Smithson Investment Trust

Annual Report

for the year ended 31 December 2023

Smithson Investment Trust plc

Small &
Mid Cap
Investments
That
Have
Superior
Operating
Numbers

Fundsmith
Buy good companies
Don't overpay
Do nothing

Contents

* Unaudited

Investment Objective

Smithson Investment Trust plc (the "Company") aims to provide shareholders with long term growth in value through exposure to a diversified portfolio of shares issued by listed or traded companies.

The Company's investment policy is to invest in shares issued by small and mid ("SMID") sized companies with a market capitalisation (at the time of initial investment) of between £500 million and £15 billion on a long-term, global basis. The Company's approach is to be a long-term investor in its chosen stocks. It will not adopt short-term trading strategies. It will pursue its investment policy by investing in approximately 25 to 40 companies.

Investment Approach

1. Buy good companies

The Investment Manager focuses on investing in those companies it believes can compound in value over many years. It seeks to achieve this by selecting companies that have an established track record of success, such as having already established a dominant market share in their niche product or service or having brands or patents which others would find difficult, if not impossible, to replicate. The Investment Manager believes such SMID sized companies tend to out-perform large companies and that there is also an investment opportunity to take advantage of greater discrepancies between the share price and valuation of SMID sized companies, in part due to lighter research coverage and less information being available on them. SMID sized companies tend to have higher expected returns but also higher expected risk, defined as price volatility (a measure of how much a company's 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 SMID sized companies provide.

2. Don't overpay

The Investment Manager seeks to invest in SMID sized companies that exhibit strong profitability that is sustainable over time and generate substantial cash flow that can be reinvested back into the business. Its strategy is not to overpay when buying the shares of such companies and then do as little dealing as possible in order to minimise the expenses of the Company, allowing the investee companies' returns to compound for shareholders with minimum interference.

3. Do nothing

The Investment Manager looks to avoid companies that are heavily leveraged or forced to rely upon debt in order to provide an adequate return, as well as sectors and industries that innovate very quickly and are rapidly changing. It instead focuses on companies that have exhibited an ability to continue outperforming competitors and will look for companies that rely heavily on intangible assets in industries such as information technology, health care and consumer goods. The Company's investments will be long-term and the Investment Manager will not be forced to act when market prices are unattractive. This will then facilitate the compounding of the Company's investments over time as the companies continue to reinvest their cash flows.

Company Policies

- **Long term capital growth**

The Company is focused on long term capital growth and overall return rather than seeking any particular level of dividend. The Company will only declare dividends to the extent required to maintain the Company's tax status as an investment trust.

- **No hedging**

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

- **No gearing**

The Company will not employ leverage save that it is permitted to use short term banking facilities to raise funds for liquidity purposes or for discount management purposes including the purchase of its own shares. Any such borrowing will be limited to 15 per cent. of the Company's net asset value.

	At 31 December 2023	At 31 December 2022
Net assets	**£2,551,938,000**	**£2,417,967,000**
Net asset value ("NAV") per ordinary share ("share")	**1,598.0p**	**1,410.7p**
Share price	**1,415.0p**	**1,308.0p**
Share price discount to NAV[1]	**11.5%**	**7.3%**

	For the year ended 31 December 2023 **% change[2]**	For the year ended 31 December 2022 **% change[2]**	For the period from Company's listing on 19 October 2018 to 31 December 2023 **% change[2]**
NAV total return per share[1]	**+13.3%**	**-28.1%**	**+59.8**
Share price total return[1]	**+8.2%**	**-35.2%**	**+41.5**
Comparator index total return[3]	**+9.1%**	**-8.7%**	**+47.2**
Ongoing charges ratio[1]	**0.9%**	**0.9%**	**1.0%**

Source: Bloomberg

This report contains terminology that may be unfamiliar to some readers. The Glossary at the back of this Annual Report gives definitions for frequently used terms.

5 Year Record

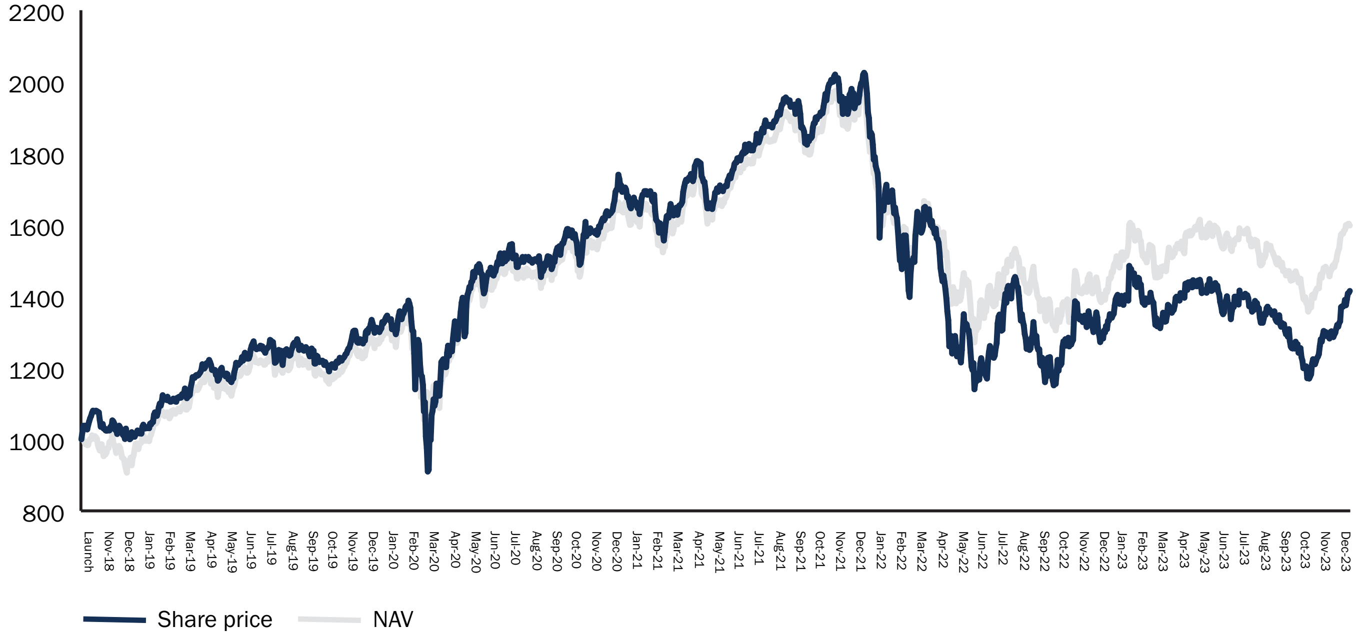
At 31 December	2023	2022	2021	2020	2019
Net assets	**£2,551,938,000**	**£2,417,967,000**	**£3,367,070,000**	**£2,331,950,000**	**£1,437,305,000**
NAV per ordinary share	**1,598.0p**	**1,410.7p**	**1,961.0p**	**1,648.9p**	**1,255.2p**
Share price	**1,415.0p**	**1,308.0p**	**2,020.0p**	**1,710.0p**	**1,298.0p**
Share price (discount)/ premium to NAV[1]	**(11.5)%**	**(7.3)%**	**3.0%**	**3.7%**	**3.4%**
Year ended 31 December					
NAV total return per share[1]	**+13.3%**	**-28.1%**	**+18.9%**	**+31.4%**	**+33.2%**
Share price total return[1]	**+8.2%**	**-35.2%**	**+18.1%**	**+31.7%**	**+29.8%**
Comparator index total return[3]	**+9.1%**	**-8.7%**	**+17.8%**	**+12.2%**	**+21.9%**
Ongoing charges ratio[1]	**0.9%**	**0.9%**	**1.0%**	**1.0%**	**1.0%**

1 These are Alternative Performance Measures ("APMs"). Definitions of these, together with how these measures have been calculated, are disclosed on pages 78 to 79 where it is made clear how these APMs relate to figures disclosed and calculated under IFRS.

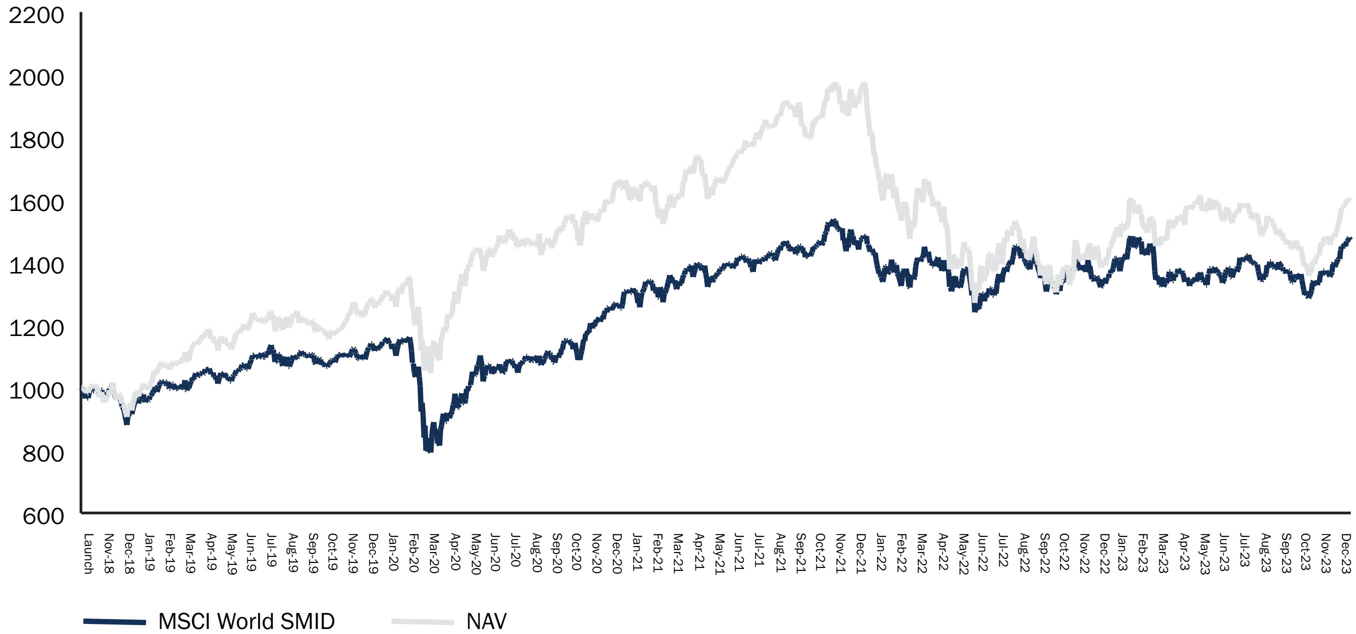
2 Total returns are stated in GBP sterling.

3 MSCI World SMID Cap Index, £Net Source: www.msci.com.

Total return performance against NAV for the period from the Company's listing on 19 October 2018 to 31 December 2023[1]



Net Asset Value total return performance against MSCI World SMID Cap Index for the period from the Company's listing on 19 October 2018 to 31 December 2023[2]



1 Source: Bloomberg

2 Figures rebased to 1000 as at date of Company's listing

Introduction

I am pleased to present the Annual Report of Smithson Investment Trust plc (the "Company") for the year ended 31 December 2023.

This is our fifth Annual Report since the inception of the Company in October 2018, and as five years is probably the minimum period one could regard as being "long term", it is appropriate to comment on the Company's performance over this period.

The Company's Net Asset Value ("NAV") per share has increased by 59.8%, an annualised rate of 9.4%. This represents an outperformance compared with the Company's reference index, the MSCI World SMID Index, which has returned 47.2% over the same period, an annualised rate of 7.7%. As the Investment Manager points out in his report, this is the best performance of any investment trust included within the AIC Global Smaller Companies sector.

Investors in the Company hold shares which are traded on the London Stock Exchange, and the price of the Company's shares has, since early in 2022, lagged below the NAV per share. This discount widened during 2023 with the share price at the end of the year 11.5% lower than the NAV per share. This has adversely affected the return that shareholders have been able to realise, with the share price return over the period since inception amounting to 41.5%, an annualised return of 6.9%.

Performance in 2023

The Company's NAV per share increased by 13.3% in the year, outperforming the MSCI World SMID Index by 4.2 percentage points. This is a pleasing "return to form" after the underperformance in 2022 – which is the only calendar year in which the Company has underperformed the Index – and one which I hope provides shareholders with confidence in the future. No investment strategy can be expected to outperform in all market conditions, and although the underperformance in 2022 was significant, it was short lived, and reflected the combination of rising interest rates and the characteristics of the portfolio at that time. The Investment Manager's report discusses the performance, the lessons learned in 2022 and the action taken since then.

As I noted above, the Company's shares, which had traded at a premium to NAV for the vast majority of the period from launch in 2018 through to the end of 2021, started trading at a discount in early 2022 and have continued to do so throughout 2023. The discount, which at the beginning of the year was 7.3%, widened to 11.5% at the end of the year. This reduced the share price total return in 2023 to 8.2%, 0.9 percentage points lower than the Index return. The Board's actions in response to the discount are summarised below.

Capital

The Company was floated on the premium list of the London Stock Exchange ("LSE") on 19 October 2018, breaking the record for the largest IPO of an investment trust in the history of the LSE with funds raised exceeding £822 million. The Company is a member of the FTSE 250 index, and with 159.7 million shares in issue, the Company's market capitalisation at the end of 2023 was £2.26 billion.

For much of the period from inception through to March 2022 high demand resulted in the Company's shares trading at a premium to net asset value. During this time, the Board oversaw the issue of new shares regularly to meet demand and to manage the premium. When the Company's shares started trading at a discount the Board, in consultation with its advisers and the Investment Manager, took action to mitigate the discount through the use of share buy backs.

During 2023 the Company bought back 11,715,000 shares at a cost, including stamp duty and dealing charges of £159.3 million, representing 6.8% of the shares outstanding at the start of the year. Since the buyback programme commenced in early 2022 the Company has bought back 19,065,000 shares representing 10.8%

of the shares outstanding before the programme started. This is one of the largest buyback programmes in the investment trust sector. With the widening of the discount in the first half of 2023, the Company increased its rate of buybacks in the second half.

The buybacks in 2023 were at an average discount to NAV of 10.8% and, since the start of the programme, at an average discount to NAV of 10.2%. The buybacks are accretive for remaining shareholders, and in 2023 generated approximately £18.0 million of NAV accretion, equivalent to around 82.5% of the Company's 2023 fees and expenses. As the Investment Manager's fees are based on the Company's market capitalisation rather than its net asset value, the discount also reduced the investment management fees during the year.

While the programme has not sustainably reduced the discount, we cannot of course say for certain what would have happened to the Company's share rating if we had not bought back shares; and we have in any event secured NAV accretion, reduced share price volatility and provided reassurance to the Company's shareholders and the wider market that the Board is cognisant of the need for a proactive buyback policy. Discounts are a common problem across the entire investment trust industry and the average discount in the AIC Global Smaller Companies sector widened to 13.6% at 31 December 2023.

As at 31 December 2022, the Company's distributable reserves available to fund share buybacks were £196.7 million. The Board concluded that it was prudent to create further distributable reserves to ensure there is no technical impediment to prevent the Board from being able to continue to undertake share buybacks when they feel they are appropriate. The Board therefore called a General Meeting on 6 February 2023 at which shareholders passed a special resolution to reduce the Company's share premium account and create £500 million additional distributable reserves. The capital reduction was sanctioned by the High Court and completed in March.

The Board intends to continue with its current programme of regular market purchases while the shares trade at a material discount. All shares purchased are held in Treasury and will only be reissued at a premium to net asset value, net of all costs. Resolutions to replace the existing authorities granted by shareholders to the Board to allot new shares and buy back shares will accordingly be proposed at the forthcoming Annual General Meeting.

Continuation Vote

The average discount in 2023 was 10.7%, in excess of the 10% threshold requiring the Directors to consider whether to propose a continuation vote at the Annual General Meeting.

The Directors, together with the Company's advisers, and the Investment Manager, have discussed this and concluded that it would not be appropriate to put a continuation vote to the AGM. In making this decision, the Board noted that the level of discount predominantly reflects broader market conditions and the fact that the Company's discount, albeit higher than the Board would like, is lower than the average of its peers. This is therefore a market problem rather than being specific to the Company. This decision additionally reflects the Company's strong NAV performance over both the short and long term (both in absolute terms and relative to the comparator index) as well as the Board's confidence in the future prospects of the Company.

Results and Dividends

The Company's total profit after tax for the year was £293 million, comprising a capital profit of £290 million and a revenue profit after tax of £3 million.

The revenue profit after tax arises because the Company's dividend income in the year net of the withholding tax suffered was higher than its operating expenditure. All the Company's operating expenditure (other than those expenses of a capital nature) is charged to revenue, rather than a percentage being allocated to the capital reserve. This reflects the Company's objective of focusing on capital growth which means that its accounting policy is not designed to facilitate maximisation of revenue reserves and dividend payments.

The Company's cumulative revenue reserves were negative at 31 December 2023, and therefore a dividend is not proposed by the Board.

The Company has never paid a dividend, and it should not be expected that the Company will pay a significant annual dividend and it is likely that no interim dividends will be declared. The Board intends to declare such annual dividends as are necessary to maintain the Company's UK investment trust status.

Investment Approach

In common with all funds managed by Fundsmith, the Company has a simple, focused strategy of investing in high-quality, listed company shares, seeking not to overpay for those shares and then holding them as long-term investments; the Company does not use derivatives and has no borrowings.

The Company expects to hold between 25 and 40 investments; at the year-end it held 33. The composition of the portfolio at 31 December 2023 is shown on page 16, and the Investment Manager's Review explains the investment approach, and the performance and evolution of the portfolio in detail. Whilst the Investment Manager has made adjustments to the portfolio in the current year, the investment approach is unchanged.

Governance

The Board comprises four independent, non-executive directors. Following Denise Hadgill's appointment in June 2022, the Board comprises two women and two men and accordingly meets the gender diversity targets recommended for FTSE 250 listed companies. The Company has a small Board which is appropriate for the nature of its activities and as the Company was only formed in 2018, its Board succession plan has not yet reached maturity. As such, there has not yet been an appropriate opportunity to appoint an ethnic minority Director to meet the FCA's targets for FTSE 250 listed companies. The Board has resolved that it is not in shareholders' best interests to increase the Board size simply to achieve this target. Nevertheless, the Board recognises the benefit of diversity and it hopes to be fully compliant with the FCA's guidelines when it makes its next Board appointment.

All Directors will stand for re-election at the AGM and details on our background and experience are given on page 32.

Sustainability and Environment, Social and Governance Considerations ("ESG")

In recognition of investor interest in ESG matters the Board held a meeting to review the Investment Manager's approach to responsible investment and how sustainability (including ESG factors) is incorporated into the investment process. The Investment Manager's stewardship responsibilities were also discussed.

Whilst ESG matters are routinely reported by investment trusts, there are a few observations I would make about how Fundsmith approaches the area slightly differently. Firstly, the focus is on whether an investee company's business model is sustainable and is capable of surviving economic cycles over the long term – which includes, but is much broader than, a review of ESG factors. Secondly the approach to stewardship is distinct. With a relatively small portfolio of investments to oversee, the Investment Manager is able to engage more regularly with all of the Company's investee company boards. Furthermore, there is no outsourcing of voting to outside agencies or indeed to other Fundsmith departments; the investment management team does it all itself. The people looking after our money are therefore actively engaged in all aspects of stewarding our investments. I personally find that most reassuring.

Fundsmith's Stewardship Report 2022 is available on the Company's website, and Fundsmith's application to remain a signatory to the FRC's Stewardship Code was approved in August 2023.

A statement from the Investment Manager's on its Responsible Investment policy and its application to the Company is included on page 20.

Annual General Meeting ("AGM") and Shareholder Engagement

The Company will hold its AGM on 25 April 2024. My fellow directors and I are keen to meet with shareholders, and we encourage shareholders to come to the meeting. May I remind shareholders, whether or not they are able to attend the AGM in person, that you are welcome, at any time, to submit any questions you may have for the Board at smithsonchairman@fundsmith.co.uk. Please submit proxy votes in respect of the resolutions to be proposed at the AGM, irrespective of whether you intend to attend the AGM.

Simon Barnard, the Company's portfolio manager, will give a presentation at the AGM which will be recorded and made available on the Company's website after the meeting. Simon and members of his team will also be able to answer questions from shareholders at the AGM. A light lunch will be provided after the meeting.

We encourage shareholders to visit the Company's website where more information is available on the Company.

Outlook

Our portfolio manager concludes his review by stating that the team ended the year with significant optimism for the future, reflecting their view that the portfolio positioning is the best they believe it has ever been, and that the interest rate cycle is almost certainly at its peak. The Board shares that optimism.

The Board is pleased that our portfolio manager and his team remain focused on the things they can control and remain resolute in maintaining their investment approach. The strategy of identifying and owning high quality companies that are capable of sustainable growth and that can compound in value over many years, has been shown to work well over the long term through different economic conditions.

The Board continues to have confidence that the Company's Investment Manager can execute the strategy successfully, and the Board believes that as the Company offers investors exposure to some of the best companies available globally in the small and mid-cap sector, the long-term investor will be well rewarded.

Diana Dyer Bartlett
Chairman

26 February 2024

	Total Return[5] 1 January 2023 to 31 December 2023 %	Launch to 31 December 2023 Cumulative %	Annualised %
Smithson NAV[1]	+13.3	+59.8	+9.4
Smithson Share Price	+8.2	+41.5	+6.9
Small and Midcap Equities[2]	+9.1	+47.2	+7.7
UK Bonds[3]	+5.6	-4.9	-1.0
Cash[4]	+4.6	+7.5	+1.4

[1] Source: Bloomberg, starting NAV 1000.

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

[3] Bloomberg/Barclays Bond Indices UK Govt 5-10 yr, source: Bloomberg.

[4] Month £ Interest Rate source: Bloomberg.

[5] Alternative Performance Measure (see pages 78 to 79).

The Investment Manager's Review was first published as a letter to shareholders on 26 January 2024 and is incorporated as published within the Company's Strategic Report as it continues to be an accurate assessment of the Company's investment performance during the year to 31 December 2023.

Dear Fellow Shareholder,

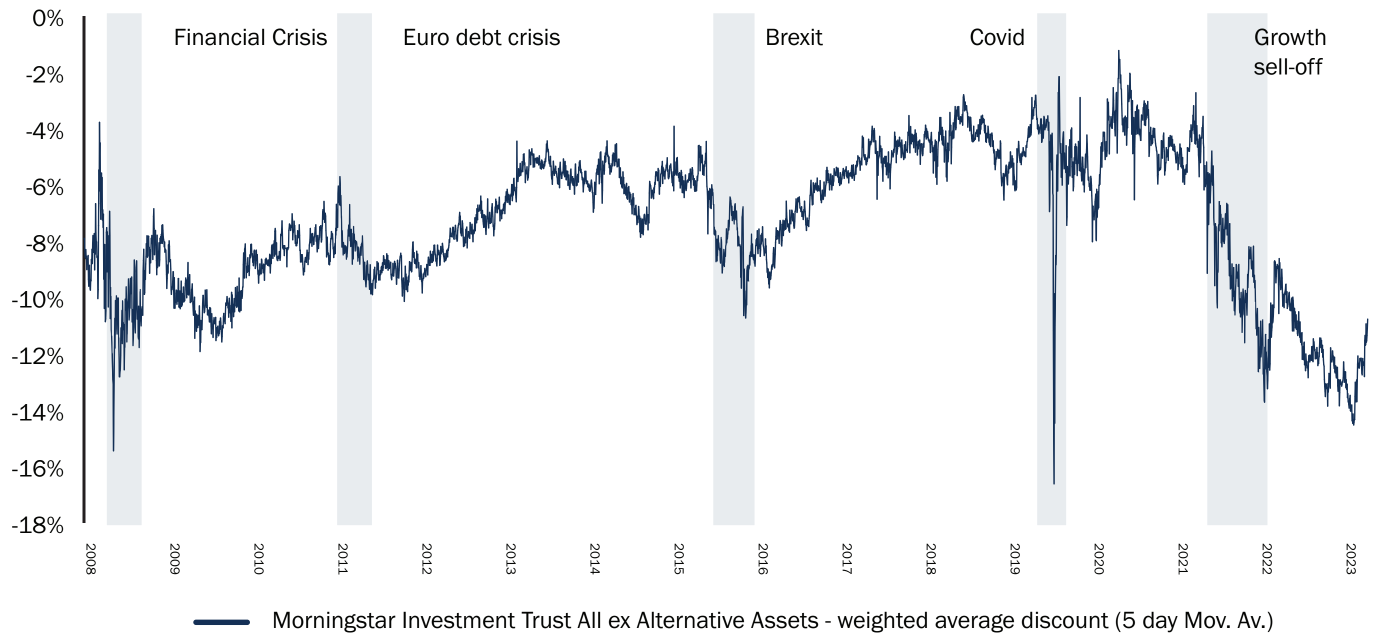
The performance of Smithson Investment Trust ('Smithson'), along with comparators, is laid out below. In 2023 the Net Asset Value per share (NAV) of the Company increased by 13.3% and the share price increased by 8.2%. Over the same period, the MSCI World Small and Mid-Cap Index ('SMID'), our reference index, increased by 9.1%. I also provide the performance of UK bonds and cash for comparison.

We are pleased to have generated a NAV return of 13.3% during a relatively volatile period for the market, and in doing so, to have outperformed the reference index.

2023 saw the 5th anniversary of the launch of the Smithson Investment Trust and over the last five years Smithson is the best performing trust in the Association of Investment Companies Global Smaller Companies sector and is more than 20 percentage points ahead of the average performance of the sector[1]. Further, while the NAV compound return of 9.4% is ahead of our reference index, given the current low point in the market we would hope for greater absolute performance in the future should the market provide the backdrop to achieve this.

We are disappointed that the share price performance of Smithson has lagged the NAV performance during the last couple of years. The chart below shows the average trust sector discount over the last 15 years and one can see that not even in the depths of the financial crisis in 2008/09 did trust discounts get to the same level as that reached in 2023.

[1] NAV performance over five years to 31.12.2023



Smithson is not immune to this, and we believe that despite the regular share buybacks conducted by the Board, our discount has been exacerbated by this market phenomenon. This sector discount is a clear indicator of the recent bear market in equities, and so long as our performance continues to be satisfactory, there is one key factor in the eventual resolution of this situation: time. I believe there will come a future period, unknowable in advance, when market sentiment allows Smithson to once more trade at a premium.

It has been a busy 12 months, taking advantage of low prices during the weak market to improve and diversify the portfolio. After these actions, we are unashamedly enthusiastic about what we now own. The portfolio is without doubt in the best shape it has been since inception and I am excited to share the changes with you, but first I must explain our state of mind.

Our lifetime is finite. This is known by all but accepted by few, outside of possibly those who have received a terminal medical diagnosis. I don't wish to be morbid but only to emphasise the point that what you do with your time in any given moment is an active choice to exclude every other option, as you will never have time to do everything. It is the same for constructing a concentrated portfolio. As there are only a certain number of companies we can hold at any given moment we have to exclude the tens of thousands of other companies we could own. Which is a good thing, because just as one ought to be highly selective as to how to spend one's time, it makes us choose our investments very carefully.

It was Peter Lynch who coined the word 'diworsification' to describe the problem with including different assets of dubious quality with the sole intention of increasing diversification. We have not done this. We believe every one of the companies we have acquired to be of very high quality, and we have funded these purchases with companies we felt were below the average quality in the portfolio.

The new companies we invested in this year were Graco, Exponent, Oddity, Croda and Clorox and those we sold to facilitate this were Domino's Pizza Group, Rightmove and Masimo.

Graco – pronounced Gray-co after the founding Gray brothers – is a US company which designs, manufactures and markets systems and equipment to measure and dispense fluid and powdered materials. Founded in 1926, it is the market leader in technology and expertise for the management of fluids and coatings in both industrial and commercial applications. We were attracted by its stable operating margin of over 25% and high return on invested capital of 40%. These metrics have been achieved over a long period of time, and we hope will continue long into the future, thanks to the fact that its products are of very high quality and are sold under brands which are trusted by customers to help solve manufacturing problems, increase productivity, conserve energy, save material, control environmental emissions and reduce labour costs. We also feel we were provided a good entry point in terms of valuation as worries about a recession in the US, had caused share price weakness.

Exponent took the fund into a new sector of consulting. This industry can be highly competitive and doesn't often have the ability to grow quickly and profitably through operating leverage as they need more staff to bill more hours. As is often the case in human capital businesses, the humans tend to take the majority of the returns at the expense of the business (think investment banks). However, Exponent is different. It was founded in 1967 in California as Failure Associates, which is appropriate as it focuses on highly technical areas across a broad range of scientific disciplines, often in response to disasters or litigation. For instance, they did investigative work for the Challenger shuttle explosion, the Piper Alpha oil platform disaster, the 9/11 World Trade Centre collapse, the Exxon Valdez oil spill, Samsung's exploding tablets, and the preliminary fire investigation into Grenfell Tower. They have assembled the largest group of PhD scientists in the industry for this purpose and are the clear number one player, able to command healthy fees for such specialist projects which do not get passed straight on to the employees. They are mainly being used to defend companies against litigation (which also tends to be price insensitive) or by companies wishing to investigate their own products before launch, such as autonomous driving systems.

Croda is a UK company and the first chemical ingredients company we have bought. Founded in 1925 it wasn't until after WWII that the company moved into cosmetics and fragrances, and now only produces substances from natural and renewable resources, unlike some competitors which still use refined fossil fuels. The company also provides ingredients for life sciences, including being the number one provider of a key component for mRNA delivery systems, which are finding many new applications since their well-publicised use for Covid vaccines. It is their leading market positions in niches such as these, where they produce small but critical components for larger, high value products that makes Croda so interesting to us.

One particular area of success over the last five years was investing in high quality companies that were going through what we call a 'glitch' in their business. This includes companies like Equifax, the US credit data bureau, which we bought in the aftermath of a major cyber-attack which compromised over 150 million consumer records. Despite the large amounts of capital spent by management to improve the security of the company after the attack, and the recent headwinds due to lower mortgage origination, it has still proven to be one of our best performing investments.

Interestingly, we feel we may have just been given a similar opportunity with Clorox. The US household goods company suffered a cyber-attack in August which closed down its operation systems for a few days and resulted in the shares falling over 30% from the recent peak. We started buying the company's shares once the attack had been contained and we believe it has given us a rare opportunity to buy a high quality consumer staples company within our market capitalisation range at a very attractive valuation. Clorox produces branded goods from bleach to cat litter with a track record of strong profitability and steady growth. Regarding the prior point on diversification, it is also quite different to anything else we currently own in the portfolio, in fact in numerical terms it has the lowest historical correlation with the fund of any company in our Investible Universe.

Oddity is another atypical investment for us but one which we believe has substantial opportunity for growth. It is the first ever IPO we have taken part in, and we did not do so lightly. We got to know the management several months before the IPO as we were approached directly by the company after they had been made aware that the business exhibited much of what we look for in a high quality, growing company. We were extremely impressed by the track record as well as the potential opportunity for the company. Oddity is a beauty and wellness company which creates its own brands and products to sell direct to consumers online. So far, the company has launched two brands, Il Makiage and SpoiledChild, both of which have been the fastest growing online brands in history, and now sell more online than large established beauty brands such as MAC. Traditionally there has been a large knowledge gap between consumers and beauty experts, requiring consumers to interact with a trained salesperson to match the myriad of beauty products to their needs and show them how to apply them at home. The large established cosmetics companies haven't so far made strong attempts to sell products to new customers online (refill purchases are obviously easier) but Oddity has been able to build AI technology using data from their users - 1bn datapoints from 40m users - to 'learn' how to match the right products to consumers with inputs including online questionnaires and, increasingly, selfie photos. Their 90% skin match accuracy compared to 80% in-store equivalent has generated over 4m customers, with more than half of revenue now coming from repeat customers. This is not only a strong indication of the value of their service but is also much more profitable. We expect to see very high annual revenue growth for the next few years as the company's technology is several years ahead of established competitors and addresses such an enormous potential market.

Rightmove was one company we sold to facilitate these new investments. OnTheMarket, a weak third tier competitor to Rightmove, was recently acquired by the much larger US company CoStar, which has a history of competing aggressively in the new markets it enters. Even if Rightmove with its dominant number one position wins this war, there could well be a few years of bitter and expensive competition before it's over. We therefore sold our holding of Rightmove soon after the bid was announced.

We sold other businesses where we had doubts about management actions. Domino's Pizza Group had caused us consternation for some time due to the fairly regular turnover of its senior management team. During the period of our ownership we counted four CEOs and four CFOs, and along with mediocre performance for many of those years, our patience eventually wore out.

Masimo is another where we were disappointed by management action, although this team has stayed in place as the CEO is the founder and a large shareholder. The company has a fantastic core business selling best in class sensors to hospitals but management decided to branch out into consumer medical devices, and bought an audio equipment business selling speakers, headphones and home theatre systems because of its access to retail outlets. The situation was further complicated by an activist investor who, after several meetings with us appeared quite sensible, but whom the management team chose to oppose. The final straw came with a profit warning only a few weeks after management had reassured us that everything was 'fine'. This ultimately led to us losing faith and we felt we could no longer trust them to be good stewards of your capital.

Despite these changes our strategy remains the same:

- Buy good companies
- Don't overpay
- Do nothing

To demonstrate that we are still buying good companies, I include the table below, which is the weighted average operating metrics of our owned companies over the last 12 months compared to the reference Index.

LTM Figures	Smithson Investment Trust	MSCI WSMID
ROIC	59%#	10%
Gross Margin	61%	34%
Operating Profit Margin	24%	6%
Cash Conversion	97%	71%
Interest Cover	34x	8x

Source: Fundsmith

Data for the MSCI World SMID Cap Index is shown ex-financials, with weightings as at 31.12.2023.

Data for MSCI World SMID Cap Index is on a weighted average basis, using last available reported financial year figures as at 31.12.2023.

Data for Smithson is on a weighted average basis, ex-cash, using last available reported financial year figures as at 31.12.2023.

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

ROIC for Smithson includes Verisign (835% ROIC). Excluding Verisign the ROIC is 26%.

The table shows that our portfolio companies remain superior to those in the Index on every metric, most of which are significantly in excess of that observed for the Index. The ROIC is particularly high at 59% although this does include Verisign, with a ROIC of 835%, without which the average ROIC would be 26%. Both of these average figures are higher than the 43% and 23% of last year. All other metrics are broadly similar to 2022 except the cash conversion, which is lower than the 101% recorded last year. As explained in the 2022 report, cash flow has been depressed for many of our companies due to the re-build of inventory after supply chains returned to normal following the Covid pandemic. This is already starting to improve and will likely continue to do so in 2024.

Not overpaying for these companies can be assessed by looking at the average free cash flow yield (the free cash flow divided by the market capitalisation) of the portfolio. While the valuation currently appears expensive, with the free cash flow yield of the portfolio now at 2.4%, the method we have traditionally used to calculate it is very backward looking, with the valuation for many companies being generated by 2022 cash flows due to the timing of their reports. As mentioned above, this includes a significant period when cash flow was depressed. Adjusting the measure to use only 2023 cash flows would put the portfolio free cash flow yield at around 2.8%, which we think is more indicative of the current position, bearing in mind we expect more progress on free cash flow normalisation in 2024. Further, a couple of our companies are still recovering from specific issues which have completely depleted their free cash flow, so should these companies start producing cash again next year, as appears likely, it would potentially take the portfolio free cash flow yield back above 3%.

In terms of 'doing nothing', there was some trading activity as discussed earlier. This meant that discretionary portfolio turnover, excluding share buybacks, was 27.2% compared to 48.5% in 2022. Excluding the sale and reinvestment of the proceeds from the Simcorp bid, over which we had no choice, the turnover was 15.4%. Despite the changes made to the portfolio, this is much lower than last year and still far below the average turnover for actively managed equity funds, which tends to be above 60%, according to Morningstar.

Costs of dealing, including taxes, amounted to 0.03% (3 basis points) of NAV in the period, slightly lower than the 0.03% incurred in 2022, although both figures round to the same number. The Ongoing Charge Figure was 0.87% of NAV, compared with 0.91% in 2022. This includes the Management Fee of 0.9%, applied to the market capitalisation of the Trust, which was lower than the NAV during the year. Combined, this means the Total Cost of Investment in the Trust was 0.90% of NAV (2022: 0.94%).

To review in more detail the fund performance in 2023, I highlight the largest detractors of performance below.

	Country	Contribution %
Sabre	United States	-1.5%
Masimo	United States	-1.2%
Paycom Software	United States	-0.7%
Cognex	United States	-0.5%
Domino's Pizza Enterprises	Australia	-0.5%

Source: Northern Trust

Sabre, travel software company, was the largest detractor in 2023 for two reasons. First, during the course of the year it became apparent that travel industry volumes, whilst still recovering, were growing slower than the rates seen in 2021 and 2022. Second, Sabre took on significant debt during the pandemic and the company's profitability was therefore impacted by the sharp rise in interest rates. We continue to believe that the travel industry will keep growing, which will in turn enable the company to reduce its debt over time to the benefit of our equity investment.

Our issues with Masimo have been outlined above and although we made money on the position over our period of ownership, having sold shares at much higher levels during the pandemic, we unfortunately lost money on the remaining holding during the course of this year.

Paycom, the US company providing human resources management software, underperformed after management reduced its guidance for revenue growth this year. With revenue tied to the number of employees enrolled in its software, the weaker US jobs market over the last 12 months provided a more difficult backdrop for the company's short term growth.

Cognex, the US factory and warehouse automation company, suffered declining revenue and earnings throughout the year as its largest customers held back on building or upgrading their manufacturing and logistics facilities. Consumer electronics was a sector particularly hard hit. As we see no fundamental issues with the company or its competitive position, we continue to hold as we wait for the expected upturn to arrive in the coming years.

The performance of Domino's Pizza Enterprises was also disappointing in the period. This was primarily due to the fiscal half year results, released in February, indicating weaker sales after prices and delivery charges had been increased to offset cost inflation. Consumer price sensitivity was noted in Japan and Germany particularly. Fortunately, the company's performance was much improved in the second half of its fiscal year, so management now appear to be resolving the issue.

The top five contributors to performance are shown below.

	Country	Contribution %
Simcorp	Denmark	2.0%
Nemetschek	Germany	1.8%
Temenos	Switzerland	1.8%
Qualys	United States	1.6%
Recordati	Italy	1.2%

Source: Northern Trust

Simcorp, the asset management software company, was the biggest contributor to performance in the year thanks to the share price moving up 38% in one day in April after the company was bid for by Deutsche Börse. The acquisition was completed in October.

We found that several companies whose share prices had been weak in 2022, despite the underlying businesses continuing to perform well, saw their price rebound in 2023. Nemetschek, the construction and media software company, up 66%, and Qualys, the cybersecurity software company, up 75%, were both examples of this.

Temenos, the bank software provider, is a company which did not perform as expected in 2022 but where fundamentals improved in 2023 after the CEO was replaced by the Executive Chairman. Things are now starting to move further in the right direction, both in the terms of the new contracts being signed with large international bank customers, and the underlying operating metrics of the business, including cash flow conversion.

Recordati's share price rose steadily through the year, with the healthcare company posting double digit organic sales and profit growth, with improvement in both its rare disease and primary care drugs. This was bolstered by the acquisition of commercialisation rights for two urology drugs from GSK. It now expects 2023 results to come at the high end of its original guidance range, and to exceed the mid term targets it previously disclosed.

An honourable mention also goes to Verisk, just outside the list, as it is an interesting example of a company with an attractive core business, in this case insurance data analytics, surrounded by much poorer performing ancillary divisions (often built up, as it was in this case, through acquisition). 2022 was the year when management finally decided to sell the underperforming businesses, leaving shareholders with a much higher quality asset by the end of 2023. The market rewarded this action with a rerating in the company's valuation over the course of the year.

The positioning of the fund is shown below, with a breakdown of the portfolio in terms of sector and geography at the end of the period. The median year of foundation of the companies in the portfolio at the year end was 1967 – our smaller companies are far from being deemed 'start-ups'.

Sector	31 December 2023 (%)	31 December 2022 (%)
Industrials	36%	23%
Information Technology	28%	38%
Healthcare	12%	15%
Consumer Discretionary	10%	13%
Consumer Staples	8%	4%
Financials	3%	3%
Materials	2%	–
Communication Services	–	3%
Cash	1%	1%

Source: Northern Trust

The changes are immediately obvious, with Information Technology for the first time since inception no longer being the largest sector weighting. Instead, the top position is now occupied by Industrials after the acquisition of Graco and Exponent, and the re-classification by MSCI of Paycom from Information Technology to Industrials and Sabre from Information Technology to Consumer. Healthcare has decreased slightly due to the sale of Masimo while Consumer Staples has almost doubled in size from the addition of Clorox. The decline of Communication Services to zero is due to the sale of Rightmove.

Country of Listing	31 December 2023 (%)	31 December 2022 (%)
USA	45%	40%
UK	14%	17%
Italy	10%	10%
Switzerland	8%	6%
Germany	7%	6%
Australia	5%	7%
Denmark	4%	8%
Sweden	3%	2%
New Zealand	3%	3%
Cash	1%	1%

Source: Northern Trust

The table above illustrates how the regional exposure in terms of country of listing has changed over the course of the year. The USA is still the largest country exposure and has actually increased thanks to the US listed acquisitions mentioned earlier. The UK exposure is smaller due to the sale of Rightmove and Domino's Pizza Group, offset by the purchase of Croda. Aside from the halving of the Danish weighting after Simcorp exited the portfolio, other differences are somewhat limited, being mostly caused by stock market movements during the year.

The geographical weighting that we pay most attention to though, is the economic exposure of our companies, measured by the origin of revenue. This year, North America increased with the new additions, to once more become the largest exposure, with the decrease in UK and Danish exposure now making Europe number two on the list. The other entries are broadly unchanged from last year. While Smithson only invests in developed markets, some of those companies generate revenue in emerging markets, shown by the EMEA and Latin America lines below.

Source of Revenue	31 December 2023 (%)	31 December 2022 (%)
North America	41%	36%
Europe	34%	39%
Asia Pacific	19%	19%
Eurasia, Middle East, Africa	4%	4%
Latin America	2%	2%

Source: Fundsmith

We end this year with significant optimism for the future. Not only is portfolio positioning the best we believe it has ever been, but the subject of much of my commentary over the last couple of years, the interest rate cycle, is almost certainly at its peak. The upward movement in interest rates has been the strongest negative force against the relative performance of small and mid-cap equities and it is perhaps worth observing that over the two years since rates started increasing, the MSCI World Small and Mid-cap index has underperformed the MSCI World Large cap index by over 10%. We wait to see what effect falling rates might have.

We thank you once more for your support of Smithson and look ahead to a bright future in the coming years.

Simon Barnard
Fundsmith LLP
Investment Manager

26 February 2024

Investments held as at 31 December 2023

Security	Country of incorporation	Fair value £'000	% of investments
Recordati	Italy	137,613	5.4
Moncler	Italy	115,399	4.5
Temenos	Switzerland	112,228	4.4
Diploma	UK	104,305	4.1
Verisign	USA	103,158	4.1
Geberit	Switzerland	101,250	4.0
Fortinet	USA	100,558	4.0
Verisk Analytics	USA	94,036	3.7
Ambu	Denmark	93,674	3.7
Qualys	USA	92,780	3.7
Top 10 Investments		**1,055,001**	**41.6**
Equifax	USA	91,029	3.6
MSCI	USA	88,702	3.5
Fevertree Drinks	UK	88,231	3.5
Nemetschek	Germany	88,105	3.5
Rational	Germany	85,968	3.4
Graco	USA	79,374	3.1
Fisher & Paykel Healthcare	New Zealand	77,700	3.0
Addtech	Sweden	74,438	2.9
Sabre	USA	74,205	2.9
Domino's Pizza Enterprises	Australia	73,423	2.9
Top 20 Investments		**1,876,176**	**73.9**
Exponent	USA	71,898	2.8
Spirax-Sarco Engineering	UK	66,305	2.6
Clorox	USA	65,220	2.6
Cognex	USA	63,807	2.5
IDEX	USA	63,158	2.5
Croda	UK	61,340	2.4
Rollins	USA	55,985	2.2
Halma	UK	53,014	2.1
Technology One	Australia	50,111	2.0
IPG Photonics	USA	45,142	1.8
Oddity	Israel	38,782	1.5
Paycom Software	USA	24,706	1.0
HMS Networks AB	Sweden	3,309	0.1
Total Investments		**2,538,953**	**100.0**

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 initial investment) of between £500 million and £15 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):

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.

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 competing against 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 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.

ESG Integration

Investment process

Smithson Investment Trust aims to be a long-term, buy-and-hold investor, building a portfolio of high-quality companies that will generate superior, risk-adjusted returns over the long term. As a long-term investor, developing a detailed understanding of the business, its industry, and the variety of risks and opportunities that may influence the performance of the companies we invest in is essential. Assessment of the risks associated with the business's environmental and social performance, as well as the quality of corporate governance, known as "ESG" factors, is a fully integrated component of our pre-investment research; poor ESG performance can generate significant, negative impacts on the financial performance of the company as well as increase its risk profile, particularly over the long term.

Smithson builds an investable universe of, as we define them, "good companies". Good companies are those that can generate a sustainably high return on invested capital over the full business cycle and have the ability to reinvest these returns to generate consistent growth. As long-term investors, fully analysing the sustainability of the company's returns and its growth potential is a central tenet of our research process. Detailed financial analysis of the business is, of course, a large component of this assessment, but fully analysing the variety of risks and opportunities posed by non-financial performance plays an important role. Over-exposure to ESG risks, such as reputational damage, negative consumer sentiment, fines, increased taxes or disruption to a company's supply chain can significantly affect a business's ability to sustain high returns over the long term. Hence, management teams that allocate capital with the sustainability of long-term returns in mind, will typically have better performance from an ESG perspective.

Many of the worst environmentally and socially performing businesses are automatically excluded from the Smithson investable universe, simply due to their unsustainable business models. Industries we find to be unable to sustain a high return on invested capital and are therefore unlikely to invest in, include oil and gas, energy, metals and mining, utilities, and aerospace and defence, among others.

Stewardship

Active ownership, or stewardship (see Fundsmith's 2022 Stewardship Report at www.smithson.co.uk/documents), is also an important component of our risk management process after we invest in a business. Regularly engaging with investee companies to promote a long-term mindset for capital allocation and appropriate controls over ESG related risk is a powerful tool in protecting the long-term value of our investment. For many companies, improving ESG performance and minimising the negative impacts they may have on the environment/society can be a factor in strengthening their business model and outperforming competition. We use engagement to understand management's perspective, assess their handling of a variety of issues and to raise concerns we may have regarding their approach or outcomes, when appropriate. We also ensure we use our proxy votes to protect and enhance the value of our investments, supporting or opposing the company when necessary. The investment management team assess votes and engagements on a case-by-case basis themselves and don't outsource the decision to other departments or use any advisory services. We use both engagement and proxy voting to support decisions that benefit the sustainability of returns and long-term performance of the business.

This approach is used by all of the strategies Fundsmith operates, and is described in more detail in the Fundsmith Responsible Investment Policy, published as part of being a signatory to the UN Principles of Responsible Investment. (see Fundsmith's Responsible Investment Policy at www.smithson.co.uk/documents).

During the year to 31 December 2023, 379 votes were cast by the Investment Manager of which 90% were voted in favour of the resolution and 10% against. Of the 379 votes cast, 49 related to management remuneration and the Investment Manager voted against the company management on 51% of these.

The Strategic Report 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.

Purpose, Strategy and 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. It was established by its Investment Manager, Fundsmith LLP and listed on 19 October 2018.

The purpose of the Company is to provide a vehicle for investors to gain exposure to a portfolio of small and mid-sized listed or traded companies globally, through a single investment.

The Company's strategy is to create value for shareholders by addressing its investment objective. Please see page 17 for the investment objective and approach.

The Company is an alternative investment fund ("AIF") under the alternative investment fund managers' directive ("AIFMD") and has appointed Fundsmith LLP as its alternative investment fund manager ("AIFM").

As an externally managed investment trust the Company 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.

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 Cap 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 ("APMs"). Please refer to the APM section and Glossary on pages 78 to 82 for definitions of these terms and an explanation of how they are calculated.

Net asset value total return against the comparator index
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 comparator index.

The Company's net asset value per share at 31 December 2023 was 1,598.0p and it reported a total profit after tax for the year of £293.3 million (2022: £967.7 million loss), comprising a capital profit of £290.3 million (2022: £972.0 million loss) and a revenue profit of £3.0 million (2022: revenue profit of £4.4 million) (see financial statements on pages 58 to 61). The net asset value total return for the year to 31 December 2023 was 13.3%[1] and the annualised net asset return for the period from listing on 19 October 2018 to 31 December 2023 was 9.4%[1]. The Board considers the MSCI World SMID Cap Index measured on a net, sterling-adjusted basis, to be the most appropriate comparator to the Company's performance. The returns generated by the MSCI World SMID Cap Index over the same periods were 9.1% and 7.7% respectively, thus the Company outperformed the comparator index by 4.2 percentage points for the year ended 31 December 2023 and outperformed the Index by 1.7 percentage points, annualised for the period from the Company's listing to the year end.

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

1 These are APMs. Definitions of these and other APMs used in the Annual Report, together with how these measures have been calculated, are disclosed on pages 78 to 79.

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

The share price total return for the year to 31 December 2023 was 8.2%[1] and the annualised share price total return for the period from listing on 19 October 2018 to 31 December 2023 was 6.9%[1], underperforming the MSCI World SMID Cap Index comparator index by 0.9 percentage points and 0.8 percentage points respectively. Further detail is given in the following section.

Premium/discount of share price to net asset value per share
The Board undertakes a regular review of the level of premium/discount. At the 31 December 2023, the discount of the Company's share price to the net asset value per share was 11.5%[1], and the average discount to net asset value for the year to 31 December 2023 was 10.7%. During the year the Company's shares consistently traded at a discount to the net asset value. The Board seeks to manage the premium/discount and generate value for shareholders through the issue of shares at a premium to net asset value or repurchase of shares at a discount to net asset value. To this end, the Company repurchased 11.7 million ordinary shares at an average discount to the prevailing net asset value of 10.8%, for a cost of £159.3 million (see page 60). Together, repurchases generated a benefit to net asset value per share of approximately £18.0 million net of costs. The decision and timing of any share issuance and/or buy-back is at the discretion of the Board.

The average discount of the Company's share price to net asset value per share in 2023 of 10.7% was in excess of the 10% threshold requiring the Directors to consider whether to propose a continuation vote at the Annual General Meeting. Further information concerning the Board's decision on a continuation vote is given in the Chairman's Statement.

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 Reports. Expressed as a percentage of average net asset value, the annualised ongoing charges ratio for the year was 0.9% (2022: 0.9%)[1]. The Board seeks to manage and where possible to improve the ongoing charges ratio and to this end the Management Engagement Committee regularly reviews its service provider fee rates.

1 These are APMs. Definitions of these and other APMs used in the Annual Report, together with how these measures have been calculated, are disclosed on pages 78 to 79.

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. 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. 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 maintains and regularly reviews a matrix of risks faced by the Company and controls in place to mitigate those risks. The impact and probability of those risks occurring after controls are performed are charted on a risk heat map and reviewed by the Board along with a risk appetite statement that reflects the Board's relative level of risk tolerance and establishes key triggers necessitating Board management. A review of the risk procedures and controls in place at the Investment Manager and other key service providers is performed. Emerging risks, such as the war in the Middle East and impact on supply chains from disruption to shipping through the Suez Canal are discussed as part of this process and this should ensure that emerging (as well as known) risks are adequately identified and, so far as practicable, mitigated.

  The market and economic impacts of the war in Ukraine and the Middle East continue to be monitored by the Board. The Investment Manager and other key service providers gave updates throughout the year on operational resilience and portfolio exposure and impacts.

  Each Director brings 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 Board receives quarterly reports from the Investment Manager's Compliance officer and the Depositary on any matters of regulatory concern and developments;

- The company secretary briefs the Board on forthcoming legislation/regulatory change that might impact on the Company. The auditor also provides technical updates on matters such as developments in accounting standards and regulatory and corporate governance changes and best practice; and

- 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's investment objective may become unattractive to investors or its investment policy may not be successful in generating returns for investors.

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. Failure to do so may mean the Company becomes unattractive to investors.

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. The

Investment Manager spreads the investment risk over a portfolio of investments in accordance with the Company's investment policy, and at the year end the Company held investments in 33 companies with details of the geographic and sector weightings given in the Investment Manager's Review.

2. Market risks

Price movements, economic and stock market conditions may have a negative impact on the Company's portfolio and its 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 (such as those experienced as a consequence of the COVID-19 pandemic or the current conflicts in Ukraine and Middle East) 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 may compress the growth of such companies and therefore affect their valuations. As such, interest rate fluctuations may reduce the Company's returns.

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 pounds 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 Owner's Manual (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.

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

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. When selecting or reviewing investments, the Investment Manager evaluates the prospects and risks, including climate change risks, that could affect these companies. 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. The rapid spread of infectious disease such as the COVID-19 pandemic, and measures introduced to combat its spread, could cause disruption to the operations of the Company and its key service providers.

Mitigation

The Company has appointed experienced service providers, each of whom has a service agreement. The Board reviews the performance of the Investment Manager and Depositary at each quarterly Board meeting and the performance of all key service providers is reviewed annually by the Management Engagement Committee. Cyber risk management questions are incorporated in this review to confirm the existence and application of cyber security controls and procedures. The Company's key service providers confirm periodically to the Board that they have in place business continuity plans and procedures to mitigate the impact on the Company of a disruption in service.

The procedures of the AIFM, depositary and custodian are reviewed and tested by their external auditors and such reports on the service providers' control environment are made available to clients. These reports are also reviewed by the Audit Committee and where any control failures are identified, the key service provider is required to explain and provide assurance to the Company on any impact or potential risk to the Company and its mitigation.

4. Key individuals risk

Fundsmith LLP is responsible for managing the Company's investments. 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 (see note 17 to the financial statements). Finally, the Investment Manager has plans in place to ensure continuity in the event of the departure of key individuals.

5. Regulatory risks

The Company benefits from the current exemption for investment trusts from UK tax on chargeable gains. Any change to HMRC's rules or the taxation of investee companies could affect the Company's ability to provide returns to shareholders.

Mitigation

The Investment Manager and the company secretary monitor proposed changes to tax rules and report to the Board thereon.

Viability Statement

In accordance with the Association of Investment Companies Code of Corporate Governance (the "AIC 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, including the economic and market conditions, higher inflation and interest rates arising from the continuing wars in Ukraine and the Middle East, 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. At 31 December 2023 the Company had net assets of £2,552 million of which £2,539 million was held in listed investments and £16.6 million in cash (see Statement of Financial Position). At 31 December 2023, 93.2% of the Company's portfolio could be liquidated within 30 days. The Board therefore has substantial options to meet the Company's continuing obligations as well as supporting the Company's buyback programme.

Where the Company's share price trades during a financial year at an average discount to net asset value of more than 10%, and in circumstances where the Company was under performing, shareholders would be given the opportunity to vote against the Company's continuation in its present form. During 2023, the average discount to net asset value was 10.7%. However the Directors together with the Company's advisers and the Investment Manager, have discussed this and concluded that it would not be appropriate to put a continuation vote to the AGM for the reasons set out in the Chairman's Statement.

The Company benefits from certain tax benefits relating to its status as an investment trust. 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. At the time of consideration, no such changes in taxation arrangements are planned.

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; 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 10 years.

Section 172 and Non-financial Disclosures

Engaging with the Company's Stakeholders

The following disclosures are required under section 172 of the Companies Act 2006 "s172") and endorsed by the AIC Code. They describe how the Directors promoted the success of the Company for the benefit of its members as a whole and have had regard to the interests of the Company's stakeholders in their decision making.

The Board sets the Company's strategy and objectives, taking into account the interests of all its stakeholders. It is ultimately responsible for the direction, management, performance and long-term sustainable success of the Company. A good understanding of the Company's stakeholders and regular engagement enables the Board to consider the potential impact of strategic decisions on each stakeholder group during the decision-making process.

When considering the Company's purpose, vision and values, together with its strategic priorities, the Board aims for its decisions to be fair and take account of the interests of the key stakeholder groups, together with the impact of its operations on the community and environment through its investment activities.

Set out below is an explanation of how the Board approaches stakeholder engagement: why we engage and how we go about it. Below this table is also a summary of the material engagements we have had with stakeholders during the year ended 31 December 2023.

Who?	Why?	How?
Stakeholder group	**The benefits of engagement with the Company's Stakeholders**	**How the Company, the Manager and the Company Secretary engage with the Company's Stakeholders**
Investors	Regular communication with existing and prospective shareholders ensures that the Board is cognisant of investor priorities and addresses any concerns raised. Clear communication of the Company's strategy and the performance against the Company's objective can help maintain demand for the Company's shares and promote an investor base that is interested in a long-term holding in the Company.	The Chairman, Investment Manager and Broker meet with shareholders on a regular basis. The Board also receives written policies on governance and stewardship from some of its larger investors and, at its quarterly meetings, receives feedback from the Investment Manager and Broker on meetings they have attended with investors. The Directors take into account the proxy voting agencies' guidelines to assess the voting recommendations published to shareholders ahead of AGM. This is a helpful tool to understand investors' views on certain resolutions. The Company publishes monthly fact sheets and reports on its financial performance at the half year and year end, all of which are available on the Company's website. An Owners' Manual can be downloaded from the website which provides an understanding of the Investment Manager's goals and how they are to be achieved.

Who?	Why?	How?
Stakeholder group	**The benefits of engagement with the Company's Stakeholders**	**How the Company, the Manager and the Company Secretary engage with the Company's Stakeholders**
		Shareholders are encouraged to attend the Company's AGM where they can question the Board and its representatives of the Investment Manager. The Chairs of the Board's committees will also normally attend the AGM, to engage with shareholders on significant matters related to their areas of responsibility. Shareholders are invited to contact the Chairman, or any other member of the Board at any time by writing to the Company Secretary. Alternatively, the Chairman can be emailed at the following address: smithsonchairman@fundsmith.co.uk.
Investment Manager	The Investment Manager is the most significant service provider of the Company, and a description of its role can be found in the Report of the Directors on page 33. Engagement with the Company's Investment Manager is necessary to review whether it is achieving the Company's objective and adhering to the Company's policies and to understand the Company's risks and opportunities.	The Board receives regular reports from the Investment Manager, discusses the portfolio at each Board meeting as well as maintaining a constructive dialogue between meetings. The reports from the Investment Manager include compliance and risk management reports. A representative of the Investment Manager also attends each quarterly Board meeting and most ad hoc meetings. Additionally, the Board holds a strategy session at which the Board and Investment Manager discuss key issues outside the normal Board reporting framework. The Management Engagement Committee reviews the performance of the Investment Manager, its remuneration and the discharge of its contractual obligations at least annually. Further detail on the Committee's activities and recommendations can be found in the Management Engagement Committee Report on page 45.

Who?	Why?	How?
Stakeholder group	**The benefits of engagement with the Company's Stakeholders**	**How the Company, the Manager and the Company Secretary engage with the Company's Stakeholders**
Other Key Service Providers	The Board has outsourced all its operations to the Investment Manager and other key service providers such as the fund administrator, depositary and custodian, registrar, broker and company secretary. To ensure the smooth operation of the Company, the Board engages with such key service providers and monitors their performance to ensure they are delivering their services in line with their contractual obligations. Reporting from the Company's broker, auditor and Company Secretary alerts the Board to proposed changes in regulations and market practice. This helps the Board plan and manage risks as well as complying with relevant regulations.	The Board receives regular reporting from key service providers. In addition, on a periodic basis, key service providers are invited to present at Management Engagement Committee or Board meetings at which any concerns can be discussed. The Board also seeks assurance of high standards of governance from its service providers including reviewing whether they maintain appropriate disaster recovery plans as well as policies on whistleblowing, tax evasion, human rights, modern slavery and bribery as part of its service provider annual review. The Management Engagement Committee reviews the performance of service providers and receives feedback from the Investment Manager and Company Secretary on their interaction with service providers. The Board periodically reviews the market rates for services provided, to ensure that the Company continues to receive high quality services at a competitive cost.
Investee Companies	The Investment Manager focuses on investing in those companies it believes can compound in value over the long term. As a long-term investor, engagement with investee companies helps develop a detailed understanding of how sustainable their business models are and the variety of risks and opportunities that may influence their performance, including ESG matters and their impact on local communities and the environment. As an investment trust with no trading activity and an outsourced business model, the Company has no direct social, community or environment responsibilities. However, the Company does have such responsibilities through its investment portfolio.	The Investment Manager regularly engages with the management of the investee companies and updates the Board on the outcome of such engagement at each Board meeting, along with details of its stewardship responsibilities. The Board periodically reviews Fundsmith's policy on Responsible Investment and its Stewardship reports, both of which can be found on the Company's website at www.smithson.co.uk.

During the year, the Board took account of stakeholder engagement in the following decision-taking:

- In response to the emergence of the discount, the Chairman, Investment Manager and Broker discussed the discount management policy with some of the Company's larger shareholders. Following such meetings, the Board, in consultation with its advisers increased its rate of buying back shares. The main aim was to provide increased market liquidity, dampen share price volatility at the same time as gaining some NAV accretive benefit.
- At the last AGM, one shareholder voted against the reappointment of the Chairman to note their discontent with the fact that the Board does not yet have an ethnic minority director. This represented more than 20% of the votes cast and as a consequence, a consultation exercise was conducted with some of the larger shareholders. Following the consultation, it was agreed that greater disclosure regarding the Company's succession planning and diversity policies would be provided in the annual report. These can be found in the Corporate Governance Report.

Taskforce for Climate Related Financial Disclosures ("TCFD")
The Company notes the TCFD recommendations on climate related financial disclosures. The Company is an investment company and, as such, it is exempt from the Listing Rules requirement to report against the TCFD framework.

Disclosure concerning Greenhouse Gas Emissions ("GHG") for the year ended 31 December 2023
The Company is an investment trust, with neither employees nor premises, nor has it any financial or operational control of the assets which it owns. It has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Reports and Directors' Reports) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, including those within the Company's underlying investment portfolio.

Consequently, the Company consumed less than 40,000 kWh of energy during the year in respect of which the Directors' Report is prepared and therefore is exempt from the disclosures required under the Streamlined Energy and Carbon Reporting criteria.

Company Culture and Values

Corporate culture for an externally-managed investment trust refers to the beliefs and behaviours that determine how the Directors interact with one another and how the Board manages relationships with shareholders and key service providers, such as the appointed investment manager. The culture is defined by the values which are set out below. The s172 report included in this Strategy and Business Review provides further details of how the Board has operated in this regard.

The Board is mindful that it is overseeing the management of a substantial investment portfolio on behalf of investors. In many cases, the investment in the Company may represent a large proportion of an individual's savings. As all the Directors are invested in the Company, the Directors' interests are aligned with those of fellow shareholders in this regard.

Our approach to governing the Company is therefore underpinned by our determination to do the right thing for our shareholders. Key to this is having a constructive relationship with them, through regular updates, half-yearly and annual reports, and the opportunity to meet with them at the Annual General Meeting. We also believe in having strong relationships with our key service providers, one based on mutual trust and respect, with constructive challenge when required. Below is a summary of the Board's most important values:

High Standards
The Directors want to ensure the success of the Company and generate long term value for its shareholders. To this end the Board will seek to adopt high standards of corporate governance and encourage best practice in all its activities. This approach extends to the Company's dealings with its stakeholders including shareholders, the Investment Manager and other service providers.

Honesty and Integrity
The Board seeks to comply with all relevant laws and regulations which apply to investment companies and has zero tolerance to bribery and corruption or any other fraudulent behaviour. The Board further expects the same standards to be applied by its service providers.

Transparency and accountability
The Board encourages clarity and transparency in its Board discussions and in communications with its stakeholders. The

Board seeks to work with all service providers in a collaborative manner while at the same time recognising that the Board's role involves exercising oversight and challenge. The Board further recognises that it is accountable to shareholders and will endeavour to give a fair, balanced and understandable overview of the Company's performance to this end.

Integrity and Ethics

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 the Modern Slavery Act 2015 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

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 summary of the Company's 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. A summary of the Company's policy can be found on the Company's website at www.smithson.co.uk.

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 the date of this report the Company had four Directors, of whom two are male and two are female. The Board's policy on diversity is contained in the Corporate Governance Report of the Annual Report.

Dividend policy

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 which state that 85% of recognised income should be distributed to shareholders.

Any dividends and distributions will be at the discretion of the Board. Subject to the Companies Act, the Company may, by ordinary resolution, declare a final dividend 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.

Strategic Report

The Strategic Report set out in the Annual Report was approved by the Board of Directors on the 26 February 2024.

On behalf of the Board

Diana Dyer Bartlett
Chairman

26 February 2024

Board of Directors

The directors who held office at the date of this report are:

Diana Dyer Bartlett
(Chairman)

Appointed 14 September 2018

Diana Dyer Bartlett was Chairman of the Audit Committee from the Company's IPO in 2018 until 1 March 2022 when she was appointed Chairman of the Board. 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 Mid Wynd International Investment Trust plc and Schroder British Opportunities Trust plc.

Lord St John of Bletso
(Audit Committee Chairman)

Appointed 14 September 2018

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 Gulf Marine Services plc. He has advisory roles with GeoBear Engineering, Bell Technologies and Betway. 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.

Jeremy Attard-Manche
(Management Engagement Committee Chairman)

Appointed 1 March 2022

Mr Attard-Manche was a partner at Tell Investments, which he jointly founded in 2002, and managed three Cayman-registered hedge funds, with total assets under management of c. EUR 1 billion. Prior to this, he worked at James Capel and then held a number of roles with Merrill Lynch including Managing Director responsible for all hedge fund distribution in Europe (including cash, equity-linked and prime brokerage products) and as head of the London-based team of Pan European specialist and generalist research salesmen. He is a non-executive Director of RQ Ratings Ltd, Evan Evans Group Ltd and a Managing Trustee of the Plan with Grace Trust.

Denise Hadgill

Appointed 1 June 2022

Mrs Hadgill was formerly a Managing Director at BlackRock and Head of the UK Product Specialist Group and prior to this, a UK Equity Fund Manager at Schroder Investment Management Limited. She is a non-executive director and Chair of the Investment Committee of PG Mutual, a non-executive director of Henderson Diversified Income Trust plc, and a non-executive director of Chelverton UK Dividend Trust plc and its wholly owned subsidiary, SDV 2025 ZDP plc.

All of the directors are members of the Audit Committee and the 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 year to 31 December 2023. The Corporate Governance Report on pages 37 to 40 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 31 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 is 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. 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 arrears. The Investment Management Agreement may be terminated by either party on twelve months' notice.

The Management Engagement Committee has reviewed the continuing appointment of the Investment Manager. Further details of the review and conclusions are provided at the Management Engagement Committee Report.

Fund Administration, Depositary and Custody

Responsibility for the Company's fund administration, cash monitoring and processing transactions of the Company's investments is with Northern Trust Global Services SE. Depositary services are conducted by Northern Trust Investor Services Limited, a separate UK incorporated entity established by the Northern Trust Company to provide depositary services to UK companies. The Depositary provides the following services:

- safekeeping and custody of the Company's custodial investments and cash;
- processing of transactions and foreign exchange services;
- taking reasonable care to ensure that the Company is managed in accordance with the AIFMD, the FUND sourcebook and the Company's articles of association in relation to the net asset value per share and the application of income of the Company; and
- monitoring the Company's compliance with investment restrictions and leverage limits set in its offering documents.

Results and Dividends

The Company reported (see page 58) a total profit after tax for the year of £293.3 million (2022: £967.7 million loss), comprising a capital profit of £290.3 million (2022: £972.0 million loss) and a revenue profit of £3.0 million (2022: revenue profit of £4.4 million). The Company had prior year revenue losses of £6.6 million and therefore at 31 December 2023 the Company's Revenue Reserve was a loss of £3.6 million. The Directors did not pay an interim dividend and are not proposing a final dividend for the period ended 31 December 2023 (2022: same).

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.

Going Concern

The Directors have adopted the going concern basis in preparing the financial statements. The following is a summary of the Directors' assessment of the going concern status of the Company, which included consideration of the principal and any emerging risks and impact of the macroeconomic backdrop such as uncertainty over inflation and higher interest rates and the continuing wars in Ukraine and the Middle East. The Going Concern assessment should be read in conjunction with the Viability Statement.

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 2023 were £2.552 million (2022: £2,418 million). As reported on pages 58 to 61, at 31 December 2023, the Company held £2,539 million in listed investments (2022: £2,394 million) and had cash of £16.6 million (2022: £24.6 million). The Company has no borrowings. The Company had dividend income net of withholding taxes of £25.0 million in the year to 31 December 2023 (2022: £27.6 million). The total revenue operating expenses for the year ended 31 December 2023 were £21.8 million (2022: £23.5 million) and the Company had a revenue profit of £3.0 million (2022: profit of £4.4 million). Therefore, at the date of approval of this document, based on the aggregate of investments and cash held, the Company has substantial options to meet the Company's continuing obligations as well as supporting the Company's buyback programme.

Leverage

For the purposes of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure to the build up of systemic risk or disorderly markets, including the borrowing of cash and the use of derivatives. The Company did not employ any leverage during the year ended 31 December 2023.

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 17.

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 their expenditure in defending any civil or criminal proceedings brought or threatened against them 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. There were no claims under any indemnities during the year (2022: same).

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

Investment Manager's Interests

As at 31 December 2023, Terry Smith and other founder partners and key employees of the Investment Manager directly or indirectly and in aggregate, held 1.7% (2022: 1.7%) of the issued share capital of the Company.

Significant Interests

As at the year end and at 22 February 2024 (the latest practicable date before publication of the Annual Report), the following investors had declared a notifiable interest in the Company's voting rights:

	31 December 2023		22 February 2024	
	No of shares	% of issued share capital	No of shares	% of issued share capital
Brewin Dolphin Limited	7,041,512	4.40%	7,041,512	4.46%
Rathbones*	5,739,467	3.59%	5,739,467	3.62%

* Rathbone Investment Management Ltd and Rathbone Investment Management International Ltd

Share Capital and Voting Rights

As at 22 February 2024 (the latest practicable date before publication of the Annual Report) the Company's issued share capital consisted of 177,107,958 Ordinary Shares, carrying one vote each. There are 19,065,000 million treasury shares in issue. Therefore, the total voting rights in the Company as at 22 February 2024 (the latest practicable date before publication of the Annual Report) were 158,042,958.

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. Holders of ordinary shares have one vote per share held.

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.

During the year, the Company bought back to hold in Treasury 11.7 million ordinary shares at a total cost of £159.3 million. The average discount to the prevailing net asset value at which these new shares were purchased was 10.8%. The share buybacks represented 6.8% of the Company's issued share capital at the start of the year. For more details, please see the Statement of Changes in Equity in the financial statements.

In the period from 31 December 2023 to 22 February 2024, (the latest practicable date before publication of the Annual Report), a further 1,650,000 ordinary shares have been bought back at an aggregate net cost of £23.0 million. The average discount at which these shares were purchased was 11.7%.

Charitable and Political Donations

There were no charitable or political donations made during the year to 31 December 2023 (2022: nil).

Board Appointments, Re-election and Removal

All appointments to the Board and re-elections of Directors and removal of Board members are carried out in accordance with the Companies Act and the Company's Articles of Association. In accordance with best practice and developing Corporate Governance, Directors stand for re-election on an annual basis.

Annual General Meeting

The Company's Annual General Meeting ("AGM") will be held at 1.00 pm on 25 April 2024 at the Max Rayne Auditorium, The Royal Society of Medicine, 1 Wimpole Street, Westminster, London W1G 0AE. The Notice of AGM will be sent to all shareholders entitled to receive such notice.

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 will chair the meeting. Shareholders can attend the AGM where they will have opportunity to question the Chairman, the Board and representatives of the Investment Manager.

Only members on the register of members of the Company as at close of business on 23 April 2024 (or two days before any adjourned meeting, excluding non-business days) will be entitled to vote at the AGM. Any proxy must be lodged with the Company's registrars or submitted to CREST by 1.00 p.m. or at least 48 hours, excluding non-business days, before any adjourned meeting.

Shareholders will hear a presentation by the Investment Manager Simon Barnard, which will also be made available on the Company's website at www.smithson.co.uk after the meeting.

Special resolutions dealing with the disapplication of pre-emption rights on the allotment of shares, 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.

Authority to issue shares

At the Annual General Meeting held on 27 April 2023, the Board was granted authority to issue a total of up to 34,071,590 ordinary shares (being 20% of the ordinary shares in issue as at 22 February 2023, the latest practicable date before publication of the Notice of AGM), without pre-emption rights. Since the 2023 AGM, no ordinary shares have been issued under the authorities granted. The authorities expire at the 2024 AGM. The Board intends to seek authority to issue without pre-emption rights, up to a further 20% of its issued share capital as at 22 February 2024 (the latest practicable date before publication of the Notice of AGM) at the forthcoming Annual General Meeting. Shares will only be issued at a premium to the then prevailing net asset value.

Authority to buy back shares

The Board was granted authority at the 2023 Annual General Meeting, to buy back up to 25,536,657 ordinary shares, representing 14.99% of the ordinary shares in issue as at 22 February 2023, the latest practicable date before publication of the Notice of AGM. 11.7 million ordinary shares were bought back during the year to 31 December 2023 and 1,650,000 since the year end up to the date of this report. The Board recommends that a new authority to purchase up to 23,690,639 ordinary shares which represents 14.99% of the ordinary shares in issue at 22 February 2024 (the latest practicable date before publication of the Notice of AGM) be granted and a resolution to that effect will be put to the AGM. Any ordinary shares purchased will either be cancelled or, if the Directors so determine, held in treasury. Shares will only be bought back at a discount to the then prevailing net asset value.

Convening General Meetings

The Board seeks shareholder approval for the Company to hold General Meetings (other than the Annual General Meeting) at 14 clear days' notice. The Company will only use this shorter notice period where it is merited by the purpose of the meeting.

Recommendation

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 for the Board's recommendation.

Information to be disclosed in accordance with Listing Rule 9.8.4

Listing Rule ("LR") 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard, other than in accordance with LR 9.8.4(7) relating to details of the allotment of shares for cash, the information of which is detailed on page 70 under Share Capital.

Events after the Reporting Period

Since 31 December 2023 and up to 22 February 2024, (the latest practicable date before publication of the Annual Report), the Company has bought back 1,650,000 ordinary shares for a total cost of £23.0 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 himself/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

Diana Dyer Bartlett
Chairman

26 February 2024

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 2018 ("UK Code"). The 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 2019 ("the AIC Code"). The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make it relevant for investment companies.

The Financial Reporting Council which issues the UK Code, has confirmed that, by following the AIC Code, boards of investment companies will meet their obligations under LR 9.8.6 of the Listing Rules. The Board therefore considers that as an investment company, reporting against the Principles and Provisions of the AIC Code provides more relevant information to shareholders and meets its obligations under the UK Code and associated disclosure requirements under LR 9.8.6 of the Listing Rules.

The Board considers that the Company has complied with the recommendations of the AIC Code except for the provisions relating to the appointment of a senior independent director and the need for Remuneration and Nomination committees.

As the Board is small in number, having just four Board members, the Board does not consider that it is necessary to appoint a senior independent director as the role can be performed by the Board as a whole. 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 Board as a whole fulfils the function of the Nomination Committee and the Remuneration Committee and therefore has not reported further in respect of these provisions.

The UK Code additionally includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. The Company has no chief executive or other executive directors and therefore has no need to consider the remuneration of executive directors.

In addition, the Company does not have any internal operations and therefore does not maintain an internal audit function. However, the Audit Committee considers the need for such a function at least annually (see page 43 for further information).

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 has overall responsibility for the effective stewardship 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 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.

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. Summary biographical details of the Directors are set out on page 32.

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.

Board Diversity – Gender and Ethnic Background

The Board considers the balance of skills, knowledge, diversity (including gender and ethnicity) and experience, amongst other factors when reviewing its composition and appointing new Directors and encourages applications from candidates from a broad range of background and experience and will seek to appoint the most suitable candidate. The Board has considered the recommendations of the McGregor-Smith and the Hampton-Alexander reviews as well as the Parker review, but does not consider it appropriate to establish targets or quotas in these regards.

According to new requirements of the Listing Rules LR 9.8.6 R(9) and (11) (applicable for periods from 1 April 2022), the Company is required to include a statement in the annual report setting out whether it has met the following targets on board diversity as at 31 December 2023, the Company's chosen reference date:

1) At least 40% of individuals on its board are women;
2) At least one of the senior board positions is held by a woman; and
3) At least one individual on its board is from a minority ethnic background.

The following tables set out the prescribed format for information in accordance with the requirements of LR 9 Annex 2.

(a) Table for reporting on gender identity or sex

	Number of Board members	Percentage of the Board	Number of senior positions on the Board
Men	2	50%	1
Women	2	50%	1
Not specified/ prefer not to say	–	–	–

(b) Table for reporting on ethnic background

	Number of Board members	Percentage of the Board	Number of senior positions on the Board
White British or other White (including minority white groups)	4	100%	2
Mixed Multiple Ethnic Groups	–	–	–
Asian/Asian British	–	–	–
Black/African/ Caribbean/Black British	–	–	–
Other ethnic group, including Arab	–	–	–
Not specified/ prefer not to say	–	–	–

The rules only recognise the roles of Chairman, Chief Executive (CEO); Senior Independent Director and Chief Financial Officer (CFO) as senior board positions. The Board considers the CEO and CFO positions are not relevant to the Company as it is an externally managed investment company with no executive management. However, the Board considers the Chair of the Audit Committee to be a senior board position and the above disclosure is made on this basis.

The Listing Rules require disclosure of an explanation of the Company's approach to collecting the data used for the purposes of making the disclosures. The Company Secretary circulated the above tables to each director to complete individually and collated the responses for inclusion in the annual report.

The above table confirms that whilst the Board has met the targets on gender diversity, it has not yet done so on ethnic minority diversity. This is because the Company is a young company, having been formed in 2018 with a Board comprising three Directors. In 2022 the Board size was increased to four Directors with the appointment of Denise Hadgill, enabling the Board to meet the gender diversity target whilst also adding to the Board's skill base. With such a small Board and the fact that the Company is a young company which has not had the time to introduce a mature succession plan the Company has not yet been able to meet the targets on ethnic minority representation. Given the nature of the Company's operations, including the fact that the Company does not have any operations or employees, the Board does not consider it to be in shareholders' best interests to extend the size of the Board in order to meet all diversity targets. The Board recognises the benefits of having diverse representation reflecting wider society within the Board and, when making appointments, welcomes applications from everyone regardless of age, gender, ethnicity, sexual orientation, belief or disability.

Meeting Attendance

The number of ordinary course scheduled Board and Committee meetings held during the year to 31 December 2023, and each Director's attendance, is shown below:

Total number of meetings during the tenure/attendance

	Board	Audit Committee	Management Engagement Committee
Number of ordinary course meetings held	4	3	2
Diana Dyer Bartlett	4/4	3/3	2/2
Lord St John of Bletso	4/4	3/3	2/2
Jeremy Attard-Manche	4/4	3/3	2/2
Denise Hadgill	4/4	3/3	2/2

In addition, Board and Committee ad-hoc meetings were held to deal with administrative matters and the formal approval of documents.

Directors' Tenure and Performance Appraisal

It is the Board's policy that all Directors, including the Chairman, will normally have their 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.

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 receive an induction and relevant training is available to Directors on an ongoing basis.

Board Evaluation

A formal annual performance appraisal process is performed on the Board, the Committees, the individual Directors and the Company's main service providers. During the year, the Board commissioned an evaluation of its performance, effectiveness, processes and governance compared to best practice. This was conducted by external evaluation consultants, Fletcher Jones, who are independent of the Company and the Directors.

The evaluation was conducted through a programme of both open and closed-ended questions and personal interviews with each of the Directors. Feedback on the Board and Committees' effectiveness was also obtained from key service providers including the Investment Manager, company secretary and broker. The evaluation also considered the Board and Committees' composition size and skillset and the Directors' performance including their roles in chairing committees. The evaluation of the discharge of the specific responsibilities of the committees was undertaken internally by the Board. The results of the evaluation were reviewed by the Chairman and discussed with the Board.

The conclusions of the performance evaluation were positive and demonstrated that the Directors were operating effectively and showed the necessary commitment to the effective fulfilment of their duties. The Board also considered the evaluation conclusions on the composition of the Board and Committees, in terms of skill set and broader diversity considerations, which have been added to its succession planning discussions. Any future director appointments will take into consideration the evaluation recommendations on desirable knowledge and skillsets.

Based upon the conclusions of the appraisal on Directors' performance and effectiveness, the Board recommends that each of the Directors should be re-elected as a Director at the forthcoming AGM. Furthermore, the Board is satisfied, having considered each Director's experience and the nature of, and anticipated demands on their time by their other business commitments including other investment trusts, that each Director is able to commit the time required to fulfil their responsibilities as a Director of the Company.

Directors' Independence

The Board consists of four 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 or the Board 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 Directors are 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 was chaired during the year by Lord St John of Bletso. The Committee consists of all the Directors. Mrs Dyer Bartlett was appointed Chairman of the Company on 1 March 2022 and was independent on appointment, and therefore entitled to be a member of the Audit Committee under the AIC Code. A report of the Audit Committee is included in this Annual Report 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 was chaired during the year by Mr Attard-Manche. The Committee consists of all the Directors. A report of the Management Engagement Committee is included in this Annual Report 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.

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 upon request; 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 Annual Report and financial statements 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 United Kingdom adopted international accounting standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB.. 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 year. In preparing these financial statements, International Accounting Standard 1 require that 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 at www.smithson.co.uk. The Investment Manager has delegated authority for the maintenance and integrity of the website on behalf of the Company. 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 Annual Report, 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 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 year ended 31 December 2023; 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

Diana Dyer Bartlett
Chairman

26 February 2024

Statement from the Chairman

I am pleased to present the Audit Committee Report for the year ended 31 December 2023. The Committee met three times during this year and all members attended each meeting. The Committee also met on 20 February 2024 to consider this report. The Company's external auditor attended the meetings to agree the audit plan and to consider this Annual Report. The Investment Manager attends meetings by invitation of the Audit Committee, but the Audit Committee also met the external auditor without the Investment Manager at meetings held to approve the annual financial statements.

Composition

The Audit Committee comprises all the Directors whose biographies are set out on page 32. Lord St John of Bletso was Chairman of the Audit Committee. Mrs Dyer Bartlett who became Chairman of the Company on 1 March 2022 was independent on appointment, and therefore entitled to be a member of the Audit Committee under the AIC Code. The Board is satisfied that the Committee as a whole has competence relevant to the sector in which the Company operates and the Committee considers that it has recent and relevant financial experience. Lord St John of Bletso has chaired a number of audit committees including that of a VCT and Mrs Dyer Bartlett is a chartered accountant and audit committee chairman of two other investment trusts.

Responsibilities

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

1. To review the Company's Interim and Annual Reports. In particular, the Committee considers whether the financial statements are fair, balanced and understandable, allowing shareholders to assess the Company's investment policy, position and performance, business model and strategy;

2. To review the risk management and internal control processes of the Company;

3. To recommend the re-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; and

6. To review and challenge the assumptions and qualifications in respect of the Company's going concern and viability statements.

Meetings and Business

The Committee met three times during the year under review. The following matters were dealt with at those meetings:

Financial statements

The Committee has confirmed that, in its opinion, the Board can make the required statement that this Annual Report, 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. In making this assessment, the Committee had regard to guidance published by the Financial Reporting Council. The Committee assessed and agreed that transactions had been fairly disclosed, performance measures had been prepared on a consistent basis and were reflective of the business, there was adequate commentary on the Company's strengths and weaknesses and that this Annual Report, taken as a whole, is consistent with the Board's view of the operation of the Company. 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 processes were in place to ensure that all dividend income and recovery of overseas tax is captured correctly and reflected in the Company's Financial Statements.

Accounting policies
The current accounting policies, as set out on pages 62 to 65, have been applied consistently throughout the period.

Going concern and viability statements
Having reviewed the Company's financial position, liabilities, buy back programme, principal risks and prospects and any emerging risks, the Committee recommended to the Board that it was appropriate for the Board to prepare the financial statements on the going concern basis for a period of at least 12 months from the date of the approval of the financial statements. Further detail is provided on pages 33 to 34. It further formulated the Viability Statement set out on page 26 including the appropriate assessment 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 and reviewed a risk appetite statement summarising the Board's attitude to its principal risks and to identify when active Board engagement might be required outside the normal cycle of Board meetings. 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.

A review of the Company's anti-bribery and corruption policy and its policy for the prevention of the facilitation of tax evasion was carried out and it was determined they continued to be appropriate and reflective of best practice. It also confirmed that appropriate whistleblowing policies were in place at the Investment Manager and the other key service providers.

Internal audit
The Audit Committee has considered the need for an internal audit function and considers that this is not appropriate given the nature and circumstances of the Company. Separately, 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 key third parties regarding their processes and procedures. In relation to the Investment Manager, fund administrator and depositary, external audit reports were also received which confirmed that no issues had been identified with such third parties' procedures and internal controls. The Audit Committee keeps the need for an internal function under periodic review.

External Auditor

During the year, the nature and scope of the external audit together with Deloitte LLP's audit plan were considered by the Committee. Subsequent to the year end, the Committee also met with Deloitte LLP to review the outcome of the audit and the draft 2023 Annual Report.

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 undertaken by the auditor on behalf of the Company; 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 level and effectiveness of challenge provided by the auditor;
- the audit quality control arrangements, including the stages of review of the Annual Report, the time spent by the audit partner and whether any issues identified during the audit had been dealt with on a timely basis;
- the auditor's report on the FRC's Audit Quality Review issued in July 2023 (and confirmation that there were no significant developments since that time);
- the auditor's audit approach taking into account the requirements in respect of material assumptions;
- 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 and that the auditor provided effective independent challenge in carrying out its responsibilities.

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's policy for the provision of non-audit services by the auditor is aligned with the Revised Ethical Standards 2019 (the "Auditing Standards"). The Company's policy is 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. There were no non-audit services undertaken by the Company's auditor during the year under review.

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

Auditor re-appointment
The auditor to the Company is Deloitte LLP who were engaged on 24 July 2019. The audit partner, Chris Hunter, has held the role since that date and in accordance with partner rotation requirements will retire as audit partner for the Company after completion of the 31 December 2023 audit.

The Committee conducted a review of the performance of the auditor during the year and concluded that performance was satisfactory and that 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 re-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 year 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.

Lord St John of Bletso
Chairman of the Audit Committee

26 February 2024

Management Engagement Committee Report

Statement from the Chairman

I am pleased to present the Management Engagement Committee Report for the year ended 31 December 2023.

The Management Engagement Committee met twice during the year and the attendance by each Director is shown in the table on page 39. The Committee also met on 20 February 2024 to consider this Report.

Composition

The Committee comprises all the Directors whose biographies are set out on page 32.

Responsibilities

The Committee's main responsibilities during the period were:

- to undertake an annual review of 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 undertake an annual review of the performance of the Investment Manager and any other key service providers to the Company other than the external auditor.

Investment Manager

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

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. The Committee also concluded that the performance of the Investment Manager was satisfactory, and that the continuing appointment of the Investment Manager was in the best interests of shareholders. The Committee agreed that the existing fee arrangements and other contractual terms 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 (Northern Trust Investor Services Limited)
- Custodian (The Northern Trust Company)
- Administrator (Northern Trust Global Services SE)
- Company secretary (Apex Listed Companies Services (UK) Limited
- Registrar (Link Group) and
- Broker (Investec Bank plc)

The Committee received feedback on the performance of these service providers by the Investment Manager and company secretary and the level of fees is monitored.

The Committee 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.

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 year 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.

Jeremy Attard-Manche
Chairman of the Management Engagement Committee

26 February 2024

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 within this Annual Report.

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.

During the year, Directors' remuneration was set at £45,000 to the Chair of the Board, £40,000 to the Audit Committee Chair, £35,000 to the Management Engagement Committee Chair and £30,000 to directors.

The Board undertook an evaluation of its remuneration taking into consideration the latest inflation rates and peer group comparisons by sector and market capitalisation. The Board noted that the Directors' remuneration was below the median remuneration of the Company's peer group and that a 5% increase would be appropriate. Following the review, the Chairman's remuneration increased to £47,250, the Audit Committee Chair to £42,000, the Management Engagement Committee Chair to £36,750 and directors to £31,500 with effect from 1 January 2024.

The total fees paid to the Directors for the year to 31 December 2023 are set out in the table below.

Directors' Remuneration Policy

Set out below is the Directors' Remuneration Policy which was approved by shareholders at the 2023 AGM.

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 arrears, 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. Additionally, there are no benefits in kind, however, Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties such as expenses incurred in the course of travel to attend meetings and duties undertaken. 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. No additional day rates were charged in 2023 (2022: nil). 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 and there are no plans to establish one.

In accordance with statute, the Remuneration Policy will be considered by shareholders at the Annual General Meeting at least once every three years. The Remuneration Policy was approved by shareholders at the AGM held on 27 April 2023. Accordingly, an ordinary resolution for the approval of the Remuneration Policy will be considered by shareholders at the Annual General Meeting in 2026. The provisions set out in the Remuneration Policy apply until they are next submitted for shareholder approval. In the event of any proposed material variation to the Remuneration Policy, shareholder approval will be sought for the proposed new policy prior to its implementation. The Remuneration Policy sets out the principles the Company follows in remunerating Directors and the result of the shareholder vote on the Remuneration Policy is binding on the Company.

Current and Future Policy

Component	Director	Purpose of reward	Operation
Annual director’s fee	All Directors	For services as non-executive Directors of a plc	Determined by the Board
Expenses	All Directors	Reimbursement of expenses incurred in the performance of duties	Submission of appropriate supporting documentation

The way in which the Board implemented the Company’s Remuneration Policy in the year ended 31 December 2023 is set out below.

	(Audited) Fee for the year to 31 December 2023 (£)	(Audited) Fee for the year to 31 December 2022 (£)
Diana Dyer Bartlett	45,000	44,167
Lord St John of Bletso	40,000	39,167
Jeremy Attard-Manche*	35,000	29,167
Denise Hadgill*	30,000	17,500
Mark Pacitti*	–	7,500
Total	**150,000**	**137,501**

* Mr Pacitti retired 28 February 2022. Jeremy Attard-Manche and Denise Hadgill were appointed as a Non-Executive Directors 1 March 2022 and 1 June 2022 respectively.

Annual Percentage Change in Directors’ Remuneration (unaudited)

In accordance with The Companies (Directors’ Remuneration Policy and Directors’ Remuneration Report) Regulations 2019, the table below sets out the annual percentage change in Directors’ fees in respect of each Director.

	Year ended 31 December 2023 %*	Year ended 31 December 2022 %	Year ended 31 December 2021 %	Year ended 31 December 2020 %
Diana Dyer Bartlett	1.8	–	48.1	–
Lord St John of Bletso	2.1	–	29.6	–
Jeremy Attard-Manche	20.0	–	–	–
Denise Hadgill	71.4	–	–	–

* The increase in fees in 2023 reflects the fact that Diana Dyer Barlett and Lord St John of Bletso were appointed Chairman of the Board and Chairman of the Audit Committee respectively on 1 March 2022. Jeremy Attard- Manche and Denise Hadgill were appointed as a Non-Executive Directors 1 March 2022 and 1 June 2022 respectively. The fee applicable to each of these roles was unchanged from 31 December 2022.

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’ 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)

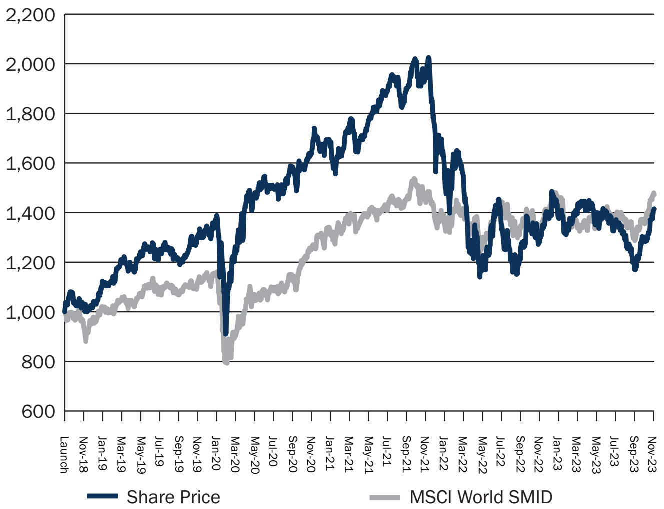
None of the fees referred to in the above table were paid to any third party in respect of the services provided by any of the Directors.

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.

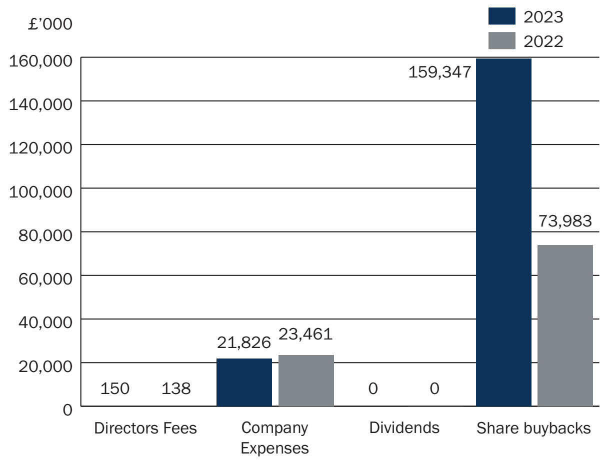
Share Price Total Return

A performance comparison is required to be presented in this report. The performance comparison is shown for the period since launch to 31 December 2023. The MSCI World SMID Cap Index, on a net sterling adjusted basis, has been adopted by the Board as reference index against which the Company's performance has been measured for the period.



Relative Cost of Directors' Remuneration

The bar chart below shows the comparative cost of Directors' fees compared with Company expenses for the year ended 31 December 2023 and comparative for the year to 31 December 2022. During the year no dividends were paid (2022: same) and the Company repurchased 11.7 million ordinary shares (2022: 5.7 million) at a cost of £159.3 million (2022: 74.0 million).



Directors' Interests in the Company's Shares as at 31 December 2023 (audited)

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

Director	No of ordinary shares 31 December 2023	31 December 2022
Diana Dyer Bartlett	10,149	8,886
Lord St John of Bletso	10,000	10,000
Jeremy Attard-Manche	1,250	–
Denise Hadgill	1,111	1,111

Since 31 December 2023, Mrs Hadgill purchased a further 1,467 ordinary shares, a total beneficial interest of 2,578 ordinary shares. No other changes have been notified at the date of this report.

Shareholder Approval

An ordinary resolution for the approval of the Directors' Remuneration Report will be put to shareholders annually at the Company's Annual General Meeting. This vote is advisory only and not binding on the Company, nor does it affect the remuneration payable to any individual Director. However, it does give shareholders the opportunity to inform the Board of their views on Directors' remuneration. Should the resolution fail to be approved in a year in which the Remuneration Policy was not put to a shareholder resolution, this will require the Company to put the Remuneration Policy to shareholders the following year.

The following table sets out the votes received at the last Annual General Meeting of shareholders, held on 27 April 2023, in respect of the approval of the Directors' Remuneration Policy and Directors' Remuneration Report.

	In Favour/ Discretionary Total Votes	%	Against Total Votes	%	Withheld Total Votes
Directors' Remuneration Policy	59,722,212	99.84	98,318	0.16	41,020
Directors' Remuneration Report	59,723,242	99.84	96,787	0.16	41,521

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 this report summarises, as applicable, for the year to 31 December 2023:

(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.

This report on Directors' remuneration was approved by the Board on 26 February 2024 and signed on its behalf by the Chairman.

Diana Dyer Bartlett

Chairman

26 February 2024

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 2023 and of its profit for the year then ended;**
- **have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); 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, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

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 we have not provided any non-audit services prohibited by the FRC's Ethical Standard 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 investments.
Materiality	The materiality that we used in the current year was £25.5m which was determined on the basis of 1% of net assets as at 31 December 2023.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There were no significant changes in our approach in the current year

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors’ assessment of the company’s ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of relevant controls over management’s process for evaluating the company’s ability to continue as a going concern;
- Assessing the controls in place that enable the company to continue to operate as an Investment Trust;
- Assessing the performance and position of the company, including its strong cash position, dividend income and management fee expenses;
- Assessing the risks to the investment portfolio of market altering factors such as inflation, high energy costs and increased interest rates, by looking at the company’s operational impact and business continuity plans;
- Assessing the company’s ability to cover its expenses for the 12-month period from the date of signing the financial statements, including the ability of the company to exit underperforming investments, if needed; and
- Assessing the appropriateness of the disclosures in the financial statements relating to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the company has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors’ statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 investments

Key audit matter description	As an investment entity, the company holds investments of £2,539m as at 31 December 2023 (2022: £2,394m) . These represent the most quantitatively significant financial statement line on the statement of financial position. There is a risk that investments may not be valued correctly or may not represent the property of the company. This may result in a material misstatement within the investments held at fair value through profit or loss and we consider that there is a potential area for fraud since investment return is a key performance indicator for the company. Refer to note 1f to the financial statements for the accounting policy on investments and details of the investments are disclosed in note 9 to the financial statements. The valuation and ownership of investments is included in the Audit Committee Report as a significant reporting matter on page 42.

How the scope of our audit responded to the key audit matter	We performed the following procedures to address the valuation and ownership of investments key audit matter: • We obtained an understanding of, and tested, relevant controls over the valuation and ownership of investments; we relied on these controls in our audit approach to investment valuation; • We independently valued 100% of the investment portfolio to the closing bid prices published by an independent pricing source; and • We confirmed the ownership of 100% of investments at the year-end date by obtaining independent third-party confirmations directly from the custodian.
Key observations	Based on the work performed we concluded that the valuation and ownership of investments is appropriate.

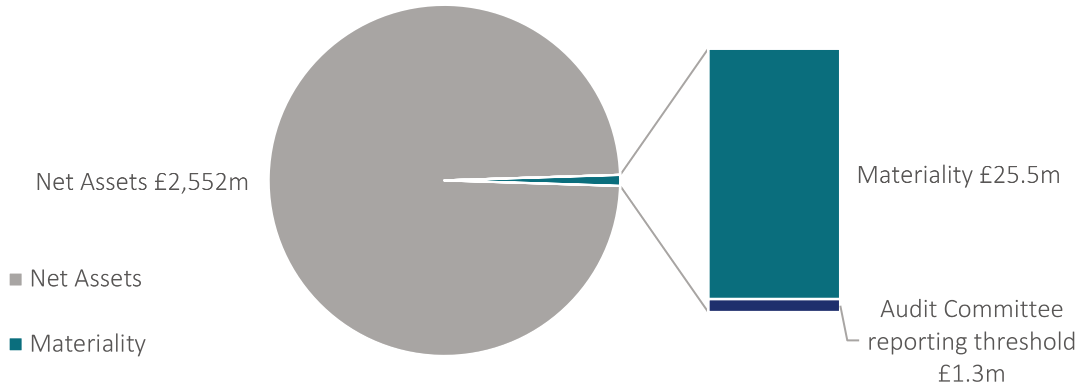
6. Our application of materiality

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	£25.5m (2022: £24.2m)
Basis for determining materiality	1% (2022: 1%) of net assets
Rationale for the benchmark applied	Net assets has been chosen as a benchmark as it is the most relevant benchmark for investors and is a key driver of shareholder value. The increase in materiality year on year arose principally from the increase in the company's net assets.



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 70% of materiality for the 2023 audit (2022: 70%). In determining performance materiality, we considered the following factors:

a. no significant changes in business structure and operations;
b. our experience from previous audits has indicated a low number of corrected and uncorrected misstatements identified in prior periods; and
c. no significant changes in the company's operating environment caused by the uncertainty and volatility brought about by inflation, high energy costs and increased interest rates.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.3m (2022: £1.2m), 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

7.1. Scoping

Our audit was scoped by obtaining an understanding of the company and its environment, including internal control and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. Our consideration of the control environment

In assessing the company's control environment, we considered controls in place at the company's service organisation which acts as administrator. As part of this we reviewed the System and Organisation Controls (SOC 1) Report of the service organisation and have taken a controls reliance approach in respect of the controls relating to valuation and ownership of investments. We also reviewed the controls report of the service organisation in respect of general IT controls. Further, we performed understanding of relevant business processes and controls that address the risk of material misstatement in financial reporting.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the company's business and its financial statements. The company continues to develop its assessment of the potential impacts of environmental, social and governance ("ESG") related risks, including climate change, as outlined on page 30. As a part of our audit, we held discussions to understand the process of identifying climate-related risks, management's determination of mitigating actions and the impact on the company's financial statements. We performed our own qualitative risk assessment of the potential impact of climate change on the company's account balances and classes of transactions. We have read the disclosures in relation to climate change made in the other information within the annual report and ascertain whether the disclosures are materially consistent with the financial statements and our knowledge from our audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

We have nothing to report in this regard.

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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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, the directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the company’s sector;
- 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 valuation and ownership of 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, Listing Rules, tax legislation, and Association of Investment Companies SORP.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company’s ability to operate or to avoid a material penalty. This included the requirements of the United Kingdom’s Financial Conduct Authority (“FCA”), Alternative Investment Fund Managers Directive, and ESG Sourcebook.

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation and ownership of 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 and the Audit Committee 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; 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. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the company’s compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors’ statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 33 to 34;
- the directors’ explanation as to its assessment of the company’s prospects, the period this assessment covers and why the period is appropriate set out on page 26;
- the directors' statement on fair, balanced and understandable set out on page 41;

- the board’s confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 23;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 43; and
- the section describing the work of the Audit Committee set out on page 41.

14. Matters on which we are required to report by exception

14.1. 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.

14.2. 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 matter.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board on 24 July 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 5 years, covering the years ending 31 December 2019 to 31 December 2023.

15.2. 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).

16. 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 2024

Statement of Comprehensive Income

		For the year ended 31 December 2023			For the year ended 31 December 2022		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income from investments held at fair value through profit or loss	2	31,116	–	31,116	31,341	–	31,341
Gains/(losses) on investments held at fair value through profit or loss	9	–	291,600	291,600	–	(970,879)	(970,879)
Foreign exchange (losses)/gains		(136)	(656)	(792)	147	(399)	(252)
Investment management fees	4	(20,280)	–	(20,280)	(21,998)	–	(21,998)
Other expenses and transaction costs	5	(1,532)	(650)	(2,182)	(1,463)	(743)	(2,206)
Profit/(loss) before tax		9,168	290,294	299,462	8,027	(972,021)	(963,994)
Tax	6	(6,144)	–	(6,144)	(3,670)	–	(3,670)
Profit/(loss) for the year		3,024	290,294	293,318	4,357	(972,021)	(967,664)
Return/(loss) per share (basic and diluted) (p)	**7**	**1.82**	**175.02**	**176.84**	**2.49**	**(555.60)**	**(553.11)**

The Company does not have any income or expenses which are not included in the return/(loss) for the year.

All of the return/(loss) and total comprehensive income for the year 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 are an integral part of these financial statements.

Statement of Financial Position

	Notes	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Non-current assets			
Investments held at fair value through profit or loss	9	2,538,953	2,393,848
Current assets			
Trade and other receivables	10	1,851	3,853
Cash and cash equivalents		16,579	24,589
		18,430	28,442
Total assets		**2,557,383**	**2,422,290**
Current liabilities			
Trade and other payables	11	(5,445)	(4,323)
Total assets less current liabilities		**2,551,938**	**2,417,967**
Equity attributable to equity shareholders			
Share capital	12	1,771	1,771
Share premium	13	1,719,487	2,219,487
Capital reserve		834,305	203,358
Revenue reserve		(3,625)	(6,649)
Total equity		**2,551,938**	**2,417,967**
Net asset value per share (p)	**14**	**1,598.0**	**1,410.7**

The financial statements were approved by the Board on 26 February 2024 and were signed on its behalf by:

Diana Dyer Bartlett
Director

The accompanying notes are an integral part of these financial statements.

Smithson Investment Trust plc – Company Registration Number 11517636 (Registered in England and Wales)

For the year ended 31 December 2023

	Notes	Share Capital £'000	Share Premium £'000	Capital Reserve* £'000	Revenue Reserve* £'000	Total £'000
Balance at 1 January 2023		1,771	2,219,487	203,358	(6,649)	2,417,967
Ordinary shares bought back and held in treasury		–	–	(158,506)	–	(158,506)
Costs on buybacks		–	–	(841)	–	(841)
Transfer of share premium#		–	(500,000)	500,000	–	–
Profit for the year		–	–	290,294	3,024	293,318
Balance at 31 December 2023	**12**	**1,771**	**1,719,487**	**834,305**	**(3,625)**	**2,551,938**

On 28 February 2023, High Court approval was obtained to reduce the Company's share premium by £500 million. The capital reduction, resulted in a corresponding increase in the Company's distributable reserves.

For the year ended 31 December 2022

	Notes	Share Capital £'000	Share Premium £'000	Capital Reserve* £'000	Revenue Reserve* £'000	Total £'000
Balance at 1 January 2022		1,717	2,126,997	1,249,362	(11,006)	3,367,070
Issue of new shares		54	93,050	–	–	93,104
Costs on new share issues		–	(560)	–	–	(560)
Ordinary shares bought back and held in treasury		–	–	(73,604)	–	(73,604)
Costs on buybacks		–	–	(379)	–	(379)
(Loss)/profit for the year		–	–	(972,021)	4,357	(967,664)
Balance at 31 December 2022	**12**	**1,771**	**2,219,487**	**203,358**	**(6,649)**	**2,417,967**

* Distributable reserve.

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

	Notes	For the year to 31 December 2023 £'000	For the year to 31 December 2022 £'000
Operating activities			
Profit/(loss) before tax		299,462	(963,994)
Adjustments for:			
(Gains)/losses on investments held at fair value through profit or loss	9	(291,600)	970,879
(Increase)/decrease in receivables		(90)	25
Decrease in payables		(70)	(1,175)
Overseas taxation		(4,334)	(4,584)
Net cash generated from operating activities		**3,368**	**1,151**
Investing activities			
Purchases of investments	9,11	(368,464)	(651,473)
Sale of investments	9,10	514,316	624,269
Net cash generated from/(used in) investing activities		**145,852**	**(27,204)**
Financing activities			
Proceeds from issue of new shares	12	–	93,104
Issue costs relating to new shares	12	–	(560)
Purchase of shares held in treasury	12	(156,389)	(73,604)
Costs relating to buy backs	12	(841)	(379)
Net cash (used in)/generated from financing activities		**(157,230)**	**18,561**
Net decrease in cash and cash equivalents		**(8,010)**	**(7,492)**
Cash and cash equivalents at start of the year		24,589	32,081
Cash and cash equivalents at end of the year	**15**	**16,579**	**24,589**
Comprised of:			
Cash at bank		**16,579**	**24,589**

Dividends and interest received in cash during the year amounted to £30,292,000 and £755,000 (2022: £31,348,000 and £56,000), respectively.

The accompanying notes 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 accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

(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 UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the International Accounting Standards Board (IASB) 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 July 2022). 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 pages 33 to 34. 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.

(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. 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.

(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.

Interest receivable on cash at bank is recognised on an accruals basis.

(e) Expenses

All expenses, other than those of a capital nature, are charged to the revenue account. Expenses of a capital nature are charged to the capital account. Revenue and capital expenses are recognised on an accruals basis.

1. Accounting policies (continued)

(f) Investments

Investments in equity instruments are classified upon initial recognition as financial assets measured 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 price. Gains and losses arising from changes in fair value are included in net profit or loss for the year as a capital item in the Statement of Comprehensive Income and are ultimately recognised in the capital reserve.

Transaction costs incurred on the purchase and disposal of investments are recognised as a capital item in the Statement of Comprehensive Income.

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 in the Statement of Comprehensive Income.

(g) Foreign currencies

Monetary assets and liabilities denominated 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. Differences in the sterling equivalent value arising between the transaction date and the settlement or payment date are included as exchange gains or losses in the capital account or the revenue account depending on whether the underlying transaction is of a capital or revenue nature.

(h) Cash and cash equivalents

Cash and cash equivalents comprise 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 at their ex-dividend date. 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 expected 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.

1. Accounting policies (continued)

(k) Nature and purpose of reserves

Share capital

This represents nominal value of the issued share capital.

Share premium account

This account represents share premium that arises on the issue of new shares.

Capital reserve

This reserve reflects any:

- gains or losses on the disposal of investments
- foreign exchange gains and losses of a capital nature;
- the increases and decreases in the fair value of investments which have been recognised in the capital account; and
- expenses which are capital in nature.

The capital reserve may be distributed by way of dividends. However, any gains in the fair value of investments that are not readily convertible to cash are treated as unrealised gains in the capital reserve and are non-distributable.

Revenue reserve

This reserve reflects all income and expenditure recognised in the revenue account and is distributable by way of dividend.

Treasury shares

Treasury shares are recognised at cost as a deduction from equity shareholders' funds. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds and the original cost being taken to share premium account. No gain or loss is recognised in the financial statements on transactions in treasury shares.

(l) Taxation

The charge for taxation is based upon the revenue for the year and is allocated according to the marginal basis between revenue and capital using the Company's effective rate of corporation tax for the accounting year.

Deferred taxation is recognised in respect of all timing differences that have originated, but not reversed, relating to transactions or events that result in an obligation to pay more or a right to pay less tax in future, that have occurred at the Statement of Financial Position date. Deferred tax is 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.

1. Accounting policies (continued)

(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 will be effective in the future accounting periods.

- Amendment to IFRS 16 'Leases on sale and leaseback' (effective for accounting periods beginning on or after 1 January 2024).
- Amendment to IAS 1 'Non-current liabilities with covenants' (effective for accounting periods beginning on or after 1 January 2024).
- Amendment to IAS 7 and IFRS 7 'Supplier finance' (effective for accounting periods on or after 1 January 2024 - with transitional reliefs in the first year).
- Amendments to IAS 21 'Lack of Exchangeability' (effective for accounting periods on or after 1 January 2024 - early adoption is available).

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.

In the current financial year the Company has applied the following interpretations and amendments to standards:

- IFRS 17, Amendments to IAS 8, IAS 12, IAS 1 and IFRS Practice Statement 2 (effective for accounting periods beginning on or after 1 January 2023).

There is no material impact on the financial statements or the amounts reported from the adoption of these amendments to the standards.

2. Dividend income

	2023 £'000	2022 £'000
UK dividends	7,626	6,603
UK dividends – special	–	3,324
Overseas dividends	20,843	16,921
Overseas dividends - special	1,836	4,437
Bank interest	811	56
Total	**31,116**	**31,341**

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 an 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. A geographical split of the portfolio can be seen in the Strategic Report.

4. Investment management fee

	2023 £'000	2022 £'000
Investment management fee	**20,280**	**21,998**

As at 31 December 2023, an amount of £1,599,000 (2022: £1,659,000) was payable to the Investment Manager. Details of the terms of the Investment Management Agreement are provided on page 33.

5. Other expenses

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Transaction costs on investments held at fair value through profit or loss	–	650	650	–	743	743
Directors' fees	150	–	–	135	–	135
Employer national insurance contributions	13	–	13	–	–	–
Auditor fees in relation to audit	48	–	48	47	–	47
Tax compliance fee	9	–	9	(11)	–	(11)
Registrar fees	38	–	38	44	–	44
Broker fees	40	-	40	40	–	40
Company secretarial fees	129	–	129	93	–	93
Custody fees	179	–	179	190	–	190
Depositary fees	235	–	235	244	–	244
Postage and printing	28	–	28	30	–	30
Legal fees	38	–	38	(23)	–	(23)
Fund administration fees	364	–	364	360	–	360
Other expenses*	261	–	261	314	–	314
Total Expenses	**1,532**	**650**	**2,182**	**1,463**	**743**	**2,206**

Transaction costs on investments held at fair value through profit or loss represent such costs incurred on both purchases and sales of those investments. Transaction costs on purchases amounted to £505,000 (2022: £538,000) and on sales amounted to £145,000 (2022: £205,000).

No non-audit fees were paid during the year to Deloitte LLP by the Company (2022: nil).

6. Taxation

(a) Analysis of tax charge in the year

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Taxation on ordinary activities						
Irrecoverable overseas withholding tax	6,144	–	6,144	3,670	–	3,670
Total tax	**6,144**	**–**	**6,144**	**3,670**	**–**	**3,670**

(b) The tax charge for the year is lower than the standard rate of corporation tax in the UK of 23.52%. The differences are explained below:

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit/(loss) before tax	**9,168**	**290,294**	**299,462**	**8,027**	**(972,021)**	**(963,994)**
Corporation tax at standard rate of 23.52%*	2,156	68,277	70,433	1,525	(184,684)	(183,159)
Effects of non taxable items:						
UK dividends	(1,794)	–	(1,794)	(1,886)	–	(1,886)
Overseas dividends	(5,334)	–	(5,334)	(4,058)	–	(4,058)
Interest income	(191)	–	(191)	(11)	–	(11)
Net (gains)/losses on investments held at fair value through profit or loss	–	(68,584)	(68,584)	–	184,467	184,467
Expenses and foreign exchange losses/(gains)	32	307	339	(28)	217	189
Deferred tax asset not recognised	5,131	–	5,131	4,458	–	4,458
Total corporation tax	**–**	**–**	**–**	**–**	**–**	**–**
Irrecoverable overseas withholding tax	6,144	–	6,144	3,670	–	3,670
Total tax	**6,144**	**–**	**6,144**	**3,670**	**–**	**3,670**

* With effect from 1 April 2023, the main rate of corporation tax increased from 19% to 25%, therefore the hybrid rate of 23.52% has been used.

As at 31 December 2023, the Company had unrecognised tax losses of £104.2 million (2022: £82.4 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:

	2023 Revenue	2023 Capital	2023 Total	2022 Revenue	2022 Capital	2022 Total
Profit/(loss) for the year (£'000)	3,024	290,294	293,318	4,357	(972,021)	(967,664)
Return/(loss) per ordinary share (p)	**1.82**	**175.02**	**176.84**	**2.49**	**(555.60)**	**(553.11)**

Return per share is calculated based on returns for the year and the weighted average number of 165,863,972 ordinary shares in issue from 1 January 2023 to 31 December 2023 (2022: 174,950,862).

8. Dividends

There are no dividends proposed, declared or payable for the year (2022: nil).

9. Investments held at fair value through profit or loss

All gains and losses arise on investments designated as fair value through profit or loss which is how the investments are classified upon initial recognition.

As at 31 December	2023 £'000	2022 £'000
Opening book cost	2,353,438	2,162,638
Opening investment holding gains	40,410	1,176,512
Opening fair value at 1 January	2,393,848	3,339,150
Purchases at cost	367,539	651,607
Sales – proceeds	(514,034)	(626,030)
Gains/(losses) on investments	291,600	(970,879)
Closing fair value at 31 December	2,538,953	2,393,848
Closing book cost at 31 December	2,232,394	2,353,438
Closing unrealised gains at 31 December	306,559	40,410
Valuation at 31 December	**2,538,953**	**2,393,848**

The Company received £514,034,000 (2022: £626,030,000) excluding transaction costs from investments sold in the year. The book cost of the investments when they were purchased was £489,233,000 (2022: £461,550,000) excluding transaction costs. 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.
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, etc.).
- Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments).

Fair value measurements recognised in the Statement of Financial Position

	2023			
As at 31 December	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments held at fair value through profit or loss	2,538,953	–	–	2,538,953
Total	**2,538,953**	**–**	**–**	**2,538,953**

	2022			
As at 31 December	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments held at fair value through profit or loss	2,393,848	–	–	2,393,848
Total	**2,393,848**	**–**	**–**	**2,393,848**

10. Trade and other receivables

As at 31 December	**2023 £'000**	**2022 £'000**
Accrued income	251	182
Overseas tax recoverable	–	1,810
Securities sold receivable	1,479	1,761
Other receivables	121	100
	1,851	**3,853**

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. Trade and other payables

As at 31 December	2023 £'000	2022 £'000
Securities purchased payable	1,474	2,399
Investment management fee payable	1,599	1,659
Payable on repurchase of ordinary shares into treasury	2,117	–
Other payables	255	265
	5,445	**4,323**

12. Share capital

	2023				2022			
As at 31 December	Ordinary Shares Number	Treasury Shares Number	Total Shares Number	Nominal Value £'000	Ordinary Shares Number	Treasury Shares Number	Total Shares Number	Nominal Value £'000
Issued, allotted and fully paid (ordinary shares of £0.01)								
Ordinary shares in issue at 1 January	171,407,958	5,700,000	177,107,958	1,771	171,697,958	–	171,697,958	1,717
Ordinary shares issued	–	–	–	–	5,410,000	–	5,410,000	54
Ordinary shares bought back and held in treasury	(11,715,000)	11,715,000	–	–	(5,700,000)	5,700,000	–	–
	159,692,958	**17,415,000**	**177,107,958**	**1,771**	**171,407,958**	**5,700,000**	**177,107,958**	**1,771**

During the year ended 31 December 2023, the Company issued no shares (2022: 5,410,000 shares of £0.01 each for a net consideration of £92,544,000).

During the year ended 31 December 2023, the Company bought back to hold in treasury 11,715,000 shares (31 December 2022: 5,700,000) at an aggregate cost of £159,347,000 (31 December 2022: £73,983,000). At the year end, the Company held 17,415,000 (31 December 2022: 5,700,000) shares in treasury.

Details of the shareholder authorities granted to Directors to issue and buy back shares during the year are provided on pages 35 to 36.

13. Share premium account

As at 31 December	2023 £'000	2022 £'000
Balance at 1 January	2,219,487	2,126,997
Issue of new shares on secondary market	–	93,050
Costs on new share issues on secondary market	–	(560)
Transfer of share premium	(500,000)	–
	1,719,487	**2,219,487**

On 28 February 2023, High Court approval was obtained to reduce the Company's share premium by £500 million. The capital reduction resulted in a corresponding increase in the Company's distributable reserves.

14. Net asset value per share

As at 31 December	2023	2022
Net asset value	£2,551,938,000	£2,417,967,000
Shares in issue (excluding shares held in treasury)	159,692,958	171,407,958
Net asset value per ordinary share	1,598.0p	1,410.7

15. Risk management and financial instruments

The Company's investing activities undertaken in pursuit of its investment objective, as set out in the Strategic Report, involve certain inherent risks. The Board monitors the Company's risk as described in the Strategic Report. 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 year.

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.

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 equity and 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 and key third party service providers. 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 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.

15. Risk management and financial instruments (continued)

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

As at 31 December	2023 £'000	2022 £'000
Cash and cash equivalents	16,579	24,589
Receivables	1,851	3,853
	18,430	**28,442**

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.

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 functional 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.

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 year end.

	31 December 2023					31 December 2022				
	Investments £'000	Cash £'000	Receivables £'000	Payables £'000	Total £'000	Investments £'000	Cash £'000	Receivables £'000	Payables £'000	Total £'000
Australian Dollar	123,534	–	–	–	123,534	157,673	–	1,761	(1,761)	157,673
Danish Krone	93,674	–	–	–	93,674	202,662	507	323	(2,399)	201,093
Euro	427,085	–	–	–	427,085	387,099	–	346	–	387,445
New Zealand Dollar	77,700	–	–	–	77,700	68,459	–	–	–	68,459
Swedish Krona	77,746	–	1,342	(1,475)	77,613	51,686	–	156	–	51,842
Swiss Franc	213,480	–	–	–	213,480	149,073	–	985	–	150,058
US Dollar	1,152,540	114	1,479	(1,347)	1,152,786	958,501	110	–	–	958,611
	2,165,759	**114**	**2,821**	**(2,822)**	**2,165,872**	**1,975,153**	**617**	**3,571**	**(4,160)**	**1,975,181**

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 2023, an exchange rate move of +/-5% (2022: +/-5%) against sterling which is a reasonable approximation of possible changes would have increased or decreased total net assets and total return by £108,294,000 (2022: £98,759,000).

15. Risk management and financial instruments (continued)

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 £16,579,000 (2022: £24,589,000) 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 2023 the interest rate was 2.8% (2022: 1.4%).

From interest earned on the Company's cash balances, an increase or decrease in interest rates of 0.5% would have a positive or negative impact respectively on the profit or loss and net assets of the Company equating to £83,000 (2022: £123,000). The calculations are based on the cash balances at the year end date and are not representative of the year as a whole.

No current liabilities incur interest and all are payable within one year.

Other price risk exposure

If the investment valuation had fallen by 20% (2022: 20%) at 31 December 2023, the impact on profit or loss and net assets would have been negative £507,790,600 (2022: £478,769,600). An increase of 20% (2022: 20%) would have had an equivalent opposite effect. The calculations are based on the portfolio valuations as at the respective year end date and are not representative of the year 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.

As at 31 December	2023 £'000	2022 £'000
Assets at fair value through profit or loss	2,538,953	2,393,848
Cash and cash equivalents	16,579	24,589
Investment income receivable	251	182
Securities sold receivable	1,479	1,761
Other receivables	121	100
Payables	(5,445)	(4,323)
	2,551,938	**2,416,157**
Non-financial assets held at fair value		
Overseas tax recoverable	–	1,810
Net assets	**2,551,938**	**2,417,967**

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 2023 held £16,579,000 (2022: £24,589,000) in cash.

15. Risk management and financial instruments (continued)

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 £2,551,938,000 (2022: £2,417,967,000).

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 (if any), 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 2023 there were no contingent liabilities or capital commitments (2022: nil).

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 totalling £150,000 (2022: £137,500), is set out in the Directors' Remuneration Report in the Annual Report. There were no contracts subsisting during or at the end of the year 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 year 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 pages 76 to 77.

Terry Smith and other founder partners and key employees of the AIFM and Investment Manager directly or indirectly and in aggregate, held 2,710,915 (2022: 2,919,112) shares in the Company amounting to 1.7% (2022: 1.7%) of the issued share capital of the Company as at 31 December 2023.

18. Events after the reporting period

Since the year end and up to 22 February 2024 (the latest practicable date before publication of the Annual Report), the Company has bought back to hold in treasury 1,650,000 ordinary shares at an aggregate cost of £23.0 million.

Financial Calendar

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

Annual General Meeting

The Annual General Meeting of Smithson Investment Trust plc will be held on 25 April 2024.

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 Group, under the signature of the registered holder. The Registrar's address is listed on page 85.

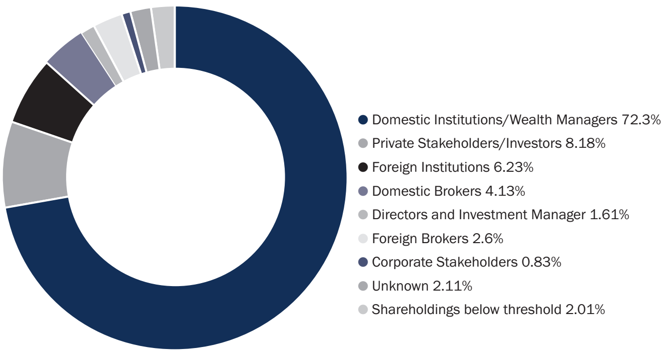
Daily Net Asset Value

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 2023

31 December 2023



Alternative Investment Fund 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 2023	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 Annual Report.

Remuneration disclosure

The AIFM of Smithson Investment Trust plc (Company) is required to make this remuneration disclosure to the Company's investors in accordance with FUND 3.3.5 R in the FCA Handbook.

The financial year of the Company runs from 1 January to 31 December, whereas the financial year of the AIFM, Fundsmith LLP (Fundsmith, or the Firm), runs from 1 April to 31 March. The latest financial year of Fundsmith is the year to 31 March 2023 and the remuneration figures below relate to that period. The Fundsmith Report and Accounts for the year to 31 March 2023 have been independently audited and filed with Companies House.

Under Fundsmith LLP's remuneration policy staff receive a basic salary, certain benefits (primarily pension contributions which are capped) and are eligible for an award of an annual discretionary bonus which is based on performance.

Further Information

Fundsmith employed an average of 44 staff in the year, with total remuneration, including pension contributions, for those staff of £15.2 million comprising fixed remuneration (salaries and pension contributions) of £5.5 million and variable remuneration of £9.7 million.

The amount of profit awarded to the one Executive Member of the Firm which is treated as remuneration for the purposes of the Remuneration Codes is not included in the quantitative disclosures above and is not disclosed for individual privacy reasons.

Amounts due to Members of the Firm because of their investment of capital and their ownership of the business are not related to individual or Fund performance and cannot be varied, and therefore are not variable remuneration under the Remuneration Codes and are not included in the quantitative disclosures above.

Fundsmith is subject to the UCITS (SYSC 19E), AIFM (SYSC 19B) and MIFIDPRU (SYSC 19G) Remuneration Codes. The Management Committee of Fundsmith considers which staff are Material Risk Takers under these codes and are therefore within the definition of Remuneration Code Staff.

There is only one Remuneration Code staff whose remuneration is included in the quantitative disclosures above whose actions have a material impact on the risk profile of Smithson. The AIFM has not disclosed the amount of remuneration for this individual for privacy reasons.

The information above relates to Fundsmith as a whole, is not broken down by reference to the Company or the other funds managed by Fundsmith and does not show the proportion of remuneration which relates to the income Fundsmith earns from the management of the Company, as this would not reflect the way Fundsmith is organised.

The Management Committee of Fundsmith has identified two primary types of risk which could arise within a typical asset management business from inappropriate remuneration structures:

- incentives related to investment performance, which could give rise to a focus on short term investment performance and potentially increase the risks for the investors; and
- incentives related to sales, which could encourage staff to inappropriately sell a Fund to investors for whom it is unsuitable.

The nature of Fundsmith's business, the nature of the Funds which it manages, and the nature of its remuneration practices adequately mitigate these risks.

Fundsmith does not have any practice of remunerating its investment personnel for generating high returns in the short term. Performance fees are not charged. There is no financial incentive to take risks which are not consistent with the risk profiles of the Funds.

From a sales perspective Fundsmith emphasises the long-term nature of the investment proposition in all Fund literature and other documentation and seeks to ensure that investors understand that the strategy is not appropriate for those seeking short term returns. The sales team's performance is considered in the light of the net sales of the relevant Funds and will therefore be negatively affected if investors sell their investment.

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. The Board believes that each of the APMs, which are typically used within the investment trust sector, provide additional useful information to shareholders in order to assess the Company's performance between reporting periods and against its peer group.

Discount

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

		Page	As at 31 December 2023	As at 31 December 2022
NAV per ordinary share	a	3	1,598.0p	1,410.7p
Share price	b	3	1,415.0p	1,308.0p
Discount	**(b-a)/a**		**11.5%**	**7.3%**

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.

Year ended 31 December 2023		Page	Share price	NAV
Opening at 1 January 2023	a	3	1,308.0p	1,410.7p
Closing at 31 December 2023	b	3	1,415.0p	1,598.0p
Total return	**(b/a)-1**		**8.2%**	**13.3%**

Year ended 31 December 2022		Page	Share price	NAV
Opening at 1 January 2022	a	3	2,020.0p	1,961.0p
Closing at 31 December 2022	b	3	1,308.0p	1,410.7p
Total return	**(b/a)-1**		**(35.2)%**	**(28.1)%**

Period from Company's listing on 19 October 2018 to 31 December 2023		Page	Share price	NAV
Opening at 19 October 2018	a	3	1,000.0p	1,000.0p
Closing at 31 December 2023	b	3	1,415.0p	1,598.0p
Total return	**(b/a)-1**		**41.5%**	**59.8%**
Annualised total return			**6.9%**	**9.4%**

Annualised total return

The annualised total return for a period is the average return earned on an investment in the Company's shares for each year in that period, expressed by reference to either share price or NAV.

Ongoing charges ratio and total cost of investment

Ongoing charges ratio is a measure, expressed as a percentage of average NAV of the Company over a year, of the regular, recurring annual costs of running an investment company (see note 4 and note 5 to the financial statements). The Total Cost of Investment measures cost to investors incurred through the Company's portfolio investment transaction costs (see note 5) and the recurring annual costs of running the Company.

Ongoing charges ratio		Page	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Average NAV	a	n/a	2,519,346	2,589,777
Annualised expenses	b	n/a	21,812	23,461
Ongoing charges ratio	**(b/a)**		**0.87%**	**0.91%**
Annualised investment transaction costs	c	n/a	650	743
Annualised investment transaction costs ratio	(c/a)		0.03%	0.03%
Total cost of investment			**0.90%**	**0.94%**

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.

Cash conversion

Ratio of a company’s cash flows to its net profit.

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.

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.

Gross margin

The amount of money a company has left after subtracting all direct costs of producing or purchasing the goods or services it sells.

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.

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.

Operating profit margin

The ratio of operating income to net sales. It measures profitability on a per-pound basis, after accounting for the variable costs of production but does not include interest or tax expense.

Ordinary shares

The Company's ordinary shares of 1p each.

Glossary of Terms

ROIC

Return On Invested Capital is a calculation used to assess a company's efficiency at allocating the capital under its control to profitable investments.

Portfolio

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

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

Shares in a company’s own share capital which the company itself owns and which can be sold to investors to raise new 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 Group – Share Dealing Service

A quick and easy share dealing service is available to existing shareholders through the Company's Registrar, Link Group, 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.

Directors

Diana Dyer Bartlett *(Chairman)*
Lord St John of Bletso
Jeremy Attard-Manche
Denise Hadgill

Registered Office and Directors' business address

6th Floor
125 London Wall
London
EC2Y 5AS

Investment Manager

Fundsmith LLP
33 Cavendish Square
London
W1G 0PW

Broker

Investec Bank plc
30 Gresham Street
London
EC2V 7QP

Legal Advisers

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

Statutory Auditor

Deloitte LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB

Company Secretary

Apex Listed Companies Services (UK) Limited
6th Floor
125 London Wall
London
EC2Y 5AS

Administrator

Northern Trust Global Services SE, UK Branch
50 Bank Street
Canary Wharf
London
E14 5NT

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Depositary

Northern Trust Investor Services Limited
50 Bank Street
Canary Wharf
London
E14 5NT

Authorised and regulated by the Financial Conduct Authority.

Registrar and Receiving Agent

Link Group
10th Floor Central Square
29 Wellington Street
Leeds
LS1 4DL

Registered in England no. 11517636
www.smithson.co.uk

This report is printed on Revive 100% White Silk a totally recycled paper produced using 100% recycled waste. Both the paper mill and the print factory have been awarded the ISO 14001 certificate for environmental management and are FSC accredited.

The pulp is bleached using a totally chlorine free (TCF) process.

FSC www.fsc.org RECYCLED Paper made from recycled material FSC® C021017

Smithson Investment Trust

6th Floor
125 London Wall
London
EC2Y 5AS

E smithson@fundsmith.co.uk
W www.smithson.co.uk

The Association of Investment Companies

Printed by:
perivan
perivan.com