Smithson
Investment Trust

Report and Accounts

for the period from incorporation on 14 August 2018 to 31 December 2019

Smithson Investment Trust plc

Small &
Mid Cap
Investments
That
Have
Superior
Operating
Numbers

Smithson Investment Trust plc Report and Accounts for the period from incorporation on 14 August 2018 to 31 December 2019

Fundsmith
Buy good companies
Don't overpay
Do nothing

Smithson Investment Trust

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	At 31 December 2019
Net assets	**£1,437,305,000**
Net asset value ("NAV") per ordinary share ("share")	**1,255.2p**
Share price	**1,298.0p**
Share price premium to NAV[1]	**3.4%**

	For the period from Company's listing on 19 October 2018 to 31 December 2019	For the year ended 31 December 2019
	% change[2]	**% change[2]**
NAV total return per share[1]	**+25.5%**	**+33.2%**
Share price total return[1]	**+29.8%**	**+29.8%**
Benchmark total return	**+11.8%**	**+21.9%**
Ongoing charges ratio[1]	**1.0%**	**1.0%**

Source: Bloomberg

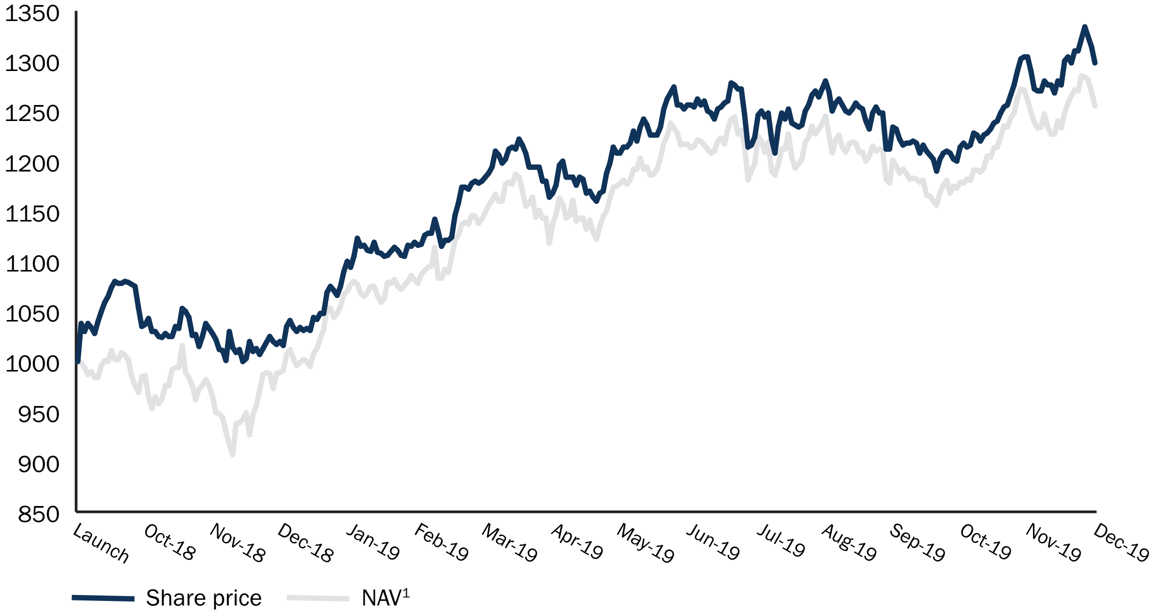
This report contains terminology that may be unfamiliar to some readers. The Glossary on pages 69 to 71 gives definitions for frequently used terms.

1 These are Alternative Performance Measures ("APMs"). Definitions of these and other APMs used in this Report and Accounts, together with how these measures have been calculated are disclosed on page 68 of this Report and Accounts.
2 Total returns are stated in GBP sterling.

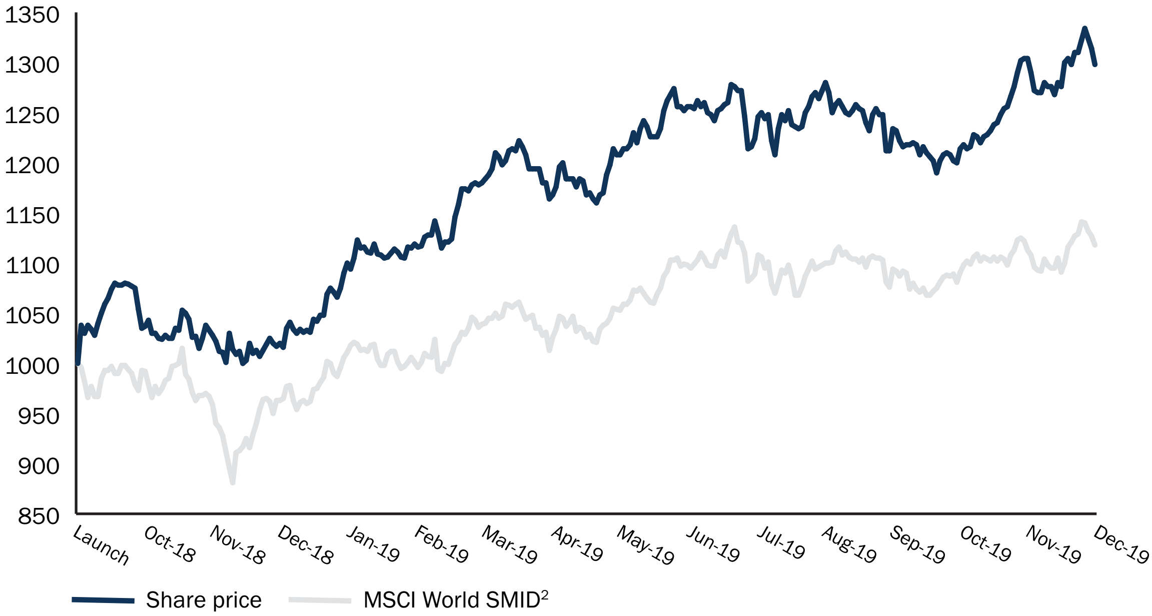
Financial Highlights

Strategic Report

Total return performance against NAV for the period from the Company's listing on 19 October 2018 to 31 December 2019



Total return performance against MSCI World SMID Index for the period from the Company's listing on 19 October 2018 to 31 December 2019



1 Source: Bloomberg stocking NAV 1000p

2 MSCI World SMID INDEX, measured on a net sterling adjusted basis (source www.msci.com)

Introduction

I am pleased to present the first report and accounts of Smithson Investment Trust plc (the "Company") for the period from incorporation on 14 August 2018 to 31 December 2019. I am delighted to be able to tell you that the Company has had an outstanding first reporting period. The Company commenced trading on the London Stock Exchange's Main Market on 19 October 2018 and subsequently entered the FTSE 250 Index in December 2018.

Performance

The Company's net asset value per share rose from £10 on the Company's initial public offering ("IPO") to £12.55 on 31 December 2019, an annualised net asset value total return of 20.8%. This compares with the Company's reference index, the MSCI World SMID Index, which rose by 9.7% over the same period. The share price also rose from £10 to £12.98 at 31 December 2019, an annualised share price total return of 24.2%. The Company's share price has traded at a premium to net asset value throughout the period. The average premium in the period was 3.6% and at 31 December 2019 the premium was 3.4%.

The Company held 29 investments at 31 December 2019, having made thirty new investments and one outright disposal during the period. The proceeds from share issues during the period have therefore been, for the most part, invested in the same securities, with small changes in relative weightings. As I reported at the interim stage, this accords with the Investment Manager's stated mantra of buying good companies, not overpaying and then doing nothing. Further details about our investment objective and our investment policy are explained on pages 7 to 8 of the Strategic Report.

In line with our stated investment policy, all the Company's investments were in listed companies and the Company had no borrowings or derivatives. At 31 December 2019 the Company held cash balances totalling £31.6 million, representing 2.2% of total assets.

Simon Barnard, our Investment Manager, has reported on the performance in detail in his Investment Manager's Report which follows.

Share Issuance

At the time of the Company's IPO, we issued 82.25 million new ordinary shares, raising £822.5 million, representing the largest flotation of an investment trust in the history of the London Stock Exchange. As Fundsmith paid all the issue costs associated with the flotation, all of this money has been deployed by the Company. During the period, and in response to strong demand for the Company's shares, a further £376.7 million net of costs was raised through the issuance of 32.3 million shares, representing 39.2% of the Company's issued share capital at the time of the IPO. For the benefit of shareholders, shares are only issued at a premium to net asset value to ensure that these do not have a dilutive effect. The share issues during the period generated £8.7 million in net premium which is effectively incremental value for all shareholders.

Since the period end and up to 24 February 2020, being the latest practicable date before publication of the Report and Accounts, a further 3,755,000 shares have been issued, raising a net amount of £49.8 million. This brings the total shares issued since the IPO and up to 24 February 2020 to 36 million, raising net proceeds of £426.5 million. This means that shares have now been issued in the secondary market with a value of more than half of that raised at the time of the IPO. This is a testament to the excellent performance of the Company in this period. As at 24 February 2020 (the latest practicable date before publication of the Report and Accounts), the Company's market capitalisation was £1.57 billion with a share price of £13.30.

The issuance of shares was under the arrangements established at the time of the Company's IPO. The Company's placing programme was fully utilised during the period and the available general authority to issue shares is now near exhaustion. At the forthcoming AGM, shareholders will be asked to grant the Company authorities to issue new shares, enabling the Directors to continue creating further shareholder value. The share issuance programme also promotes liquidity in the Company's shares and helps to avoid an excessive share price premium to net asset value developing. We are recommending the approval of resolutions seeking authority to issue up to 40 million ordinary shares pursuant to a placing programme as well as two further resolutions giving the Board authority to issue up to a further 20% of the issued share capital at the latest practicable date before publication of the Report and Accounts. If the two resolutions relevant to the placing programme are approved by shareholders, a prospectus in connection with the Placing Programme is intended to be published on 31 March 2020.

The Company has decided to launch the new Placing Programme to satisfy market demand and to enable the Company to raise additional capital in the period from 31 March 2020 to 30 March 2021 (inclusive) should the Board determine that market conditions are appropriate. The Placing Programme is intended to be flexible and may have a number of closing dates in order to provide the Company with the ability to issue and allot Placing Shares pursuant to a number of placings over a period of time (each a "Placing").

The Placing Programme is conditional on shareholders' approval of the relevant Annual General Meeting resolutions, which would grant the Board the authority to allot and issue up to 40 million shares pursuant to the Placing Programme on a non-pre-emptive basis. It is also conditional on the approval of the Prospectus by the FCA. The Directors intend that shares issued pursuant to the Placing Programme will only be issued at a premium to the prevailing net asset value per ordinary share and therefore any issue will be accretive to the prevailing net asset value. For more details please see the Explanatory Notes to the Notice of Annual General Meeting.

Earnings and Dividends

As I reported at the interim stages, the Company's principal objective is to provide shareholder returns through long-term capital appreciation rather than income. It should not therefore be expected that the Company will pay a significant annual dividend and it is likely that no interim dividends will be declared, but the Board intends to declare such annual dividends as are necessary to maintain the Company's UK investment trust status.

The Company's revenue earnings for the period were £0.26 million, equivalent to 0.26p per share. In accordance with the above policy, the Directors are not recommending a dividend and therefore all earnings will be retained in the Company for reinvestment. As the primary objective of the Company is capital growth, it should not necessarily be assumed that any dividends will be paid in future years. For the avoidance of doubt, the Directors do not intend to use the capital reserve to pay dividends.

Corporate Governance

The Company started trading in October 2018 and has adopted the good practices and governance recommendations which are relevant to it wherever possible and has complied as appropriate with the AIC Corporate Governance Code 2016 throughout the period. New UK and AIC Corporate Governance Codes have been published effective for accounting periods commencing after 1 January 2019. However the Company has adopted and complied as appropriate with these codes early as best practice. However, one recommendation is that the Company should appoint a senior independent director. In view of the small size of the Board, we have elected not to do this. Shareholders are welcome to contact any of the three Directors if they have any issues they wish to raise.

Annual General Meeting ("AGM")

A warm welcome is extended to shareholders to attend the Company's first Annual General Meeting to be held at 1.00 pm on Monday, 30 March 2020 at Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL. The Notice of Meeting accompanies this Report and Accounts.

The Directors believe that all the resolutions to be put to the meeting are in the best interests of shareholders. The Directors will vote in favour of all the resolutions to be put to the AGM and the Directors recommend that shareholders support all the resolutions.

In addition to the formal business of the meeting, our Investment Manager, Simon Barnard will make a presentation which I am sure the attendees will find very interesting. My colleagues and I hope to see a number of shareholders attending and look forward to meeting you then.

For all shareholders unable to attend the AGM, a video of the Investment Manager's presentation will be available to access from the Company's website and I can also be contacted at smithsonchairman@fundsmith.co.uk.

Outlook

Your Board believes that the investment case for global small and mid cap equities remains compelling for capital growth in the medium to long term, despite the potential effect of macroeconomic factors such as Brexit, US elections and Coronavirus on the markets in the short term. The Investment Manager will continue to seek attractive investment opportunities for any further capital raised.

Mark Pacitti
Chairman

26 February 2020

This Strategic Report on pages 2 to 23 has been prepared in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to provide information to shareholders to assess how the Directors have performed their duty to promote the success of the Company.

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 registered in England and Wales and is an externally managed investment trust; its shares are premium listed on the Official List and traded on the main market of the London Stock Exchange. Its focus of investment is globally listed or traded small to mid sized companies. It was established by its Investment Manager, Fundsmith LLP and listed on 19 October 2018. It has delegated its operational activities to specialised third party service providers who are overseen by the Board of non-executive Directors. Details regarding the Company's key third party service providers are included in the Management Engagement Committee Report. The Company has no executive directors, employees or internal operations.

Investment Objective and Policy

Investment objective

The Company's investment objective is to provide shareholders with long term growth in value through exposure to a diversified portfolio of shares issued by listed or traded companies.

Investment policy

The Company's investment policy is to invest in shares issued by small and mid sized listed or traded companies globally with a market capitalisation (at the time of investment) of between £500 million to £15 billion (although the Company expects that the average market capitalisation of the companies in which it invests to be approximately £7 billion). The Company's approach is to be a long-term investor in its chosen shares. It will not adopt short-term trading strategies. Accordingly, it will pursue its investment policy by investing in approximately 25 to 40 companies as follows:

(a) the Company can invest up to 10 per cent. in value of its gross assets (as at the time of investment) in shares issued by any single body;

(b) not more than 20 per cent. in value of its gross assets (as at the time of investment) can be in deposits held with a single body. This limit will apply to all uninvested cash (except cash representing distributable income or credited to a distribution account that the depositary holds);

(c) not more than 20 per cent. in value of its gross assets (as at the time of investment) can consist of shares issued by the same group. When applying the limit set out in (a) this provision would allow the Company to invest up to 10 per cent. in the shares of two group member companies (as at the time of investment);

(d) the Company's holdings in any combination of shares or deposits issued by a single body must not exceed 20 per cent. in value of its gross assets (as at the time of investment);

(e) the Company must not acquire shares issued by a body corporate and carrying rights to vote at a general meeting of that body corporate if the Company has the power to influence significantly the conduct of business of that body corporate (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 per cent. or more of the voting rights of that body corporate; and

(f) the Company must not acquire shares which do not carry a right to vote on any matter at a general meeting of the body corporate that issued them and represent more than 10 per cent. of the shares issued by that body corporate.

The Company may also invest cash held for working capital purposes and awaiting investment in cash deposits and money market funds.

For the purposes of the investment policy, certificates representing certain shares (for example, depositary interests) will be deemed to be shares.

Hedging policy

The Company will not use portfolio management techniques such as interest rate hedging and credit default swaps.

The Company will not use derivatives for purposes of currency hedging or for any other purpose.

Borrowing policy
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 per cent. of the net asset value at the time of drawdown of such borrowings. The Company may not otherwise employ leverage.

Investment Methodology and Management Process

The Investment Manager seeks to apply the investment methodology and management process summarised below (to the extent appropriate given the nature of a relevant investment opportunity):

Seeking high quality businesses with specific characteristics and intangible assets
In the Investment Manager's view, a high quality business is one which can sustain a high return on operating capital employed and which generates substantial cash flow, as opposed to only creating accounting earnings. If it also reinvests some of this cash back into the business at its high returns on capital, the Investment Manager believes the cash flow will then compound over time, along with the value of the Company's investment.

The Investment Manager will not just look for a current high rate of return, but will seek a sustainable high rate of return. Fundamentally, such companies need to demonstrate the ability to continue out-competing all other companies which are trying to take a share of their profits. This can come in many forms, but the Investment Manager will look for companies that rely on intangible assets such as one or more of the following: brand names; patents; customer relationships; distribution networks; installed bases of equipment or software which provide a captive market for services, spares and upgrades; or dominant market shares.

The Investment Manager will generally seek to avoid companies that rely on tangible assets such as buildings or manufacturing plants, as it believes well financed competitors can easily replicate and compete with such businesses. In many instances, such competitors are able to become better than the original simply by installing the latest technology in their new factory. Banks are quite keen to lend against the collateral of tangible assets, and such companies tend to be more heavily leveraged as a result. The Investment Manager believes that intangible assets are much more difficult for competitors to replicate, and companies reliant on intangible assets require more equity and are less reliant on debt as banks are less willing to lend against such assets.

The Investment Manager believes such companies will resist the rule of mean reversion that states returns will revert to the average over time as new capital is attracted to business activities which earn above average returns. They can do this because their most important assets are intangible and difficult for a competitor to replicate. Since stock markets typically value companies on the assumption that their returns will regress to the mean, businesses whose returns do not do so can become undervalued. This presents an opportunity for the Company.

The Investment Manager will seek businesses which have growth potential. The Investment Manager views growth potential as the ability of a company to be able to reinvest at least a portion of its excess cash flow back into the business to grow, whilst generating a high return on the cash thus reinvested. Over time, this should compound their shareholders' wealth by generating more than a pound of stock-market value for each pound reinvested.

The Investment Manager is interested in growth that is driven through either increases in volume or increases in price, and will prefer a mixture of both. The ability to increase product prices above the rate of inflation is the most profitable way to grow and demonstrates that the company has a healthy competitive position selling products or services which are strongly desired by their customers. However, growth through price alone can build a shelter under which competitors can flourish, eventually resulting in cheaper competition gaining significant market share. On the other hand, growth through additional unit volumes almost always requires more cost, in both manufacturing capacity and materials used to produce the products, as well as transportation to get them to customers. Increasing scale in this way will eventually make a company's market position more difficult to compete against, however, unlike growing through price alone, with the further benefit that volume growth can sometimes continue indefinitely.

The Company will only invest in companies that earn a high return on their capital on an unleveraged basis and do not require borrowed money to function. The Investment Manager will avoid sectors such as banks and real estate which require significant levels of debt in order to generate a reasonable shareholder return given their returns on unlevered equity investment are low.

While the Investment Manager favours companies that are able and willing to spend cash on the research and development of their products to create important intangible assets such as patents and manufacturing efficiency, it will avoid industries that innovate very quickly and are subject to rapid technological change. Innovation is often sought by investors, but does not always produce lasting value for them and can have high capital costs.

Avoiding overpaying for shares

The Company will only invest in shares where the Investment Manager believes the valuation is attractive. The Investment Manager will 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. The Investment Manager aims to invest only when free cash flow per share as a percentage of a company's share price (the "free cash flow yield") reflects value relative to long-term interest rates and when compared with the free cash flow yields of other investment candidates both within and outside the Company's portfolio. The Investment Manager will buy securities that it believes will grow and compound in value, which bonds cannot, at yields that are similar to or better than what the Company would get from a bond.

Buying and holding

The Company will seek to be a long-term, buy-and-hold investor. The Investment Manager believes this will facilitate the compounding of the Company's investments over time as the investee companies continue to reinvest their cash flows. The Investment Manager, however, will continually test its original views against new information it may discover while regularly reviewing the news and results concerning the investee companies. 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.

Not attempting market timing

The Investment Manager will not attempt to manage the percentage invested in equities in the Company's portfolio to reflect any view of market levels, timing or developments. The Investment Manager's unwillingness to make investment decisions on the basis of market timing is one factor that will prevent the Company from investing in sectors that are highly cyclical.

Key Performance Indicators ("KPI")

The Company's Board of Directors meets regularly and reviews performance against a number of key measures, as follows:

- Net asset value total return against the MSCI World SMID 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.

The KPI measures are Alternative Performance Measures. Please refer to the APM section and Glossary on pages 68 to 71 for definitions of these terms and an explanation of how they are calculated.

Net asset value total return against the benchmark

The Directors regard the Company's net asset value total return as being the overall measure of value delivered to shareholders over the long-term. The Investment Manager's investment style is such that performance is likely to deviate from that of the benchmark index.

The Company's net asset value per share at 31 December 2019 was £12.55. The net asset value total return for the year was 33.2% and the annualised net asset return for the period from listing on 19 October 2018 to 31 December 2019 was 20.8%. The Board considers the most important comparator to be the MSCI World SMID Index measured on a net, sterling adjusted basis. The returns generated by the MSCI World SMID Index over the same periods were 21.9% and 9.7% respectively, thus the Company outperformed the benchmark by 11.3 percentage points for the year ended 31 December 2019 and 11.1 percentage points annualised for the period from the Company's listing to the period end.

A full description of performance during the period under review is contained in the Investment Manager's Review.

Share price total return

The Directors also regard the Company's share price total return to be a key indicator of performance.

During the period from the Company's listing on 19 October 2018 to 31 December 2019, the share price total return was 29.8%, outperforming the MSCI World SMID Index reference benchmark by 18 percentage points.

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

The Board undertakes a regular review of the level of premium/discount. During the period since listing, the Company's shares have consistently traded at a premium to net asset value. The Board seeks to generate value for shareholders through the issuance of shares at a premium to net asset value. To this end, during the period from listing on 19 October 2018 to 31 December 2019 the Company issued 32.3 million new ordinary shares generating a premium to net asset value of approximately £8.7 million net of costs. The making and timing of any share issuance and/or buy-back is at the discretion of the Board.

As at 31 December 2019, the premium of the Company's share price to the net asset value per share was 3.4% and the average premium to net asset value for the period from listing on 19 October 2018 to 31 December 2019 was 3.6%.

The Directors intend to seek renewal of their authority to allot shares or to buy back shares at each annual general meeting with a view to managing the premium/ discount as well as creating further shareholder value.

If after the end of the fourth financial year of the Company's existence (being 31 December 2022) or any subsequent year, the Company's shares have traded, on average, at a discount in excess of 10 per cent. of net asset value per share in any such 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. If such a vote is proposed and passed, the Board will be required to formulate proposals to be put to shareholders within four months to wind up or otherwise reconstruct the Company, having regard to the liquidity of the Company's underlying assets. Any such proposals may incorporate arrangements which enable investors who wish to continue to be exposed to the Company's investment portfolio to maintain some or all of their existing exposure.

Ongoing charges ratio

The Directors monitor the Company's expenditure at each board meeting and review the ongoing charges ratio disclosed in the interim and annual Report and Accounts. The Directors regard the ongoing charges ratio as a measure of the regular recurring costs of running an investment company. Expressed as a percentage of average net asset value, the annualised ongoing charges ratio for the period was 1.0%.

Investments Held as at 31 December 2019

Security	Country of incorporation	Fair value £'000	% of investments
Rightmove	UK	77,667	5.5
Verisk Analytics	USA	70,043	5.0
Equifax	USA	69,190	4.9
Sabre	USA	68,947	4.9
Masimo	USA	68,601	4.9
ANSYS	USA	67,429	4.8
Check Point Software Technologies	Israel	67,161	4.8
Domino's Pizza Group	UK	59,334	4.2
Fevertree Drinks	UK	55,378	3.9
Recordati	Italy	55,167	3.9
Top 10 Investments		**658,917**	**46.8**
Halma	UK	54,550	3.9
IPG Photonics	USA	50,286	3.6
Cognex	USA	49,401	3.5
Simcorp	Denmark	48,283	3.5
Fisher & Paykel Healthcare	New Zealand	48,169	3.4
Domino's Pizza Enterprises	Australia	46,497	3.3
Geberit	Switzerland	43,744	3.1
AO Smith	USA	42,356	3.0
Ambu	Denmark	41,303	2.9
Verisign	USA	39,688	2.8
Top 20 Investments		**1,123,194**	**79.8**
MSCI	USA	38,990	2.8
Technology One	Australia	38,614	2.8
Diploma	UK	35,543	2.5
Temenos	Switzerland	35,384	2.5
Paycom Software	USA	34,168	2.4
Spirax-Sarco Engineering	UK	33,904	2.4
Nemetschek	Germany	24,553	1.8
Abcam	UK	22,316	1.6
Chr. Hansen Holding	Denmark	19,005	1.4
Total Investments		**1,405,671**	**100.0**

Dear Fellow Shareholders,

2019 provided very favourable conditions for the investments of your Company. From the low point in December 2018, global stock markets rallied strongly during the early part of the year. As noted in our interim report, this was likely the result of the pause in interest rate increases, and a subsequent rate decrease by the US Federal Reserve. Markets made little progress during the summer as negative headlines regarding US and China trade negotiations continued to foster uncertainty regarding global trade and future economic growth. However, sentiment picked up again from October to December as global economic data points began to stabilise and market participants started to imagine a possible improvement in economic growth in 2020. It is impossible to know at this stage whether this will actually come to pass, although there is a reasonable chance, given 2019 was the worst year for global economic growth in a decade. The year culminated in a loudly trumpeted US China trade deal in December, although we suspect the actual substance of this deal will likely be immaterial in the context of global trade flows.

2019 was also the third year of the US presidential term, which has historically benefited from a very positive equity performance – an average of 17.8% since 1927 (measured by the S&P500 index*). The theory goes that after US midterm elections, which tend to favour the party in opposition (as it did in 2018), the power of the President is stymied to such an extent that stock markets can now rely on US policy 'certainty', given that nothing is now likely to change. Moreover, since presidents like to be re-elected, in the third year of a first term president we can usually expect some focus on policies which will benefit the US economy, like tax cuts, for example. With the globalised nature of stock markets, and the very significant weight the US carries within them, these effects are also likely to impact other regional markets. As the MSCI World Small and Mid Cap (SMID) Index, our reference index, was up 21.9% for the year, it appears that this theory continues to be of some use.

The obvious question one might now ask, is what does the historic data suggest for equity performance in the fourth and final year of the US Presidential term? This time, the answer is: it depends. A re-elected Republican President, usually considered pro-business, tends to result in above average stock market performance in the fourth year. However, a newly elected Democrat, usually considered pro-regulation, has historically resulted in a lower than average year for equities. We are not in the business of forecasting election outcomes and so will leave that and the prediction of global macro events to others. Instead, we will continue to invest in the best companies we can find at reasonable valuations and let the macroeconomic tide ebb and flow around us.

The performance of the Company, along with comparators, is laid out below. In 2019 the net asset value per share (NAV) of the Company increased by 33.2% and the share price increased by 29.8%, both markedly outperforming the reference equity index. We also provide the performance of UK bonds and cash for comparison.

	Total Return 01.01.19 to 31.12.19 %	Launch to 31.12.2019 Cumulative %	Launch to 31.12.2019 Annualised %
Smithson NAV[1]	+33.2	+25.5	+20.8
Smithson Share Price	+29.8	+29.8	+24.2
Equities[2]	+21.9	+11.8	+9.7
UK Bonds[3]	+3.8	+6.0	+4.9
Cash[4]	+0.8	+1.0	+0.9

[1] Source: Bloomberg, starting NAV 1,000.

[2] MSCI World SMID Index, £ Net source: www.msci.com

[3] Bloomberg/Barclays Bond Indices UK Govt 5-10 year source: Bloomberg

[4] Month £ LIBOR Interest Rate source: Bloomberg

Since the Company's launch in October 2018, the NAV has increased by 25.5% and the share price by 29.8%. The outperformance against the reference index over this time period was 13.7% and 18.0% respectively. While this is a very pleasing result, we continue to caution that the 14 month period since launch

*S&P500 Total Return Index 31/12/1927-31/12/2015 is still relatively short. Having said that, we are very content with the operating performance of the companies in the portfolio and as such remain confident in the prospects for the Company.

Smithson shares traded at an average premium of 3.6% since launch and 3.1% for 2019 and did not trade at a discount at any point. During the period since launch, a total of 32.3 million new shares in the Company were issued, for net proceeds of £376.7 million, which were invested in existing holdings. So long as new shares are issued when the share price is trading at a premium to NAV, this process is accretive on a per share basis and is therefore beneficial to existing shareholders (because more cash is received by the Company for the new shares, than is 'given away' in underlying share of NAV).

While the result of this process is that the Company becomes larger, we feel this issuance process can continue for several years before the performance of the Company is affected by its increased size. As a closed-ended fund, we will never be forced to liquidate positions to meet investor redemptions. However, if the size of the Company is starting to have an impact on the way we wish to run it, we will request that the Board of the Company stop issuing new shares.

We continue to invest only in good companies. To illustrate this we include the table below, which shows the average operating metrics of the companies in the portfolio against those in the MSCI World Small and Mid Cap Index.

	Smithson Investment Trust	MSCI SMID
ROCE	28%#	11%
Gross Margin	66%	33%
Operating Profit Margin	32%	8%
Cash Conversion	104%	84%
Interest Cover	34x	5x

Data for the MSCI World SMID Cap Index is shown ex-financials, with weightings as at 31 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 December 2019
Data for Smithson portfolio is on a weighted average basis, ex-cash, using last available reported financial year figures as at 31 December 2019
Interest cover (EBIT ÷ net interest) data for Smithson and MSCI SMID is done on a median average basis.
LTM (Last Twelve Months) ROCE for Smithson excludes Rightmove, which had a return of >1000%. Including Rightmove, the weighted average ROCE would be 76%.

As can be seen above, the average Return On Capital Employed of our companies, a measure of the efficiency with which capital within a company is being used and a key metric indicating the quality of a company, is more than twice the level of the index. Gross margin, the difference between selling price and the cost of products, is double the average of the companies in the index and the average operating profit margin is four times that of the index. Along with cash conversion (how much profit is turned into cash each year) and interest cover (how many times profits covers debt interest payments), these figures provide no doubt that we own good companies.

In terms of what we are paying for these companies, the weighted average free cash flow yield (the free cash flow generated by the companies divided by their market value) of the portfolio is 3.4%. We estimate that the free cash flow yield of the reference index is 3.5%, which suggests that we own significantly better companies than the index average, for a similar valuation. At the end of 2018 this figure was 4.2% for both the Company's portfolio and the benchmark, indicating that the companies became more highly rated during the course of 2019, something that we note cannot continue indefinitely.

In the latter half of 2019, for the first time, we decided to add a new company to the portfolio, as well as sell an existing holding. Both of these are discussed below. This led to discretionary portfolio turnover for the year, excluding the investment of proceeds from new shares issued, of 6.1%, although for the period since launch this averages to 4.0%. This low level of trading meant that costs were again kept to a minimum, with an ongoing charges ratio for 2019 of 1.0% (including the Management Fee of 0.9%). After adding all dealing, commission and taxes, again excluding the investment of proceeds from new shares issued, the annualised Total Cost of Investment (TCI) was 1.04%.

In July 2019 we initiated a position in Fevertree Drinks plc, a producer of premium carbonated mixers including tonics, gingers and cola, which it sells predominantly in the UK, Europe and the US. This is a company we have admired for some time. In the UK, which still accounts for over 50% of the business, it dominates the premium tonic market with 90% market share, despite many 'copy-cat' products having been launched. Or put another way, it is almost ten times the size of all its UK competitors put together. In the US they have a fledgling business which is growing rapidly, at around

30% a year, and they have recently signed a domestic bottling contract and national distribution agreements to galvanise the position. As in the UK, they appear to have already stolen a march on other competitors in the market, and we believe the US is an opportunity which could be several times the size of the UK market. On top of this, it also has an established business in Europe (Spain is one of the largest consumers of gin in the world) and a growing presence in Australia and Canada which could also become meaningful to the group.

What attracted us to the company was its strong market positions, current and potential growth rates and impressive history of profitability and returns on capital. However, at the time of the Company's IPO we felt that the valuation was not attractive enough for inclusion in the portfolio.

We continued to watch the company closely and in the subsequent months from September 2018 until acquiring our first shares in July 2019, the share price declined by 47%. At the same time, the free cash flow generated by the company was more than double what it had been a year earlier and progress in its international businesses had been excellent.

The most likely reason for this significant share price decline was slowing growth in the UK market. It seems reasonable to us that the UK should now be considered a mature market for premium mixers and that this slower growth (likely around 3%) should be expected to continue. After the year end, the shares took another leg down in January 2020 when the company announced that further sales weakness was expected in the UK market until mid-2020 and that it would have to reduce prices in the US as they had reached inappropriate levels. After we conducted further investigation, both of these issues appeared to be of a short-term nature to us, and we used the price decline as an opportunity to buy more shares. Only time will tell if this assumption is correct.

In September 2019 we decided to sell one of our holdings, namely CDK Global. This is a US company that produces software to help car dealers run their business, and one which we have written about in previous reports. The decision to sell was due to two reasons. First, the change of CEO in November 2018 had subsequently led to a material change in strategy, with management selling the prior designated 'growth' business of digital advertising, to focus on the lower growth core software business. This gave us some concern over future capital allocation given the large capacity for cash deployment from the balance sheet, coupled with a new CEO who has a history of making expensive acquisitions. Second, the remaining business wasn't quite as good as we had previously thought it was. We believed initially that the core business would continue to grow with the launch of a new dealer management software, called DriveFlex. What we learned from the new management team, was that this product still lacked the required investment, and as such wouldn't be ready for full commercial launch for another two years (after significant further development cost). The combination of these issues, the full extent of which we learned with the last reported results in August and by speaking directly to the management at that time, gave us the realisation that we were more confident in the long-term outlook of the other 29 companies in the portfolio than in CDK Global. We therefore made the decision to sell the company and deploy the proceeds into other existing positions.

To discuss some of the events which have affected the portfolio since launch, we have set out the top five contributors and top five detractors to NAV performance below.

Top 5 Contributors Security	Country	Contribution%
ANSYS	United States	2.4
Halma	United Kingdom	2.2
Rightmove	United Kingdom	2.1
Paycom	United States	1.8
Masimo	United States	1.8

ANSYS, the US simulation software company, was the top contributor to performance, rising 80% over the period after announcing several major business wins, which served to demonstrate the increasing use of simulation software in product design and development.

Halma is a UK conglomerate of companies which manufacture safety equipment and environmental sensors, which we value for its ability to continually invest incremental capital at very attractive rates of return by adding more small companies to its group each year. This makes it a very rare breed in the corporate world – a good acquirer. 2019 provided more progress, demonstrated by the excellent results released in both June and November, driving further gains in the share price.

The strong performance of Rightmove, the UK online property advertising company, may come as a surprise to many of you, if the regular conversations we have had with our shareholders are anything to go by. This company is very often a talking point, because many are worried that it has been one of our largest holdings during a period of considerable uncertainty in the UK political environment and housing market. We believe such concerns come from a degree of misunderstanding about the Rightmove business model. Rightmove charges UK estate agents a fixed monthly subscription fee irrespective of the number or value of the houses advertised. This, of course, means that no matter how many houses are being advertised or sold, and no matter what is happening to UK house prices, Rightmove still receives the same monthly fee. In fact, this fee actually tends to go up over time, as Rightmove is able to sell additional digital 'products' to estate agents, such as buyer mapping and lead generation software. Ultimately what this means, is that Rightmove's earnings are not as exposed to the vagaries of the UK housing market as most believe. This provided us with an interesting opportunity in early 2019, as the original Brexit deadline approached, and passed, and the valuation of Rightmove became subsequently depressed amid general UK economic concerns. We added meaningfully to our holding during this time, making it the largest position in the portfolio, in our belief that even if the UK housing market took a turn for the worse, Rightmove's revenue model, and dominance of its market niche, would remain resilient. In the end, this resilience was not tested under a hard Brexit scenario, and Rightmove's valuation has subsequently recovered toward more reasonable levels for what remains an excellent company.

You may note from the above that often the opportunity to buy very good businesses at cheap valuations arises when there is a "glitch" in the company's normal operations or environment. Providing we are convinced that it is only a glitch, and not an existential threat, we will seize these opportunities as we did in the case of Rightmove. It illustrates how good investments can result from not focusing on the immediate situation and by ignoring popular mis-conceptions and anecdotal evidence.

Paycom is a US provider of human resources (HR) software which allows employees to perform many HR processes themselves by interacting with the software, rather than with a human HR manager. The company is seeing exceptional growth due to the cost savings and HR productivity that its clients achieve after adopting the software. The reason the company is not at the top of the above list, which it might well have been given its performance, is that at the time of launch, the shares were trading at a valuation which we thought was approaching the upper end of what we were comfortable paying. It was therefore initiated as a smaller position in the portfolio, with the hope that we would get a chance to make the position larger at a later point. However, from the end of 2018 up to the point of writing, the shares have almost tripled in price. Having only a small initial position was therefore a mistake on our part and serves as another reminder why our investment process has 'don't overpay' as the second tenet after 'buy good companies'.

Masimo, a US medical device company, again had a strong performance in the first half of the year after very positive results were published during the period. Improving relations between the US and Mexico further helped sentiment, as Masimo manufactures many of its products in Mexico.

Top 5 Detractors Security	Country	Contribution%
CDK Global	United States	-0.9
Chr. Hansen Holding	Denmark	-0.4
Sabre	United States	-0.4
Fevertree Drinks	United Kingdom	-0.3
Check Point	United States	-0.1

CDK Global, discussed above, was unfortunately a significant detractor to performance prior to it being sold.

Chr. Hansen shares reacted very negatively after the company pre-announced disappointing results, indicating that growth rates for 2019 would be lower than we previously expected. Further disappointment came in October when it announced annual results which showed a sharp slowing of revenue growth in the fourth quarter, which the management attributed to difficult sales in emerging markets. The guidance for 2020 was not particularly rosy either, with further low growth expected. However, the company has several potential growth opportunities from new product areas and partnerships which have yet to come to fruition. As there is still some uncertainty regarding this future growth, the company remains the smallest position in the portfolio while we monitor its progress.

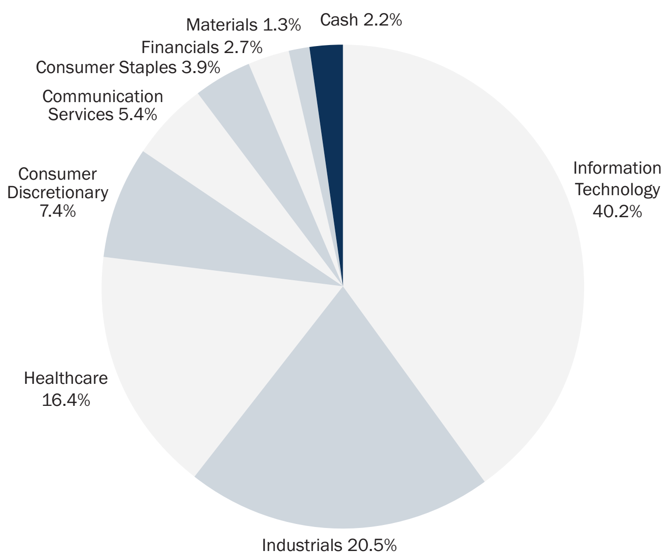
Sabre, the provider of booking software to the travel industry, suffered during the year as Lion Air and Ethiopian Airlines, operators of the 737 MAX aircraft which suffered devastating crashes, and Jet Airways, the now bankrupt Indian airline, were all major customers and will represent a significant loss of business as fewer passengers from those airlines are booked through its systems. It was interesting to note a more positive earnings release from the company in October which highlighted, after a few quarters of declining operating margins, that they appear to have increased in the third quarter of 2019. Whether this is the end of the recent negative trend for margins, we don't yet know. However, it was well received by the market, and helped Sabre shares to post a positive return during 2019, although combined with weakness at the end of 2018, the return was negative for the period since launch .

Fevertree Drinks was purchased during a period in which its share price was declining, and which continued after our acquisition – further proof in our view that market timing is very difficult – and so detracted from overall performance.

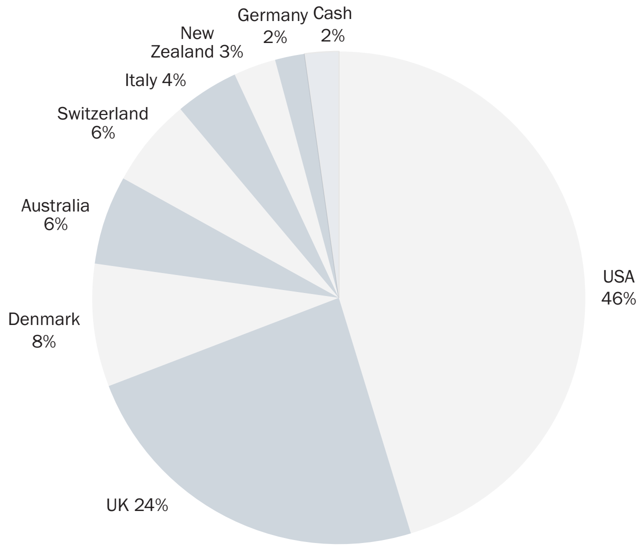
Finally, Check Point, a US security software company, posted disappointing revenue growth numbers during 2019 as competitors appeared to be taking some of its market share. The company claims that this is an issue with its sales force, rather than its products, which it is now in the process of addressing. We will continue to monitor the company closely to determine if these changes are having the desired effect, although it may take some months for this to become apparent.

We have provided a breakdown of the portfolio in terms of sector and geography at the end of the period below. The median year of foundation of the companies in the portfolio at the year end was 1972.

Sector



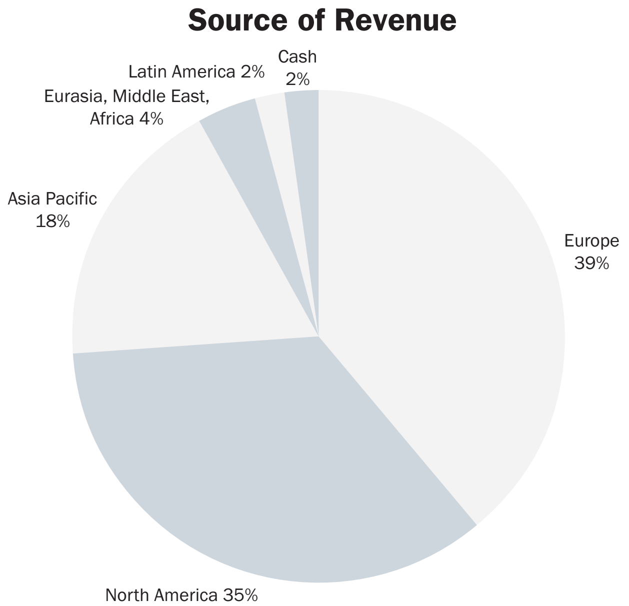
Country of Listing



The only meaningful difference between these tables and those shown in the half year results are accounted for by the sale of CDK Global and the purchase of Fevertree Drinks. These actions have reduced the weighting in Information Technology by 3.5% and introduced a holding in Consumer Staples for the first time. Further, the weight in the USA has reduced by around 5% (3.5% of which was accounted for by CDK Global) and the weight in the UK has increased by 4.5% (3.9% of which was Fevertree Drinks). The reason for the apparently large allocation to Information Technology remains the same as outlined in previous reports, simply that this broad MSCI designated sector actually encompasses a large number of diverse businesses and end markets.

Similarly, the reason for the significant exposure to North America remains the same as before, namely that this is the region where we have found the largest number of interesting companies with an attractive combination of quality, growth and valuation. Depending on how Brexit plays out, and the effect that has on the valuation of UK companies, we might see the currently elevated weighting to the UK market change over the course of 2020. This was increased in 2019 as a consequence of high quality UK companies trading on attractive valuations due to what others perceive as heightened political uncertainty. As an aside, we would argue that there is always political uncertainty, so we believe it is best to simply own the companies that are as insulated from this as possible.

The table below shows where the revenue of our companies has been generated in aggregate, which is the measure of geographic diversity that we feel is the most relevant.



A noticeable feature of the table above is that, despite the US being the largest geographical weighting according to where our companies are listed, the largest geographical weighting by where the revenue of the companies is generated is actually Europe. Combined with the significant amount of revenue coming from Asia, we think this justifies our focus on revenue as the key measure of geographic diversity in the portfolio. Simply looking at the country of listing would be somewhat misleading, when the reality is a much broader exposure to revenue from across the Americas, Europe and Asia.

To conclude, we wish to thank you for your continued support of the Smithson Investment Trust. We hope that you are happy with your ownership experience so far and that you will become long term shareholders, as we plan to be.

Simon Barnard
Fundsmith LLP
Investment Manager
26 February 2020

Risk Management

The Board is responsible for the ongoing identification, evaluation and management of emerging and 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, the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and the AIC Code of Corporate Governance and a description follows below.

- The Board regularly reviews a risk matrix and an annual formal review of the risk procedures and controls in place at the Investment Manager and other key service providers is performed. This should ensure that emerging (as well as known) risks are adequately identified and, so far as practicable, mitigated. No significant emerging risks have so far been identified.
- Experienced directors sit on the Audit Committee, each bringing external knowledge of the investment company sector (and financial services generally), trends, threats as well as strategic insight.
- The Investment Manager advises the Board at quarterly Board meetings on industry trends, providing insight on future challenges in the markets in which the Company operates/ invests. The Company's broker regularly reports to the Board on markets, the investment company sector and the Company's peer group.
- The company secretary briefs the Board on forthcoming legislation/regulatory change that might impact on the Company. The auditor also provides updates which are relevant to the Company.
- The Company is a member of the AIC, which provides regular technical updates as well as drawing members' attention to forthcoming industry/regulatory issues and advising on compliance obligations.

Principal Risks

The Directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity.

1. Investment objective and policy risks

The Company may not achieve its investment objective.

The Company is dependent upon the Investment Manager's successful implementation of the Company's investment policy and ultimately on its ability to create an investment portfolio capable of generating attractive returns.

The Company is not constrained on weightings in any sector or geography. This may lead to the Company having significant exposure to portfolio companies from certain business sectors or based in certain geographies. Greater concentrations of investments in any one sector or geography may lead to greater volatility in the Company's investments and may adversely affect performance. This may be exacerbated by the small number of investments held at any time.

Mitigation

The Investment Manager has a proven and extensive track record and the Board undertakes a review of the performance of the Company and its transactions at each quarterly Board meeting.

2. Market risks

Market conditions may have a negative impact on the Company's ability to identify and execute suitable investments that might generate acceptable returns. Market conditions may also restrict the supply of suitable investments at a price the Investment Manager considers may generate acceptable returns.

If conditions affecting the investment market negatively impact the price at which the Company is able to buy or dispose of its assets, this may have a material adverse effect on the Company's business and results of operations.

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable both by the Company and by investee companies on their borrowings. In addition, where the Company invests in high growth investee companies, any increase in interest rates will compress the growth of such companies and therefore affect their valuations. As such, interest rate fluctuations may reduce returns to investors.

The Company's ordinary shares are denominated in pounds sterling while the majority of the Company's investments are denominated in a currency other than pound sterling. The Company does not hedge its currency exposures and changes in exchange rates may lead to depreciation in the Company's net asset value.

Mitigation
The Company's investment policy and the fact that it will not use hedging instruments to mitigate interest rate or foreign currency risk is clearly explained in the owners handbook (which can be found on the Company's website at www.smithson.co.uk). The Investment Manager has a proven and extensive track record and reports regularly to the Board on market developments. The Investment Manager's policy is to hold investments for the long term and not look at market timing issues.

In respect of Brexit, as the portfolio is invested in global equities, the effect of a trade deal – or lack thereof – will have a relatively limited impact for the portfolio as a whole.

Further details on Market and Financial Instrument risk are disclosed in note 15 to the financial statements on pages 60 to 63.

3. Outsourcing risks
The Company has outsourced all its operations to third party service providers. Failure by any service provider to carry out its obligations in accordance with the terms of its appointment could result in negative implications for the Company. Such failures could include cyber breaches or other IT failures, fraud (including unauthorised payments by the administrator), poor record keeping and loss of assets and failure to collect all the Company's dividend income. Cyber incidents are becoming increasingly common and may cause disruption and impact business operations, potentially resulting in financial losses, theft, interference with the ability to calculate the Net Asset Value or additional operating costs.

Mitigation
The Company has appointed experienced service providers, each of whom has a service agreement and the performance of the key service providers is reviewed annually by the Management Engagement Committee. Cyber risk management questions were incorporated in this review.

The procedures of the depositary and custodian are reviewed by external auditors and such reports made available to clients. These reports are also reviewed by the Management Engagement Committee.

4. Inadequate investment analysis risk
If the Investment Manager fails to identify risks or liabilities associated with investee companies adequately, this could give rise to an investee company not fitting the Company's investment policy or unexpected losses and adverse performance. Such risks include cyber risk management by investee companies.

Mitigation
The Investment Manager employs qualified and experienced employees who perform the investment analysis and obtain information from quality sources.

5. Key individuals risk
The Investment Manager relies on key individuals to identify and select investment opportunities and to manage the day-to-day affairs of the Company. There can be no assurance as to the continued service of these key individuals at the Investment Manager, and the departure of any of these from the Investment Manager without adequate replacement may have a material adverse effect on the Company's business prospects and results of operations.

Mitigation
The Investment Manager has a remuneration policy in place seeking to incentivise key individuals to take a long term view. Additionally, the Company's key individuals are significantly invested in the Company, therefore their interests and the Company's shareholders are more aligned. Finally, the Investment Manager has plans in place to ensure continuity in the unlikely event of the departure of key individuals.

6. Regulatory risks
A failure to maintain HMRC approval as an investment trust could result in the Company not being able to benefit from the current exemption for investment trusts from UK tax on chargeable gains and could affect the Company's ability to provide returns to shareholders.

Mitigation
The Investment Manager and the company secretary monitor adherence to section 1158 of the Corporation Tax Act 2010 and report to the Board thereon.

Viability Statement

In accordance with the UK Corporate Governance Code 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. The Company's investment policy is to buy good companies, not overpay and then do nothing. The Smithson Owner's Manual, a copy of which can be found on the Company's website at www.smithson.co.uk states "We will only invest in the equity of companies which we believe can compound in value over many years, if not decades, where we can remain a happy owner, safe in the knowledge that in 5 to 10 years' time our investment is likely to be worth significantly more than what we paid for it". When selecting or reviewing investments, the Investment Manager evaluates the prospects and risks which could affect investee companies over at least a 5 to 10 year period with a view to them being good long term investments capable of generating the Company's required returns. The Board therefore believes that 10 years is the most appropriate time horizon to adopt for the Viability Statement.

In reviewing the Company's viability, the Board considered the Company's business model, the principal risks and uncertainties, and its present and expected financial position. The Company is a closed end fund which invests in listed or traded global securities which are inherently liquid. It does not intend to borrow (except in short term circumstances to manage a discount) nor will it use derivatives in any hedging operation. It receives dividend income from its investment portfolio with which it settles its operating expenses. Any shortfall in income available to settle expenses could be met by the Company's cash balances or by realising investments; the Board receives regular reports from the Investment Manager to confirm the average time to liquidate any investment position. The Board therefore has substantial options to manage the Company's ongoing solvency.

The Company benefits from certain tax benefits relating to its status as an investment company. Any change to such taxation arrangements would inevitably affect the attractiveness of an investment in the Company and consequently its viability as an effective investment vehicle. Investment trusts have been in existence for many decades, are a popular investment medium and there is no reason to expect any change to the current taxation status.

The Directors have assumed that:

- the Board will not change the Company's investment objective of providing shareholders with long-term growth in value;
- the performance of the Company will continue to be satisfactory such that the shareholders will want the Company to continue in existence. (The Board will consider putting a continuation vote to shareholders if in any year after 2022 the Company's share price trades at an average discount of 10% or more to net asset value); and
- the Board will continue to manage the Company's business to ensure it retains its status as an investment trust.

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

Section 172 of Companies Act 2006 Statement

During the period under review, the Board discharged its duty per section 172 of the Companies Act 2006, to promote the success of the Company for the benefit of its members as a whole and having regard to the interests of stakeholders. The Board performed its role as outlined in the schedule of matters reserved for the Board and taking into account the interests of the key stakeholders identified in the map below. This schedule will be available for inspection at the AGM and is otherwise available at the registered office of the Company and on the Company's website at www.smithson.co.uk.

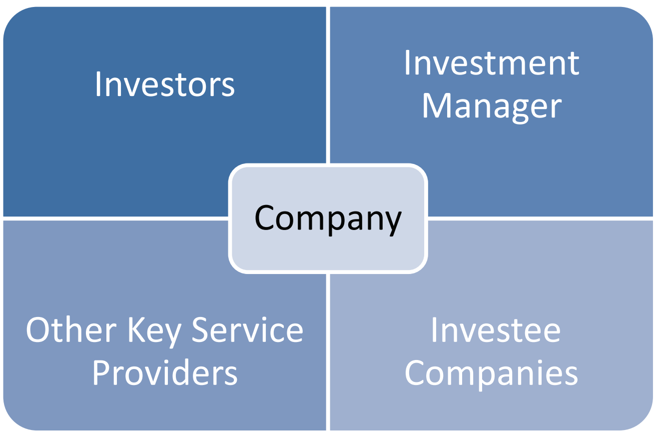
Company values

The Board has adopted a policy of fostering high standards of corporate governance in all its activities. This principle is the cornerstone of creating and preserving shareholder value.

The Board is mindful that there should be an active, liquid market in the Company's shares. As a closed-ended fund listed on the Premium segment of the main market, shareholders should always be able to exit through the stock market. The Board recognises the importance of shareholders being able to sell at a price not disadvantageous to them and the premium/ discount to net asset value at which the Company's shares trade is monitored at all times.

Company sustainability and stakeholders

As part of its work to evaluate its principal risks, the Board identified its key stakeholders which can be summarised as follows:



The Board is cognisant of the need to foster the Company's business relationships with suppliers, customers and other key stakeholders through its stakeholder management activities as described below.

Stakeholder Management

Investors

The Company raised £822 million in its initial public offering ("IPO"), which was the largest amount that has been raised by any investment trust IPO. The Company's shares commenced trading on the London Stock Exchange on 19 October 2018. Since launch, the Company's share price has grown from £10 to £12.98 at 31 December 2019, an annualised share price total return of 24.2%. At the same time the Company's shares have had a strong investor demand and the share price has consistently traded at a premium to net asset value with an average premium of 3.6% and a premium at the period end of 3.4%. As a result, the Board has established a share issuance programme whereby in the period from the Company's flotation until 31 December 2019, the approximate net premium to NAV on share issues was £8.7 million. The Board is seeking to renew its authority to issue shares at the Company's first AGM (see pages 5 to 6) to continue to create value for shareholders.

The Board provides oversight and challenge to the Investment Manager to ensure creation and preservation of shareholder value (further information can be found on page 10 describing the Key Performance Indicators). The Board believes that effective risk management contributes to the safeguarding of shareholder value and successful operation of the Company and therefore assesses and manages, where possible or appropriate, the risks faced by the Company.

The Company and Investment Manager are seeking to promote an investor base that is interested in a long term holding in the Company. The Board, through the Company's broker and the Investment Manager, maintains regular contact with shareholders and it encourages shareholders to attend the Annual General Meeting. Shareholder feedback is discussed extensively in Board meetings with the broker and Investment Manager and the Board is pleased the feedback received remained positive throughout the period. The Company's shareholder engagement strategy and details of shareholder communications can be found on page 31.

Investment Manager

As explained above, the Company's business model is such that it has no employees and relies on services provided by third party service providers to manage the Company's operations. The Investment Manager is the most significant service provider of the Company and a description of its role can be found at page 25.

The Board receives regular reports from the Investment Manager, discusses the portfolio at each Board meeting and maintains a constructive dialogue between meetings as well. A representative of the Investment Manager additionally attends most Board meetings. The Investment Manager's remuneration is based on the market capitalisation of the Company which aligns the manager's interests with those of shareholders. Furthermore, partners and employees of the Investment Manager are significantly invested in the Company as disclosed on page 67 of the financial statements; therefore further aligning the Investment Manager's interests with those of the shareholders and other stakeholders.

The Management Engagement Committee reviews the performance of the Investment Manager, its remuneration and discharge of its contractual obligations at least annually.

Other key service providers

In ensuring the smooth operation of the Company, the Board also monitors the performance of other key service providers such as the fund administrator, depositary and custodian (please see the work of the Management Engagement Committee on pages 36 to 37) and maintains regular contact through direct reports at Board meetings or through the company secretary.

In maintaining the Company's reputation and high standards of business conduct, the Board is provided with regular reports from the Company's broker and company secretary who alert the Board to recent changes in regulation and market practice, as well as any likely reputational threats which, in turn, influence the Board's decision making process. The Company's corporate values, established to manage its business relationship with its stakeholders, can be found on page 21 and the Company's approach on anti-bribery and prevention of tax evasion can be found on page 23 and on the Company's website at www.smithson.co.uk.

Investee companies

As an investment trust with no trading activity, the Company has no direct social, community or environment responsibilities. However, the Company does have such responsibilities through its investment portfolio. The Company is a long-term investor (please see Owner's Manual at the Company's website at www.smithson.co.uk) and the Investment Manager approaches ESG in the widest possible sense, taking into account all of the factors that may impact a business's potential to generate sustainably high returns for the long term. Assessing ESG factors is an integral part of the Investment Manager's investment approach as it is key to identifying whether an investment will generate value in the longer term.

The Investment Manager is a signatory of the United Nations Principles for Responsible Investment. In the absence of explicit instructions from the Board, the Investment Manager has the right to exercise discretion in the use of Company's voting rights. All shareholdings are voted at all listed company meetings worldwide where practicable in accordance with the Investment Manager's own corporate governance policies.

Conclusion

The Board is mindful of the directors' duties as described by section 172 of the Companies Act 2006, when deliberating all important decisions.

Dividend Policy

At least initially, the Company does not anticipate paying any dividends. The Company's intention is to look for overall return rather than seeking any particular level of dividend. The Company will comply with the investment trust rules regarding distributable income, but does not expect significant income from the shares in which it invests.

Any dividends and distributions will be at the discretion of the Board. Subject to the Companies Act, the Company may, by ordinary resolution, declare dividends to be paid to members of the Company according to their rights and interests in the profits of the Company available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board. The Company does not intend to pay any interim dividends.

Were the Company to be in a position to pay a dividend, then it may, subject to complying with all relevant criteria and with the approval of the shareholders by ordinary resolution, choose to offer shareholders a scrip dividend alternative or may establish a scrip dividend scheme that would allow shareholders to receive ordinary shares instead of a cash dividend.

Environmental Matters

The Company is an investment company. As such, it does not have any physical assets, property, employees or operations of its own. The Company does not provide goods or services in the normal course of its business and nor does it have customers. In consequence, the Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other sources of emissions under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. The Board's policy regarding environmental matters concerning investee companies is summarised on page 22.

Exercise of Voting Powers and Stewardship Code

The Company and the Investment Manager support the UK Stewardship Code issued by the Financial Reporting Council. The Board's policy regarding voting on investee company matters is summarised on page 22.

Modern Slavery Disclosure

Due to the nature of the Company's business, being a company that does not offer goods or services to customers, the Board considers there are no relevant disclosures with regard to modern slavery in relation to the Company's own operations. The Board considers the Company's supply chains, dealing predominately with professional advisers and service providers in the financial services industry, to be low risk in this regard.

Anti-bribery and Corruption

It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates. The Company's policy and the procedures that implement it are designed to support that commitment. A copy of the anti-bribery and corruption policy can be found on the Company's website at www.smithson.co.uk.

Prevention of the Facilitation of Tax Evasion

In response to the Criminal Finances Act 2017, the Board has adopted a zero-tolerance approach to the criminal facilitation of tax evasion. The policy can be found on the Company's website.

Employees, Human Rights and Community Issues

The Board recognises the requirement to provide information about employees, human rights and community issues. As the Company has no employees, all its Directors are non-executive and all its functions are outsourced, there are no disclosures to be made in respect of employees, human rights and community issues. As at 31 December 2019 the Company had three Directors, of whom two are male and one is female. The Board's policy on diversity is contained in the Corporate Governance Report (see page 29).

Strategic Report

The Strategic Report set out on pages 2 to 23 of this Report and Accounts was approved by the Board of Directors on 26 February 2020.

On behalf of the Board

Mark Pacitti
Chairman

26 February 2020

Board of Directors

The directors who held office during the period were:

Mark Pacitti
(Chairman)

Mark qualified as a chartered accountant in 1986 with Ernst & Young and thereafter undertook a wide range of corporate finance roles, including investment banking and a three-year period in industry. He went on to specialise in corporate finance advisory work and became a partner in Deloitte in 1999. Over the course of his 35-year career, including ten as Deloitte London partner in charge, and five as global leader, both within corporate finance advisory, Mark has advised on more than 150 deals. He has typically helped to guide middle-market transaction and investment strategies for private/private equity backed businesses and major corporates to drive shareholder value. He served as chairman of the ICAEW's corporate finance faculty from 2015 to 2018 and is currently chairman of the board of Arran Aromatics Limited, a portfolio company of Endless LLP, a private equity investor.

Diana Dyer Bartlett
(Audit Committee Chairman)

After qualifying as a chartered accountant with Deloitte Haskins & Sells, Diana spent five years in investment banking with Hill Samuel Bank. Since then she has held a number of roles as finance director of various venture capital and private equity backed businesses and listed companies involved in software, financial services, renewable energy and coal mining. She was also company secretary of Tullett Prebon plc and Collins Stewart Tullett plc. Diana is currently a non-executive Director and Chairman of the Audit Committee of Smart Space Software plc, Rutherford Health plc and Mid Wynd International Investment Trust plc.

Lord St John of Bletso
(Management Engagement Committee Chairman)

Lord St John has been an active Member of the House of Lords since 1978. He serves as non-executive Chairman of Strand Hanson Ltd, Integrated Diagnostics Holdings Plc and Yellow Cake plc. He also serves as a non executive director of Falcon Group, Albion Capital Group LLP and Empati Ltd. He has advisory roles with GeoBear Engineering, Bell Technologies, Betway, 17Arm and Wet Holdings. He worked for almost 20 years in the City with Natwest Securities, Smith New Court and Merrill Lynch. He qualified and practised as a lawyer in South Africa after graduating with BA, BSocSc, BProc and LLM degrees. He serves as extra Lord in Waiting to HRH the Queen.

All of the directors were appointed on 14 September 2018 and are members of the Audit Committee and Management Engagement Committee.

The Directors present their report on the affairs of the Company, together with the audited financial statements and the Independent Auditor's Report for the period from incorporation on 14 August 2018 to 31 December 2019. The Corporate Governance Report on pages 29 to 31 forms part of this report. Disclosures relating to performance, future developments and viability and risk management can be found in the Strategic Report on pages 2 to 23 and are incorporated in this report by reference.

Legal and Taxation Status

The Company is registered as a public limited company in England and Wales (Registered Number 11517636) 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 Tax 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 Management

The Company's investments are managed by Fundsmith LLP which was responsible for sponsoring the Company's IPO and meeting all the IPO costs. Simon Barnard and Will Morgan are the day-to-day fund managers and Terry Smith oversees their activities as Chief Investment Officer. Fundsmith's services are provided pursuant to an agreement entered into on 17 September 2018 and include, amongst other things, advising on how monies are invested or divested, how rights conferred by the investments should be exercised, how income should be collected and on market trends etc. The Investment Manager fulfils the regulatory role of AIFM.

The Investment Manager is entitled to receive a fee from the Company which is an amount equal to 1/365 multiplied by 0.9% of the market capitalisation of the Company accruing daily, but payable monthly in arrear. The Investment Management Agreement has a minimum term of four years and may be terminated by either party on twelve months' notice with such notice not to be served before the date which is three years from the date of the Company's IPO.

The Management Engagement Committee has reviewed the continuing appointment of the Investment Manager and the Board accepted its recommendation that it is in shareholders' interests that Fundsmith continues in its role. The review undertaken by the Management Engagement Committee considered the Company's investment performance together with the quality and adequacy of other services provided.

The Management Engagement Committee also reviewed the appropriateness of the terms of the Investment Management Agreement, in particular the length of the notice period and the fee structure.

Further details of the review and conclusions are provided at the Management Engagement Committee Report at pages 36 to 37.

Fund Administration, Depositary and Custody

Responsibility for the Company's fund administration, broking the purchase and sale of the Company's investments and safeguarding the Company's assets is the responsibility of Northern Trust Global Services SE who were appointed on 17 September 2018. Northern Trust is entitled to receive fees in respect of its services as follows:

Depositary, 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 plus VAT. 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. The contract may be terminated by either party on 90 days notice.

Administrator, an amount equivalent to 0.03% where the Net Asset Value of the Company is less than or equal to £500 million and 2 basis points where the Net Asset Value of the Company exceeds £500 million. The contract may be terminated by either party on 180 days notice.

Results and Dividend

The Company reported a total return after tax for the period of £238.1 million, comprising a capital return of £237.9 million and a revenue return of £0.26 million. The Company's Articles of Association do not permit a distribution to be made from the capital reserve. The Directors did not pay an interim dividend and are not proposing a final dividend for the period ended 31 December 2019.

This is consistent with the Company's policy of focusing on long term capital growth and only declaring dividends to the extent required to maintain the Company's tax status as an investment trust.

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. Further information is available in the Investor Disclosure Document on the Company's website https://www.smithson.co.uk/documents-analysis. The Company did not employ any leverage during the period ended 31 December 2019.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 15 to the financial statements and the Company's hedging policy on page 7.

Directors' Interests

The beneficial interests of the Directors of the Company (and their connected parties) at the period end and at the date of this report are set out below:

Director	No of ordinary shares
Mark Pacitti	20,000
Diana Dyer Bartlett	5,000
Lord St John of Bletso	10,000

Directors' Indemnities and Directors' and Officers' Liability Insurance

The Directors and officers of the Company are entitled to be indemnified against all losses and liabilities which they may sustain in the execution of the duties of their office, except to the extent that such an indemnity is not permitted by sections 232 or 234 of the Companies Act. Subject to sections 205(2) to (4) of the Companies Act, the Company may provide a Director with funds to meet his expenditure in defending any civil or criminal proceedings brought or threatened against him/her in relation to the Company. The Company may also provide a Director with funds to meet expenditure incurred in connection with proceedings brought by a regulatory authority.

The Company's Directors are covered by Directors' and Officers' Liability insurance.

Investment Manager's Interests

As at 31 December 2019 and the date of this report, Terry Smith and other founder partners and key employees of the Investment Manager directly or indirectly and in aggregate, held 2.6% of the issued share capital of the Company.

Significant Holdings and Voting Rights

The Company was notified of the following significant holdings in the share capital of the Company as at the period end and 24 February 2020 (the latest practicable date before publication of the Report and Accounts):

	31 December 2019		24 February 2020	
	No of shares	% of issued share capital	No of shares	% of issued share capital
Brewin Dolphin Limited	7,041,512	6.15	7,041,512	5.95
Rathbones*	5,484,779	4.80	5,739,467	4.90

* Rathbone Investment Management Ltd and Rathbone Investment Management International Ltd

As at 31 December 2019, the Company had 114,510,958 ordinary shares in issue. As at 24 February 2020 (the latest practicable date before publication of the Report and Accounts) the Company had 118,265,958 ordinary shares in issue.

Share Capital

As at the date of this report the Company's share capital comprises 118,265,958 ordinary shares.

The holders of the ordinary shares are entitled to receive, and to participate in, any dividends declared in relation to the ordinary shares. On a winding-up or a return of capital by the Company, the holders of ordinary shares are entitled to all of the Company's remaining net assets after satisfaction of the Company's liabilities.

The ordinary shares carry the right to receive notice of, attend and vote at general meetings of the Company. The consent of the holders of ordinary shares is required for the variation of any rights attached to the ordinary shares.

On incorporation, the issued share capital of the Company was comprised of 2 ordinary shares of 1p and 50,000 management shares of nominal value £1 each, which were subscribed for by the Investment Manager. On 16 October 2018, the Company issued to the Investment Manager one Deferred B Share of 1p at a share premium equal to the initial launch costs of the Company. The Deferred B Share carried no rights to vote or to any dividends or other distributions save for the return of 1p once £100 billion had been returned to holders of ordinary shares. The Management Shares were redeemed in full on 19 October 2018.

At the date of the Company's listing on 19 October 2018, 82,250,956 ordinary shares of 1p each were allotted and issued to shareholders as part of the placing and offer for subscription in accordance with the Company's prospectus dated 17 September 2018.

Between 14 December 2018 and 31 December 2019 the Company issued a further 32.3 million ordinary shares at an average issue price of £11.92; raising aggregate net proceeds of £376.7 million. The average premium to the prevailing net asset value at which these new shares were issued was 3%. For more details please see the Statement of Changes in Equity on page 50 of the financial statements. On 15 November 2019, the Deferred B share was redeemed for an amount equal to the nominal value of the Deferred B share, being £0.01 and was cancelled immediately after redemption.

In the period from 31 December 2019 to the 24 February 2020, (the latest practicable date before publication of the Report and Accounts), a further 3,755,000 ordinary shares have been issued raising aggregate net proceeds of £49.8 million. The average price at which these new shares were issued was £13.36.

Voting Rights

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, and no agreements between holders of securities regarding their transfer which are known to the Company.

The Board is not aware of any significant agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid, nor any agreements with the Company and its Directors for compensation for loss of office that occurs because of a takeover bid.

Charitable and Political Donations

There were no charitable or political donations made during the period from incorporation on 14 August 2018 to 31 December 2019.

Annual General Meeting

The Company's Annual General Meeting ("AGM") will be held at 1.00 p.m. on 30 March 2020 at Barber-Surgeon's Hall, Monkwell Square, Wood Street, London EC2Y 5BL, UK. The Notice of AGM will be sent to all shareholders entitled to receive such notice. Only members on the register of members of the Company as at close of business on 27 March 2020 (or two days before any adjourned meeting, excluding non-business days) will be entitled to attend and vote at the AGM. Any proxy must be lodged with the Company's registrars or submitted to CREST by 27 March 2020 at 1.00 p.m. or at least 48 hours, excluding non-business days before any adjourned meeting of the AGM.

Resolutions dealing with the authority to approve the use of electronic shareholder communications, the placing programme, the allotment of shares, the disapplication of pre-emption rights, the repurchase of shares and to convene general meetings other than annual general meetings on no less than 14 days' notice will be put to the AGM. Details of the resolutions can be found in the Explanatory Notes of the Notice of AGM dated 26 February 2020.

The Board considers that all the resolutions put forward at the AGM are in the best interests of the shareholders as a whole. Accordingly, the Board unanimously recommends to the 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. The explanatory notes to the Notice of AGM describe each resolution and explain the reasons of the Board's recommendation.

Going Concern

The Directors have adopted the going concern basis in preparing the accounts. The following is a summary of the Directors' assessment of the going concern status of the Company, which should be read in conjunction with the Viability Statement on page 20.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of this document. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. The Company's net assets at 31 December 2019 were £1,437 million. As at 31 December 2019, the Company held £1,406 million in listed investments and had cash of £31.6 million. The Company had dividend income of £15.5 million in the period to 31 December 2019. The total expenses (excluding finance costs and taxation) for the period ended 31 December 2019 were £15.3 million, which represented approximately 1.3% of average net assets during the period. At the date of approval of this document, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover.

Events after the Reporting Period

Since 31 December 2019 and up to the 24 February 2020, (the latest practicable date before publication of the Report and Accounts), the Company has issued 3,755,000 ordinary shares raising net proceeds of £49.8 million.

Auditor Information

Each of the Directors at the date of the approval of this report confirms that:

(i) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(ii) the Director has taken all steps that he/she ought to have taken as a Director to make him/herself aware of any relevant information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

In accordance with Section 489 of the Companies Act 2006, a resolution to re-appoint Deloitte LLP as the Company's auditor will be put forward at the forthcoming Annual General Meeting.

On behalf of the Board

Mark Pacitti
Chairman

26 February 2020

The Corporate Governance Report forms part of the Report of the Directors.

The Listing Rules and the Disclosure Guidance and Transparency Rules of the UK Listing Authority require listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code, as issued by the Financial Reporting Council ("FRC") in 2016 the ("UK Code") and subsequently revised in 2018 ("Revised UK Code"). The UK Code and Revised UK Code can be viewed on the FRC's website (www.frc.org.uk).

The Board has also considered the Principles and Provisions of the Association of Investment Companies Code of Corporate Governance, as issued in 2016 the ("AIC Code") and subsequently revised in 2019 ("Revised AIC Code"). The AIC Code and the Revised AIC Code are available on the AIC website (www.theaic.co.uk). They both include explanation of how the Codes adapt the Principles and Provisions set out in the UK Code and revised Code to make them relevant for investment companies.

The Financial Reporting Council which issues the UK Code and Revised UK Code, has confirmed that by following the AIC Code and Revised AIC Code, boards of investment companies will be meeting their obligations under LR 9.8.6 of the Listing Rules. The Board considers that reporting against the Principles and Provisions of the AIC Code and Revised AIC Code provides more relevant information to shareholders.

The Board has complied with the AIC Code 2016 for the entire period from incorporation. Additionally, the Board has decided to early adopt the Revised AIC Code as best practice for the period since 1 January 2019, except as follows.

Both the 2016 and Revised UK Code and the 2016 and Revised AIC Code recommend that a senior independent director be appointed. As the Board is small (three members), the Board does not consider that this is required and shareholders are invited to contact any of the Directors, if they have any concerns which they wish to raise. The Audit Committee Chairman is responsible for leading the performance review of the Chairman instead of a senior independent director and the Board as a whole is responsible for agreeing the succession plan for the Chairman. The UK Code additionally includes provisions relating to the role of the chief executive and the need for a Remuneration Committee and a Nomination Committee. The Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company with a small Board and no executive directors. The Company has therefore not reported further in respect of these provisions.

The Chair of the Board should not be a member of the Audit Committee per the UK Code. However the AIC Code permits the Chair to be a member of, but not chair the Audit Committee if they were independent on appointment. The Chairman was independent on appointment, and in view of the size of the Board, the Directors feel it is appropriate for the Chairman to be a member of the Audit Committee.

The Board

The Board comprises three Directors, all of whom are non-executive. The Board has overall responsibility for the Company's affairs. Its primary responsibility is to promote the long-term sustainable success of the Company, generate value for shareholders and have regard to Stakeholder Interests. It also establishes the Company's purpose, values and strategy, and satisfies itself that these and its culture are aligned. It has a number of matters formally reserved for its approval including strategy, investment policy, gearing, treasury matters, dividend and corporate governance policy. The Board also approves the financial statements, revenue budgets and reviews the performance of the Company. A copy of the matters reserved to the Board is available from the company secretary or on the Company's website at www.smithson.co.uk. Full and timely information is provided to the Board to enable the Board to function effectively and to allow Directors to discharge their responsibilities.

The Board considers the balance of skills, knowledge, diversity (including gender) and experience, amongst other factors when reviewing its composition and appointing new Directors. The Board has considered the recommendations of the Davies and Hampton-Alexander reviews as well as the Parker review, but does not consider it appropriate to establish targets or quotas in these regards. The Board currently comprises three non-executive Directors of whom one is female. Summary biographical details of the Directors are set out on page 24. All of the Directors will offer themselves for election or re-election at each Annual General Meeting and explanations for why their appointment or continued appointment is appropriate is included in the explanatory notes to the Notice of Annual General Meeting.

The Board appraises its collective set of cognitive and personal strengths, independence and diversity on an annual basis, so as to ensure it is aligned with the Company's strategic priorities. The Board is satisfied with its current composition.

All Directors have access to the advice of the company secretary, who is responsible for advising the Board on all governance matters. Both the appointment and removal of the company secretary is a matter for the whole board.

Meeting Attendance

The number of ordinary course scheduled Board and Committee meetings held during the period to 31 December 2019, and each Director's attendance, is shown below:

	Board	Audit Committee	Management Engagement Committee
Number of ordinary course meetings held	6	3	2
Mark Pacitti	6	3	2
Diana Dyer Bartlett	6	3	2
Lord St John of Bletso	6	3	2

Tenure Policy

It is the Board's policy that all Directors, including the Chairman, will normally have tenure limited to nine years from their first appointment to the Board, except when the Board may determine otherwise if it is considered that the continued participation on the Board of an individual Director, or the Chairman, is in the best interests of the Company and its shareholders. This is also subject to the Director's re-election by shareholders at each Annual General Meeting.

All Directors were appointed on 14 September 2018. The Board has formulated a succession plan to promote regular refreshment and diversity, whilst maintaining stability and continuity of skills and knowledge on the Board.

Upon joining the Board, all Directors received an induction and relevant training is available to Directors on an ongoing basis.

Performance Appraisal

A formal annual performance appraisal process is performed on the Board, the Committees, the individual Directors and the Company's main service providers. The performance appraisal was led by the Chairman. A programme consisting of open and closed ended questions was used as the basis for the appraisal. The results were reviewed by the Chairman and discussed with the Board. A separate appraisal of the Chairman was carried out and the Audit Committee Chair reported back the results to the Chairman. The results of the most recent performance evaluation were positive and demonstrated that the Directors showed the necessary commitment to the effective fulfilment of their duties. A number of minor administrative changes will be adopted following these effectiveness reviews. The Board intends to seek an independent, external board effectiveness review in 2020.

Directors' Independence

The Board consists of three non-executive Directors, each of whom is independent of the Investment Manager. No member of the Board is a Director of another investment company managed by the Investment Manager. Accordingly, the Board considers that all the Directors are independent and there are no relationships or circumstances which are likely to affect or could appear to affect their judgement. The Board has additionally adopted a conflicts of interest policy. Any new external appointments are approved by the Chairman before they are accepted, having regard to potential conflicts of interest and the time commitment involved.

Role of the Chair

The Chair's main role is to lead the Board. In doing so, the Chair promotes high standards of governance, ensures the Board is provided with sufficient and timely information so that they are able to discharge their duties, allows each Board member's views to be considered and ensures appropriate action is taken. Additionally, the Chair's role includes ensuring that each Committee has the support required to fulfil its duties, overseeing the Board's effectiveness reviews and the induction and development of Directors. The Chair is required to remain independent of the Investment Manager, whilst providing effective support, challenge and advice to the Investment Manager. Through direct contact or through the Company's broker and Investment Manager, the Chair receives the views of shareholders and also ensures that the Board as a whole has a clear understanding of these.

Role of Committees

Audit Committee

The Board has established an Audit Committee which is chaired by Diana Dyer Bartlett and consists of all the Directors. As the Chairman was independent on appointment, he is entitled to be a member of the Audit Committee under the Revised AIC Code. A report of the Audit Committee is included in this Report and Accounts and sets out the role and responsibilities of the Audit Committee. The Board considers that the members of the Audit Committee have the requisite skills and experience to fulfil the responsibilities of the Audit Committee.

Management Engagement Committee

The Board has established a Management Engagement Committee which is chaired by Lord St John of Bletso and consists of all the Directors. A report of the Management Engagement Committee is included in this Report and Accounts and sets out the role and responsibilities of the Management Engagement Committee.

Nomination Committee and Remuneration Committee

The Board as a whole fulfils the function of the Nomination Committee and the Remuneration Committee. The Board considers its size to be such that it would be unnecessarily burdensome to establish a separate Nomination Committee. As there are no executive directors, there is no need for a Remuneration Committee.

The terms of reference of each committee can be found on the Company's website at www.smithson.co.uk.

Shareholder Relations

Representatives of the Investment Manager regularly meet with institutional shareholders and private client wealth managers to present the Company's financial reports and understand shareholders' views. Reports from the Company's broker are submitted to the Board on shareholder feedback and industry issues. An analysis of the shareholder register of the Company is also provided to the Directors at each Board meeting.

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 AGM and the Chairman of the Board will chair the meeting. All shareholders are encouraged to attend the AGM, where they will be given the opportunity to question the Chairman, the Board and representatives of the Investment Manager. The Investment Manager will make a presentation to shareholders covering the investment performance and strategy of the Company and a webcast of their presentation will be available on the Company's website at www.smithson.co.uk.

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, www.smithson.co.uk.

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. Alternatively the Chairman can be emailed on the following address: smithsonchairman@fundsmith.co.uk.

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.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report and Accounts 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 that 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.

The financial statements are published on the Company's website (www.smithson.co.uk). The maintenance and integrity of the website is the responsibility of the Investment Manager. The work carried out by the auditor does not involve consideration of the maintenance and integrity of the website and, accordingly, the auditor accepts 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 Report and Accounts, 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 24 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 period 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

Mark Pacitti
Chairman

26 February 2020

Statement from the Chairman

I am pleased to present the Audit Committee Report for the period ended 31 December 2019. The Committee met three times during this period and attendance by each Director is shown in the table on page 30. The Committee also met on 17 February 2020 to consider this Report. The Company's external auditor attended the meetings to agree the audit plan and to consider this Report and Accounts. The Investment Manager attends meetings by invitation of the Audit Committee, but the Audit Committee also met the external auditor without the Investment Manager being present on 17 February 2020.

Composition

The Audit Committee comprises all the Directors whose biographies are set out on page 24. As the Chairman of the Board was independent on appointment and continues to be independent, under the AIC Revised Code, he is entitled to be a member of the Committee. The Committee considers that each member has recent and relevant financial experience. Diana Dyer Bartlett chairs the Committee, is a chartered accountant and is also audit committee chairman of three other public companies. Mark Pacitti is also a chartered accountant.

Responsibilities

The Committee's main responsibilities under its terms of reference are:

1. To review the Company's interim and period end reports. In particular, the Committee considers whether the financial statements are fair, balanced and understandable, allowing 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.
3. To recommend the appointment of Deloitte LLP as 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 authorise such on a case by case basis having given consideration to the cost effectiveness of the services and the objectivity of the auditor.
5. To consider the need for an internal audit function.
6. To review and challenge the assumptions and qualifications in respect of the Company's going concern and viability statements.

Meetings and Business

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

Financial statements

The Committee has confirmed that, in its opinion, the Board can make the required statement that this Report and Accounts, 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 review of the processes to assure 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 is responsible for reviewing procedures to confirm the valuation and existence of investments. Controls are in place to ensure that valuations are appropriate and existence is verified through reconciliations undertaken by 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.

Accounting policies

The current accounting policies, as set out on pages 52 to 55, have been applied consistently throughout the period.

Going concern and viability statements
Having reviewed the Company's financial position, liabilities, principal risks and prospects, the Committee recommended to the Board that it was appropriate for the Board to prepare the financial statements on the going concern basis. Further detail is provided on page 28. It further formulated the Viability Statement out on page 20 including the appropriate assesment period.

Risk management and internal controls
The Board has overall responsibility for the Company's risk management and systems of internal controls and for reviewing their effectiveness. In common with the majority of investment trusts, investment management, accounting, company secretarial and custodial services have been delegated to third parties.

The Board has delegated responsibility to the Audit Committee to advise on the assessment and management of principal risks as well as identification of emerging risks. The principal risks, risk mitigation and procedures to identify emerging risks are summarised in the Strategic Report. The Committee reviewed the Company's schedule of key risks twice during the period, analysed the Company's value chain and identified the Company's stakeholders to assist in this process. No significant control failings or weaknesses were identified in the Committee's most recent risk review and no modifications to the risk mitigation programme were recommended.

The Committee reviewed the appropriateness of the Company's anti-bribery and corruption policy and its policy for the prevention of the facilitation of tax evasion and recommended to the Board that both be adopted. It also reviewed the whistleblowing policies of the Investment Manager and confirmed that such policies were in place with the other key service providers in conjunction with the Management Engagement Committee. The Board has adopted best practice of the new AIC Code and responsibility for whistleblowing has been elevated to the Board level as well.

Internal audit
The Audit Committee considered whether there was merit in appointing a firm of accountants to undertake any internal audit reviews into the Company's policies and procedures. It concluded that this would not add any value on the basis that all the Company's operations had been outsourced to third parties and reports were received from such third parties regarding their processes and procedures. In relation to the fund administrator and depositary, external audit reports were also received by the Management Engagement Committee which confirmed that no issues had been identified with such third parties' procedures and internal controls.

External Auditor

During the period, the nature and scope of the external audit together with Deloitte LLP's audit plan were considered by the Committee. Subsequent to the period end, the Committee also met with Deloitte LLP to review the outcome of the audit and the draft 2019 Report and Accounts.

In order to fulfil the Committee's responsibility regarding the independence of the Auditor, the Committee considered:

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

In its review of the effectiveness of the audit process, the Committee considered:

- the auditor's fulfilment of the agreed audit plan;
- the report arising from the audit itself; and
- feedback from the company secretary, the Investment Manager and the fund administrator on the conduct of the audit.

The Committee was 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.

The Committee confirms that the Company is in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. This order relates to the frequency and governance of tenders for the appointment of the external auditor and the setting of the policy on the provision of non-audit services.

Non-audit services

The Company has a policy that the provision of non-audit services by the auditor is permissible where no conflicts of interest arise, 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 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.

Details of the fees paid to the external auditor for audit services and non-audit services are set out in note 5 to the financial statements on page 56. The Audit Committee received representations from the external auditor concerning their independence and considered the external auditor to be independent.

Auditor appointment

The auditor to the Company is Deloitte LLP who were engaged on 24 July 2019. The current audit partner, Chris Hunter, has held the role since that date.

The Committee conducted a review of the performance of the auditor during the period and concluded that performance was satisfactory and there were no grounds for change. It also reviewed the audit fee.

Deloitte LLP have indicated their willingness to continue to act as auditor to the Company for the forthcoming year and a resolution for their appointment will be proposed at the Annual General Meeting as well as a resolution to approve the auditor's remuneration.

Audit Committee Effectiveness

During the period the Audit Committee reviewed its effectiveness and concluded that it had discharged all its obligations as set out in the Audit Committee's terms of reference in an efficient and effective manner. The Audit Committee concluded that there were no changes required to its procedures.

Diana Dyer Bartlett

Chairman of the Audit Committee

26 February 2020

Management Engagement Committee Report

Statement from the Chairman

I am pleased to present the Management Engagement Committee Report for the period ended 31 December 2019. The Management Engagement Committee met twice during the period and the attendance by each Director is shown in the table on page 30. The Committee also met on 17 February 2020 to consider this Report.

Composition

The Committee comprises all the Directors whose biographies are set out on page 24.

Responsibilities

The Committee's main responsibilities during the period were:

- to review annually the compliance by the Investment Manager with the Company's investment policy as established by the Board and with the Investment Management Agreement entered into between the Company and the AIFM and the Investment Manager; and
- to review annually the performance of the Investment Manager and any other key service providers to the Company other than the external auditor.

Appointment of Investment Manager and Other Key Service Providers

The Company was established by its Investment Manager, Fundsmith LLP. Before the Company's launch, the Investment Manager selected the Company's other key service providers. This provided consistency and continuity and an established track record with established relationships of the Investment Manager as well as economies of scale.

Investment Manager

The Company has appointed Fundsmith LLP as the Company's AIFM and Investment Manager.

During the period or before the publication of this report, the Management Engagement Committee reviewed the performance of the Investment Manager and whether it had fulfilled the terms of the Investment Management Agreement and complied with the Company's investment policy. It also received a report and presentation from the Investment Manager's Compliance Officer regarding the Investment Manager's compliance processes.

The Committee agreed that the Investment Manager has the required skills and depth of experience to manage the Company's investments. We also concluded that the performance of the Investment Manager was extremely satisfactory and that the continuing appointment of the Investment Manager was in the best interests of shareholders. In this process, the Committee reviewed the level of fees and contractual termination notice as per the Investment Management Agreement. It agreed these remained appropriate and further aligned the Investment Manager's interests with those of the Company's shareholders.

Other Key Service Providers

The Company's other key service providers are:

- Depositary and administrator (Northern Trust Global Services SE)
- Custodian (Northern Trust Company)
- Company secretary (Praxis IFM Fund Services (UK) Limited)
- Registrar (Link Asset Services) and
- Broker (Investec Bank plc)

The Committee received feedback on the performance of these service providers by the Investment Manager and company secretary and reviewed the level of their fees. It also asked all its key service providers to complete questionnaires concerning their operations, internal controls, business continuity plans, policies and procedures and these questionnaires were reviewed by the Committee. The Committee also held meetings with representatives of the depository, administrator, broker and company secretary prior to the publication of this Report and Accounts and has in place an ongoing programme of meetings with all key service providers.

Following the Committee's review and analysis, the Committee concluded that the performance of all the Company's current key service providers was satisfactory and that each be retained until the next review.

Management Engagement Committee Effectiveness

During the period the Management Engagement Committee reviewed its effectiveness and concluded that it had discharged all its obligations as set out in the Management Engagement Committee's terms of reference in an efficient and effective manner. The Management Engagement Committee concluded that there were no changes required to its procedures.

Lord St John of Bletso
Chairman of the Management Engagement Committee

26 February 2020

Statement from the Chairman

I am pleased to present the Directors' Remuneration Report to shareholders. 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 opinion is included in its report to shareholders on pages 41 to 47.

All Directors are non-executive and do not have service contracts with the Company, but are engaged under letters of appointment. The Directors' letters of appointment, and the terms and conditions within, are available for inspection on request at the Company's registered office.

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 Revised AIC Code.

The Directors' remuneration rates are: £30,000 for the Chairman per annum and £25,000 for the other Directors per annum. In addition, Directors who chaired a Board committee are entitled to receive an additional £2,000 per annum.

The total fees paid to the Directors for the period from appointment to the Board to 31 December 2019 and projected for 2020 are set out in the table below.

An ordinary resolution for the approval of the remuneration policy below will be put to shareholders at the Company's forthcoming Annual General Meeting.

Directors' Remuneration Policy

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 arrear, paid to the Director personally. 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. The Company does not have any employees.

Whilst the articles allow the Company to establish pension schemes and similar benefits for the Directors, no such scheme has been established.

Remuneration Policy Implementation Report

An ordinary resolution for the approval of this report will be put to shareholders at the Company's forthcoming Annual General Meeting.

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. Accordingly, an ordinary resolution for the approval of this policy effective from the date of Directors appointment will be considered by shareholders for the first time at the Annual General Meeting on 30 March 2020. Further details are provided in the Notice of the Meeting.

Single Total Figure of Remuneration Projected and Current

	Date of appointment to the Board	Fees from appointment to 31 December 2019 (£)	Projected fees 2020 (£)
Mark Pacitti (Chairman)	14 September 2018	38,769	30,000
Diana Dyer Bartlett	14 September 2018	34,892	27,000
Lord St John of Bletso	14 September 2018	34,892	27,000
		108,553	**84,000**

No communications have been received from shareholders regarding Directors' remuneration. The remuneration for the non-executive Directors is within the limits set out in the Company's Articles of Association. The present limit is £250,000 in aggregate per annum.

Directors' remuneration will be reviewed during 2020 as part of an independent, external board effectiveness review.

Directors' Fees and Expenses

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

Sums Paid to Third Parties (audited information)

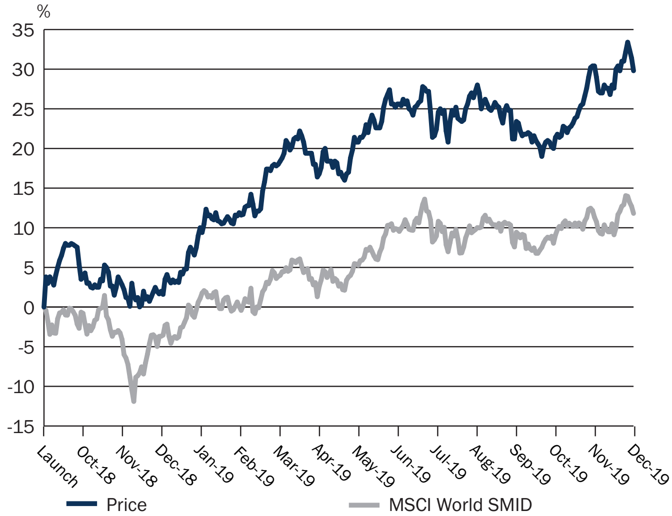
None of the fees referred to in the above table were paid to any third party in respect of the services provided by any of the Directors.

Loss of Office

The Directors letters of appointment specifically exclude any entitlement to compensation upon leaving office for whatever reason. Appointment as Director may, at the discretion of either party, be terminated upon three months' notice.

Share Price Total Return

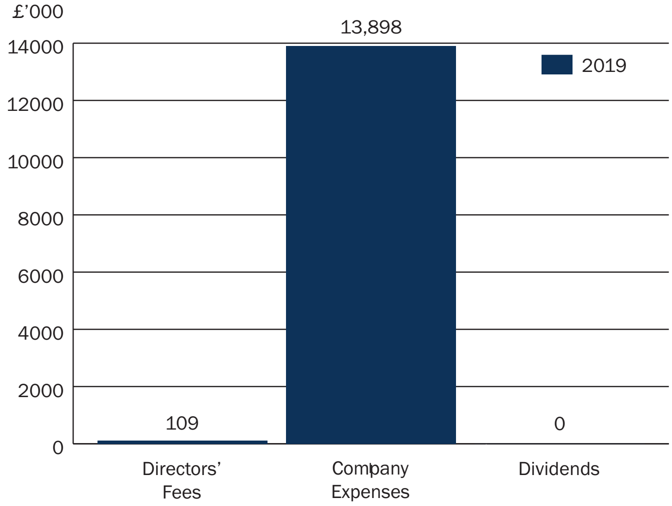
A performance comparison is required to be presented in this report. As the Company was incorporated on 14 August 2018 and commenced trading on 19 October 2018, the performance comparison is shown for the period from 19 October 2018 to 31 December 2019. The MSCI World SMID INDEX, on a net sterling adjusted basis, has been adopted by the Board as the benchmark against which the Company's performance has been measured for the period.



Source: MSCI/Bloomberg

Relative Cost of Directors' Remuneration

The bar chart below shows the comparative cost of Directors' fees compared with Company expenses for the period ended 31 December 2019. During the period no dividends were paid and there were no buy backs of shares.



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

The Directors’ interests in the Company’s shares are set out in the Report of the Directors. Directors are not required to hold shares in the Company. No changes have been notified at the date of this report.

Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Policy and Remuneration Implementation summarises, as applicable, for the period to 31 December 2019:

(i) the major decisions on Directors’ remuneration;

(ii) any substantial changes relating to Directors’ remuneration made during the period; and

(iii) the context in which the changes occurred and decisions have been taken.

The report on Directors’ remuneration was approved by the Board on 26 February and signed on its behalf by the Chairman.

Mark Pacitti
Chairman

26 February 2020

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Smithson Investment 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 period then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and**
- **have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- **the statement of comprehensive income;**
- **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 matter that we identified in the current year was: ● Valuation and ownership of listed investments
Materiality	The materiality that we used in the current period was £14.4m, which was determined as 1% of net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

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 18 to 19 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 18 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 20 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 and ownership of listed investments

Key audit matter description	The listed investments held by the company, £1,406m, are key to its performance and account for the majority of the total assets (97.8%) at 31 December 2019. Please see note 1b and note 10. There is a risk that listed investments may not be valued correctly or may not represent the property of the company. Given the nature and size of the balance and its importance to the entity, we have considered that there is a potential risk of fraud in this area. This key audit matter is also included in the Report of the Audit Committee within the annual report as a significant audit risk.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to test the valuation and ownership of the investment portfolio at 31 December 2019: ● Critically assessed the design and implementation of the controls over valuation and ownership of listed investments, both those in place at Northern Trust in its capacity as administrator and custodian, and in the Company itself; ● Agreed 100% of the company's investment portfolio at the period end to confirmations received directly from the custodian, Northern Trust; and ● Independently agreed 100% of the bid prices of quoted investments on the investment ledger at year end to closing bid prices published by an external pricing source. In addition to the above, we also tested the recording of a sample of purchases and sales of listed investments and reviewed the completeness and appropriateness of disclosures in relation to fair value measurement.
Key observations	Based on the work performed we conclude that the valuation and ownership of listed investments is appropriate.

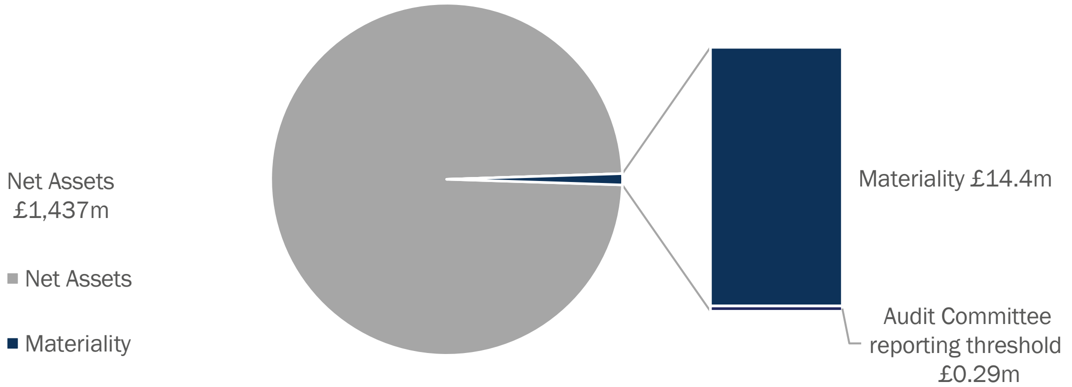
6. Our application of materiality

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	£14.4m
Basis for determining materiality	1% of net assets
Rationale for the benchmark applied	Net assets has been chosen as a benchmark as it is the most relevant number 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 65% of materiality for the 2019 audit. In determining performance materiality, we considered our risk assessment, including our assessment of the company's overall control environment, and our past experience of audits of other companies in the sector.

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £287,000, 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

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control and assessing the risks of material misstatement through quantitative and qualitative factors relating to each account balance, class of transactions and disclosure. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

As part of our risk assessment, we assessed the control environment in place at the administrator 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 Report and Accounts 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, 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 area of valuation and ownership of listed 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 framework 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, the Corporation Tax Act 2010, and the Listing Rules.

11.2 Audit response to risks identified

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

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, the Audit Committee and external legal counsel 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 Directors on 24 July 2019 to audit the financial statements for the period ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 1 year, covering the period ended 31 December 2019 only.

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
26 February 2020

Statement of Comprehensive Income

	Notes	For the period from incorporation on 14 August 2018 to 31 December 2019 Revenue £'000	Capital £'000	Total £'000
Income from investments held at fair value through profit or loss	2	15,547	–	15,547
Gains on investments held at fair value through profit or loss	9	–	239,338	239,338
Losses on foreign exchange transactions		–	(18)	(18)
Investment management fees	4	(12,509)	–	(12,509)
Other expenses including transaction costs	5	(1,389)	(1,431)	(2,820)
Profit before tax		1,649	237,889	239,538
Tax	6	(1,392)	–	(1,392)
Profit for the period		257	237,889	238,146
Return per share (basic and diluted) (p)	7	**0.26**	**242.23**	**242.49**

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

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

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

All items in the above statement derive from continuing operations.

The accompanying notes on pages 52 to 64 are an integral part of these financial statements.

	Notes	As at 31 December 2019 £'000
Non-current assets		
Investments held at fair value through profit or loss	9	1,405,671
Current assets		
Receivables	10	1,653
Cash and cash equivalents		31,558
		33,211
Total assets		**1,438,882**
Current liabilities		
Trade and other payables	11	(1,577)
Total assets less current liabilities		**1,437,305**
Equity attributable to equity shareholders		
Share capital	12	1,145
Share premium	13	1,198,014
Capital reserve		237,889
Revenue reserve		257
Total equity		**1,437,305**
Net asset value per share (p)	**14**	**1,255.2**

The financial statements on pages 48 to 64 were approved by the Board on 26 February 2020 and were signed on its behalf by:

Mark Pacitti
Chairman

The accompanying notes on pages 52 to 64 are an integral part of these financial statements.
Smithson Investment Trust plc – Company Registration Number 11517636 (Registered in England and Wales)

For the period from incorporation on 14 August 2018 to 31 December 2019

	Notes	Share Capital £'000	Share Premium £'000	Capital Reserve £'000	Revenue* Reserve £'000	Total £'000
Balance at 14 August 2018		–	–	–	–	–
Issue of shares at IPO		822	821,687	–	–	822,509
Issue of new shares on secondary market		323	378,729	–	–	379,052
Costs on new share issues on secondary market		–	(2,402)	–	–	(2,402)
Profit for the period		–	–	237,889	257	238,146
Balance at 31 December 2019	**12**	**1,145**	**1,198,014**	**237,889**	**257**	**1,437,305**

* Distributable reserve. The Company's Articles of Association do not permit distributions from the Capital Reserve.

The accompanying notes on pages 52 to 64 are an integral part of these financial statements.

	Notes	For the period from incorporation on 14 August 2018 to 31 December 2019 £'000
Cash flows from operating activities		
Profit before tax		239,538
Adjustments for:		
Gain on investments	9	(239,338)
Loss on foreign exchange		18
Increase in receivables		(554)
Increase in payables		1,577
Overseas taxation paid	6	(1,707)
Net cash flow from operating activities		**(466)**
Cash flows from investing activities		
Purchases of investments	9	(1,205,635)
Sale of investments	9	39,302
Net cash flow from investing activities		**(1,166,333)**
Cash flows used in financing activities		
Proceeds from issue of new shares		1,200,773
Issue costs relating to new shares		(2,398)
Net cash flow from financing activities		**1,198,375**
Net increase in cash and cash equivalents		**31,576**
Effect of foreign exchange rates		(18)
Change in cash and cash equivalents		**31,558**
Cash and cash equivalents at start of the period		–
Cash and cash equivalents at end of the period	**15**	**31,558**
Comprised of:		
Cash at bank		**31,558**

The accompanying notes on pages 52 to 64 are an integral part of these financial statements.

1. Accounting policies

Smithson Investment Trust plc is a company incorporated on 14 August 2018 in the United Kingdom under the Companies Act 2006.

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 ("SORP") 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies ("AIC") 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 28. 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.

(b) Critical accounting judgements and sources of estimation uncertainty

The Board confirms that no significant accounting judgements or estimates have been applied to the financial statements and therefore there is not a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(c) 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 Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. In accordance with the Company's Articles of Association, net capital returns may not be distributed by way of dividend. Additionally, the net revenue 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)

(d) 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.

(e) Expenses

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

(f) 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 period 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)

(g) Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the Statement of Financial Position or at the related forward contract rate. Transactions in foreign currency are converted to sterling at the rate ruling at the date of the transaction or, where forward foreign currency contracts have been taken out, at contractual rates and included as an exchange gain or loss in the capital reserve or the revenue account depending on whether the gain or loss is of a capital or revenue nature.

(h) Cash and cash equivalents

Cash and cash equivalents 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.

(i) 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.

(j) Other receivables and other payables

Other receivables and other payables do not carry any interest and are short term in nature and are accordingly 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.

(k) Nature and purpose of reserves:

Share capital

Represents the nominal value of the issued share capital.

Share premium account

The share premium that 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 Statement of Comprehensive Income; and
- 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.

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.

1. Accounting policies (continued)

(l) Taxation

The charge for taxation is based upon the revenue for the period 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 Statement of Financial Position 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 Statement of Financial Position 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.

(m) 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 on or after 1 January 2020).

Amendments to IAS 1 & IAS 8 'Definition of Material' (effective for accounting periods on or after 1 January 2020).

IFRS 17, 'Insurance contracts' (effective for accounting periods 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 the annual periods beginning 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.

In the current financial period the Company has applied an interpretation as follows:

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
UK dividends	4,077
Overseas dividends	11,470
Total	**15,547**

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 48. A geographical split of the portfolio can be seen on page 16.

4. Investment management fee

	2019 £'000
Investment management fee	**12,509**

As at 31 December 2019, an amount of £1,124,000 was payable to the Investment Manager.
Details of the terms of the Investment Management Agreement are provided on page 25.

5. Other expenses

		2019	
	Revenue £'000	Capital £'000	Total £'000
Transaction costs on fair value through profit or loss investments	–	1,431	1,431
Directors' fees	109	–	109
Employer national insurance contributions	3	–	3
Auditor fees in relation to audit	35	–	35
Tax compliance fee	14	–	14
Registrar fees	37	–	37
Broker fees	48	–	48
Company secretarial fees	137	–	137
Custody fees	72	–	72
Depositary fees	212	–	212
Postage and printing	22	–	22
Legal fees	31	–	31
Fund administration fees	336	–	336
Other expenses	333	–	333
Total Expenses	**1,389**	**1,431**	**2,820**

Transaction costs on fair value through profit or loss investments represent such costs incurred on both purchases and sales of those investments. Transaction costs on purchases amounted to £1,417,000 and on sales amounted to £14,000.

In addition to the audit fees paid by the Company disclosed above, fees of £131,700 were paid to Deloitte LLP by the Investment Manager on behalf of the Company for IPO and reporting accounting assistance. Total remuneration paid to Deloitte LLP amounted to £166,700.

6. Taxation

(a) Analysis of tax charge in the period

	2019		
	Revenue £'000	Capital £'000	Total £'000
Taxation on ordinary activities			
Overseas taxation	1,707	–	1,707
Overseas tax recoverable	(315)	–	(315)
Irrecoverable overseas withholding tax	1,392	–	1,392
Total tax	**1,392**	**–**	**1,392**

(b) The tax charge for the period is lower than the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	2019		
	Revenue £'000	Capital £'000	Total £'000
Profit before tax	**1,649**	**237,889**	**239,538**
Corporation tax at standard rate of 19%	313	45,199	45,512
Effects of:			
Non-taxable UK dividends	(775)	–	(775)
Non-taxable overseas dividends	(2,179)	–	(2,179)
Net gains on investments	–	(45,474)	(45,474)
Expenses not deductible for tax purposes	–	272	272
Net losses on foreign exchange	–	3	3
Overseas withholding tax	1,392	–	1,392
Unrelieved expenses and charges	2,641	–	2,641
Total tax	**1,392**	**–**	**1,392**

As at 31 December 2019, the Company had unutilised management expenses of £13.9 million carried forward. 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 tax on capital gains and losses arising on the revaluation or disposal of investments.

7. Return per share

Return per ordinary share is as follows:

		2019	
	Revenue	**Capital**	**Total**
Profit for the period (£'000)	257	237,889	238,146
Return per ordinary share (p)	**0.26**	**242.23**	**242.49**

Return per share is calculated based on returns for the period and the weighted average number of shares in issue during the period from the IPO of the Company on 19 October 2018 to 31 December 2019.

The total revenue and total capital returns per share are based on the weighted average number of shares in issue of 98,209,751 during the period.

The return per share from launch has been disclosed, as all earnings were earned subsequent to the launch. The Directors have decided to disclose this as it better reflects the return generated for shareholders.

8. Dividends

There are no dividends proposed, declared or payable for the period.

9. 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
Valuation at incorporation on 14 August 2018	–
Purchases at cost	1,205,635
Sales – proceeds	(39,302)
Gains on investments	239,338
Closing fair value at 31 December	1,405,671
Closing book cost at 31 December	1,158,602
Closing unrealised gain at 31 December	247,069
Valuation at 31 December	**1,405,671**

The Company received £39,302,000 from investments sold in the period. The book cost of the investments when they were purchased was £48,464,000. These investments have been revalued over time until they were sold and unrealised gains/losses were included in the fair value of the investments.

All investments are listed.

9. Investments held at fair value through profit or loss (continued)

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, £1,405,671,000 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). There are no level 2 investments.
- Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments). There are no level 3 investments.

Fair value measurements recognised in the Statement of Financial Position

	2019			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments held at fair value through profit or loss	1,405,671	–	–	1,405,671
Total	**1,405,671**	**–**	**–**	**1,405,671**

10. Receivables

	2019 £'000
Accrued income	529
Share issue proceeds	784
Other receivables	340
	1,653

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.

11. Payables

	2019 £'000
Investment management fee payable	1,124
Other payables	453
	1,577

12. Share capital

	2019 Number	2019 £'000
Issued, allotted and fully paid (ordinary)	**114,510,958**	**1,145**

During the period ended 31 December 2019, the Company issued 114,510,958 shares of £0.01 each for a net consideration of £1,199,159,000. Details of the shareholder authorities granted to Directors to issue and buy back shares during the period are provided in the Notice of Meeting accompanying this Report and Accounts.

13. Share premium account

	2019 £'000
Issue of shares at IPO	821,687
Costs on new share issues on secondary market	378,729
Issuance costs of new shares on secondary market	(2,402)
	1,198,014

14. Net asset value per share

	2019 pence
Net asset value per share	**1,255.2**

The net asset value per share is based on the net assets attributable to equity shareholders of £1,437,305,000 and on 114,510,958 shares in issue at 31 December 2019.

15. Risk management and financial instruments

The Company's investing activities undertaken in pursuit of its investment objective, as set out on page 7, 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 period.

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, per the Company's investment policy, designed to manage the risk inherent in managing a portfolio of investments.

15. 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 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 with Northern Trust Company which has a Fitch rating of AA–. 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	31,558
Receivables	1,653
	33,211

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 18 to 19.

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, assets and liabilities; and
- movements in rates that would affect the income received.

15. 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 period end.

	31 December 2019			
	Investments £'000	Cash £'000	Receivables £'000	Total £'000
Australian Dollar	85,111	–	–	85,111
Danish Krone	108,591	–	136	108,727
Euro	79,720	–	12	79,732
New Zealand Dollar	48,169	–	–	48,169
Swiss Franc	79,128	–	167	79,295
US Dollar	666,260	463	–	666,723
	1,066,979	**463**	**315**	**1,067,757**

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

Foreign currency sensitivity

At 31 December 2019, an exchange rate move of +/-5% against sterling which is a reasonable approximation of possible changes would have increased or decreased total net assets and total return by £53,388,000.

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 £31,558,000 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. At 31 December 2019 the interest rate was 0%.

If the base rate increased by 0.05%, the impact on the profit or loss and net assets would be expected to be a positive £15,779. A decrease of 0.05% would have had an equivalent opposite effect. The calculations are based on the cash balances at the period end date and are not representative of the period as a whole.

All current liabilities have no interest rate and are payable 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 £140,567,100. An increase of 10% would have had an equivalent opposite effect. The calculations are based on the portfolio valuations as at the respective period 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.

15. Risk management and financial instruments (continued)

as at 31 December 2019	£'000
Assets at fair value through profit or loss	1,405,671
Cash	31,558
Investment income receivable	529
Share issue proceeds	784
Other receivables	340
Other payables	(1,577)
	1,437,305

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 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 £31,558,000 in 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.

The Company's capital is its equity share capital and reserves that are shown in the Statement of Financial Position at a total of £1,437,305,000.

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.

16. Contingent liabilities

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

17. 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 totaling £108,553, is set out in the Directors' Remuneration Report on page 38. There were no contracts subsisting during or at the end of the period 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 period with the Directors of the Company. The Company has no employees.

AIFM and Investment Manager – Details of the contract including the remuneration due to the AIFM and Investment Manager are set out on page 25.

17. Related party transactions (continued)

Terry Smith and other founder partners and key employees of the AIFM and Investment Manager directly or indirectly and in aggregate, held 2,987,897 shares in the Company amounting to 2.6% of the issued share capital of the Company as at 31 December 2019.

The costs associated with the Company's IPO amounting to £4,893,615 were paid by the Investment Manager.

18. Events after the reporting period

Since the period end and up to 24 February 2020, (the latest practicable date before publication of the Report and Accounts), the Company has issued 3,755,000 ordinary shares raising net proceeds of £49.8 million.

Financial Calendar

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

Annual General Meeting

The Annual General Meeting of Smithson Investment Trust plc will be held at Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL on Monday, 30 March 2020 at 1.00 p.m.

Share Price

The Company's ordinary shares are listed on the London Stock Exchange. 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. The Registrar's address is listed on page 74.

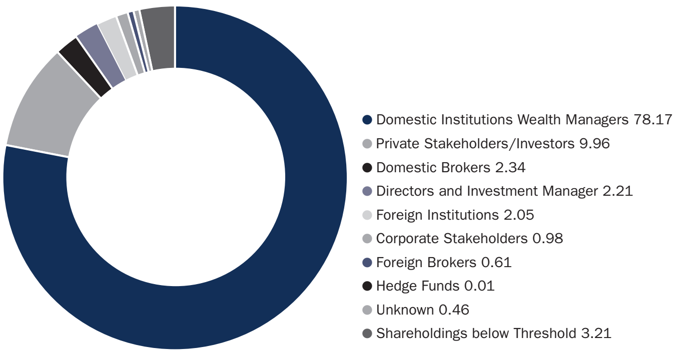
Daily Net Asset Value

The daily net asset value of the Company's shares can be obtained on the Company's website at www.smithson.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



Alternative Investment Managers Directive Disclosures

Periodic Disclosures

As described in the Company's Investor Disclosure Document ("IDD") (which can be found on the Company's website www.smithson.co.uk) Fundsmith LLP ("Fundsmith") and the Company are required to make certain periodic disclosures in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). For the purposes of the AIFMD:

- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- The Strategic Report and note 15 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 period 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.
- There have been no changes to the maximum level of leverage that Fundsmith may employ on behalf the Company.
- There have been no changes to Fundsmith's right of re-use of collateral or any guarantee granted under any leveraging arrangement (insofar as there continues to be no right of re-use of collateral or any guarantees granted under the leveraging arrangement).

Leverage

For the purposes of the AIFMD, 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

Material changes

There have been no material changes to the information set out in the Company's IDD during the period covered by this Report and Accounts.

Remuneration Disclosure

During the year ended 31 March 2019, 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 AIFMD.

The first financial period of the Company ran from incorporation on 14 August 2018 to 31 December 2019, 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.

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 5.7% 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.

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 £30 million 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 the Fundsmith Remuneration Policy.

Alternative Performance Measures ("APMs")

APMs are often used to describe the performance of investment companies although they are not specifically defined under IFRS. APM calculations for the Company are shown below.

Premium

The amount, expressed as a percentage, by which the share price is more than the NAV per ordinary share.

		Page	As at 31 December 2019
NAV per ordinary share	a	2	1,255.2p
Share price	b	2	1,298.0p
Premium	**(b÷a)-1**		**3.4%**

Total return

A measure of performance that includes both income and capital returns. In the case of share price total return, this takes into account share price appreciation and dividends paid by the Company. In the case of NAV total return, this takes into account NAV appreciation (net of expenses) and dividends paid by the Company.

Period from Company's listing to 31 December 2019		Page	Share price	NAV
Opening at 19 October 2018	a	n/a	1,000.0p	1,000.0p
Closing at 31 December 2019	b	2	1,298.0p	1,255.2p
Dividend adjustment factor	c	n/a	1.0	1.0
Adjusted closing (d = b x c)	d	n/a	1,298.0p	1,255.2p
Total return	**(d÷a)-1**		**29.8%**	**25.5%**
Annualised total return			**24.2%**	**20.8%**

Year ended 31 December 2019		Page	Share price	NAV
Opening at 1 January 2019	a	n/a	1,000.2p	942.2p
Closing at 31 December 2019	b	2	1,298.0p	1,255.2p
Dividend adjustment factor	c	n/a	1.0	1.0
Adjusted closing (d = b x c)	d	n/a	1,298.0p	1,255.2p
Total return	**(d÷a)-1**		**29.8%**	**33.2%**

Ongoing charges ratio

A measure, expressed as a percentage of average NAV, of the regular, recurring annual costs of running an investment company.

Year ended 31 December 2019		Page	£'000
Average NAV	a	n/a	1,181,166
Annualised expenses	b	n/a	11,555
Ongoing charges ratio	**(b÷a)**		**1.0%**

AIC

Association of Investment Companies

Alternative Investment Fund or “AIF”

An investment vehicle under AIFMD. Under AIFMD (see below) the Company is classified as an AIF.

Alternative Investment Fund Managers Directive or “AIFMD”

A European Union directive which came into force on 22 July 2013 and has been implemented in the UK.

Annual General Meeting or “AGM”

A meeting held once a year which shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask directors questions about the company in which they are invested.

Custodian

An entity that is appointed to safeguard a company’s assets.

Discount

The amount, expressed as a percentage, by which the share price is less than the net asset value per share.

Deferred B share

Deferred B Share carries no rights to vote or to any dividends or other distributions save for the return of 1p once £100 billion has been returned to holders of ordinary shares. The Deferred B share was redeemed during the period for 1p

Depositary

Certain AIFs must appoint depositaries under the requirements of AIFMD. A depositary’s duties include, inter alia, safekeeping of the Company’s assets and cash monitoring. Under AIFMD the depositary is appointed under a strict liability regime.

Dividend

Income receivable from an investment in shares.

Ex-dividend date

The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to shareholders.

Financial Conduct Authority or “FCA”

The independent body that regulates the financial services industry in the UK.

Gearing

A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.

Gross assets

The Company’s total assets before the deduction of any liabilities.

Index

A basket of stocks which is considered to replicate a particular stock market or sector.

Investment company

A company formed to invest in a diversified portfolio of assets.

Investment trust

An investment company which is based in the UK and which meets certain tax conditions which enables it to be exempt from UK corporation tax on its capital gains. The Company is an investment trust.

Leverage

An alternative word for "Gearing".

Under AIFMD, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions.

Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

Liquidity

The extent to which investments can be sold at short notice.

Management shares

Non-redeemable preference shares of £1.00 each in the capital of the Company.

Net assets

An investment company's assets less its liabilities

Net asset value (NAV) per ordinary share

Net assets divided by the number of ordinary shares in issue (excluding any shares held in treasury)

Ongoing charges ratio

A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running an investment company.

Ordinary shares

The Company's ordinary shares of 1p each.

Portfolio

A collection of different investments held in order to deliver returns to shareholders and to spread risk.

Glossary of Terms

Premium to NAV

The amount, expressed as a percentage, by which the share price is more than the net asset value per share.

Share buyback

A purchase of a company's own shares. Shares can either be bought back for cancellation or held in treasury.

Share price

The price of a share as determined by a relevant stock market.

Total return

A measure of performance that takes into account both income and capital returns. This may take into account capital gains, dividends, interest and other realised variables over a given period of time.

Treasury shares

A company's own shares which are available to be sold by a company to raise funds.

Volatility

A measure of how much a share moves up and down in price over a period of time.

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 Securities Limited
- Albert E Sharp LLP
- Alliance Trust Savings Limited
- Barclays Bank plc
- Hargreave Hale Ltd
- Hargreaves Lansdown Asset Management Limited
- iDealing.com Limited
- Interactive Investor Services Limited
- Shore Capital Stockbrokers Limited
- SVS Securities plc
- The Share Centre

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.

Smithson
Investment Trust

Company Information

Further Information

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Mark Pacitti *(Chairman)*
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Lord St John of Bletso

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Registered in England no. 11517636
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