

LIONTRUST EUROPEAN INCOME FUND

Annual Report &
Financial Statements

For the year:

1 March 2018

to

28 February 2019

Managed in accordance with
The European Income Process

LIONTRUST FUND PARTNERS LLP

LIONTRUST 

Contents

Management and Administration*	1
Investment Profile*	2
Manager's Investment Report*	3
Authorised Status*	9
Statement of the Manager's Responsibilities*	9
Statement of the Trustee's Responsibilities	10
Trustee's Report	10
Certification of Financial Statements by Directors of the Manager*	11
Independent Auditors' Report	12
Comparative Tables	15
Portfolio Statement*	19
Financial Statements:	
Statement of Total Return	22
Statement of Change in Net Assets Attributable to Unitholders	22
Balance Sheet	23
Notes to the Financial Statements	24
Distribution Tables	38
Securities Financing Transactions	42
Additional Information	43

* Collectively, these comprise the Authorised Fund Manager's Report (from herein referred to as the Manager's Report).

Management and Administration

Authorised Fund Manager ("Manager")

Liontrust Fund Partners LLP
2 Savoy Court
London WC2R 0EZ

Administration and Dealing enquiries 0344 892 0349
Administration and Dealing facsimile 0207 964 2562
Email admin@liontrust.co.uk
Website www.liontrust.co.uk

The Manager is authorised and regulated by the Financial Conduct Authority ("FCA") and is a member of the Investment Association. The ultimate holding company of the ACD is Liontrust Asset Management PLC ("LAM", "Liontrust" or the "Group") which is incorporated in England.

Investment Adviser

Liontrust Investment Partners LLP
2 Savoy Court
London WC2R 0EZ

Authorised and regulated by the Financial Conduct Authority.

Trustee*

The Bank of New York Mellon (International) Limited
1 Canada Square
London E14 5AL

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

Independent Auditors

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Administrator and Registrar*

The Bank of New York Mellon (International) Limited
1 Canada Square
London
E14 5AL

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

* Please refer to page 45 for details of the change.

Liontrust European Income Fund

Investment profile

The investment objective of the Liontrust European Income Fund (The "Fund") is to provide a high level of income, in order to meet this objective, it is intended that the yield of the Fund (the sum of all net distributions in an accounting period divided by the unit price at the end of said period) will be in excess of the net yield of the MSCI Europe ex UK Index each year but this cannot be guaranteed and the yield may also be adjusted in the light of market conditions although it is not expected that this will be a regular occurrence.

Liontrust Asset Management PLC

Liontrust Asset Management PLC (Company) is a specialist fund management company with £12.7 billion in assets under management as at 31 March 2019. The Company takes pride in having a distinct culture and approach to running money. We have two primary aims: to invest money on your behalf to try to help you reach your financial goals and to invest in what we believe are the best companies around the world, providing businesses with capital to grow. What makes Liontrust distinct?

- The company launched in 1995 and was listed on the London Stock Exchange in 1999.
- We are an independent business with no corporate parent, our head office is on the Strand in London and we have offices in Luxembourg and Edinburgh.
- We believe in the benefits of active fund management over the long term and all our fund managers are truly active.
- We focus only on those areas of investment in which we have particular expertise. We have eight fund management teams: five that invest in UK, European, Asian and Global equities, a Global Fixed Income team, a Sustainable Investment team and one team that manages Multi-Asset portfolios.
- Our fund managers are independent thinkers and have the courage of their convictions in making investment decisions.
- Our fund managers have the freedom to manage their portfolios according to their own investment processes and market views without being distracted by other day-to-day aspects of running a fund management company.
- Each fund management team applies distinct and rigorous investment processes to the management of funds and portfolios that ensure the way we manage money is predictable and repeatable.
- Staying true to their documented investment processes helps to create an in-built risk control for our fund managers, especially in more challenging environments, by preventing them from buying stocks for the wrong reasons.
- We aim to treat investors, clients, members, employees, suppliers and other stakeholders fairly and with respect. We are committed to the Principles of Treating Customers Fairly (TCF) and they are central to how we conduct business across all our functions.

Liontrust Asset Management PLC is the parent company of Liontrust Investment Partners LLP and Liontrust Fund Partners LLP which are authorised and regulated by the Financial Conduct Authority. All members of the Liontrust Group sell only Liontrust Group products.

Manager's Investment Report

Investment objective and policy

The investment objective of the Fund is to provide a high level of income, in order to meet this objective, it is intended that the yield of the Fund (the sum of all net distributions in an accounting period divided by the unit price at the end of said period) will be in excess of the net yield of the MSCI Europe ex UK Index each year but this cannot be guaranteed and the yield may also be adjusted in the light of market conditions although it is not expected that this will be a regular occurrence.

The Fund will predominantly invest in securities of companies incorporated in Continental Europe and Ireland or in companies that are headquartered or quoted outside Europe which derive a significant part of their business from Europe and whose securities are listed or traded on an eligible securities or derivatives exchange. The Fund will not be restricted in choice of investment by either size, sector or country.

The Fund may also invest in other transferable securities, money market instruments, warrants, cash and near cash and deposits. The Fund may also invest up to 10% of its property in units or shares in collective investment schemes. The Fund is permitted to use derivatives for the purposes of efficient portfolio management.

Manager's Investment Report (continued)

Performance of the Fund

In the year to 28 February 2019, an investment in the Fund returned -7.1% (institutional accumulation share class) and -7.8% (retail accumulation share class). This compares with a return of -3.6% from the Fund's benchmark, the MSCI Europe ex-UK Index and an average return of -6.1% from the IA Europe ex-UK sector.

From the Fund's launch on 15 December 2005 to 28 February 2019, an investment in the Fund has risen 104.1% (primary share class) compared with a rise of 120.9% from the MSCI Europe ex-UK Index and an average return of 132.6% from the IA Europe ex-UK sector.

Source: Financial Express, bid to bid basis, total return (net of fees, income reinvested).

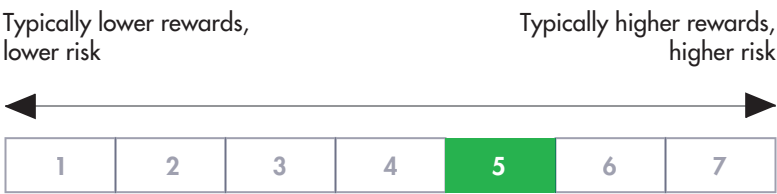
The Fund paid three interim dividends of 1.92p, 2.06p and 2.83p as well as a final dividend of 3.52p. This represents a yield of 4.3% on the Fund's 240p value at the start of the year. The yield from the MSCI Europe ex-UK Index over the period was 3.3%, meaning the Fund objective of beating the Index yield was achieved.

Past performance is not a guide to future performance. The value of investments and the income from them can fall as well as rise.

Manager’s Investment Report (continued)

Risk and Reward profile

The Risk disclosures are in accordance with European Securities and Markets Authority (ESMA) guidelines and are consistent with the rating disclosed in the Key Investor Information Document (KIID).



Please note that even the lowest risk class can lose you money and that extreme market circumstances can mean you suffer severe losses in all cases. The indicator does not take into account the following risks of investing in the Fund.

- The Synthetic Risk Reward Indicator (SRRRI) is based upon historical data and may not be relied upon to gauge the future risk profile of the Fund.
- The SRRRI shown is not guaranteed to remain the same and may shift over time.
- The lowest category (1) does not mean ‘risk free’.
- The Fund’s risk and reward category has been calculated using the methodology set by the European Commission. It is based upon the rate by which the Fund or a representative fund or Index’s value has moved up and down in the past.
- The Fund is categorised 5 for its exposure to European companies.
- The SRRRI may not fully take into account the following risks:
 - That a company may fail thus reducing its value within the Fund;
 - Any company which has high overseas earnings may carry a higher currency risk;
- The Fund may make use of derivative instruments but it is not intended that their use will materially affect volatility.
- Counterparty Risk: any derivative contract, including FX hedging, may be at risk if the counterparty fails.
- The Fund may have a concentrated portfolio and therefore can lead to more risk than where investments are held more widely.

Further details may be found in the prospectus and information on the investment process may be found at www.liontrust.co.uk.

Manager's Investment Report (continued)

The Market

The MSCI Europe ex-UK Index returned -3.6% in sterling terms in the year to 28 February 2019 and -0.4% in local currency terms.

Investor sentiment ebbed and flowed in response to global events, with the course of monetary policy and trade tensions between China and the US receiving the most attention. These two factors were largely responsible for the period's sharpest equity market move – an 11% fall in the fourth quarter of 2018.

In March 2018, President Donald Trump first announced a range of import tariffs, many of them targeted at China. Trade tensions then escalated until in July the US implemented tariffs specifically targeted at China, covering goods worth US\$200bn, a move which saw retaliatory measures from China. Later in 2018, Trump threatened to expand the list of goods covered and increase tariffs from 10% to 25%. Market concerns focused on the potential for an escalation of tit-for-tat tariff increases which could damage global trade.

The European Central Bank announced plans to reduce its quantitative easing (QE) programme in September 2018 and terminate it completely before the end of the year. In order to assuage fears of rising rates, it also committed to keeping interest rates on hold through to summer 2019. Towards the end of the year, the US Federal Reserve raised interest rates for a fourth time in 2018 and issued forecasts for 2019 which suggested that two further hikes were likely. Bond yields rose and equity markets fell in the fourth quarter as investors fretted over the impact of tighter monetary policy after a decade of extraordinarily loose conditions.

However, markets made a brighter start to 2019 as the Federal Reserve backtracked on its outlook for rate rises, reacting to stock market falls, and as US-China trade tensions appeared to diffuse. The Fed stated it would be "patient" on further rate increases in the face of muted inflationary pressures and also surprised the market by suggesting that quantitative tightening – the unwinding of its QE programme – could be paused. Meanwhile, having threatened to further raise tariffs on Chinese goods, the US delayed the move in response to progress made during trade talks with China.

There was as usual some turbulence on the European political scene over the period, although these developments largely took a back seat when it came to stock market direction. In Italy, elections saw populist parties Five Star and Northern League form an unlikely coalition, before a dispute with the country's president almost immediately threatened the partnership. The new government caused more concern when it proposed to run a budget deficit of 2.4%, raising concerns that Italy would breach eurozone spending limits. Brexit was also another ever-present subject that clouds the outlook for Europe, particularly for sterling-based investors. Yet – at the time of writing – the ultimate outcome remains unclear, even as the nominal departure deadline of 29 March approached.

Sector trends in the MSCI Europe ex-UK Index showed some preference for defensive areas as markets came under pressure: utilities (+18.0% in sterling terms) was by far the strongest sector, while consumer staples (+9.0%) and health care (+7.2%) were other notable areas of non-cyclical strength. The financials (-15.8%) sector was the biggest drag on the index. Materials (-9.2%), consumer discretionary (-6.7%) and industrials (-4.2%) also experienced falls.

Manager's Investment Report (continued)

The Fund

The Fund paid three interim dividends of 1.92p, 2.06p and 2.83p as well as a final dividend of 3.52p. This represents a yield of 4.3% on the Fund's 240p value at the start of the year. The yield from the MSCI Europe ex-UK Index over the period was 3.3%, meaning the Fund objective of beating the Index yield was achieved.

The Fund returned -7.1% (institutional, accumulation share class) in the year to 28 February 2019.

Over the year as a whole, the MSCI Europe ex-UK Growth Index returned -1.0%, significantly better than the -6.5% performance of the MSCI Europe ex-UK Value Index. It was nonetheless encouraging that during the fourth quarter of 2018, when global bond yields rose in anticipation of higher interest rates, the Value index did outperform Growth by 230bps.

Although the Fund is significantly overweight to financials, the worst performing sector in the MSCI Europe ex-UK index over the year, strong stock selection ensured that this was a source of positive attribution, helped by the fund's preference for insurers rather than banks. However, poorer stock returns in the communication services (formerly telecoms) and industrials sectors undermined the Fund's return. The Fund's large financials sector exposure is partly the expression of our view that European equity markets are overdue an inflection for 'value' stocks which have underperformed 'growth' for some time. This has not transpired yet, however.

German telecoms operator 1&1 Drillisch was another significant detractor from the Fund's performance. There was some disappointment over 2017 full-year results, the first since the merger of 1&1 and Drillisch, which missed the €630m to €640m range it had forecast. Later in the review period, its shares came under pressure on concerns that Germany's 5G spectrum auction might see the company undertake a revolutionary change of strategy and build its own network, rather than rent from other operators. Uncertainty will likely hold back the shares until this is resolved mid-year. Within the same sector, Swiss peer Sunrise Communications saw its shares drop sharply at the end of the period after proposing a CHF4.1bn rights issue – larger than its current market cap – in order to finance an acquisition of a cable operator, although we expect this to be a sensible deal in the long run.

Two incumbent postal operators were among the Fund's other largest decliners; Belgium's Bpost and Germany's Deutsche Post issued a series of downbeat corporate updates. Q4 results from Bpost disappointed as an acceleration in parcels volumes – up 31% in Q4 – was not enough to cheer investors, who were alarmed by a larger than expected deterioration in mail volumes (-6.4% in 2017) and rising costs. Earlier in the year, the company had downgraded its earnings guidance due to cost pressures, which included higher labour costs following an agreement to end strikes. Deutsche Post issued a poorly received set of Q1 results and its shares failed to recover in the remainder of the year. The company's revenues and earnings both came in short of analysts' consensus forecasts, the latter held back by higher costs associated with its post-eCommerce-parcels division and the expanding investments in its StreetScooter electric delivery vehicle business. Both firms have made much stronger starts so far in 2019 however.

Given the sector's standout success, it is no shock that some of the Fund's strongest stocks were utilities. As well as benefitting from its defensive characteristics, Spanish electricity company Endesa issued Q3 results that were well received. Revenue for the first nine months of the year rose 4% from the same period last year, while earnings before interest and taxes (EBIT) were 11% higher. The group benefited from its significant renewable capacity as the price of carbon permits rose throughout the review period.

As well as issuing robust results, Italian electricity grid operator Terna, a long-term holding of the Fund, released a new strategic plan covering 2018 to 2022. The plan outlined €5.3bn of investment in the energy grid, up 30% over its previous plan, taking the regulated asset base to €17.5bn. The company's 2018 – 2020 dividend policy includes a target of 6% CAGR (compound annual growth rate), with 2021 and 2022 seeing a dividend payout ratio equivalent to 75% and no less than the 2020 level.

Norwegian fish farming company Marine Harvest rebranded as MOWI towards the end of the year. It was another of the Fund's strongest holdings as it benefitted from solid demand and high prices, despite its harvested volumes falling slightly behind guidance in Q4. The company commented that the 2019 outlook is positive with a tight supply/demand balance and encouraging forward prices, as global salmon consumption continues to expand.

Manager's Investment Report (continued)

Portfolio Activity

The Fund's residual holding in German health and hospitals group Rhoen-Klinikum was sold because its yield fell below target and the ownership puzzle (whereby two rival groups own blocking stakes) seemed unlikely to be resolved in the imminent future. We also exited the position in Unibail-Rodamco-Westfield, given the prospect of rising rates and the potential impact on property valuations, and Italian asset manager Azimut Holding due to concerns over corporate strategy. Positions in budget airline Ryanair Holdings and bank UBS Group were also closed during the year.

A number of new holdings were introduced to the Fund: Swiss manufacturer VAT Group, which produces vacuum valves that are crucial in the semiconductor manufacturing process; Italian appliance manufacturer De'Longhi, owner of brands such as Braun, Kenwood and exclusive manufacturer of Nespresso machines; telecommunications company DNA Oyj, which benefits from the positive dynamics of the Finnish telephony market, and has a best-in-class network; BE Semiconductor Industries, a high-quality long-term growth stock which also has a substantial dividend yield; and Helsinki-based engineering company Kone, a leader in the manufacturing and servicing of elevators and escalators and beneficiary of increasing demand for high-rise buildings in emerging markets.

Outlook

While the European macroeconomic picture is not as unambiguously positive as at the start of the year, high employment is still fuelling wage growth, which is likely to push inflation higher. Combined with tightening measures by global central banks, we still expect this to result in rising bond yields and possibly the end to the nearly 40 year old bond bull market.

Such regime change should also benefit the unloved value sector in equities. In the final quarter of 2018, there were signs that this process was underway as the prospect of tighter monetary policy saw the US 10 year bond yield rise to a 2018 high of 3.24% in November, up from under 2.75% in April. European value stocks' performance has historically shown a strong positive correlation to bond yields. With bond yields falling in the years since the Global Financial Crisis, value investing has been out of favour relative to growth investing for almost a decade.

However, 2019 has so far seen a moderation in expectations regarding the withdrawal of stimulus, with US 10 year yields dropping back down to finish at 2.72%. We still maintain our view that in the medium term there will be a gradual withdrawal of emergency level monetary policy which will lead to greater volatility in stock markets and will be a boon to the value segment.

Nonetheless, at a corporate level we expect 2019 to see further increases in European corporate earnings, continuing the modest recovery that has been underway for some time.

Olly Russ

Fund Manager

27 June 2019

Past performance is not a guide to future performance. The value of investments and the income from them can fall as well as rise.

Authorised Status

The Fund is an authorised unit trust scheme ("the Scheme") under Section 243 of the Financial Services and Markets Act 2000 (authorisation orders) and the Financial Conduct Authority's Collective Investment Schemes Sourcebook and is categorised as a UCITS scheme.

Statement of the Manager's Responsibilities

in respect of the Annual Report and Financial Statements of the Scheme:

The Financial Conduct Authority's Collective Investment Scheme Sourcebook ('the Regulations') require the Manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Scheme and of its net income/expenses and the net gains/losses on the property of the Scheme for the period. In preparing the Report and Financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in May 2014;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enable it to demonstrate that the financial statements, as prepared, comply with the above requirements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Scheme will continue in operation.

The Manager is responsible for the management of the Scheme in accordance with its Trust Deed, Prospectus and the Regulations, and has taken all reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of the Trustee's Responsibilities in Respect of the Scheme and Report of the Trustee to the Unitholders of the Liontrust European Income Fund ("the Trust") for the Year Ended 28 February 2019

The Trustee in its capacity as Trustee of Liontrust European Income Fund must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Trust and its investors.

The Trustee is responsible for the safekeeping all of custodial assets and maintaining a record of all other assets of the Trust in accordance with the Regulations.

The Trustee must ensure that:

- the Trust's cash flows are properly monitored¹ and that cash of the Trust is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Trust are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Trust's assets is remitted to the Trust within the usual time limits.
- the Trust's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Trustee also has a duty to take reasonable care to ensure that the Trust is managed in accordance with the Regulations and the Scheme documents of the Trust in relation to the investment and borrowing powers applicable to the Trust.

Having carried out such procedures as we considered necessary to discharge our responsibilities as Trustee of the Trust, it is our opinion, based on the information available to us and the explanations provided, that, in all material respects the Trust, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Trust's units and the application of the Trust's income in accordance with the Regulations and the Scheme documents of the Trust; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the Regulations and the Scheme documents of the Trust.

For and on behalf of

The Bank of New York Mellon (International) Limited

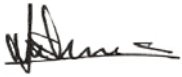
1 Canada Square
London E14 5AL

27 June 2019

¹ This requirement on the Trustee applied from 18 March 2016.

Certification of Financial Statements by Partners of the Manager

We certify that this Manager's Report has been prepared in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook.



John Ions

Chief Executive



Antony Morrison

Partner, Head of Finance

Liontrust Fund Partners LLP
27 June 2019

Independent Auditors' Report to the Unitholders of Liontrust European Income Fund

Report on the audit of the financial statements

Opinion

In our opinion, Liontrust European Income Fund's (the "Trust") financial statements:

- give a true and fair view of the financial position of the Trust as at 28 February 2019 and of the net revenue and the net capital losses on its scheme property for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law, the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

We have audited the financial statements, included within the Annual Report & Financial Statements (the "Annual Report") which comprise: the balance sheet as at 28 February 2019; the statement of total return and the statement of change in net assets attributable to unitholders for the year then ended; the distribution tables; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Authorised Fund Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Fund Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Trust's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Trust's business and the wider economy.

Independent Auditors' Report to the Unitholders of Liontrust European Income Fund (continued)

Report on the audit of the financial statements (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Fund Manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Authorised Fund Manager's Report

In our opinion, the information given in the Authorised Fund Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Fund Manager for the financial statements

As explained more fully in the Statement of the Manager's Responsibilities set out on page 9, the Authorised Fund Manager is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Fund Manager is also responsible for such internal control as they 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 Authorised Fund Manager is responsible for assessing the Trust'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 Authorised Fund Manager either intends to wind up or terminate the Trust, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Trust's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent Auditors' Report to the Unitholders of Liontrust European Income Fund (continued)

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

Collective Investment Schemes sourcebook exception reporting

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Edinburgh

27 June 2019

Comparative Tables

for the year ended 28 February 2019

Institutional Accumulation Accounting year ended	28 February 2019 per unit (p)	28 February 2018 per unit (p)	28 February 2017 per unit (p)
Change in net assets per unit			
Opening net asset value per unit	240.22	215.35	194.23
Return before operating charges	(15.19)	26.98	22.36
Operating charges	(2.06)	(2.11)	(1.24)
Return after operating charges	(17.25)	24.87	21.12
Distributions	(10.33)	(9.18)	(1.52)
Retained distributions on accumulation units	10.33	9.18	1.52
Closing net asset value per unit	222.97	240.22	215.35
After transaction costs of *	(0.04)	(0.05)	(0.02)
Performance			
Return after charges	(7.18)%	11.55%	10.87%
Other information			
Closing net asset value (£'000)	30,114	37,127	26,051
Closing number of units	13,505,978	15,455,337	12,096,667
Operating charges **	0.89%	0.88%	0.90%
Direct transaction costs *	0.02%	0.02%	0.01%
Prices			
Highest unit price	243.44	252.98	223.90
Lowest unit price	215.91	216.34	194.57

* Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Unitholders should note that additionally there are other transaction costs such as a dilution adjustment and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the Fund and unit class returns before operating charges.

** The Operating Charges figure represents the annual operating expenses of the Fund expressed as a percentage of average net assets for the period - it does not include initial charges or performance fees. The Operating Charges figure includes the Manager's periodic charge and all charges which are deducted directly from the Fund. The Operating Charges figure is expressed as an annual percentage rate.

Comparative Tables (continued)

for the year ended 28 February 2019

Institutional Income Accounting year ended	28 February 2019 per unit (p)	28 February 2018 per unit (p)	28 February 2017 per unit (p)
Change in net assets per unit			
Opening net asset value per unit	134.62	125.41	113.92
Return before operating charges	(8.33)	15.74	13.08
Operating charges	(1.14)	(1.21)	(0.70)
Return after operating charges	(9.47)	14.53	12.38
Distributions	(5.75)	(5.32)	(0.89)
Retained distributions on accumulation units	—	—	—
Closing net asset value per unit	119.40	134.62	125.41
After transaction costs of*	(0.02)	(0.03)	(0.01)
Performance			
Return after charges	(7.03)%	11.59%	10.87%
Other information			
Closing net asset value (£'000)	85,862	122,234	99,385
Closing number of units	71,909,860	90,800,911	79,251,217
Operating charges**	0.89%	0.88%	0.90%
Direct transaction costs*	0.02%	0.02%	0.01%
Prices			
Highest unit price	135.32	143.76	130.94
Lowest unit price	117.50	125.98	114.12

* Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Unitholders should note that additionally there are other transaction costs such as a dilution adjustment and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the Fund and unit class returns before operating charges.

** The Operating Charges figure represents the annual operating expenses of the Fund expressed as a percentage of average net assets for the period - it does not include initial charges or performance fees. The Operating Charges figure includes the Manager's periodic charge and all charges which are deducted directly from the Fund. The Operating Charges figure is expressed as an annual percentage rate.

Comparative Tables (continued)

for the year ended 28 February 2019

Retail Accumulation Accounting year ended	28 February 2019 per unit (p)	28 February 2018 per unit (p)	28 February 2017 per unit (p)
Change in net assets per unit			
Opening net asset value per unit	221.63	200.18	181.41
Return before operating charges	(13.97)	25.07	20.78
Operating charges	(3.48)	(3.62)	(2.01)
Return after operating charges	(17.45)	21.45	18.77
Distributions	(9.50)	(8.51)	(1.42)
Retained distributions on accumulation units	9.50	8.51	1.42
Closing net asset value per unit	204.18	221.63	200.18
After transaction costs of *	(0.04)	(0.04)	(0.02)
Performance			
Return after charges	(7.87)%	10.72%	10.34%
Other information			
Closing net asset value (£'000)	11,316	13,761	14,295
Closing number of units	5,541,851	6,208,812	7,141,011
Operating charges**	1.64%	1.63%	1.65%
Direct transaction costs*	0.02%	0.02%	0.01%
Prices			
Highest unit price	223.85	245.29	218.73
Lowest unit price	197.96	200.89	181.63

* Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Unitholders should note that additionally there are other transaction costs such as a dilution adjustment and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the Fund and unit class returns before operating charges.

** The Operating Charges figure represents the annual operating expenses of the Fund expressed as a percentage of average net assets for the period - it does not include initial charges or performance fees. The Operating Charges figure includes the Manager's periodic charge and all charges which are deducted directly from the Fund. The Operating Charges figure is expressed as an annual percentage rate.

Comparative Tables (continued)

for the year ended 28 February 2019

Retail Income Accounting year ended	28 February 2019 per unit (p)	28 February 2018 per unit (p)	28 February 2017 per unit (p)
Change in net assets per unit			
Opening net asset value per unit	123.67	116.09	105.97
Return before operating charges	(7.62)	14.58	12.11
Operating charges	(1.92)	(2.08)	(1.16)
Return after operating charges	(9.54)	12.50	10.95
Distributions	(5.26)	(4.92)	(0.83)
Retained distributions on accumulation units	—	—	—
Closing net asset value per unit	108.87	123.67	116.09
After transaction costs of*	(0.02)	(0.03)	(0.01)
Performance			
Return after charges	(7.71)%	10.77%	10.33%
Other information			
Closing net asset value (£'000)	8,877	12,632	23,018
Closing number of units	8,154,004	10,214,019	19,827,717
Operating charges**	1.64%	1.64%	1.65%
Direct transaction costs*	0.02%	0.02%	0.01%
Prices			
Highest unit price	124.29	139.22	127.39
Lowest unit price	107.28	116.50	106.10

* Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Unitholders should note that additionally there are other transaction costs such as a dilution adjustment and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the Fund and unit class returns before operating charges.

** The Operating Charges figure represents the annual operating expenses of the Fund expressed as a percentage of average net assets for the period - it does not include initial charges or performance fees. The Operating Charges figure includes the Manager's periodic charge and all charges which are deducted directly from the Fund. The Operating Charges figure is expressed as an annual percentage rate.

Portfolio Statement

as at 28 February 2019

Holding	Stock description	Market value (£'000)	Percentage of total net assets (%)
	BELGIUM (1.61%)	839	0.62
122,113	Bpost	839	0.62
	DENMARK (0.75%)	1,247	0.92
52,916	ISS	1,247	0.92
	FINLAND (2.02%)	6,425	4.72
105,707	DNA OYJ	1,595	1.17
9,648	KONE	352	0.26
225,236	Nordea Bank	1,537	1.13
80,818	Sampo	2,941	2.16
	FRANCE (18.25%)	26,636	19.56
36,126	Air Liquide 'prime fidelite'	3,403	2.50
57,323	Amundi	2,875	2.11
132,098	AXA	2,512	1.84
35,095	Danone	1,996	1.47
85,593	Kaufman & Broad	2,556	1.88
65,477	Nexity	2,422	1.78
58,002	Sanofi	3,628	2.66
84,271	SCOR	2,834	2.08
61,578	Vinci	4,410	3.24
	GERMANY (20.32%)	19,289	14.17
96,972	1&1 Drillisch	2,884	2.12
21,047	Allianz	3,510	2.58
39,545	BASF	2,274	1.67
61,265	Daimler	2,769	2.03
46,859	Deutsche Beteiligungs	1,369	1.01
146,757	Deutsche Post	3,409	2.50
17,462	Muenchener Rueckversicherungs-Gesellschaft	3,074	2.26

Portfolio Statement (continued)

as at 28 February 2019

Holding	Stock description	Market value (£'000)	Percentage of total net assets (%)
	IRELAND (5.76%)		
	ITALY (11.70%)	15,239	11.19
467,528	Anima	1,501	1.10
889,193	Banca Farmafactoring	4,018	2.95
35,028	De'Longhi	697	0.51
152,038	Eni	1,975	1.45
1,347,915	Intesa Sanpaolo	2,518	1.85
967,785	Terna	4,530	3.33
	NETHERLANDS (2.04%)	3,665	2.69
38,418	BE Semiconductor Industries	733	0.54
294,136	ING	2,932	2.15
	NORWAY (8.28%)	12,065	8.86
153,594	Equinor	2,616	1.92
242,821	Gjensidige Forsikring	3,276	2.41
234,126	MOWI	4,087	3.00
350,935	Orkla	2,086	1.53
	PORTUGAL (0.00%)	914	0.67
384,101	CTT Correios de Portugal	914	0.67
	SPAIN (3.41%)	7,171	5.26
295,610	Endesa	5,576	4.09
70,565	Inditex	1,595	1.17
	SWEDEN (13.03%)	21,039	15.45
169,773	Axfood	2,379	1.75
468,171	Coor Service Management	2,955	2.17
406,597	Dustin Group	2,883	2.12
570,736	Nobina	2,984	2.19
217,594	Swedbank	3,002	2.20
1,184,280	Telia	3,874	2.84
175,952	Thule	2,962	2.18

Portfolio Statement (continued)

as at 28 February 2019

Holding	Stock description	Market value (£'000)	Percentage of total net assets (%)
	SWITZERLAND (12.73%)	20,280	14.89
8,704	Komax Holding	1,651	1.21
59,617	Novartis	4,107	3.01
62,252	Oriflame	964	0.71
21,812	Roche Holding	4,561	3.35
38,188	Sunrise Communications	2,085	1.53
4,854	Swisscom	1,686	1.24
16,520	VAT Group	1,306	0.96
15,807	Zurich Insurance	3,920	2.88
	Portfolio of investments	134,809	99.00
	Net other assets	1,360	1.00
	Net assets	136,169	100.00

All securities are approved securities traded on eligible securities markets, as defined by the Collective Investment Scheme sourcebook, unless otherwise stated.

* Comparative figures shown in brackets relate to 28 February 2018.

Financial Statements

Statement of Total Return

for the year ended 28 February 2019

	Notes	(£'000)	1.3.2018 to 28.2.2019 (£'000)	(£'000)	1.3.2017 to 28.2.2018 (£'000)
Income					
Net capital (losses)/gains	2		(17,368)		13,205
Revenue	3	8,276		7,634	
Expenses	4	(1,589)		(1,848)	
Interest payable and similar charges	7	(6)		—	
Net revenue before taxation		6,681		5,786	
Taxation	5	(765)		(703)	
Net revenue after taxation			5,916		5,083
Total return before distribution			(11,452)		18,288
Distribution	6		(7,506)		(6,917)
Change in net assets attributable to unitholders from investment activities			(18,958)		11,371

Statement of Change in Net Assets Attributable to Unitholders

for the year ended 28 February 2019

	(£'000)	1.3.2018 to 28.2.2019 (£'000)	(£'000)	1.3.2017 to 28.2.2018 (£'000)
Opening net assets attributable to unitholders		185,754		162,749
Amounts received on issue of units	25,077		37,267	
Amounts paid on cancellation of units	(57,734)		(27,564)	
		(32,657)		9,703
Dilution adjustment		47		48
Change in net assets attributable to unitholders from investment activities		(18,958)		11,371
Retained distributions on Accumulation units		1,983		1,883
Closing net assets attributable to unitholders		136,169		185,754

Financial Statements (continued)

Balance sheet

as at 28 February 2019

	Notes	28.2.2019 (£'000)	28.2.2018 (£'000)
Assets			
Fixed Assets			
Investments		134,809	186,728
Current assets:			
Debtors	8	938	592
Cash and bank balances	9	2,418	475
Total other assets		3,356	1,067
Total assets		138,165	187,795
Liabilities:			
Distribution payable	10	(1,547)	(1,785)
Other creditors	10	(449)	(256)
Total other liabilities		(1,996)	(2,041)
Net assets attributable to unitholders		136,169	185,754

Notes to the Financial Statements

for the year ended 28 February 2019

1 Accounting policies

a) Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice "Financial Statements of UK Authorised Funds" issued by the Investment Management Association (now known as the Investment Association) in May 2014 (the "SORP"). In applying UK GAAP, the financial statements have been prepared in compliance with Financial Reporting Standard 102 (FRS 102).

b) Recognition of revenue

- (i) UK dividends classified as franked investment income are shown net of attributable tax credits when the securities are quoted ex-dividend.
- (ii) Bank interest, stock lending and nominal interest on interest-bearing securities is recognised on an accruals basis.
- (iii) Overseas revenue that is received after the deduction of withholding tax is shown gross of taxation.
- (iv) Revenue from other foreign REITs are recognised as distributable revenue when the securities are quoted ex-dividend and are reflected within the Financial Statements as Overseas revenue.

c) Expenses

All expenses are accounted for on an accruals basis.

d) Basis of valuation of investments

All investments have been valued at 12 midday, on 28 February 2019. Listed investments have been valued at bid-market value, net of any accrued income.

e) Taxation

Provision is made for taxation at current rates on the excess of investment income over expenses, with relief taken for overseas taxation where appropriate.

f) Deferred taxation

Deferred tax is provided for in respect of all timing differences that have originated but not reversed by the Balance Sheet date. Deferred tax is not recognised on permanent differences.

Deferred tax assets are recognised only to the extent that it is more likely than not that there will be taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the Financial Statements (continued)

for the year ended 28 February 2019

1 Accounting policies (continued)

g) Derivative and forward currency transactions

Where appropriate, certain permitted financial instruments such as derivatives or forward currency contracts are used for efficient portfolio management. Where such financial instruments are used to protect or enhance revenue, the revenue and expenses derived therefrom are included in 'Revenue' or 'Expenses' in the Statement of total return. Where such financial instruments are used to protect or enhance capital, the gains and losses derived therefrom are included in 'Net capital gains/(losses)' in the Statement of Total Return.

Any positions on such financial instruments open at the year end are reflected in the Balance Sheet at their marked-to market value at 12:00 noon which is not materially different from IMA SORP defined fair value policy.

h) Foreign exchange

All transactions in foreign currencies are translated into sterling at the rate of exchange ruling on the date of such transactions. Foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rate at midday at the end of the accounting period.

1.1 Distribution policies

i) Basis of distribution

Income produced by the Fund's investments accumulates during each accounting period. If at the end of the accounting period income exceeds expenses, the net income of the Fund is available to be distributed to unitholders. The Manager will seek to distribute this income in a manner that will maximise the total returns to holders of the majority of units.

All expenses are deducted from capital.

The Operating Expenses are paid directly by Liontrust and will be reimbursed by the Fund at a flat rate per year out of its net asset values. Further details may be found in the prospectus.

j) Special dividends and share buy backs

Special dividends and share buy backs are treated as repayments of capital except where there is sufficient evidence to indicate that they should be treated, in whole or in part, as revenue. Amounts recognised as revenue will form part of the distribution.

The tax treatment will follow the accounting treatment of the receipt.

Notes to the Financial Statements (continued)

for the year ended 28 February 2019

2 Net capital (losses)/gains

	1.3.2018 to 28.2.2019 (£'000)	1.3.2017 to 28.2.2018 (£'000)
Non-derivative securities	(17,363)	13,211
Forward foreign exchange currency contracts	2	(4)
Transaction charges	(7)	(2)
Net capital (losses)/gains	(17,368)	13,205

3 Revenue

	1.3.2018 to 28.2.2019 (£'000)	1.3.2017 to 28.2.2018 (£'000)
Overseas taxable revenue*	—	(25)
Overseas non-taxable revenue	8,093	7,413
Property revenue from overseas REITs	137	166
Distributions from Regulated Collective Investment Schemes:		
Offshore investment revenue**	12	7
Bank interest	1	2
Stocklending income	33	71
Total revenue	8,276	7,634

* Overseas taxable revenue includes currency gains or losses arising from the repatriation of foreign dividends therefore may be negative.

** This is revenue received from investment in the SSgA Cash Management Fund.

Notes to the Financial Statements (continued)

for the year ended 28 February 2019

4 Expenses*

	1.3.2018 to 28.2.2019 (£'000)	1.3.2017 to 28.2.2018 (£'000)
Payable to the Manager, associates of the Manager, and agents of either of them:		
Manager's periodic charge	1,375	1,611
Fixed rate administration fees	83	—
Registration fees	34	95
	1,492	1,706
Payable to the Trustee, associates of the Trustee, and agents of either of them:		
Safe custody fees	5	34
Trustee's fees	15	32
Wire charges	—	4
	20	70
Other expenses		
Administration fee	68	32
Audit fee**	6	16
FCA fees	(1)	—
Publishing fee	2	5
Other expenses	2	19
	77	72
Total expenses	1,589	1,848

* Please refer to page 45 for details of the new fee structure.

** The audit fee for the year, excluding VAT, was £9,450 (2018: £9,200).

Notes to the Financial Statements (continued)

for the year ended 28 February 2019

5 Taxation

	1.3.2018 to 28.2.2019 (£'000)	1.3.2017 to 28.2.2018 (£'000)
a) Analysis of charge in year		
Irrecoverable overseas tax	765	703
Total tax charge for the year (see note 5(b))	765	703

b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK for authorised unit trusts of 20% (2018: 20%). The differences are explained below:

	1.3.2018 to 28.2.2019 (£'000)	1.3.2017 to 28.2.2018 (£'000)
Net revenue before taxation	6,681	5,786
Corporation tax at 20% (2018: 20%)	1,336	1,157
Effects of:		
Movement in excess management expenses	310	355
Expenses not deductible for tax purposes	—	4
Irrecoverable overseas tax	765	703
Non taxable overseas dividends	(1,646)	(1,516)
Total tax charge for year (see note 5(a))	765	703

Authorised Unit Trusts are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

c) Deferred tax

There is no provision required for deferred taxation at the balance sheet date.

At the year end, there is a potential deferred tax asset of £887,512 (2018: £576,631) in relation to excess management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the year or the prior year.

Notes to the Financial Statements (continued)

for the year ended 28 February 2019

6 Distributions

	1.3.2018 to 28.2.2019 (£'000)	1.3.2017 to 28.2.2018 (£'000)
First Interim	1,436	1,225
Second Interim	1,365	1,558
Third Interim	1,775	1,885
Final	2,200	2,437
	6,776	7,105
Amounts deducted on cancellation of units	1,266	481
Amounts received on issue of units	(536)	(669)
	7,506	6,917
Reconciliation of net revenue after taxation to:		
Net revenue after taxation	5,916	5,083
Fees paid from capital	1,589	1,848
Add: Income brought forward from previous year	9	6
Less: Tax relief on management charges taken to capital	(8)	(11)
Less: Income carried forward	—	(9)
Net distribution for the year	7,506	6,917

Details of the distribution per unit are set out in the table on pages 38 and 41.

7 Interest payable and similar charges

	1.3.2018 to 28.2.2019	1.3.2017 to 28.2.2018
Interest	6	—
Total interest	6	—

8 Debtors

	28.2.2019 (£'000)	28.2.2018 (£'000)
Accrued revenue	68	101
Amounts receivable on creation of units	201	85
Overseas tax recoverable	669	406
Total debtors	938	592

Notes to the Financial Statements (continued)

for the year ended 28 February 2019

9 Cash and bank balances

	28.2.2019 (£'000)	28.2.2018 (£'000)
Cash at bank	2,418	475
Total cash and bank balances	2,418	475

10 Creditors

	28.2.2019 (£'000)	28.2.2018 (£'000)
Distribution payable		
Net distribution payable	1,547	1,785
	1,547	1,785
Other creditors		
Accrued expenses	117	225
Amounts payable on cancellation of units	332	31
Total other creditors	449	256

11 Contingent liabilities

There were no contingent liabilities or outstanding commitments at the balance sheet date (2018: £Nil).

12 Related party transactions

The Manager, Liontrust Fund Partners LLP is a related party and is regarded as a controlling party by virtue of having the ability to act in respect of operation of the Fund.

By virtue of the Regulations governing authorised unit trusts, the Manager is party to every transaction in respect of units of the Fund, which are summarised in the Statement of Change in Net Assets Attributable to Unitholders.

The charges made by the Manager during the year are disclosed in note 4 on page 27. At 28 February 2019 £110,617 was due to the Manager (2018: £122,670). This amount is included under 'Accrued expenses' in note 10.

During the year the Manager received creation monies of £25,612,937 (2018: £37,936,041) and paid cancellation monies of £58,998,620 (2018: £28,044,961). At 28 February 2019 there were creation monies due from the Manager of £201,192 (2018: £84,819). There were cancellation monies due to the Manager of £332,021 at 28 February 2019 (2018: £31,134).

Notes to the Financial Statements (continued)

for the year ended 28 February 2019

13 Securities on loan

The aggregate value of securities on loan at 28 February 2019 is £Nil (2018: £10,537,117). The identities of these counterparties are listed in the counterparties table below. Securities on loan are included in the portfolio statement and no account is taken of any collateral held. The aggregate value of collateral held at 28 February 2019 is £Nil (2018: £11,233,996). This collateral is listed in the collateral held table below.

The gross earnings and fees paid for the year are £41,681 (2018: £106,580) and £8,336 (2018: £35,432).

	28.2.2019 (£'000)	28.2.2018 (£'000)
Counterparties		
Bank of Nova Scotia	—	17
Citigroup Global Markets	—	829
Credit Suisse (Dublin)	—	3,604
Credit Suisse Securities (Europe)	—	664
HSBC Bank	—	2,130
JP Morgan Securities	—	2,761
Morgan Stanley International	—	532
	—	10,537

	28.2.2019 (£'000)	28.2.2018 (£'000)
Collateral held		
Bonds	—	7,411
Equities	—	3,262
Cash	—	561
	—	11,234

Notes to the Financial Statements (continued)

for the year ended 28 February 2019

14 Risk management policies

In accordance with the investment objectives and policies the Fund can hold certain financial instruments as detailed in the Fund's prospectus. These comprise:

- equity shares;
- cash and short-term debtors and creditors that arise directly from its operations;
- units and shares in collective investment schemes; and
- unitholders' funds which represent investors' monies which are invested on their behalf from overseas investments held.

In accordance with the requirements of the rules in the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Fund is not permitted to trade in other financial instruments. The Fund's use of financial instruments during the year satisfies these regulatory requirements.

The main risks arising from the Fund's financial instruments are market price risk, interest rate risk, foreign currency risk, liquidity risk and credit and counterparty risk. The Manager's policies for managing these risks are summarised below. The Fund has used a combination of risk measurements and limits to measure and monitor portfolio risk. This is in line with the Liontrust Group's Risk Management Process. These policies have remained unchanged since the beginning of the year to which these financial statements relate and during the prior year.

Market price risk

Market price risk is the risk that the Fund might suffer potential loss through holding market positions in the face of price movements. It arises mainly due to uncertainty about future prices of financial instruments held. The Manager reviews the portfolio in order to consider the asset allocation implications and to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the Fund's investment objective. An individual fund manager has responsibility for monitoring the existing portfolio, in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk reward profile.

The Fund's investment portfolio is monitored by the Manager in pursuance of its investment objective and policy as set out in the prospectus.

As at 28 February 2019 and 28 February 2018 the overall market exposure for the Fund was as shown in the Portfolio Statement. The Fund is exposed to market price risk as the assets and liabilities of the fund are listed on stock exchanges and their prices are subject to movements both up and down that would result in an appreciation or depreciation in the fair value of that asset. The sensitivity of the Fund to market price risk is estimated below which shows the expected change in the market value of the Fund when a representative market index changes by 10%. These percentage movements are based on the Investment Adviser's estimate of reasonably possible market movements over the course of a year and uses an industry standard measure (Beta) to estimate the amount a Fund has previously changed when that corresponding market index has moved taking into account the Fund's historic correlation to the representative index's movements over the last three years using monthly returns. This analysis assumes that the historic relationships between the portfolio's holdings and the representative index are a valid approximation of their future relationship and that the characteristics of the portfolio and the market have been broadly unchanged over the three years.

As at 28 February 2019, had the representative market index increased/decreased by 10.0% the resulting change in the value of the Net Asset Value is expected to have been an increase/a decrease of 9.2%.

Notes to the Financial Statements (continued)

for the year ended 28 February 2019

14 Risk management policies (continued)

Market price risk (continued)

As at 28 February 2018, had the representative market index increased/decreased by 10.0% the resulting change in the value of the Net Asset Value was expected to have been an increase/a decrease of 7.9%.

Some limitations of sensitivity analysis are;

- markets and levels of market liquidity in conditions of market stress may bear no relation to historical patterns;
- the market price risk information is a relative estimate of risk rather than a precise and accurate number;
- the market price information represents a hypothetical outcome and is not intended to be predictive; and
- future market conditions could vary significantly from those experienced in the past.

The Fund is required to calculate its exposure to derivatives on a daily basis using one of two alternate methods, the Commitment Approach or Value at Risk (VaR). The Fund's global exposure to derivatives at the year-end has been calculated using the Commitment approach.

The calculation of conversion methods for the commitment approach for standard derivatives is taken from the conversion methodologies listed in the ESMA Guidelines on calculation of Global Exposure and Counterparty Risk. The commitment conversion methodology for standard derivatives is either the notional value or the market value of the equivalent position in the underlying asset. Please refer to the portfolio statements for the notional values of any forwards and futures contracts. VaR is a method of estimating potential loss due to market risk, rather than a statement of leverage, using a given confidence level, or probability, over a specific time period and assuming normal market conditions. VaR is calculated using a Historical Simulation model carried out in accordance with regulatory guidelines.

The Fund did not use derivatives in the year and level of leverage employed by the Fund during the year is not considered to be significant.

Currency risk

Currency risk is the risk that the revenue and net asset value of the Fund may be adversely affected by movements in foreign exchange rates. The revenue and capital value of the Fund's investments may be significantly affected by currency risk movements as some of the assets and income are denominated in currencies other than sterling, which is the company's functional and reporting currency.

The Manager has identified three principal areas where foreign currency risk could impact the Sub-fund:

- Movements in exchange rates affecting the value of investments;
- Movements in exchange rates affecting short-term timing differences; and
- Movements in exchange rates affecting the income received.

Currency exposure is monitored closely and is considered to be part of the overall investment process. Currency hedges via forward exchange contracts will only be used in the event of a specific unwanted currency risk being identified. The Fund may be subject to short-term exposure to exchange rate movements, for instance, where there is a difference between the date an investment purchase or sale is entered into and the date when settlement of the proceeds occurs. The ACD believes that the impact of such movements is not significant enough to warrant the cost incurred of eliminating them via hedging.

The Fund may receive income in currencies other than sterling, and the sterling values of this income can be affected by movements in exchange rates. The Fund converts all receipts of income into sterling on or near the date of receipt; it does not, however, hedge or otherwise seek to avoid exchange rate risk on income accrued but not received.

Notes to the Financial Statements (continued)

for the year ended 28 February 2019

14 Risk management policies (continued)

Currency risk (continued)

The Portfolio Statement on pages 19 to 21 shows the countries in which the Fund is invested. The securities in the portfolio are priced in local currency. An analysis of monetary assets and liabilities in foreign currencies at the period end (including cash and outstanding income) is shown below:

Currency	Currency exposure	
	28.2.2019 Total (£'000)	28.2.2018 Total (£'000)
Danish krone	1,258	1,408
Euro	79,049	114,250
Norwegian krone	12,148	15,448
Swedish krona	23,556	26,331
Swiss franc	19,562	21,725
US dollar	—	37
	135,573	179,199

If the exchange rate at 28 February 2019 between the functional currency and all other currencies had increased or decreased by 1% with all other variables held constant, this would have increased or decreased net assets attributable to holders of shares of the Fund by approximately 1.01%/(0.99%) respectively.

If the exchange rate at 28 February 2018 between the functional currency and all other currencies had increased or decreased by 1% with all other variables held constant, this would have increased or decreased net assets attributable to holders of shares of the Fund by approximately 0.97%/(0.96%) respectively.

Interest rate risk

Interest rate risk is the risk that the revenue cash flow or the fair value of investments may be adversely affected by movements in market interest rates. The majority of the Sub-fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. Interest receivable on bank deposits and short-term deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. The interest rates earned on sterling deposits are earned at a rate linked to LIBOR. As a result, the fund is not subject to significant amounts of risk due to fluctuations in the prevailing level of market interest rates. Therefore, no interest rate sensitivity analysis has been prepared for these.

Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its obligations as they fall due. The Fund's assets comprise wholly of readily realisable securities which can be sold to meet liquidity requirements. The main liquidity risk of the Fund is the redemption of any shares that investors wish to sell, which are redeemable on demand under the prospectus. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement.

In accordance with the Manager's policy, the Investment Adviser monitors the Funds' liquidity on a daily basis.

Notes to the Financial Statements (continued)

for the year ended 28 February 2019

14 Risk management policies (continued)

Counterparty credit risk

Counterparty credit risk is the risk of suffering loss due to another party not meeting its financial obligation. Investments may be adversely affected if any of the institutions with which money is deposited or invested suffers insolvency or other financial difficulties or the credit rating of the bearers of the bonds held by the Fund are downgraded.

The Fund may enter into transactions in financial instruments (including derivatives) which exposes it to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Fund will only buy and sell financial instruments through parties that have been approved as acceptable by the Manager. This list is reviewed at least annually.

The Fund may enter into stock lending activities which exposes it to the risk that the counterparty will not deliver the stock or cash after the Fund has fulfilled its obligations. The Fund will only enter into stock lending activities with parties that have been approved as acceptable by the ACD and obtaining collateral from counterparties which has a fair value in excess of the related stock on loan.

At the balance sheet date, there were no counterparties to open derivative contracts. At the year end collateral of Nil (prior year: Nil) was received; collateral pledged was Nil (prior year: Nil) and none (prior year: none) of the Funds' financial assets were past due or impaired.

The Depositary is responsible for the safe-keeping of assets and has appointed the Bank of New York Mellon, S.A./N.V., London Branch ("BNYMSA") as its global custodian. The long term credit rating of the parent company of the Depositary and Custodian, The Bank of New York Mellon Corporation, as at 31 December 2018 was A (Standard & Poor's rating).

BNYMSA, in the discharge of its delegated Depositary duties, holds in custody (i) all financial instruments that may be registered in a financial instruments account opened on the books of BNYMSA and (ii) all financial instruments that can be physically delivered to BNYMSA. BNYMSA ensures all financial instruments (held in a financial instruments account on the books of BNYMSA) are held in segregated accounts in the name of the Fund, clearly identifiable as belonging to the Fund, and distinct and separately from the proprietary assets of BNYMSA and BNYM.

In addition BNYMSA, as banker, holds cash of the Fund on deposit. Such cash is held on the balance sheet of BNYMSA.

In the event of insolvency of BNYMSA, in accordance with standard banking practice, the Fund will rank as an unsecured creditor of BNYMSA in respect of any cash deposits.

Insolvency of BNYM and or one of its agents or affiliates may cause the Fund's rights with respect to its assets to be delayed or may result in the Fund not receiving the full value of its assets.

Notes to the Financial Statements (continued)

for the year ended 28 February 2019

15 Portfolio transaction costs

For the year ending 28 February 2019

	Transaction Value (£'000)	Commissions (£'000)	%	Taxes (£'000)	%
Purchases (excluding derivatives)					
Equities instruments (direct)	14,282	6	0.04	9	0.06
Total purchases	14,282	6		9	
Total purchases including transaction costs	14,297				
Sales (excluding derivatives)	(£'000)	(£'000)	%	(£'000)	%
Equities instruments (direct)	40,746	13	0.03	—	—
Total sales	40,746	13		—	
Total sales net of transaction costs	40,733				
Total transaction costs		19		9	
Total transaction costs as a % of average net assets		0.01%		0.01%	

Notes to the Financial Statements (continued)

for the year ended 28 February 2019

15 Portfolio transaction costs (continued)

For the year ending 28 February 2018

	Transaction Value (£'000)	Commissions (£'000)	%	Taxes (£'000)	%
Purchases (excluding derivatives)					
Equities instruments (direct)	25,264	18	0.07	5	0.06
Short Terms	6,622	—	—	—	—
Total purchases	31,886	18		5	
Total purchases including transaction costs	31,909				
Sales (excluding derivatives)	(£'000)	(£'000)	%	(£'000)	%
Equities instruments (direct)	21,143	13	0.02	—	—
Total sales	21,143	13		—	
Total sales net of transaction costs	21,130				
Total transaction costs		31		5	
Total transaction costs as a % of average net assets		0.02%		0.01%	

The above analysis covers any direct transaction costs suffered by the Fund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

Separately identifiable direct transaction costs (commissions & taxes etc.) are attributable to the Fund's purchase and sale of equity shares. Additionally for equity shares there is a dealing spread cost (the difference between the buying and selling prices) which will be suffered on purchase and sale transactions.

For the Fund's investment transactions in debt and money market instruments any applicable transaction charges form part of the dealing spread for these instruments. Transactions in money market instruments to manage the Fund's daily liquidity position are excluded from the analysis.

During the year the Fund utilised derivative instruments different underlying asset classes. The settlement values for opening and closing derivative positions are not comparable to principal values for transactions in direct holding investments and therefore purchase and sale amounts for derivative transactions are not quantified in the analysis above. Transaction costs for derivatives positions will be either suffered as direct costs or form part of the dealing spread for the instruments. Any direct costs are identified in the analysis above.

Dealing spread costs suffered by the Fund vary considerably for the different asset/instrument types depending on a number of factors including transaction value and market sentiment.

At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.13% (2018: 0.06%).

Notes to the Financial Statements (continued)

for the year ended 28 February 2019

16 Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value as shown in the table below. The numerical disclosures in respect of financial instruments and the management of interest rate and currency risks are included below where applicable.

Valuation of financial investments

	Assets (£'000)	Liabilities (£'000)
28.2.2019		
Quoted prices for identical instruments in active markets	134,809	—
	134,809	—
	Assets (£'000)	Liabilities (£'000)
28.2.2018		
Quoted prices for identical instruments in active markets	186,728	—
	186,728	—

17 Post balance sheet events

There are no post balance sheet events which have a bearing on the interpretation of the financial statements (2018: none).

18 Unit classes

For the year ending 28 February 2019

	Opening units	Units issued	Units redeemed	Units converted	Closing units
Institutional Accumulation	15,455,337	1,491,895	(4,085,122)	643,868	13,505,978
Institutional Income	90,800,911	16,179,031	(35,242,468)	172,386	71,909,860
Retail Accumulation	6,208,812	108,779	(377,627)	(398,113)	5,541,851
Retail Income	10,214,019	1,035,310	(2,349,700)	(745,625)	8,154,004

Distribution Tables

for the year ended 28 February 2019

First interim distribution

Group 1 - Units purchased prior to 1 March 2018

Group 2 - Units purchased 1 March 2018 to 31 May 2018

	Net Revenue	Equalisation	Distribution paid	Distribution paid
	Pence	Pence	31.7.2018	31.7.2017
Accumulation units	per unit	per unit	per unit	per unit
Institutional - Group 1	1.92	—	1.92	1.62
Institutional - Group 2	0.00	1.92	1.92	1.62
Retail - Group 1	1.77	—	1.77	1.51
Retail - Group 2	0.00	1.77	1.77	1.51

	Net Revenue	Equalisation	Distribution paid	Distribution paid
	Pence	Pence	31.7.2018	31.7.2017
Income units	per unit	per unit	per unit	per unit
Institutional - Group 1	1.07	—	1.07	0.94
Institutional - Group 2	0.00	1.07	1.07	0.94
Retail - Group 1	0.98	—	0.98	0.87
Retail - Group 2	0.00	0.98	0.98	0.87

Distribution Tables (continued)

for the year ended 28 February 2019

Second interim distribution

Group 1 - Units purchased prior to 1 June 2018

Group 2 - Units purchased 1 June 2018 to 31 August 2018

	Net Revenue Pence per unit	Equalisation Pence per unit	Distribution paid 31.10.2018 Pence per unit	Distribution paid 31.10.2017 Pence per unit
Accumulation units				
Institutional - Group 1	2.06	—	2.06	2.03
Institutional - Group 2	0.00	2.06	2.06	2.03
Retail - Group 1	1.90	—	1.90	1.88
Retail - Group 2	0.00	1.90	1.90	1.88
	Net Revenue Pence per unit	Equalisation Pence per unit	Distribution paid 31.10.2018 Pence per unit	Distribution paid 31.10.2017 Pence per unit
Income units				
Institutional - Group 1	1.16	—	1.16	1.18
Institutional - Group 2	0.00	1.16	1.16	1.18
Retail - Group 1	1.06	—	1.06	1.09
Retail - Group 2	0.00	1.06	1.06	1.09

Distribution Tables (continued)

for the year ended 28 February 2019

Third interim distribution

Group 1 - Units purchased prior to 1 September 2018

Group 2 - Units purchased 1 September 2018 to 30 November 2018

	Net Revenue Pence per unit	Equalisation Pence per unit	Distribution paid 31.1.2019 Pence per unit	Distribution paid 31.1.2018 Pence per unit
Accumulation units				
Institutional - Group 1	2.83	—	2.83	2.46
Institutional - Group 2	0.00	2.83	2.83	2.46
Retail - Group 1	2.60	—	2.60	2.27
Retail - Group 2	0.00	2.60	2.60	2.27

	Net Revenue Pence per unit	Equalisation Pence per unit	Distribution paid 31.1.2019 Pence per unit	Distribution paid 31.1.2018 Pence per unit
Income units				
Institutional - Group 1	1.57	—	1.57	1.42
Institutional - Group 2	0.00	1.57	1.57	1.42
Retail - Group 1	1.44	—	1.44	1.31
Retail - Group 2	0.00	1.44	1.44	1.31

Distribution Tables (continued)

for the year ended 28 February 2019

Final distribution

Group 1 - Units purchased prior to 1 December 2018

Group 2 - Units purchased 1 December 2018 to 28 February 2019

	Net Revenue	Equalisation	Distribution payable	Distribution paid
	Pence	Pence	30.4.2019	30.4.2018
Accumulation units	per unit	per unit	per unit	per unit
Institutional - Group 1	3.52	—	3.52	3.07
Institutional - Group 2	0.31	3.21	3.52	3.07
Retail - Group 1	3.23	—	3.23	2.85
Retail - Group 2	0.18	3.05	3.23	2.85

	Net Revenue	Equalisation	Distribution payable	Distribution paid
	Pence	Pence	30.4.2019	30.4.2018
Income units	per unit	per unit	per unit	per unit
Institutional - Group 1	1.95	—	1.95	1.78
Institutional - Group 2	0.23	1.72	1.95	1.78
Retail - Group 1	1.78	—	1.78	1.65
Retail - Group 2	0.12	1.66	1.78	1.65

Securities Financing Transactions

as at 28 February 2019

Return and cost

As at the balance sheet date the Fund did not have any securities or commodities on loan. The table below shows the net income earned by the Fund from securities lending activity during the year.

	Collective Investment Undertaking (£'000)	Manager of Collective Investment Undertaking (£'000)	Third Parties (e.g. lending agent) (£'000)	Total (£'000)
Securities lending				
Gross return	33	4	12	49
% of total	68%	7%	25%	100%
Cost*	—	—	—	—

* All direct costs from securities lending are borne by lending agent.

Additional Information

Trust Deed: The Fund was established by a Trust Deed made between the Manager and the Trustee dated 14 April 2016.

Prospectus: Copies of the Fund's Prospectus are available free of charge from the Manager upon request, and from our website, www.liontrust.co.uk.

Unit type: The Fund issues accumulation and income units only. Investors can elect at any time to have any income either paid out or automatically reinvested to purchase units at no initial charge.

Pricing and dealing: A buying price (the price at which you have bought the units in the Fund and being the higher) and a selling price (the price at which you can sell the units back to the Manager and being the lower) are always quoted for the Fund. The buying price includes the Manager's initial charge.

Dealing in all unit trusts operated by Liontrust Fund Partners LLP may be carried out between 09.00 and 17.00 hours on any business day. Professional investors and advisers may buy and sell units over the telephone; private investors are required to instruct the Manager in writing for initial purchases, but can deal over the telephone thereafter. Prices are quoted on a 'forward' basis. This means that all deals are based on a price that is calculated at the next valuation point (which is 12.00 hours on each business day) following receipt of instructions. Instructions received before 12.00 hours will be priced at 12.00 hours that day, whilst those deals taken later in the day will receive the next dealing price which is fixed at 12.00 hours on the following business day.

The minimum initial lump sum investment in the Fund is £1,000, the minimum additional investment is £1,000 and the amount you may sell back to the Manager at any one time is £500, providing you maintain a balance of £2,500. At its absolute discretion, the Manager may accept a lower minimum amount for the purchase and sale of units.

A contract note in respect of any purchase will be issued the day following the dealing date. Unit certificates will not be issued. Instructions to sell your units may be required to be given by telephone and then confirmed in writing to Liontrust Fund Partners LLP at PO Box 373, Darlington, DL1 9RQ. A contract note confirming the instruction to sell will be issued the day following the dealing day. Following receipt of a correctly completed Form of Renunciation, a cheque in settlement will be sent directly to you or your bank/building society, if proof of ownership of the account has been received by us, in four business days. Liontrust does not make or accept payments to or from third parties unauthorised by the Financial Conduct Authority.

Management charges and spreads: The initial charge and annual management fees per unit class are detailed below. The difference between the bid and the offer prices is currently 6% which includes the initial charge.

Initial charge		Ongoing charges figure*		Included within the OCF is the Annual Management Charge**	
	%		%		%
Institutional class	Nil	Institutional class	0.93	Institutional class	0.75
Retail class	up to 5	Retail class	1.68	Retail class	1.50

Certain other expenses are met by the Fund, all of which are detailed in the Prospectus.

* The OCF covers all aspects of operating a fund during the course of its financial year. These include the annual charge for managing the Fund, administration and independent oversight functions, such as trustee, custody, legal and audit fees. The OCF excludes portfolio transaction costs except for an entry/exit charge paid by the Fund when buying or selling units in another fund. The Operating charges figures shown on the comparative tables on pages 15 to 18 are calculated on an ex-post basis over the period, whereas the Ongoing charges figures shown above is a calculation as at a point in time, and therefore there could be immaterial differences between the two.

** These are the annual costs of running and managing the Fund.

Additional Information (continued)

Commission: Commission is payable to authorised intermediaries on purchases of units in the Fund at a rate of up to 3%. A discount is available when switching between Liontrust's range of unit trusts.

Publication of prices: The price of units in the Fund is quoted on our website, www.liontrust.co.uk and other industry websites such as www.trustnet.com. Daily and historic Fund prices are available from our Dealing and Administration team on 0344 892 0349.

Capital Gains Tax: As an authorised unit trust, the Fund is exempt from UK Capital Gains Tax. An individual's first £11,700 of net gains on disposals in the 2018-2019 tax year are exempt from tax (2017-2018: £11,300).

Income Tax: UK tax resident individuals are now entitled to a new tax-free dividend allowance in place of the dividend tax credit. Consequently, all income from dividend distributions is now regarded as gross income.

UK resident individuals who are not liable to tax are not able to reclaim the tax credits from the HM Revenue and Customs. In the case of UK resident individuals who are liable to starting or basic rate tax only, the tax credit will match his or her liability on the distribution and there will be no further tax to pay and no right to claim repayments from the HM Revenue and Customs. In the case of a higher rate tax payer, the tax credit will be set against, but not fully match, his or her tax liability on the distribution. Such people will have an additional tax liability to pay.

Remuneration: Following the implementation of UCITS V in the UK on 18 March 2016, all authorised UCITS Managers are required to comply with the UCITS V Remuneration Code from the start of their next accounting year. Under the UCITS V Directive (2014/91/EU), the Manager is required to disclose information relating to the remuneration paid to its staff for the financial year. The table below provides an overview of the following:

- Aggregate total remuneration paid by the Manager to its staff (employees and members)
- Aggregate total remuneration paid by Liontrust Asset Management PLC to all UCITS code staff

	Headcount	Total Remuneration £000
Manager UK Staff*	49	7,967
of which		
Fixed remuneration	49	3,915
Variable remuneration	49	4,052
UCITS Aggregate Remuneration Code Staff**	5	2,682
of which		
Senior Management	2	1,901
Other code staff/risk takers	3	781

* The Manager's staff are members of Liontrust Fund Partners LLP or Group staff who are employed by Liontrust Asset Management PLC but have their costs apportioned to the Manager.

** UCITS Aggregate Remuneration Code Staff applies only in respect of the provision of services to UCITS funds rather than their total remuneration in the year. For senior management and control function staff, remuneration is apportioned on the basis of assets under management for UCITS funds versus the total Group assets under management. For portfolio management staff remuneration is apportioned directly to this fund.

Remuneration is made up of fixed pay (i.e. salary and benefits such as pension contributions) and variable pay (annual performance based or linked directly to investment management revenues). Annual incentives are designed to reward performance in line with the business strategy, objectives, values and long term interests of the Manager and the Liontrust Asset Management PLC Group. The annual incentive earned by an individual is dependent on the achievement of financial and non-financial objectives, including adherence to effective risk management practices. The Manager provides long-term incentives which are designed to link reward with long-term

Additional Information (continued)

success and recognise the responsibility participants have in driving future success and delivering value. Long-term incentive awards are conditional on the satisfaction of corporate performance measures. The structure of remuneration packages is such that the fixed element is sufficiently large to enable a flexible incentive policy to be operated.

Staff are eligible for an annual incentive based on their individual performance, and depending on their role, the performance of their business unit and/or the group. These incentives are managed within a strict risk framework, and the Directors of Liontrust Asset Management PLC retain ultimate discretion to reduce annual incentive outcomes where appropriate.

The Manager actively manages risks associated with delivering and measuring performance. All our activities are carefully managed within our risk appetite, and individual incentive outcomes are reviewed and may be reduced in light of any associated risk management issues.

The Liontrust Group operates a Remuneration Committee (the "Committee"). The Committee reports to the Board. The Committee reviews risk and compliance issues in relation to the vesting of deferred awards for all employees and members. Compliance is monitored throughout the vesting period by the Committee.

These remuneration policies apply also to other entities in the Liontrust group to which investment management of Funds has been delegated, and those delegates are subject to contractual arrangements to ensure that policies which are regarded as equivalent are applied.

The Board adopts, and reviews annually, the general principles of the applicable remuneration policies, and the implementation of the remuneration policies is, at least annually, subject to central and independent internal review by the Committee for compliance with policies and procedures.

Changes to the Company: The Manager has appointed the Bank of New York Mellon (International) Limited ("BNYM") to provide administration services for the Fund, replacing DST Financial Services Europe Limited as Registrar and State Street Bank & Trust Company as Fund Accountant. The costs incurred in changing Registrar and Fund Accountant cover such things as contractual termination costs, legal expenses in negotiating new administration contracts, costs and expenses in relation to the operational transition of administration services, and these costs will be borne by the funds affected, via the Administration Fees collected by the Manager from the Fund, with the exception that BNYM will contribute £14,241 to the Manager in relation to these costs. It is expected that the BNYM contribution will therefore either reduce or not require an increase in the amount payable by the Fund via the Administration Fees. The payment to the Manager will be made in two equal tranches in September 2019 and March 2020, and under certain circumstances may be repayable, in full or in part, to BNYM if the administration contracts are terminated.

From 1 September 2018 the following changes took effect:

- Change of Trustee - The Trustee changed from State Street Trustees Limited to the Bank of New York Mellon (International) Limited (part of the Bank of New York Mellon Corporation).
- Change to fund charges and costs - The Manager moved from variable to fixed Administration Fees for all of our funds. The Operating Expenses are paid directly by Liontrust and will be reimbursed by each fund at a flat rate per year out of their respective net asset values. The ongoing charges figure will be made up of the asset management charge plus the fixed Administration Fees.

From 1 May 2019, the following change took effect:

- Change of Registrar - The Registrar changed from DST Financial Services Europe Limited to the Bank of New York Mellon (International) Limited (part of the Bank of New York Mellon Corporation).

Important information: It is important to remember that the price of units, and the income from them, can fall as well as rise and is not guaranteed and that investors may not get back the amount originally invested. Past performance is not a guide to future performance. The issue of units may be subject to an initial charge and this is likely to have an impact on the realisable value of your investment, particularly in the short term. You should always regard unit trust investment as long term. The annual management fee of the Fund is deducted from capital. Whilst this results in the dividend paid to investors being higher than would be the case were the annual management fee charged to income, the potential for capital growth may be reduced.



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