

Fundsmith Equity Fund – April 2023

LWM FUND SPOTLIGHT FUNDSMITH EQUITY FUND

INVESTMENT OBJECTIVE

The fund's objective is to achieve long-term (over 5 years) growth in value, investing in shares of companies on a global basis. The fund's approach is to be a long-term investor in its chosen stocks and it will not adopt short-term trading strategies. The fund aims to invest in businesses:

- that can sustain a high return on operating capital employed;
- whose advantages are difficult to replicate;
- which do not require significant borrowing to generate returns;
- with a high degree of certainty of growth from reinvestment of their cash flows at high rates of return;
- that are resilient to change, particularly technological innovation;
- whose valuation is considered to be attractive;

The fund will not invest in other funds, property or derivatives nor hedge any currency exposure. The fund will not borrow money, except in unusual circumstances. The fund is actively managed meaning that the fund manager uses their expertise to select investments to achieve the fund's objective. The fund does not track and is not managed by reference to any particular benchmark. The fund does not have any specific geographical or sector focus. An investor, or prospective investor, may buy or sell their shares on demand each business day in the UK. Instructions to buy or sell received before noon will be implemented that day; instructions received after noon or on a non-business day will be implemented at noon on the next business day. For the Accumulation Shares, the dividends are reinvested in the fund. For the Income Shares, the dividends are paid out to you from the fund.

INCEPTION DATE	1 st November 2010
FUND FACTSHEET	https://www.trustnet.com/factsheets/O/LSX6/fundsmith-equity-i-acc

MANAGEMENT

Manager Name	Start Date
Terry Smith	1 st November 2010

RATIO DATA (3-years)

Alpha	Beta	Max Drawdown	Max Gain	Max Loss	Negative Periods	Positive Periods	Tracking Error
0.46	1.03	-21.88	12.87	-11.61	61	95	6.99

OTHER DATA

Benchmark	MSCI ACWI
Fund Size	£23,541 million
Fees	0.94%

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BULL POINTS (PRO)	BEAR POINTS (CONS)
<ul style="list-style-type: none">• Steady management.• Strong long term track record.• Simple strategy focused on high quality companies.• Long term holders.	<ul style="list-style-type: none">• Fund size could constrain performance in the future.

FUND PERFORMANCE

Performance from 1st November 2010 – 31st March 2023

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling

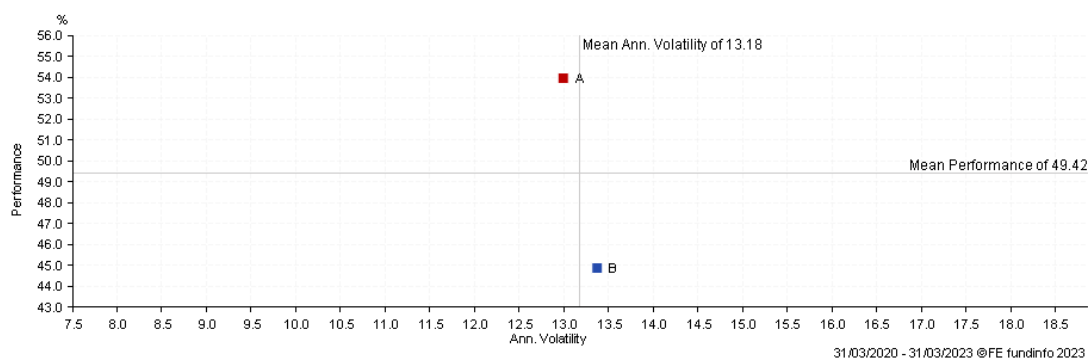


Please note that past performance is not a reliable indicator of future returns, and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

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VOLATILITY / RISK SCORE

Pricing Spread: Bid-Bid • Currency: Pounds Sterling

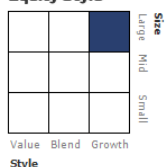


Key	Name	Performance	Annualised Volatility
A	MSCI ACWI TR in GB	53.95	12.99
B	Fundsmith - Equity I Acc in GB	44.89	13.37

MARKET CAP

Morningstar Style Box®

Equity Style



Mkt Cap %

31/12/2022

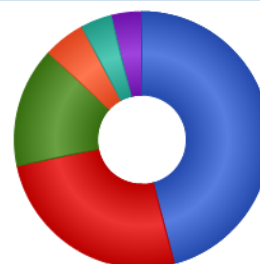
	Fund	Cat	Bmark
Giant	57.32	56.76	57.28
Large	19.21	23.65	29.76
Medium	23.47	17.64	12.87
Small	0.00	1.82	0.09
Micro	0.00	0.12	0.00

SECTOR WEIGHTING

Sector Weightings as at March 31, 2023

Rank	Change	Name	%
1	►	CONSUMER PRODUCTS	45.90
2	►	HEALTH CARE	25.80
3	►	TELECOM, MEDIA & TECHNOLOGY	15.20
4	▲	INDUSTRIALS	5.30
5	▼	MONEY MARKET	3.90
6	■	FINANCIALS	3.90

▼ Faller ▲ Riser ► No Change ■ New Entry

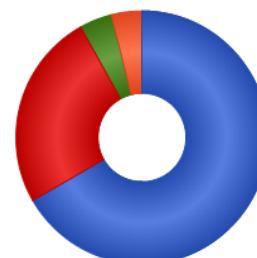


GEOGRAPHIC WEIGHTING

Region Weightings as at March 31, 2023

Rank	Change	Name	%
1	►	NORTH AMERICA	66.70
2	►	EUROPE EX UK	25.20
3	▲	UK	4.20
4	▼	MONEY MARKET	3.90

▼ Faller ▲ Riser ► No Change ■ New Entry



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HOLDINGS

Top 10 Holdings as at March 31, 2023

Rank	Change	Name	%	Sector Ranking*
1	▲	ESTEE LAUDER COMPANIES INC	n/a	n/a
2	▲	IDEXX LABORATORIES INC	n/a	n/a
3	■	MCCORMICK & COMPANY, INCORPORATED	n/a	n/a
4	▶	STRYKER CORPORATION	n/a	n/a
5	▶	L'OREAL	n/a	n/a
6	▶	LVMH MOET HENNESSY VUITTON	n/a	n/a
7	▶	NOVO NORDISK A/S	n/a	n/a
8	▶	MICROSOFT CORP	n/a	n/a
9	▶	PHILIP MORRIS INTERNATIONAL INC.	n/a	n/a
10	▶	VISA INC.	n/a	n/a
Total			0.00	

* This is the holding ranking within the fund sector composite portfolio (calculated from all available concurrent full portfolios of funds within the sector).

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LWM FUND ANALYSIS

Fundsmith was founded in 2010 by Terry Smith and this is the flagship strategy. The fundamental thesis of the fund is to invest in a small number of high quality companies which are attractively valued. Quality considers free cash flow, reliable growth prospects and the ability to compound returns over time.



The mantra for the strategy is summarised below:

1. Only invest in good companies
2. Don't overpay
3. Do nothing

From a universe of 60,000 companies, this distils down to around 20 to 30. The focus on higher quality companies means that the fund is more skewed towards large-cap names. One area of concern we would have is the size of the strategy, which at over £20 billion could impact performance in the future.

The table below shows that the fund has consistently outperformed the index, with the exceptions of 2022 and 2016.

Pricing Spread: Bid-Bid • Currency: Pounds Sterling

Customise Columns	2023 ↑↓	2022 ↑↓	2021 ↑↓	2020 ↑↓	2019 ↑↓	2018 ↑↓	2017 ↑↓	2016 ↑↓	2015 ↑↓	2014 ↑↓	2013 ↑↓
 Fundsmith Equity I Acc in GB	7.19	-13.71	22.23	18.41	25.76	2.30	22.09	28.29	15.82	23.46	25.44
 Index MSCI ACWI TR in GB	4.12	-8.08	19.63	12.67	21.71	-3.79	13.24	28.66	3.29	10.64	20.52

The strategy has relatively low turnover of stocks, although this has been higher than normal over the last three years, primarily associated with the volatility within markets.

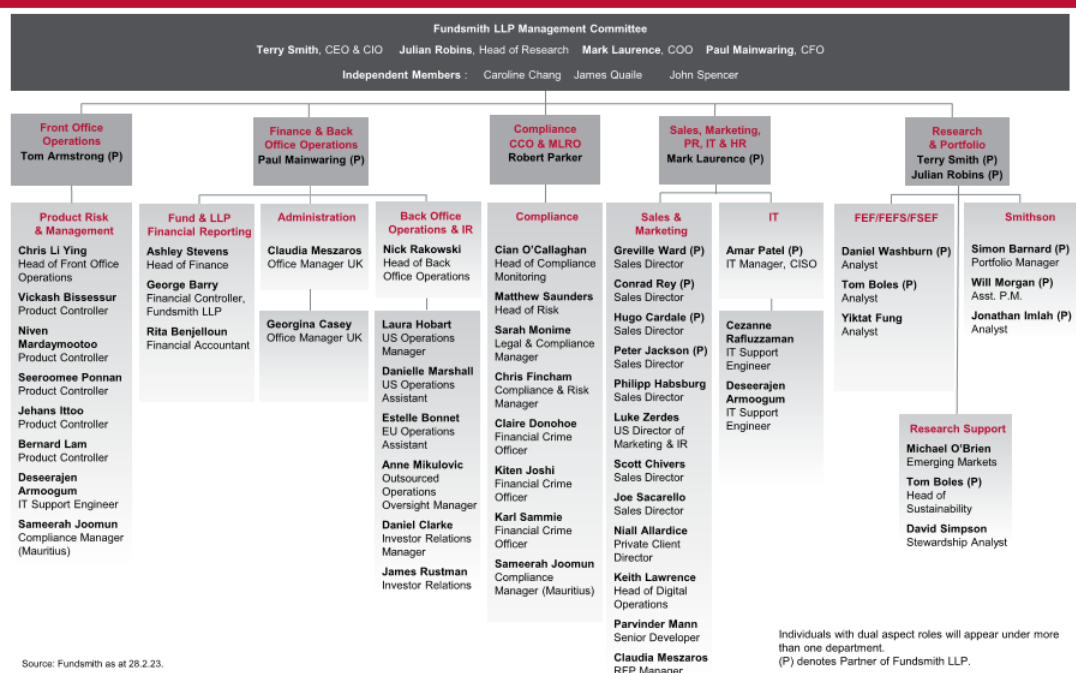
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2022		2021		2020	
Purchases	Sales	Purchases	Sales	Purchases	Sales
Adobe	Johnson & Johnson	Amazon	Intertek	Nike	Clorox
Mettler-Toledo	Starbucks	Alphabet	Sage	Starbucks	Reckitt Benckiser
Otis	Kone	Becton Dickinson		LVMH	
Apple	Intuit	InterContinental Hotels Group		Church & Dwight	
	PayPal				

Terry Smith is clearly the figurehead of the business and key man risk would be another area to consider. However, the company itself employs a significant of people, and therefore this should protect against issues we have seen with other businesses where it is effectively a “one-man” show.

Fundsmith Combined Organisation Chart

Don't overpay
Do nothing



There are no succession plans in place although it is expected that Julian Roberts would take over should something happen. They have also launched an investment trust, Smithson, and the managers from this team could step up if needed.

From an investor viewpoint this should be seen as a long term hold strategy. The fund is not looking to make clever bets but just looking to hold the very best companies. These companies will have low levels of debt and are consistently profitable. In an uncertain environment as we are in, the focus on quality is likely to be the long-term winner.

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In summary, for investors looking for a simple easy to understand global strategy this could be one to consider. The holdings are household names:

Top 10 holdings

- ▶ Microsoft
- ▶ Novo Nordisk
- ▶ L'Oréal
- ▶ LVMH
- ▶ Philip Morris
- ▶ Stryker
- ▶ IDEXX
- ▶ Estée Lauder
- ▶ McCormick
- ▶ Visa

There are two areas to consider, firstly the size of the strategy and whether this may impact performance in the future, and secondly the control that Terry Smith has over the fund and company.

The source of information in this note has been provided by Fundsmith and is correct as of April 2023. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this, and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.

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Registered Office: The Garden Suite, 23 Westfield Park, Redland, Bristol, BS6 6LT