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4 September 2018

Smithson Investment Trust plc

Intention to Float on London Stock Exchange

New Fund from Fundsmith LLP

Smithson Investment Trust plc ("**Smithson**" or the **"Company"**), a newly established investment trust, today announces its intention to launch an initial public offering ("**IPO**"). Smithson is seeking to raise up to £250 million via a placing, an offer for subscription and an intermediaries offer (together the **"Issue"**) of ordinary shares in the capital of the Company ("**Ordinary Shares**"). A twelve month placing programme will also be launched.

Smithson's investments will be focused on a global basis on small and medium sized companies between £500 million and £15 billion in market capitalisation, and an average of £7 billion. The Company's investment manager will be Fundsmith LLP ("**Fundsmith**" or the "**Investment Manager**"), a fund management company established in 2010 by Terry Smith which currently manages over £18 billion.

The Smithson investment management team will be led by Simon Barnard as investment manager and Will Morgan as assistant investment manager. In addition, Terry Smith, in his capacity as Chief Investment Officer of Fundsmith, will also provide advice and support to Simon and Will, who will look to draw on Terry's decades of investment experience and expertise. Jonathan Imlah will also assist as research analyst.

Why Smithson?

- **Small and medium sized companies have been shown to outperform large companies:** the MSCI World SMID Cap Index ("**SMID Index**") has increased in value at an annual rate of 9.3 per cent. over the past 20 years, compared with the MSCI World Large Cap Index ("**Large Cap Index**"), which had an annual return of 6.2 per cent. over the same period. That might not sound like a big difference, but at the end of the 20 years an investor would have made 80 per cent. more money from investing in the SMID Index than the Large Cap Index.

- **Active management opportunity in small and mid caps:** small and mid cap companies also have fewer research analysts studying them than larger-sized companies. For example, in the United States, the median mid cap stock has 45 per cent. fewer analysts covering it than the median large cap stock. Fundsmith believes this provides an investment opportunity to take advantage of more discrepancies between the share price and valuation.

- **Small and mid cap exposure can improve portfolio risk-reward:** Fundsmith's analysis shows that small and mid cap companies tend to have higher expected returns but also higher expected risk, defined as price volatility, 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.

- **Fundsmith will apply its proven investment strategy:**
  - Buy good companies
  - Don't overpay
  - Do nothing

- **Fundsmith will adopt two innovative elements to the Smithson IPO:**
  - **No launch fees:** Fundsmith will bear all the costs associated with Smithson's launch, meaning that for every £10 invested in the Issue shareholders will receive £10 of value on day one of trading.

- **Management fees aligned with investor's interests:** Fundsmith will charge 0.9 per cent. annual management fee based on Smithson's market capitalisation, not the commonly used net asset value ("**NAV**"), aligning the interests of the Investment Manager with shareholders.

Terry Smith, Chief Executive Officer and Chief Investment Officer of Fundsmith LLP, said:

"Last year we hired Simon Barnard and Will Morgan from Goldman Sachs to research the opportunity presented by applying Fundsmith's proven investment process to companies typically smaller than the ones the Fundsmith Equity Fund would invest in, hence the name Smithson.

"I am delighted that Simon and Will will manage the fund, with my oversight as Fundsmith's Chief Investment Officer. I will be investing £25 million in Smithson at launch with fellow Fundsmith partners and employees investing an additional £5 million."

Simon Barnard, Investment Manager of Smithson Investment Trust plc, said:

"Over the last year, the Smithson team has identified and researched an investable universe of 83 compelling companies, from which we will select 25 to 40 portfolio companies at launch, that we believe can compound in value over many years, if not decades. I, along with other members of the team, will be investing significantly in the fund at launch."

Investec Bank plc is acting as sole sponsor, bookrunner, broker and intermediaries offer adviser in relation to the Issue.

Expected timetable

Publication of the Prospectus	17th September 2018
Offer for Subscription and Intermediaries Offer Close	12th October 2018
Initial Placing Close	16th October 2018
Admission of and dealings in Ordinary Shares	19th October 2018

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Further information:

A copy of this announcement will be available on the Company's website at www.smithson.co.uk. Neither the content of the Company's website, nor the content on any website accessible from hyperlinks on its website for any other website, is incorporated into, or forms part of, this announcement nor, unless previously published by means of a recognised information service, should any such content be relied upon in reaching a decision as to whether or not to acquire, continue to hold, or dispose of, securities in the Company.

Smithson investment management team

Terry Smith
Chief Executive and Chief Investment Officer, Fundsmith LLP

Terry Smith graduated in History with a 1st class degree from University College Cardiff in 1974. He worked for Barclays Bank from 1974 until 1983 and became an Associate of the Chartered Institute of Bankers in 1976. He obtained an MBA at The Management College, Henley in 1979. He became a stockbroker with W Greenwell & Co in 1984 and was the toprated bank analyst in London from 1984 to 1989. In 1990 he became Head of UK Company Research at UBS Phillips & Drew, a position from which he was dismissed in 1992 following the publication of his bestselling book Accounting for Growth. He joined Collins Stewart shortly after, and became a director in 1996.

In 2000 he became Chief Executive and led the management buy-out of Collins Stewart, which was floated on the London Stock Exchange five months later. In 2003 Collins Stewart acquired Tullett Liberty and followed this in 2004 with the acquisition of Prebon Group, creating the world's second largest inter-dealer broker. Collins Stewart and Tullett Prebon were demerged in 2006. He founded Fundsmith in 2010. In 2012 he was appointed a Member of the New Zealand Order of Merit for his contribution to New Zealand-UK relations.

Simon Barnard CFA
Portfolio Manager, Smithson Investment Trust plc

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

Will Morgan CFA
Assistant Portfolio Manager, Smithson Investment Trust plc

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

Jonathan Imlah
Analyst, Smithson Investment Trust plc

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

Potential investment opportunities

In order to take advantage of the small and mid sized market opportunity described above, the Investment Manager has compiled a list of traded companies that fall within the Company's investment policy and which exhibit, in the Investment Manager's opinion, characteristics that would lead the Investment Manager to consider making an investment. The Investment Manager refers to such companies as the Company's "Investable Universe" and it consists of 83 companies.

Overall, the Investable Universe has a total market value of approximately £602 billion, which implies an average market capitalisation of more than £7 billion. Based on the latest financial information available when the Investment Manager conducted its initial research, the average free float of the Investable Universe was approximately 82 per cent. and the Investable Universe showed a median return on capital employed ("**ROCE**") of approximately 27 per cent. and a neutral free cash flow yield of approximately 3.5 per cent. Using the same data, over 5 years, the neutral free cash flow of the Investable Universe has grown by over 100 per cent., which implies a compound annual growth rate of over 15 per cent.

The table below shows the aggregated cumulative return on the shares of the companies comprising the Investable Universe over one, three and five year periods as at 31 July 2018, together with the total returns on various indices over the same periods.

Prospective investors should note that the information set out below in respect of the returns of the companies which comprise the Investable Universe is intended to be illustrative only and is not designed to be indicative of, or to predict or forecast the future performance, of the Company or its eventual investment portfolio, the returns of which may be materially different from the historic returns from companies in the Investable Universe. In particular, the Investable Universe comprises 83 companies. It is anticipated that the Company's initial portfolio will comprise between 25 and 40 investments once the Issue proceeds are substantially invested meaning that a majority of the companies in the Investable Universe will not form part of the initial portfolio and the returns of the investments actually made by the Company will not necessarily correlate with the aggregate returns of the entire Investable Universe.

As at 31 July 2018 **Total Return**	**1 year**	**3 years**	**5 years**
Smithson Investable Universe back test[1]	28.3%	122.0%	251.8%
S&P 500 Index	16.1%	66.4%	107.7%
FE Broad Composite of Global Smaller Co Funds[2]	13.7%	59.9%	93.8%
MSCI World SMID Index	12.7%	57.1%	85.3%
MSCI World Index	12.4%	53.9%	81.9%
FTSE 100 Index	9.4%	30.4%	41.5%

(1) Returns on the Company's Investable Universe back test are presented net of 1.1 per cent. fees, representing the management fee payable to the Investment Manager and other ongoing costs of the Company. However, trading fees and costs are not reflected in the returns presented in the table. Accordingly, any return on an investment by the Company in the Investable Universe may be lower to take account of such fees.

(2) FE Broad Composite is an equally weighted portfolio of 156 US, Europe & Japan Smaller Company Funds.

Sources: Financial Express, Bloomberg, www.msci.com

Board of Directors

The Company's non-executive board of directors is as follows:

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 private equity investor Endless LLP.

Diana Dyer Bartlett

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 which is listed on AIM and which provides software for smart buildings and commercial spaces.

Lord St. John of Bletso

Lord St. John has been a member of the House of Lords of the UK Parliament since 1978 and is currently Deputy Chairman of Strand Hanson Ltd., Non-Executive Chairman of Global Resources Investment Trust, a member of the Advisory Board of Silicon Valley Bank, Non-Executive Director of Albion Ventures LLP, Chairman of the Governing Board of Certification International and holds advisory roles with Milio International, Alliance Media Group USA, Sapinda and ABN Corporation. Lord St John received a BA and a BScoSc in Psychology from Cape Town University, a BProc in Law from the University of South Africa and an LLM from the London School of Economics.

Disclaimer

This announcement which has been prepared by, and is the sole responsibility of, the Directors of the Company has been approved for the purposes of section 21 of the Financial Services and Markets Act 2000 by Fundsmith, which is authorised and regulated by the Financial Conduct Authority.

This announcement is an advertisement and does not constitute a prospectus or a key information document ("**KID**") relating to the Company and does not constitute, or form part of, any offer or invitation to sell or issue, or any solicitation of any offer to subscribe for, any shares in the Company in any jurisdiction nor shall it, or any part of it, or the fact of its distribution, form the basis of, or be relied on in connection with or act as any inducement to enter into, any contract therefor. Copies of the prospectus and the KID will be available from the Company's registered office and www.smithson.co.uk.

Recipients of this announcement who are considering acquiring Ordinary Shares following publication of the prospectus and receipt of the KID are reminded that any such acquisition must be made only on the basis of the information contained in the prospectus which may be different from the information contained in this announcement. The subscription for Ordinary Shares is subject to specific legal or regulatory restrictions in certain jurisdictions. Persons distributing this announcement must satisfy themselves that it is lawful to do so. The Company assumes no responsibility in the event that there is a violation by any person of such restrictions.

This announcement may not be published, distributed or transmitted by any means or media, directly or indirectly, in whole or in part, in or into the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The securities mentioned in this announcement have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**US Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and will not be offered, sold, exercised, resold, transferred or delivered, directly or indirectly, in or into the United States or to, or for the account or benefit of, any US person (as defined under Regulation S under the US Securities Act). The Company has not been, and will not be, registered under the U.S. Investment Company Act of 1940, as amended.

Neither this announcement nor any copy of it may be: (i) taken or transmitted into or distributed in any member state of the European Economic Area (other than the United Kingdom), Canada, Australia, Japan or the Republic of South Africa or to any resident thereof, or (ii) taken or transmitted into or distributed in Japan or to any resident thereof. Any failure to comply with these restrictions may constitute a violation of the securities laws or the laws of any such jurisdiction. The distribution of this announcement in other jurisdictions may be restricted by law and the persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

This announcement may include "forward-looking statements". All statements other than statements of historical facts included in this announcement, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Company's products and services) are forward-looking statements.

Forward-looking statements are subject to risks and uncertainties and accordingly the Company's actual future financial results and operational performance may differ materially from the results and performance expressed in, or implied by, the statements. These factors include but are not limited to those described in the formal prospectus. These forward-looking statements speak only as at the date of this announcement. The Company expressly disclaims any obligation or undertaking to update or revise any forward-looking statements contained in this announcement to reflect actual results or any change in the assumptions, conditions or circumstances on which any such statements are based unless required to do so by the Financial Services and Markets Act 2000, the Listing Rules or Prospectus Rules of the Financial Conduct Authority or other applicable laws, regulations or rules.

Investec, which is authorised in the United Kingdom by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, is acting only for the Company in connection with the matters described in this announcement and is not acting for or advising any other person, or treating any other person as its client, in relation thereto and will not be responsible for providing the regulatory protection afforded to clients of Investec or advice to any other person in relation to the matters contained herein. Neither Investec nor any of its directors, officers, employees, advisers or agents accepts any responsibility or liability whatsoever for this announcement, its contents or otherwise in connection with it or any other information relating to the Company, whether written, oral or in a visual or electronic format.

Information to Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Ordinary Shares have been subject to a product approval process, which has determined that the Ordinary Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Ordinary Shares may decline and investors could lose all or part of their investment; the Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Issue and the Placing Programme.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Ordinary Shares.

Each distributor is responsible for undertaking its own Target Market Assessment in respect of the Ordinary Shares and determining appropriate distribution channels.

PRIIPS (as defined below)

In accordance with the Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products ("**PRIIPs**") and its implementing and delegated acts (the "**PRIIPs Regulation**"), the Investment Manager has prepared a key information document (the "**KID**") in respect of the Ordinary Shares. The KID is made available by the Investment Manager to "retail investors" prior to them making an investment decision in respect of the Ordinary Shares at www.smithson.co.uk.

If you are distributing Ordinary Shares, it is your responsibility to ensure that the KID is provided to any clients that are "retail clients".

The Investment Manager is the only manufacturer of the Ordinary Shares for the purposes of the PRIIPs Regulation and Investec is not a manufacturer for these purposes. Investec makes no representations, express or implied, or accepts any responsibility whatsoever for the contents of the KID prepared by the Investment Manager nor accepts any responsibility to update the contents of the KID in accordance with the PRIIPs Regulation, to undertake any review processes in relation thereto or to provide the KID to future distributors of Ordinary Shares. Investec and its affiliates accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it or they might have in respect of the KID. Investors should note that the procedure for calculating the risks, costs and potential returns in the KID are prescribed by laws. The figures in the KID may not reflect actual returns for the Company and anticipated performance returns cannot be guaranteed.