



Disclaimer – Important Notice



Smithson
Investment Trust

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3. Smithson Investment Trust Update - Performance



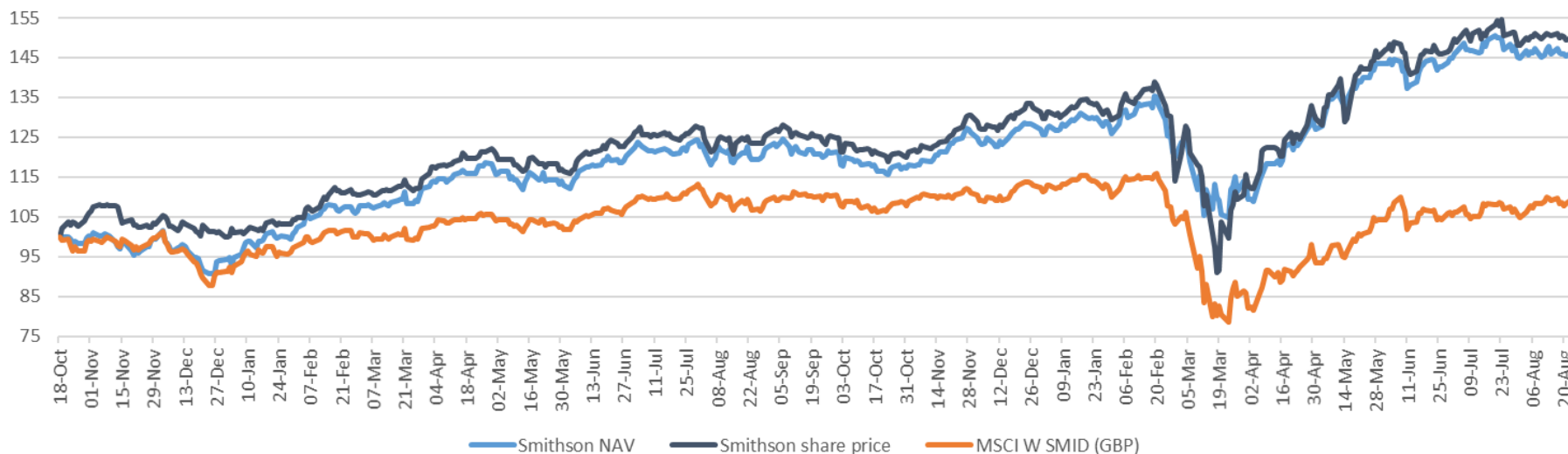
Performance Overview, % Return

	Aug 2020	Year to 28.08.20	2019	2018*	Inception to 28.08.20	Annualised to 28.08.20
Smithson NAV ¹	+0.7	+16.3	+33.2	-5.8	+46.0	+22.6
Smithson Share Price	+1.1	+15.4	+29.8	+0.0	+49.8	+24.3
Equities ²	+3.8	-2.7	+21.9	-8.3	+8.8	+4.6
UK Bonds ³	-1.1	+3.8	+3.8	+2.1	+10.0	+5.3
Cash ⁴	+0.0	+0.3	+0.8	+0.2	+1.3	+0.7

¹Source: Bloomberg, starting NAV 1,000.

²MSCI World SMID Index, £ net, source: www.msci.com

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



Day before launch (18th 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



Top 10 Holdings as at 28-Aug-20

- Fevertree Drinks (UK)
- Rightmove (UK)
- Domino's Pizza Enterprises (AUS)
- Verisk Analytics (US)
- ANSYS (US)
- Cognex (US)
- Domino's Pizza Group (UK)
- IPG Photonics (US)
- Recordati (IT)
- Equifax (US)

Top contributors & detractors: 1H 2020

Top 5 Contributors

Security	Country	Sector	Contribution %
Ambu	Denmark	Health Care	2.8
Masimo	United States	Health Care	2.5
Fisher & Paykel	New Zealand	Health Care	1.5
Domino's Pizza Enterprises	Australia	Consumer Discretionary	1.3
MSCI	United States	Financials	1.2

Top 5 Detractors

Security	Country	Sector	Contribution %
Sabre	United States	Information Technology	-3.0
Rightmove	United Kingdom	Communication Services	-0.9
Diploma	United Kingdom	Industrials	-0.4
Domino's Pizza Group	United Kingdom	Consumer Discretionary	-0.1
Abcam	United Kingdom	Health Care	0.0

Smithson Exposure Breakdown



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Sector weightings: 28-Aug-20*			Country weightings: 28-Aug-20*			Sales exposure by region: 30-Jun-20	
Sector	Smithson	MSCI W SMID	Country of listing	Smithson	MSCI W SMID	Region	Smithson
Information Technology	40%	16%	USA	45%	56%	Europe	40%
Industrials	21%	17%	UK	23%	6%	North America	34%
Health Care	13%	11%	Australia	7%	3%	Asia Pacific	20%
Consumer Discretionary	9%	12%	Denmark	6%	1%	Eurasia, Middle East, Africa	4%
Consumer Staples	6%	4%	Switzerland	6%	2%	Latin America	2%
Communication Services	5%	5%	Germany	5%	3%		
Financials	3%	12%	Italy	4%	1%		
Materials	1%	8%	New Zealand	3%	0%		
Real Estate		9%	Other	0%	28%		
Energy		2%	Cash	2%	0%		
Utilities		4%					
Cash	2%						

* Data for MSCI World SMID is as at 31-Aug-20, market cap weighted.

Smithson Portfolio exposure based on weighted position sizes. For sales exposure by region, percentage splits are shown ex-cash

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

2. Smithson Investment Strategy – Same as Fundsmith



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1 Buy good companies

2 Don't overpay

3 Do nothing

Buy Good Companies – Smithson Portfolio Look-through



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LTM figures	Smithson Investment Trust	MSCI SMID	Fundsmith Equity Fund
ROCE	28% [#]	11%	29%
Gross Margin	66%	33%	66%
Operating Profit Margin	32%	8%	27%
Cash Conversion	104%	84%	97%
Interest Cover	34x	5x	16x

Data for the MSCI World SMID Cap Index is shown ex-financials, with weightings as at 31st December 2019.

Data for MSCI World SMID Cap Index is on a weighted average basis, using last available reported financial year figures as at 31.12.19

Data for Smithson and FEF portfolios are on a weighted average basis, ex-cash, using last available reported financial year figures as at 31.12.19

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

[#] LTM ROCE for Smithson excludes Rightmove, which had a return of >1000%. **Including Rightmove, the weighted average ROCE would be 76%.**

Don't Overpay



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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	30-Jun-19	31-Dec-19	30-Jun-20
Smithson Investment Trust	4.2%	3.7%	3.4%	3.4%*
MSCI World SMID Index (ex-financials)	4.2%	3.7%	3.5%	4.0%

In the 12 months to 31-Dec-19, we estimate weighted average neutral free cash flow per share growth for Smithson was 10%

Source: Fundsmith research, Bloomberg.

Neutral FCF yield is operating cash flow less maintenance capex

For Smithson, Neutral FCF yield is measured on a weighted average basis, over the trailing 12-months to the stated date. This may involve some use of estimated cash flow data due to lags in reporting.

* For Smithson Neutral FCF yield as at 30-Jun-20, we have measured it on a weighted average basis, based on the latest available full year data as at the stated date. This is similar to the calculation of the MSCI World SMID Index yield, and is used here due to the low predictability of cash flows due to COVID-19 and the resulting economic effect.

For the MSCI World SMID Index, Neutral FCF yield is measured on a weighted average basis, based on the latest available full year data as at the stated date.

Neutral free cash flow per share growth for Smithson in the last 12 months may involve some use of estimates where year end data was not reported by 31-Jan-20.

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	1H 2020
New Companies Bought	Fevertree Drinks	Rational Qualys
Companies Sold	CDK Global	-
Voluntary Turnover	6.1%	20.0%
OCF	1.0%	1.0%
Dealing costs*	0.04%	0.04%
New shares issued	30.6 million	8.9 million
Proceeds from new issuance	£362.4 million	£119.6 million
Average premium to NAV	2.9%	1.4%

* Voluntary dealing costs (excluding new share issuance) - annualised

Portfolio Management Details



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Smithson Portfolio Characteristics

Fund Ticker	SSON
Typical No. of Holdings	25-40
Current No. of Holdings	31
Median company founded	1973
Average market cap (at 30.06.20)	£8.9bn
NAV	Published daily in FT, Telegraph & at www.smithson.co.uk
Reporting	Interim & Annual
Annual Shareholder Meeting	Yes
OCF and TCI to 31.12.19	1.00% and 1.04%
AMC	0.9%
Est. Portfolio Yield	0.6%
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 th year
Board	Mark Pacitti – Chairman Diana Dyer Bartlett Lord St. John of Bletso
Sponsor & Broker	Investec Bank
Legal Adviser	Travers Smith LLP
Auditor	Deloitte LLP
Administrator	Northern Trust
Registrar	Link Asset Services
Depository	Northern Trust
Co. Secretary	Praxis IFM



- As long term investors our approach to ESG considerations is to take into account all of the factors that may impact the potential for a business to sustain its returns into the future
- ESG is therefore an integral part of our investment approach as we incorporate ESG factors whilst considering all possible factors in the sustainability of a business model
- We do not invest in those sectors most prone to ESG concerns: agriculture, mining, defence, oil and gas, transport and heavy industry
- Our governance assessment for all companies includes:
 - Board structure
 - Culture and business principles
 - Shareholder rights (i.e. split voting rights, founder shares etc)
 - Remuneration/ Incentivisation/ Share ownership
 - Familial links within management
 - Related party transactions
 - Subsidiary/ brand ownership arrangements
- Simply, why would you buy shares in a company which is destroying its environment and economic sustainability, behaves unethically towards stakeholders and society or has bad governance?
- We are signatories to the UN PRI (Head of Sustainability at Fundsmith: Tom Boles)



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.

What's In The MSCI World SMID Cap Index?



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MSCI World SMID Country Weights	%	MSCI World SMID Top 10	%	MSCI World SMID Sector Weights	%
US	55.7	DocuSign (US)	0.28	Industrials	17.2
Japan	11.5	Splunk (US)	0.26	Information Technology	16.1
UK	6.4	Synopsys (US)	0.25	Financials	11.9
Canada	3.4	Costar Group (US)	0.25	Consumer Discretionary	11.9
Australia	3.4	Twilio (US)	0.24	Health Care	10.9
Other	19.7	Cadence Design Systems (US)	0.23	Real Estate	8.6
		Vestas Wind Systems (DK)	0.23	Materials	8.1
		ANSYS (US)	0.22	Communication Services	4.7
		Fastenal (US)	0.21	Consumer Staples	4.3
		Match Group (US)	0.20	Utilities	3.8
				Energy	2.5

Source: www.msci.com
 Percentages may not add up to 100% due to rounding
 Data as at 28th August 2020.