



Highlights

- Same investment process as Fundsmith Equity Fund
- Targeting small & mid cap universe
- No fund launch fees - issue price £10, 1st NAV £10
- AMC on market cap to align interests
- No performance fees
- Experienced investment team
- Terry Smith investing £25m and Fundsmith partners and Smithson team investing £5m

IPO details

• Target size	£250m
• Issue price	£10
• Ticker	SSON
• Market	LSE Main Market
• Prospectus published	Mon 17th Sep
• Retail/intermediaries offer close	Fri 12th Oct
• Placing close	Tue 16th Oct
• First day of dealings	Fri 19th Oct

Standing data

• Portfolio manager	Simon Barnard
• Fund type	Investment Trust
• EPIC code/ticker	SSON
• Base currency	GBP
• Sponsor & broker	Investec Bank
• Legal adviser	Travers Smith LLP
• Auditor	Deloitte LLP
• Registrar	Link Asset Services
• Depository	Northern Trust Global Services PLC
• Company secretary	Praxis IFM
• Estimated year 1 OCF	1.1%
• AMC	0.9%
• Estimated portfolio yield	1.2%
• Discount control	Wind up vote at board discretion if discount > 10% >1 year after 4th year. 14.99% buyback approval on listing.

Key facts

• Investible universe	83
• No. of holdings	25-40
• Average company founded	1960
• Portfolio turnover	Low
• Gearing	Up to 15% short term
• Concentration	Maximum 10% position
• Benchmark	MSCI World SMID
• IU geographical split (by listing)	North America 50% Europe 38% Asia Pacific 12%
• IU sector split (GICS Sectos)	IT 30% Healthcare 21% Industrials 21% Consumer Staples 13% Consumer Discr 12% Financials 2% Materials 1%

Why Smithson Investment Trust?

With this fund we aim to provide you with a similar investment experience to the Fundsmith Equity Fund, being a superior risk-adjusted return over the long term, but by investing in a group of global small and mid capitalisation ("cap") listed companies with a market cap of £500m to £15bn, which we believe can compound in value over many years, if not decades, hence the name, Smithson.

MSCI WORLD SMALL & MID CAP INDEX HAS OUTPERFORMED MSCI WORLD LARGE CAP INDEX

The MSCI World SMID Index – comprising c.5,000 global small and mid cap companies with an average market cap of £1.9bn – has increased in value at an annual rate of 9.3% over the past 20 years, compared with the MSCI World Large Cap Index – 750 global large companies, with an average market cap of £35bn – which had an annual return of 6.2% over the same timeframe.

ACTIVE MANAGEMENT OPPORTUNITY IN SMALL & MID CAP

Due to the size and diversity of more than 5,000 companies in the MSCI World SMID Index there are ample opportunities for active management to add value and the table below shows that active managers do appear to add value in this area on average.

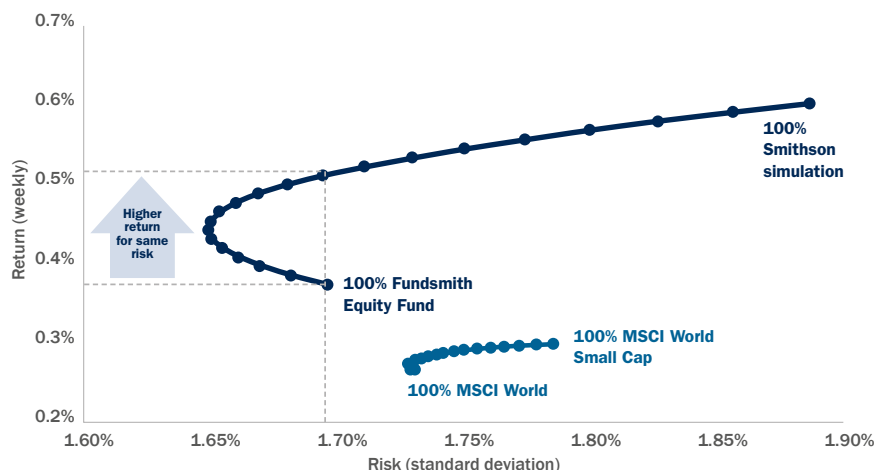
As at 31.07.18 % change	1 year	3 years	5 years
FE Composite*	13.7	59.9	93.8
MSCI SMID Index	12.7	57.1	85.3

* Source Financial Express - an equally weighted portfolio of 156 US, Europe & Japan smaller company funds.

RISK VS RETURN OF COMBINING FUNDS

Small and mid cap companies tend to have higher expected returns but also higher expected risk, defined as price volatility (a measure of how much its price moves over time), when compared to larger companies. However, adding a small and mid cap portfolio to a large cap portfolio can raise expected returns without increasing risk, due to the different risk and return characteristics that small and mid cap companies provide.

The chart below illustrates how small and mid cap investments combined with large cap investments can improve the risk: return profile of a portfolio. The chart shows the average historical weekly return over the last five years and the standard deviation of those returns. The standard deviation is a measure of the volatility of the return which can be equated to the risk. The two curves on the chart represent the simulated risk and return of two different combinations of funds and indices. The dark blue curve shows combinations of the Fundsmith Equity Fund (FEF) and Smithson, the light blue curve combines the MSCI World Index and the MSCI World Small Cap Index. The end of each curve represents the risk and return from a 100% holding of that fund or index with each dot along the curve representing a change of 5% in the combination of the two holdings. For the indices and FEF, actual data has been used (source: Bloomberg). For Smithson, the data has been simulated from a sample portfolio. As with any historical analysis, past performance is not a reliable indicator of future results. A fuller explanation is contained in the fund Prospectus and prospective investors should read this before investing.



SMITHSON INVESTMENT STRATEGY

- 1. Buy good companies.** This means businesses which can sustain a high return on operating capital employed, which generate substantial cash flow and which have growth potential.
- 2. Don't overpay.** We only invest in companies which we believe to be attractively valued.
- 3. Do nothing.** After managing to buy good companies at reasonable prices (or better) we hope that we need take no further action. This will then facilitate the compounding of our investments over time.

We have no bias toward any country and are simply looking for the best companies to invest in with a combination of high quality and reasonable value.

We will not invest in significant parts of the market which we believe do not offer attractive investment opportunities; these include banks, real estate, sectors that require a lot of debt to augment otherwise meagre returns, cyclical sectors such as construction, oil companies and mining companies or industries which we deem too competitive to be able to sustain a long-term advantage such as automobiles and airlines.

Applying the stringent criteria above results in an investable universe ('IU') for Smithson of 83 companies. The table below shows the historic performance of the IU from which we will select the portfolio companies.

SMITHSON IU BACKTEST

As at 31.07.18 % change	1 year	3 years	5 years
Smithson IU*	28.3	122.0	251.8
MSCI SMID Index	12.7	57.1	85.3

* Source Bloomberg, net of est. OCF 1.1%. This information is based on simulated past performance of the Smithson IU and is not a reliable indicator of future performance.

Our fund will always be fully invested. We do not believe that we, or anyone else for that matter, has the ability to consistently time markets.

WHY AN INVESTMENT TRUST RATHER THAN AN OPEN-ENDED MUTUAL FUND?

It is our view that the closed-ended nature of an investment trust means that we are able to invest in smaller, less liquid companies and we won't be forced to sell at an inopportune time due to the withdrawal of investor funds. It also means that we can control the amount of capital flowing into the fund which will help us to only buy these less liquid investments slowly, thus avoiding any price impact.

RISKS

The full list of risks is contained in the Prospectus and you should read the full details before making any application.

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All data as at 31.7.18 unless otherwise stated.

The Smithson team

Terry Smith – Fundsmith CIO & CEO

2010 Fundsmith Founder
 2006-14 Tullett Prebon; CEO
 1996-10 Collins Stewart; CEO & Deputy Chairman
 1990-96 UBS Phillips & Drew; Head of Research
 1984-90 W. Greenwell & Co; top-rated bank analyst
 1979 The Management College, Henley; MBA
 1976 Associate of the Chartered Institute of Bankers
 1974-83 Barclays Bank
 1974 University College Cardiff; 1st in History

Simon Barnard – Portfolio Manager

Sep 2017 Joined Fundsmith
 2003-17 Goldman Sachs; Consumer, Technology and Industrial analyst. Global Lead Portfolio Manager for the consumer discretionary sector. Portfolio Manager of the Global Income Builder Fund. Portfolio Manager of the Global Millennials Fund
 2003 University of Cambridge, 1st in Economics
 2006 CFA charter holder

Will Morgan – Assistant Portfolio Manager

Jul 2017 Joined Fundsmith
 2000-17 Goldman Sachs; MD, Global Investment Research, previously Asset Management & Equity Sales
 2000 University of Bristol; 1st in Economics & Politics
 2003 CFA charter holder

Jonathan Imlah – Analyst

Dec 2013 Joined Fundsmith
 2010-13 Canaccord Genuity; Technology analyst
 2003-10 Altium Securities; Technology analyst, latterly Head of Research. 2006-10 No.1 or 2 ranked analyst & 2007 Techmark Analyst of the Year
 1998-03 Dresdner Kleinwort; IT services analyst
 1997 INSEAD; MBA
 1993-96 Núcleo de Organización y Administración; Journalist and project manager
 1987-91 University of St Andrews; 2:1 French & Philosophy

Proposed Board

Mark Pacitti Chairman
 Diana Dyer Bartlett Chair of Audit Committee
 Lord St. John of Bletso Chair of Management Engagement Committee