



## Disclaimer – Important Notice



**Smithson**  
Investment Trust

The value of investments may go up as well as down. Past performance is not a guide to future performance. Mention of specific companies in this presentation does not imply an investment recommendation.

Fundsmith LLP (“Fundsmith”) is authorised and regulated by the Financial Conduct Authority with reference number 523102, and only acts for the funds to whom it provides regulated investment management and transaction arrangement services. Fundsmith does not act for or advise potential investors in connection with acquiring shares in Smithson Investment Trust PLC and will not be responsible to potential investors for providing them with protections afforded to clients of Fundsmith. Prospective investors are strongly advised to take their own legal, investment and tax advice from independent and suitably qualified advisers.

Fundsmith LLP is a limited liability partnership registered in England and Wales with number OC354233. Its registered office address is 33 Cavendish Square, London, W1G 0PW.”

# Smithson Investment Trust Update - Performance



**Smithson**  
Investment Trust

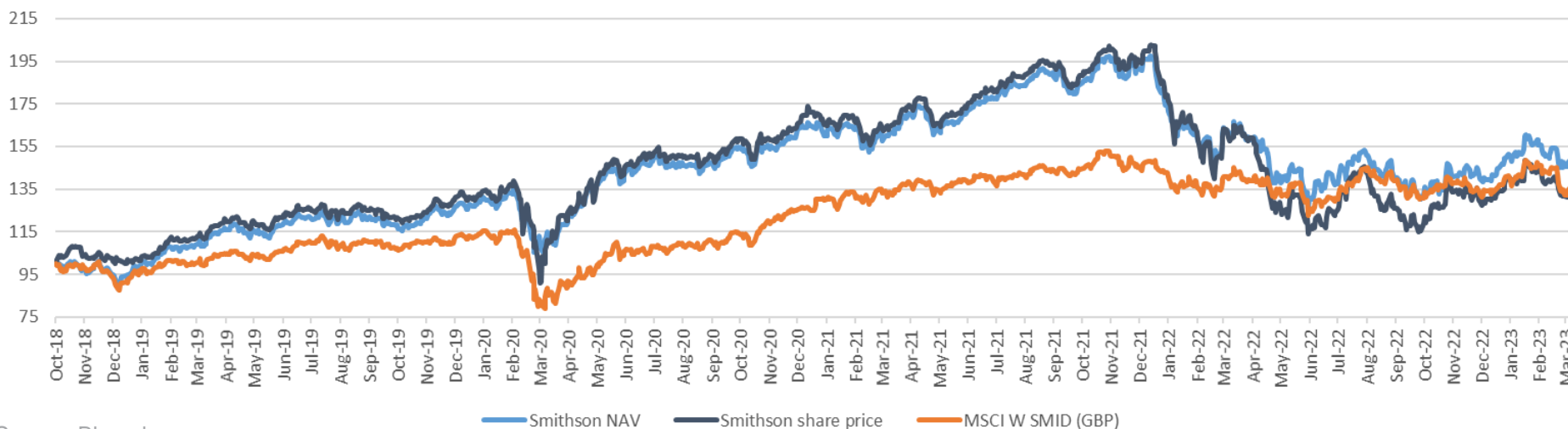
## Performance Overview, % Return

	1Q 2023	2022	2021	2020	2019	2018*	Inception to 31.03.23	Annualised to 31.03.23
Smithson NAV <sup>1</sup>	+8.9	-28.1	+18.9	+31.4	+33.2	-5.8	+53.6	+10.1
Smithson Share Price	+5.0	-35.2	+18.1	+31.7	+29.8	+0.0	+37.3	+7.4
Equities <sup>2</sup>	+1.6	-8.7	+17.8	+12.2	+21.9	-8.3	+37.0	+7.3
UK Bonds <sup>3</sup>	+2.4	-15.0	-4.5	+4.6	+3.8	+2.1	-7.8	-1.8
Cash <sup>4</sup>	+0.9	+1.4	+0.1	+0.3	+0.8	+0.2	+3.7	+0.8

<sup>1</sup>Source: Bloomberg, starting NAV 1,000.

<sup>2</sup>MSCI World SMID Index, £ net, source: [www.msci.com](http://www.msci.com)

<sup>3</sup>Bloomberg/Barclays Bond Indices UK Gov't 5-10yr, source: Bloomberg. <sup>4</sup>Month £ LIBOR Interest Rate source: Bloomberg. \*From 19.10.18



Source: Bloomberg

Day before launch (18<sup>th</sup> October 2018) rebased to 100.

Past performance is not a reliable indicator of future results. The value of your investment may go up as well as down and you may not get back the amount of your original investment.

# Smithson Investment Trust Update – Top holdings and contributors



Key issues affecting stock markets:

- Inflation
- Rising interest rate expectations
- Fears of recession

Top 10 Holdings by weighting as at 31-Mar-23

- Moncler (IT)
- Fortinet (US)
- Recordati (IT)
- Verisign (US)
- Simcorp (DK)
- Fevertree Drinks (UK)
- Masimo (US)
- Nemetschek (GR)
- Ambu (DK)
- Geberit (SW)

2022 Sector Performance (%)		
Sectors	MSCI World SMID Cap Performance	Smithson portfolio weight (%)
Energy	+64%	-
Utilities	+12%	-
Consumer Staples	0%	4%
Financials	-2%	3%
Materials	-3%	-
Industrials	-8%	23%
Health Care	-15%	15%
Real Estate	-16%	-
Consumer Discretionary	-18%	13%
Information Technology	-20%	38%
Communication Services	-23%	3%

Smithson contributors & detractors 2022	
Top Contributors	%
Rollins	0.4%
Technology One	0.2%
Moncler	0.2%
IDEX	0.1%
Qualys	-0.1%
Top Detractors	%
Fevertree Drinks	-3.2%
Temenos	-2.6%
Nemetschek	-2.1%
Rightmove	-1.7%
Domino's Pizza Group	-1.3%

Performance is given as percentage change in GBP  
 MSCI World SMID Index sector performance from Bloomberg  
 Smithson weights will not add up to 100% due to rounding and the fact the weighting in cash is not shown

## Smithson Exposure Breakdown



**Smithson**  
Investment Trust

Sector weightings: 31-Mar-23			Country weightings: 31-Mar-23			Sales exposure by region: 31-Dec-22	
Sector	Smithson	MSCI W SMID	Country of listing	Smithson	MSCI W SMID	Region	Smithson
Information Technology	34%	13%	USA	40%	58%	Europe	39%
Industrials	25%	19%	UK	18%	5%	North America	36%
Health Care	15%	9%	Italy	10%	1%	Asia Pacific	19%
Consumer Discretionary	14%	12%	Denmark	8%	1%	Eurasia, Middle East, Africa	4%
Consumer Staples	4%	5%	Switzerland	7%	2%	Latin America	2%
Financials	4%	13%	Germany	7%	2%		
Communication Services	3%	4%	Australia	4%	4%		
Real Estate		8%	New Zealand	3%	0%		
Materials		9%	Sweden	3%	2%		
Utilities		5%	Other	0%	25%		
Energy		4%	Cash	1%	0%		
Cash	1%						

Data for MSCI World SMID is market cap weighted.

Smithson Portfolio exposure based on weighted position sizes. For sales exposure by region, percentage splits are shown ex-cash, based on most recently-available full year data and portfolio weights as at 31-Dec-22.

Data may add up to more or less than 100% due to rounding.



- 1 Buy good companies**
- 2 Don't overpay**
- 3 Do nothing**

## Buy Good Companies – Smithson Portfolio Look-through



**Smithson**  
Investment Trust

LTM figures	Smithson Investment Trust	MSCI SMID
ROIC	43%#	11%
Gross Margin	65%	34%
Operating Profit Margin	25%	9%
Cash Conversion	101%	66%
Interest Cover	34x	7x

Data for the MSCI World SMID Cap Index is shown ex-financials, with weightings as at 31.12.2022.

Data for MSCI World SMID Cap Index is on a weighted average basis, using last available reported financial year figures as at 31.12.22

Data for Smithson portfolio is on a weighted average basis, ex-cash, using last available reported financial year figures as at 31.12.22







Interest cover (EBIT ÷ net interest) data for Smithson and MSCI SMID is done on a median average basis.

# ROIC for Smithson includes Rightmove (206% ROIC) and Verisign (330% ROIC). Excluding Rightmove, the ROIC is 38%; excluding Verisign it is 30%; and excluding both, it is 23%.

## Buy Good Companies – ESG



- ESG considerations are essential for ensuring longevity of high returns, which is what we seek.

	Our focus	Statistics	Companies helping	Engagement
Environmental	Our approach naturally avoids high polluting industries.	Average greenhouse gas (GHG) emissions for Smithson = 27 thousand tons vs. MSCI World at 4.5 <i>million</i> tons. Per £1mn of FCF, Smithson GHG emissions = 99t vs. MSCI World 365t		
Social	Successful companies have happy employees and avoid societal harm.	Women make up 29% of portfolio company boards (up from 21% in 2018) vs. 28% for the MSCI World		
Governance	Appropriate governance structures and incentives.  “Show me the incentive, and I’ll show you the outcome” – <i>Charlie Munger</i> .	We voted against remuneration at 24% of AGMs in the last 12 months.		

- Smithson is represented on the Fundsmith Stewardship & Sustainability Committee
- Fundsmith is a signatory to the UN PRI and UK Stewardship Code 2020



## Don't Overpay



We compare free cash flow yields now to what we think they will be in 4-5 years' time. We then select the best combination of current value and future growth, allowing for potential risks that the business may face.

We compare the stocks with:

- Each other
- The market
- Bonds

	Historical Neutral FCF Yield				
	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22
Smithson Investment Trust	3.9%	3.2%	2.9%	2.0%	3.3%
MSCI World SMID Index (ex-financials)	4.2%	3.5%	3.2%	2.5%	3.5%

Over the last 12 months, neutral free cash flow declined 7%\*.

Source: Fundsmith research, Bloomberg.

Neutral FCF yield is operating cash flow less maintenance capex.

For both Smithson and the MSCI World SMID Index, Neutral FCF yield is measured on a weighted average basis (note Smithson weights are grossed up to an ex-cash basis), based on the latest available full year data as at the stated date.

\*Weighted average neutral free cash flow growth is based on trailing 12 month cash flow growth yoy, as at the most recent quarterly reporting date available on 31-Dec-22



## Do Nothing – Theory vs. Practice

### What we say:

- Ideal holding period is forever
- Voluntarily exit a position only if:
  - Management makes bad capital allocation decisions
  - Fundamental reappraisal of investment case
  - Valuation becomes too expensive
  - Superior investment opportunity identified
- Some portfolio turnover will be involuntary, e.g. in the event of a takeover

### What we do:

	2019	2020	2021	2022	1Q 2023
<b>New Companies Bought</b>	Fevertree Drinks	Rational Qualys Fortinet	Rollins Wingstop	Moncler Addtech IDEX	Undisclosed
<b>Companies Sold</b>	CDK Global	Check Point	Abcam CHR Hansen	AO Smith Wingstop Ansys	-
<b>Voluntary Turnover</b>	6%	22%	10%	48%	
<b>OCF</b>	1.05%	0.97%	0.96%	0.90%	
<b>Dealing costs<sup>1</sup></b>	0.04%	0.03%	0.02%	0.03%	
<b>New shares issued</b>	32.3 million	26.9 million	30.3 million	5.4 million	-
<b>Proceeds from new issuance (net of costs)</b>	£377 million	£398 million	£534 million	£93 million	-
<b>Average premium to NAV</b>	2.9%	2.9%	2.0%	1.2%	-
<b>Shares bought back</b>	-	-	-	5.7 million	2.7 million
<b>Spend on buybacks</b>	-	-	-	£74 million	£37 million
<b>Average discount to NAV</b>	-	-	-	8.7%	8.3%

<sup>1</sup> Voluntary dealing costs (excluding new share issuance/buybacks)



## Portfolio Management Details



**Smithson**  
Investment Trust

### Smithson Portfolio Characteristics

Fund Ticker	SSON
Typical No. of Holdings	25-40
Current No. of Holdings (31.03.23)	32
Median company founded	1972
Median market cap (at 31.03.23)	£7.1bn
NAV	Published daily in FT, Telegraph & at <a href="http://www.smithson.co.uk">www.smithson.co.uk</a>
Reporting	Interim & Annual
Annual Shareholder Meeting	Yes
OCF and TCI to 31.12.22	0.90% and 0.93%
AMC	0.90%
Est. Portfolio Yield (at 31.03.23)	0.9%
Performance Fee	No
Portfolio Turnover	Low
Reference Index	MSCI World SMID Cap Index, £
AIC Sector	Global Smaller Companies

### Risk Management & Advisors

Currency Hedging	No
Derivatives	No
Gearing	Up to 15% short term
Portfolio Concentration	Max 10% in one company
Counterparty Concentration	No more than 20%
Continuation Policy	At board discretion if discount >10% >1 year after 4 <sup>th</sup> year
Board	Diana Dyer Bartlett - Chairman Lord St. John of Bletso Jeremy Attard-Manche Denise Hadgill
Sponsor & Broker	Investec Bank
Legal Adviser	Travers Smith LLP
Auditor	Deloitte LLP
Administrator	Northern Trust
Registrar	Link Asset Services
Depository	Northern Trust
Co. Secretary	Apex Listed Companies Services (UK) Limited



**Simon Barnard CFA**  
**PORTFOLIO MANAGER**

---

Simon Barnard joined Fundsmith in September 2017. He started his career at Goldman Sachs Asset Management in 2003 as a research analyst on the technology and industrial sectors. He moved to the consumer sector in 2008 and became the Global Lead Portfolio Manager for the consumer discretionary sector in 2012. In 2014 he was named Portfolio Manager of the 'Global Income Builder Fund', a multi-asset strategy. Upon its launch in 2016 he became Portfolio Manager of the 'Global Millennials Fund', a concentrated global equity growth fund. Simon has a First Class degree in Economics from the University of Cambridge and is a CFA charter holder.

**Will Morgan CFA**  
**ASSISTANT PORTFOLIO MANAGER**

---

Will Morgan joined Fundsmith in July 2017. He previously spent 17 years at Goldman Sachs. He began his career there in 2000, initially in the asset management division, before moving to equity sales in 2002. In 2003 he joined the Global Investment Research division as an analyst covering the insurance sector, and became head of the team in 2008. In 2011 he moved to lead coverage of the Construction & Building Materials sector, becoming a Managing Director in 2013 and deputy head of the Industrials business unit. He became a sector specialist for Autos and Industrials in 2015. He has a First Class degree in Economics & Politics from the University of Bristol and is a CFA charter holder.

**Jonathan Imlah**  
**ANALYST**

---

Jonathan joined Fundsmith in December 2013 from Canaccord Genuity where he was the lead Technology analyst since 2010. He was previously at Altium Securities where he covered technology for 6 years, latterly as Head of Research. Prior to Altium, he worked in the large cap technology team at Dresdner Kleinwort covering pan European IT services. Jonathan was Techmark analyst of the year in 2007 and was number 1 or 2 in his sector in the FT Starmine survey between 2006 and 2010. Prior to taking up a career as an analyst Jonathan was a country investment report writer working in Spain, India, Russia, Hungary, Brazil, Peru, Zimbabwe and Guatemala. Jonathan has an MBA from INSEAD and a degree in French and Philosophy from the University of St Andrews and is a fluent Spanish speaker.