January	78,560	57,159
Premium arising on issue of new shares	3,050	21,508
Costs of issuing new shares	(15)	(107)
	81,595	**78,560**

15. Net Asset Value per Share

	2019 pence	2018 pence
Net asset value per share	**1,213.0**	**1,222.0**

The net asset value per share is based on the net assets attributable to equity shareholders of £323,143,000 (2018: £322,486,000) and on 26,640,056 (2018: 26,390,056) shares in issue at 31 December 2019.

16. Risk Management and Financial Instruments

The Company's investing activities undertaken in pursuit of its investment objective, as set out on page 9, involve certain inherent risks. The main risks arising from the Company's financial instruments are market price risk, interest rate risk, liquidity risk, credit risk and currency risk. The Board reviews and agrees policies for managing each of these risks as summarised below. These policies have remained substantially unchanged during the current year.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The Board meets on four scheduled occasions in each year and at each meeting it receives sufficient financial and statistical information to enable it to monitor adequately the investment performance and status of the business. The Board has also established a series of investment parameters, which are reviewed quarterly, designed to manage the risk inherent in managing a portfolio of investments.

16. Risk Management and Financial Instruments continued

Interest rate risk

Interest rate risk is the risk of movements in the value of, or income from, cash balances that arise as a result of fluctuations in interest rates. The Company finances its operations through retained profits including capital profits, with no additional financing.

Liquidity risk

The Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary. Short-term flexibility is achieved through the use of cash balances and short-term bank deposits. All payables are due within under three months.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. This is mitigated by the Investment Manager reviewing the credit ratings of broker counterparties. The risk attached to dividend flows is mitigated by the Investment Manager's research of potential investee companies. The Company's custodian bank is responsible for the collection of income on behalf of the Company. Cash is held either with reputable banks with high quality external credit enhancements or in liquidity/cash funds providing a spread of exposures to various underlying banks in order to diversify risk. The carrying amount of financial instruments best represents the maximum exposure to credit risk.

The carrying amounts of financial assets best represents the maximum credit risk exposure at the statement of financial position date, and the main exposure to credit risk is via the Company's Custodian who is responsible for the safeguarding of the Company's Investments and cash balances.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	2019 £'000
Cash and cash equivalents	12,798
Receivables	792

All the assets of the Company which are traded on a recognised exchange are held by Northern Trust, the Company's Custodian. Bankruptcy or insolvency of the Custodian may cause the Company's rights with respect to securities held by the Custodian to be delayed or limited. The Board monitors the Company's risk as described in the Strategic Report on pages 29 to 30.

Currency risk

The income and capital value of the Company's investments and liabilities can be affected by exchange rate movements as some of the Company's assets and income are denominated in currencies other than sterling, which is the Company's reporting currency. The key areas where foreign currency risk could have an impact on the Company are:

- movements in rates that would affect the value of investments and liabilities; and
- movements in rates that would affect the income received.

16. Risk Management and Financial Instruments continued

The Company had the following currency exposures, all of which are included in the Statement of Financial Position at fair value based on the exchange rates ruling at the year end.

	31 December 2019				
	Investments £'000	**Cash £'000**	**Receivables £'000**	**Payables £'000**	**Total £'000**
Bangladeshi Taka	4,011	–	–	–	4,011
Brazilian Real	11,675	–	298		11,973
Chinese Yuan	14,768	–	–	–	14,768
Egyptian Pound	18,366	–	354	–	18,720
Hong Kong Dollar	35,431	–	–	–	35,431
Indian Rupee	135,521	–	–	(1,653)	133,868
Indonesian Rupiah	4,387	–	–	–	4,387
Kenyan Shilling	5,665	–	–	–	5,665
Mexican Peso	7,540	–	–	–	7,540
Nigerian Naira	6,266	–	–	–	6,266
Philippino Peso	12,333	–	–	–	12,333
South African Rand	10,474	–	–	–	10,474
Sri Lankan Rupee	4,984		–		4,984
Turkish Lira	5,527	–	–	–	5,527
US Dollar	22,777	–	–	–	22,777
Vietnam Dong	9,312	22	80	–	9,414
	309,037	**22**	**732**	**(1,653)**	**308,138**

As at 31 December 2019, the investment portfolio included £6.266 million of Nigerian securities out of the total investment portfolio of £312.3 million. These Nigerian securities are affected by the repatriation of the Nigerian Naira into sterling. This may take some time to convert to sterling and may be subject to foreign exchange movements.

16. Risk Management and Financial Instruments continued

	31 December 2018				
	Investments £'000	**Cash £'000**	**Receivables £'000**	**Payables £'000**	**Total £'000**
Bangladeshi Taka	5,138	–	–	–	5,138
Brazilian Real	10,640	6	262	–	10,908
Chinese Yuan	13,117	–	–	–	13,117
Egyptian Pound	13,029	–	258	–	13,287
Ghanaian Cedi	1,682	–	–	–	1,682
Hong Kong Dollar	38,172	–	–	–	38,172
Indian Rupee	139,615	73	44	(1,153)	138,579
Indonesian Rupiah	12,716	–	–	–	12,716
Kenyan Shilling	3,700	–	–	–	3,700
Mexican Peso	6,947	–	–	–	6,947
Nigerian Naira	8,627	–	–	–	8,627
Pakistani Rupee	2,519	–	–	–	2,519
Philippino Peso	10,369	–	–	–	10,369
South African Rand	15,118	–	8	–	15,126
Sri Lankan Rupee	6,590	–	–	–	6,590
Turkish Lira	5,950	–	–	–	5,950
US Dollar	13,890	–	–	–	13,890
Vietnam Dong	8,162	–	68	–	8,230
	315,981	**79**	**640**	**(1,153)**	**315,547**

The Company mitigates the risk of loss due to exposure to a single currency by way of diversification of the portfolio.

Foreign currency sensitivity

The following table illustrates the sensitivity of the profit after tax for the year and the net assets for the year in relation to foreign exchange movements. The analysis below assumes that exchange rates may move +/-5% against sterling which is a reasonable approximation of possible changes.

as at 31 December	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 £'000**
	+5%	**+5%**	**-5%**	**-5%**
Effect on net assets for the year	15,407	15,778	(15,407)	(15,778)
Effect on capital return	15,452	15,800	(15,452)	(15,800)

16. Risk Management and Financial Instruments continued

Interest rate risk

The majority of the Company's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. The Company's cash balance of £12,798,000 (2018: £2,709,000) earns interest, calculated on a tiered basis, depending on the balance held, by reference to the base rate. The level of interest paid fluctuates in line with the base rate.

If the base rate increased by 0.5%, the impact on the profit or loss and net assets would be expected to be a positive £64,000 (2018: £14,000). If the bank base rate decreased by 0.5%, the impact on the profit or loss and net assets would be expected to be a negative £64,000 (2018: £14,000). The calculations are based on the cash balances at the respective balance sheet date and are not representative of the year as a whole.

All current liabilities have no interest rate and are repayable within one year.

Other price risk exposure

If the investment valuation had fallen by 10% at 31 December 2019, the impact on profit or loss and net assets would have been negative £31.2 million (2018: £32.1 million). If the investment portfolio valuation rose by 10% at 31 December 2019, the impact on profit or loss and net assets would have been positive £31.2 million (2018: £32.1 million). The calculations are based on the portfolio valuations as at the respective year-end date and are not representative of the period as a whole, as well as the assumption that all other variables remained constant.

The Company held the following categories of financial instruments, all of which are included in the Statement of Financial Position at fair value.

as at 31 December	**2019 £'000**	**2018 £'000**
Assets at fair value through profit or loss	312,267	321,493
Cash	12,798	2,709
Investment income receivable	732	632
Other receivables	60	44
Other payables	(2,714)	(2,392)
	323,143	**322,486**

Liquidity risk exposure

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. All payables are due within under three months.

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are easily and readily realisable. The Company does not have any borrowing facilities and as at 31 December held £12,798,000 cash.

Capital management policies and procedures

The Company's capital management objectives are to ensure that it will be able to continue as a going concern, and to provide long-term growth in revenue and capital.

16. Risk Management and Financial Instruments continued

The Company's capital is its equity share capital and reserves that are shown in the Statement of Financial Position at a total of £323,143,000 (2018: £322,486,000).

The Board, with the assistance of the AIFM, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This includes a review of the planned level of gearing, the need to repurchase or issue equity shares, and the extent to which any revenue in excess of that which is required to be distributed be retained.

The Company is subject to the following externally imposed capital requirements:

- as a public company, the Company has a minimum share capital of £50,000; and
- in order to be able to pay dividends out of profits available for distribution, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.

The Company has complied with both of the above requirements.

The Board, with the assistance of the AIFM, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This includes a review of the planned level of gearing, the need to repurchase or issue equity shares, and the extent to which any revenue in excess of that which is required to be distributed be retained.

17. Contingent Liabilities

As at 31 December 2019 there were no contingent liabilities or capital commitments.

18. Related Party Transactions

IAS 24 'Related party disclosures' requires the disclosure of the details of material transactions between the Company and any related parties. Accordingly, the disclosures required are set out below:

Directors – The remuneration of the Directors and the terms of their appointments are set out in the Directors' Remuneration Report on page 51. There were no other contracts subsisting during or at the end of the year in which a Director of the Company is or was interested and which are or were significant in relation to the Company's business. There were no other material transactions during the year with the Directors of the Company.

AIFM and Investment Manager – Details of the contract including the remuneration due to the AIFM and Investment Manager are detailed in Note 4 on page 70.

Terry Smith, the Managing Partner at Fundsmith LLP, the Company's AIFM and Investment Manager holds interests in 847,000 shares in the Company (2018: 580,000) amounting to 3.2% (2018: 2.2%) of the Company's issued share capital as at the date of this report.

Financial Calendar

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

Annual General Meeting

The Annual General Meeting of Fundsmith Emerging Equities Trust plc will be held at Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL on Wednesday, 27 May 2020 at 12 noon.

Share Price

The Company's Ordinary Shares are listed on the London Stock Exchange under 'Investment Companies'. The price is given daily in the Financial Times and other newspapers.

Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's Registrar, Link Asset Services, under the signature of the registered holder.

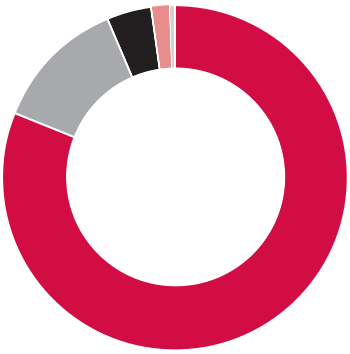
Daily Net Asset Value

The daily net asset value of the Company's shares can be obtained on the Company's website at www.feetplc.co.uk and is published daily via the London Stock Exchange.

Profile of the Company's Ownership

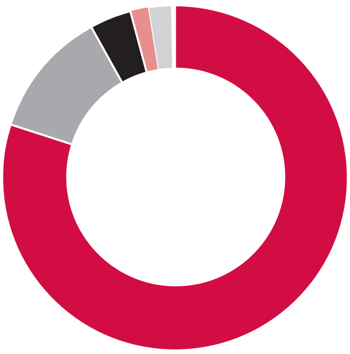
% of Ordinary Shares held at

31 December 2019



- Retail 81.2%
- Corporate 12.5%
- Banks 4.3%
- Pension Funds 1.5%
- Investment Companies 0.5%

31 December 2018



- Retail 80.3%
- Corporate 11.8%
- Banks 4.0%
- Pension Funds 1.5%
- Investment Companies 2.4%

Fundsmith LLP ("Fundsmith") and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within an Investor Disclosure Document ("IDD") which can be found on the Company's website www.feetplc.co.uk.

The periodic disclosures to investors are made below:

- information on the investment strategy, geographic and sector investment focus and principal stock exposures are included in the Strategic Report.
- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- The Strategic Report and note 16 to the financial statements set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the year under review and no breaches of any of the risk limits set, with no breach expected.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by Fundsmith.

Leverage

For the purposes of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a Gross and a Commitment method. Under the Gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the Commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

The table below sets out the current maximum permitted limit and actual level of leverages for the Company:

	As a percentage of assets	
	Gross method	Commitment method
Maximum level of leverage	115%	115%
Actual level at 31 December 2019	Nil	Nil

There have been no breaches of the maximum level during the year and no changes to the maximum level of leverage employed by the Company. There is no right of re-use of collateral or any guarantees granted under the leveraging arrangement.

Changes to the information contained either within this Annual Report or the IDD in relation to any special arrangements in place, the maximum level of leverage which Fundsmith may employ on behalf of the Company, the right of use of collateral or any guarantee granted under any leveraging arrangement, or any change to the position in relation to any discharge or liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

Remuneration Disclosure

During the year ending 31 March 2019, Fundsmith LLP ('Fundsmith') had 26 members of personnel in total, including employees and Partners. The total amount of remuneration paid to Fundsmith personnel during this period was £34,106,798. Out of this figure, the total amount of remuneration paid to the Partners of Fundsmith LLP was £26,387,125 whilst the total amount of remuneration paid to the employees of Fundsmith LLP was £7,719,673.

Of the £7,719,673 paid to Fundsmith employees, £5,290,012 was variable remuneration and £2,429,661 was fixed remuneration.

The partners of Fundsmith LLP are not paid a bonus. All of their remuneration is fixed as it is based on a fixed proportion of Fundsmith LLP's net profits.

Explanatory Note

Fundsmith LLP is required to make this remuneration disclosure to the Company's investors in accordance with the Alternative Investment Fund Managers Directive (AIFMD).

The financial year of the Company runs from 1 January to 31 December, whereas the financial year of Fundsmith LLP runs from 1 April to 31 March. The above figures are taken from the financial report and accounts of Fundsmith LLP for the period 1 April 2018 to 31 March 2019. These figures have been independently audited and filed with Companies House.

The rules require Fundsmith to disclose both the amount of remuneration paid in total, and the amount paid to "Code Staff" (broadly, senior management and/or risk takers). Fundsmith's only Code Staff are the Partners and the Fund Managers.

The information above relates to Fundsmith LLP as a whole, and it has not been broken down by reference to the Company or the other funds that Fundsmith manages. Nor has the proportion of remuneration which relates to the income Fundsmith earns from their management of the Company been shown. Fundsmith has not provided such a breakdown because this does not reflect the way they work or the way Fundsmith is organised. All of the Partners and most of the employees are involved in the management of the Company.

The Company represents approximately 1.3% of Fundsmith's total funds under management.

Statement on the Alternative Investment Fund Managers Remuneration Code

The Company is classified as an Alternative Investment Fund (AIF) in accordance with the Alternative Investment Fund Managers Directive (AIFMD). Fundsmith LLP is duly authorised as an Alternative Investment Fund Manager (AIFM) for the purpose of managing the Company. As an authorised AIFM, Fundsmith LLP must adhere to the AIFM Remuneration Code.

The AIFM Remuneration Code contains a set of principles, which are designed to ensure that AIFMs reward their personnel in a way which promotes sound and effective risk management, which does not encourage risk-taking, which supports the objectives and strategy of any AIFs it manages, and which supports the alignment of interest between the AIFM, its personnel and any AIFs it manages (where this alignment extends to the AIF's investors).

Remuneration at Fundsmith LLP is deliberately straightforward. The employees are paid a competitive salary. At the end of each year, the employees' performance is reviewed by the Partners in order to determine whether or not a bonus should be paid. All bonus decisions are agreed unanimously by the Partners.

Alternative Investment Fund Managers Directive Disclosures (Unaudited)

The Partners are each paid a fixed proportion of Fundsmith LLP's net profits. They consider that this is the best way to ensure that the Partners' interests are completely aligned with their investors' interests over the long-term. This alignment of interest is reinforced by the fact that Fundsmith personnel have invested approximately £13,000,000 in the Company. They have a clear and direct interest in the long-term success of the Company.

Any investor who would like more information on how Fundsmith adheres to the Principles of the Remuneration Code may request a summary of our Remuneration Policy.

Fundsmith LLP
AIFM

Alternative Investment Fund Managers Directive ("AIFMD")

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

Alternative Performance Measures ("APMs")

The measures the Board of Directors uses to assess the Company's performance, which are not specifically defined under the International Financial Reporting Standards but which are viewed as particularly relevant for investment trusts. Definitions of the terms used and the basis of calculation are set out in this Glossary and the APMs are indicated with an asterisk (*).

Discount or Premium*

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

Gearing

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

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

Potential gearing is the Company's borrowings expressed as a percentage of shareholders' funds.

Leverage

For the purposes of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

Net Asset Value ("NAV") Per Share

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

NAV Total Return*

The theoretical total return on shareholders' funds per share, reflecting the change in NAV assuming that dividends paid to shareholders were reinvested at NAV at the time the shares were quoted ex-dividend. A way of measuring the investment management performance of investment trusts which is not affected by movements in the share price.

	31 Dec 2019	31 Dec 2018
Opening NAV	1,222.0p	1,259.7p
Increase/(decrease) in NAV	(9.0p)	(37.7p)
Closing NAV	1,213.0p	1,222.0p
% increase/(decrease) in NAV	(0.7%)	(3.0%)
Impact of reinvested dividends	0.2%	–
NAV Total Return	(0.5%)	(3.0%)

Neutral Free Cash Flow ("NFCF")

A company's free cash flow after adding back capital expenditures in excess of depreciation.

Ongoing Charges*

Ongoing charges are calculated by taking the Company's annualised operating expenses, and expressing them as a percentage of the average daily net asset value of the Company over the year. The costs of buying and selling investments are excluded, as are interest costs, taxation, costs of buying back or issuing shares and other non-recurring costs. These items are excluded because if included, they could distort the understanding of the Company's performance for the year and the comparability between periods.

	31 Dec 2019 £'000	31 Dec 2018 £'000
Operating expenses	4,552	5,052
One off expense write offs	–	(291)
Average net assets during the year	331,375	312,711
Ongoing charges (annualised)	1.40%	1.52%

Return on Capital Employed ("ROCE")

A financial ratio that measures a company's profitability and the efficiency with which its capital is employed. It is calculated as Earnings Before Interest and Tax (EBIT)/Capital Employed.

Return Per Share

The proportion of a Company's profit allocated to each ordinary share.

Share Price Total Return*

The return to the investor reflecting the change in the share price, on a last traded price to a last traded price basis, assuming that all dividends paid were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

	31 Dec 2019	**31 Dec 2018**
Opening share price	1,190.0p	1,314pp
Increase/(decrease) in share price	(90.0p)	(124.0p)
Closing share price	**1,100.0p**	**1,190.0p**
% increase/(decrease) in share price	(7.6%)	(9.4%)
Impact of reinvested dividends	0.2%	–
Share Price Total Return	**(7.4%)**	**(9.4%)**

* Alternative Performance Measures.

Investment Platforms

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

AJ Bell Youinvest	http://www.youinvest.co.uk/
Barclays Stockbrokers	https://www.barclays.co.uk/smart-investor/
Bestinvest	http://www.bestinvest.co.uk/
Charles Stanley Direct	https://www.charles-stanley-direct.co.uk/
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://hsbc.co.uk/investments/
iDealing	http://www.idealing.com/
Interactive Investor	http://www.ii.co.uk/
IWEB	http://www.iweb-sharedealing.co.uk/share-dealing-home.asp
Saga Share Direct	https://www.sagasharedirect.co.uk/
Selftrade	http://www.selftrade.co.uk/
The Share Centre	https://www.share.com/
Saxo Capital Markets	https://www.home.saxo/

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 share certificate. Please have the appropriate documents to hand when you log on or call, as this information will be needed before you can buy or sell shares.

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

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

Risk Warnings

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

Notice is hereby given that the Annual General Meeting of Fundsmith Emerging Equities Trust plc will be held at Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL on Wednesday, 27 May 2020 at 12 noon for the following purposes:

Ordinary Business

To consider and, if thought fit, pass the following as ordinary resolutions:

1. To receive the Annual Report for the year ended 31 December 2019, including the financial statements and the directors' and auditors' reports thereon.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2019.
3. To approve the payment of a final dividend of 3.2 pence per ordinary share for the year ended 31 December 2019.
4. To re-elect Martin Bralsford as a Director of the Company.
5. To re-elect Rachel de Gruchy as a Director of the Company.
6. To re-elect David Potter as a Director of the Company.
7. To re-elect John Spencer as a Director of the Company.
8. To re-appoint Deloitte LLP as Auditor to the Company and to authorise the Audit Committee to determine their remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions of which resolutions 10, 11, 12 and 13 will be proposed as special resolutions:

Authority to Issue Shares

9. THAT, in substitution for all existing authorities, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to a maximum aggregate nominal amount of £26,640.05 (being 10% of the issued share capital of the Company at the date of the notice convening the meeting at which this resolution is proposed) and representing 2,664,005 shares of 1 penny each, provided that this authority shall (a) only be used to issue new shares for a price (after taking into account the costs of issue) which represents a premium to the Company's latest cum-income net asset value per share (as announced through a regulatory information service) and (b) expire at the conclusion of the Annual General Meeting of the Company to be held in 2021 or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired.

Disapplication of Pre-emption Rights

10. THAT, in substitution of all existing powers, the Directors be and are hereby generally empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred on them by resolution 9 set out in the notice convening the Annual General Meeting at which this resolution is proposed or otherwise as if section 561(1) of the Act did not apply to any such allotment and to sell relevant shares (within the meaning of section 560 of the Act) for cash as if section 561(1) of the Act did not apply to any such sale, provided that this power shall be limited to the allotment of equity securities pursuant to:

    (a) an offer of equity securities open for acceptance for a period fixed by the Directors where the equity securities respectively attributable to the interests of holders of shares of 1 penny each in the Company ("Shares") are proportionate (as nearly as may be) to the respective numbers of Shares held by them but subject to such exclusions or other arrangements in connection with the issue as the Directors may consider necessary, appropriate, or expedient to deal with equity securities representing fractional entitlements or to deal with legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange, or any other matter whatsoever; and

(b) (otherwise than pursuant to sub-paragraph (a) above) an offer or offers of equity securities of up to an aggregate nominal value of £26,640.05;

and expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such offer or agreement as if the power conferred hereby had not expired.

Treasury Shares

11. THAT in substitution of all existing powers (but in addition to any power conferred on them by resolution 10 set out in the Notice of Annual General Meeting) the Directors be and are hereby generally empowered pursuant to Section 570 of the Companies Act 2006 (the “Act”) to sell relevant shares (within the meaning of Section 560 of the Act) if, immediately before the sale, such shares are held by the Company as treasury shares (as defined in Section 724 of the Act (“Treasury Shares”)), for cash as if Section 561(1) of the Act did not apply to any such sale provided that:

(a) where any Treasury Shares are sold pursuant to this power at a discount to the then prevailing net asset value of ordinary shares of 1p each in the Company (“Shares”), such discount must be (i) lower than the discount to the net asset value per Share at which the Company acquired the Shares which it then holds in treasury and (ii) not greater than 5% to the last published net asset value per Share at the time of such sale (and for this purpose the Directors shall be entitled to determine in their reasonable discretion the discount to the net asset value at which such Shares were acquired by the Company and the net asset value per Share at the time such Shares are sold pursuant to this power); and

(b) this power shall be limited to the sale of relevant shares having an aggregate nominal value of £26,640.05, being 10% of the issued share capital of the Company as at the date of this Notice of Annual General Meeting and representing 2,664,005 Shares, and provided further that the number of relevant shares to which power applies shall be reduced from time to time by the number of Shares which are allotted for cash as if Section 561(1) of the Act did not apply pursuant to the power conferred on the Directors by resolution 10 set out in the Notice of Annual General Meeting;

and such power shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 15 months from the date of passing this resolution, whichever is earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might otherwise require treasury shares to be sold after such expiry and the Directors may sell Treasury Shares pursuant to such offer or agreement as if the power conferred hereby had not expired.

Authority to Repurchase Ordinary Shares

12. THAT the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 (the "Act") to make one or more market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 1 penny each in the capital of the Company ("Shares") (either for retention as Treasury Shares for future reissue, resale, transfer or cancellation) provided that:

    (a) the maximum aggregate number of Shares authorised to be purchased is 3,993,344 (representing approximately 14.99% of the issued share capital of the Company at the date of the notice convening the meeting at which this resolution is proposed);

    (b) the minimum price (exclusive of expenses) which may be paid for a Share is 1 penny;

    (c) the maximum price (exclusive of expenses) which may be paid for a Share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that Share is purchased and (ii) the higher of the price of the last independent trade in shares and the highest then current independent bid for shares on the London Stock Exchange;

    (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2021 or, if earlier, on the expiry of 15 months from the date of the passing of this resolution unless such authority is renewed prior to such time; and

    (e) the Company may make a contract to purchase Shares under this authority before the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority, and may make a purchase of Shares in pursuance of any such contract.

General Meetings

13. THAT the Directors be authorised to call general meetings (other than annual general meetings) on not less than 14 clear days' notice, such authority to expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, until expiry of 15 months from the date of the passing of this resolution.

By order of the Board

Registered office:
33 Cavendish Square
London W1G 0PW

Frostrow Capital LLP
Company Secretary
5 March 2020

Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company.
2. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolutions. If no voting indication is given, a proxy may vote or abstain from voting at his/her discretion. A proxy may vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
3. Hard copy forms of proxy have not been included with this notice. Members can vote by: logging onto www.myfeetshares.co.uk and following instructions; requesting a hard copy form of proxy directly from the registrars, Link Asset Services, at enquires@linkgroup.co.uk or in the case of CREST members, utilising the CREST electronic proxy appointment service in accordance with the procedures set out below. To be valid any appointment of a proxy must be completed, signed and received at Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF no later than 12 noon on 22 May 2020.
4. In the case of a member which is a company, the instrument appointing a proxy must be executed under its seal or signed on its behalf by a duly authorised officer or attorney or other person authorised to sign. Any power of attorney or other authority under which the instrument is signed (or a certified copy of it) must be included with the instrument.
5. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described below) will not prevent a shareholder attending the meeting and voting in person if he/she wishes to do so.
6. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
7. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
8. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered on the register of members of the Company (the "Register of Members") at close of business on 20 May 2020 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting) will be entitled to attend and vote or be represented at the meeting in respect of shares registered in their name at that time. Changes to the Register of Members after that time will be disregarded in determining the rights of any person to attend and vote at the meeting.
9. As at 4 March 2020 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 26,640,056 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 4 March 2020 are 26,640,056.
10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
11. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK and Ireland Limited ("CRESTCo"), and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) no later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
12. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
14. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Register of Members in respect of the joint holding (the first named being the most senior).

Further Information

15. Members who wish to change their proxy instructions should submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

16. Members who have appointed a proxy using a hard-copy proxy form and who wish to change the instructions using another hard-copy form, should contact Link Asset Services on 0871 664 0300 (calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate). Lines are open 9.00 a.m. to 5.30 p.m. Monday to Friday excluding public holidays in England and Wales.

17. If a member submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

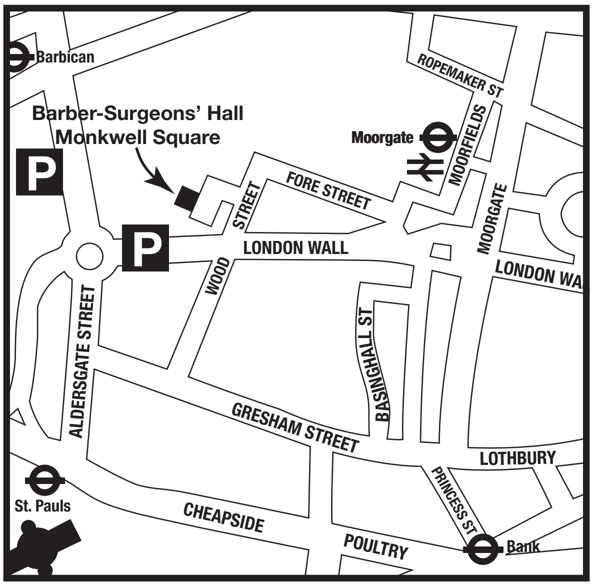
18. In order to revoke a proxy instruction, members will need to inform the Company. Members should send a signed hard copy notice clearly stating their intention to revoke a proxy appointment to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF.

19. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power of attorney) must be included with the revocation notice. If a member attempts to revoke their proxy appointment but the revocation is received after the time for receipt of proxy appointments (see above) then, subject to paragraph 4, the proxy appointment will remain valid.

20. Members representing at least 5% of the total voting rights of the Company (excluding any voting rights attached to any Treasury Shares), or at least 100 members who have a right to vote at the AGM, may require the Company to give notice of a resolution which may properly be moved and is intended to be moved at the meeting. Such members may also request the Company to include in the business to be dealt with at an annual general meeting any matter (other than a proposed resolution) which may properly be included in the business. Any such requests may be in hard copy or electronic form; must identify the resolution of which notice is to be given (if applicable); must be authenticated by the person or persons making it; and must be received by the Company not later than six weeks before the meeting.

LOCATION OF THE ANNUAL GENERAL MEETING

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



How To Vote

If you would like to attend and vote in person, shareholders should bring proof of identity to the meeting. If you have a disability or impairment, please let us know so that we may try to make suitable arrangements at the meeting.

If you are unable to attend the meeting, you can appoint a proxy to vote on your behalf.

If you hold your shares directly you can:

- Log on to www.myfeetshares.co.uk and follow instructions; or
- Request a hard copy form of proxy from the Company's registrars, Link Asset Services, by emailing enquiries@linkgroup.co.uk and returning the completed and signed form to Link Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF no later than 12 noon on 22 May 2020.

If you hold your shares via an investment platform (e.g. Hargreaves Lansdown) or a nominee, you should contact them to inquire about arrangements to vote.

Resolution 1 – To receive the Annual Report and Financial Statements

The Annual Report for the year ended 31 December 2019 will be presented to the Annual General Meeting. The financial statements and the Directors' & Auditor's reports thereon accompanied this Notice of Meeting and shareholders will be given an opportunity at the meeting to ask questions.

Resolution 2 – Remuneration Report

The Directors' Remuneration Report is set out in full in this annual report on pages 51 to 52.

Resolution 3 – To approve a Final Dividend

The rationale for the payment of a final dividend is set out in the Chairman's Statement on page 7 and in the Report of the Directors on page 42.

Resolutions 4 to 7 – Re-Election of Directors

Resolutions 4 to 7 deal with the re-election or election of each Director. Biographies of each of the Directors can be found on page 33 of this Annual Report.

The Chairman has confirmed, following a performance review, that all the Directors continue to perform effectively. The specific reasons why (in the Board's opinion) each Director's contribution is, and continues to be, important to the Company's long-term sustainable success are as follows:

Martin Bralsford

Martin's leadership of the Board draws on his long and varied experience on the boards of a number of commercial, banking and investment companies. Martin's openness and style are considered important in maintaining a good relationship and constructive engagement with with Investment Manager. He focuses on long-term strategic issues, which are a central topic of Board discussion.

David Potter

David brings a wealth of experience to the Board as a result of his long career in the City. As Chairman of the Management Engagement Committee, David chaired the discussions with Fundsmith regarding the changes to their portfolio management team structure and the reduction in the investment management fee during the year (see page 43 for further information).

John Spencer

As a chartered accountant with extensive experience from a variety of boards and audit committees, John brings to the Board, and the Audit Committee under his chairmanship, an incisive perspective on the Company's financial position and its risk control environment.

Rachel de Gruchy

Rachel has over thirty years of international investment industry experience and her first-hand knowledge enables the Board to engage authoritatively with the Investment Manager on their investment strategy.

Resolution 8 – Re-Appointment of Auditor and the determination of their remuneration

Resolution 8 relates to the re-appointment of Deloitte LLP as the Company's independent Auditor to hold office until the next Annual General Meeting of the Company and also authorises the Audit Committee to set their remuneration.

Resolutions 9 and 10 – Issue of Shares

Ordinary Resolution 9 in the Notice of Annual General Meeting will renew the authority to allot unissued share capital up to an aggregate nominal amount of £26,640.05 (equivalent to 2,664,005 shares, or 10% of the Company's existing issued share capital on 4 March 2020, being the nearest practicable date prior to the signing of this Annual Report). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of the passing of the resolution, whichever is earlier. This means that the authority will have to be renewed at the next Annual General Meeting unless previously renewed.

When shares are to be allotted for cash, Section 551 of the Companies Act 2006 (the "Act") provides that existing shareholders have pre-emption rights and that the new shares must be offered first to such shareholders in proportion to their existing holding of shares. However, shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro rata issue to existing shareholders. Special Resolution 10 will, if passed, give the Directors power to allot for cash equity securities up to 10% of the Company's existing share capital on 4 March 2020, as if Section 551 of the Act does not apply. This is the same nominal amount of share capital which the Directors are seeking the authority to allot pursuant to Resolution 9. This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is earlier. This authority will not be used in connection with a rights issue by the Company.

The Directors intend to use the authority given by Resolutions 9 and 10 to allot shares and disapply pre-emption rights only in circumstances where this will be clearly beneficial to shareholders as a whole. The issue proceeds would be available for investment in line with the Company's investment policy. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 11 – Treasury Shares

Under Section 724 of the Companies Act 2006 ("s724") the Company is permitted to buy back and hold shares in treasury and then sell them at a later date for cash, rather than cancelling them. It is a requirement of s724 that such sale be on a pre-emptive, pro rata, basis to existing shareholders unless shareholders agree by special resolution to disapply such pre-emption rights. Accordingly, in addition to giving the Directors power to allot unissued share capital on a non pre-emptive basis pursuant to Resolution 10, Special Resolution 11, if passed, will give the Directors authority to sell shares held in treasury on a non pre-emptive basis. The benefit of the ability to hold treasury shares is that such shares may be resold. This should give the Company greater flexibility in managing its share capital, and improve liquidity in its shares. Any re-sale of treasury shares would only take place at a narrower discount to the net asset value per share than that at which they had been bought into treasury, and in any event at a discount no greater than 5% to the prevailing net asset value per share, and this is reflected in the text of Resolution 11. It is also the intention of the Board that sales from treasury would only take place when the Board believes that to do so would assist in the provision of liquidity to the market. The number of treasury shares which may be sold pursuant to this authority is limited to 10% of the Company's existing share capital as at the date of this report (reduced by any equity securities allotted for cash on a non-pro rata basis pursuant to Resolution 10, as described above). This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is earlier.

Resolution 12 – Share Repurchases

The principal aim of a share buy-back facility is to enhance shareholder value by acquiring shares at a discount to net asset value, as and when the Directors consider this to be appropriate. The purchase of shares, when they are trading at a discount to net asset value per share, should result in an increase in the net asset value per share for the remaining shareholders. This authority, if conferred, will only be exercised if to do so would result in an increase in the net asset value per share for the remaining shareholders and if it is in the best interests of shareholders generally. Any purchase of shares will be made within guidelines established from time to time by the Board.

Under the current Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of (i) 105% of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out. The minimum price which may be paid is 1 penny per share.

Special Resolution 12 in the Notice of Annual General Meeting will renew the authority to purchase in the market a maximum of 14.99% of shares in issue on 4 March 2020, being the nearest practicable date prior to the signing of this Annual Report (amounting to 3,993,344 shares). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the resolution, whichever is earlier. This means in effect that the authority will have to be renewed at the next Annual General Meeting or earlier if the authority has been exhausted.

Resolution 13 – General Meetings

Special Resolution 13 seeks shareholder approval for the Company to hold General Meetings (other than the Annual General Meeting) at 14 clear days' notice. The Company will only use this shorter notice period where it is merited by the purpose of the meeting and will endeavour to give at least 14 working days' notice if possible.

Recommendation

The Board considers that the resolutions relating to the above items of special business are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming Annual General Meeting, as the Directors intend to do in respect of their own beneficial holdings totalling 126,969 shares.

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)*

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

Registered Office
33 Cavendish Square
London W1G 0PW

Website
www.feetplc.co.uk

Company Registration Number
08756681 (Registered in England and Wales)

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

The Company was incorporated in the United Kingdom on 31 October 2013 as FEEIT plc

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

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

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

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

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

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

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

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

Registrar
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone (in UK): 0371 664 0300†
Telephone (from overseas): +44 (0)371 664 0300
E-Mail: enquiries@linkgroup.co.uk
Website: www.linkassetservices.com

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

†Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable International rate. Lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday excluding public holidays in England and Wales.

Broker
Investec Bank plc
2 Gresham Street
London EC2V 7QP

Further Information

Solicitors
Travers Smith LLP
10 Snow Hill
London EC1A 2AL

Identification Codes

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

Foreign Account Tax Companies Act (“FATCA”)
32RSE8.99999.SL.826

Legal Entity Identifier
2138003EL6XV8JYU8V55

Disability Act

Copies of this annual report and other documents issued by the Company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, including braille, audio tape or larger type as appropriate. You can contact the Registrar to the Company, Link Registrars, which has installed telephones to allow speech and hearing impaired people who have their own telephone to contact them directly, without the need for an intermediate operator, for this service please call 0800 731 1888. Specially trained operators are available during normal business hours to answer queries via this service. Alternatively, if you prefer to go through a ‘typetalk’ operator (provided by RNID) you should dial 18001 from your textphone followed by the number you wish to dial.

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

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

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The Association of Investment Companies

A member of the Association of Investment Companies

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