

# LIONTRUST UK SMALLER COMPANIES FUND

A close-up, high-contrast photograph of a lion's face, focusing on its right eye which is a striking green color. The lion's fur is a mix of brown and orange tones, and its mane is visible around the head. The background is dark, making the lion's features stand out.

Interim Report &  
Financial Statements (unaudited)

For the period:

**1 May 2020**

to

**31 October 2020**

Managed in accordance with  
**The Liontrust Economic Advantage**

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LIONTRUST FUND PARTNERS LLP

**LIONTRUST** 



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\* 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 [Liontrustadmin@bnymellon.com](mailto:Liontrustadmin@bnymellon.com)  
Website [www.liontrust.co.uk](http://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 Manager 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 FCA.

### Trustee

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

Authorised by Prudential Regulation Authority ("PRA") and regulated by the FCA and the PRA.

### 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 PRA and regulated by the FCA and the PRA.

\* Please refer to page 22 for changes to the Company.

# Liontrust UK Smaller Companies Fund

### **Liontrust Asset Management PLC**

Liontrust Asset Management PLC (Company) is a specialist asset manager with £20.6 billion in assets under management as at 30 September 2020 and which takes pride in having a distinct culture and approach to managing money. Our purpose is to have a positive impact on our investors, stakeholders and society. We aim to achieve this by providing the environment which enables our fund managers and employees to flourish, helping our investors achieve their financial goals, supporting companies in generating sustainable growth, and empowering and inspiring the wider community. 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 seven fund management teams: four 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, Liontrust Fund Partners LLP and Liontrust Multi-Asset Limited which are authorised and regulated by the Financial Conduct Authority. Liontrust Asset Management PLC is also the parent company of Liontrust International (Luxembourg) S.A. which is regulated by the Commission de Surveillance du Secteur Financier in Luxembourg. All members of the Liontrust Group sell only Liontrust Group products.

# Manager's Investment Report

### Investment objective

The Fund aims to deliver capital growth over the long term (5 years or more).

### Investment Policy

The Fund will invest at least 90% in companies which are incorporated, domiciled or conduct significant business in the United Kingdom (UK).

At least 75% of the companies held by the Fund will have a market capitalisation of less than £1bn.

The Fund will typically invest 90% (minimum 80%) in equities or equity related derivatives but may also invest in collective investment schemes (up to 10% of Fund assets), corporate debt securities, other transferable securities, money market instruments, warrants, cash and deposits.

The Fund is permitted to use derivatives for the purposes of efficient portfolio management and for investment purposes.

### The Team

Anthony Cross, Julian Fosh, Victoria Stevens, Matt Tonge and Alex Wedge manage the Liontrust Economic Advantage Process. Anthony, who was previously at Schroders, has managed the Liontrust Special Situations and UK Smaller Companies Funds since launch and he started working with Julian at Liontrust in 2008. Julian has previously managed money at Scottish Amicable Investment Managers, Britannic Investment Managers, Scottish Friendly Assurance Society and Saracen Fund Managers.

Victoria Stevens and Matt Tonge joined the team in 2015 to research and analyse investment opportunities primarily across the small cap universe. In Victoria's previous role as deputy head of corporate broking at FinnCap, she built up an extensive knowledge of the smaller company investment universe. Matt added trading and analytical expertise to the team, having spent the previous nine years on the Liontrust dealing desk, latterly winning an industry award for his work in mid and small cap stocks.

Alex Wedge joined the team in March 2020 from N+1 Singer, one of the largest dedicated small cap brokers in London. Alex spent over seven years at N+1 Singer, latterly as a senior member of the equity sales team. His role included developing and communicating investment ideas to buy side clients, as well as advising corporate clients on shaping their investment case and raising equity capital.

### The Process

The process seeks to identify companies that possess intangible assets which produce barriers to competition and provide a durable competitive advantage that allows the companies to defy industry competition and sustain a higher than average level of profitability for longer than expected. In the fund managers' experience, the hardest characteristics for competitors to replicate are three classes of intangible asset: intellectual property, strong distribution channels and significant recurring business.

### Manager's Investment Report (continued)

#### Performance of the Fund

In the six months to 31 October 2020 an investment in the Fund returned 10.8% (retail class) and 10.9% (institutional class). This compares with a return of 7.1% from the FTSE Small Cap (excluding investment trusts) Index, the comparator benchmark index and a 10.1% return from the IA UK Smaller Companies sector average, also a comparator benchmark.

Since the manager inception date of the Fund, 8 January 1998, an investment in the Fund has risen by 1,391% (retail class) and 1,421% (institutional class) compared to a 210% return from the FTSE Small Cap (excluding investment trusts) Index and a 609% return from the IA UK Smaller Companies sector.

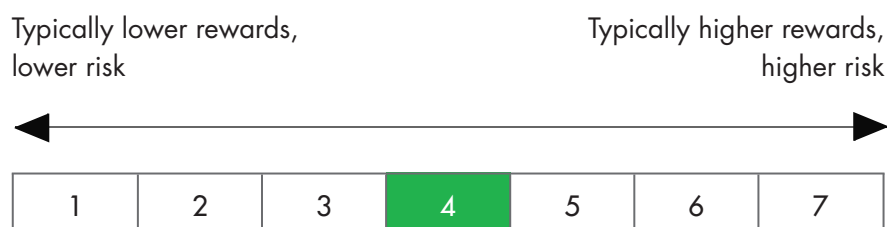
*Source: Financial Express, bid-to-bid basis, total return, net of fees, income reinvested. The primary class post-Retail Distribution Review is the institutional class, whereas pre-Retail Distribution Review the bundled Retail class performance history is used, unadjusted for the lower fees of the post Retail Distribution Review classes.*

***Past performance is not a guide to future performance, investments can result in a total loss of capital.***

## Manager's Investment Report (continued)

### Risk and Reward profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the risk and reward indicator.



- The Synthetic Risk Reward Indicator ("SRRI") is based upon historical data and may not be relied upon to gauge the future risk profile of the Fund.
- The SRRI 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 4 primarily for its exposure to small UK companies.
- The SRRI 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;
- As the Fund is primarily exposed to smaller companies there may be liquidity constraints from time to time, i.e. in certain circumstances, the fund may not be able to sell a position for full value or at all in the short term. This may affect performance and could cause the fund to defer or suspend redemptions of its shares. In addition the spread between the price you buy and sell units will reflect the less liquid nature of the underlying holdings.
- Counterparty Risk: any derivative contract, including FX hedging, may be at risk if the counterparty fails.
- The Fund may invest in companies listed on the Alternative Investment Market ("AIM") which is primarily for emerging or smaller companies. The rules are less demanding than those of the official List of the London Stock Exchange and therefore companies listed on AIM may carry a greater risk than a company with a full listing.
- The Fund may, under certain circumstances, make use of derivative instruments but it is not intended that their use will materially affect volatility.

For full details of the Fund's risks, please see the prospectus which may be obtained from Liontrust (address on page 1) or online at [www.liontrust.co.uk](http://www.liontrust.co.uk).



## Manager's Investment Report (continued)

### The Market

In the six months to 31 October 2020, the FTSE Small Cap ex-Investment Trusts Index returned 7.1%.

UK and global equity markets continued to respond to developments in the Covid-19 pandemic. Economic data released across the six months illustrated the dire impact of restrictions put in place to combat the virus. ONS data statistically confirmed what was already common knowledge: the UK suffered its largest recession on record. The 20% contraction in Q2 added to the 2.2% decline in Q1 to meet the technical parameters of a recession, i.e. two or more consecutive quarters of negative growth.

However, investors were by-and-large willing to look beyond the short-term impact of the pandemic towards an economic recovery. This process was initially aided by the relaxation of lockdown measures in many regions, while the provision of massive monetary and fiscal stimulus programmes globally was a constant support to sentiment over the period.

In September and October, evidence of a second wave of coronavirus began to emerge and lockdown measures were introduced in some countries. This had been largely expected, however, and the stockmarket reaction was relatively muted; investors had become used to observing the path of the pandemic, measuring the economic costs, assessing the various policy responses and monitoring efforts to find a vaccine.

### The Fund

In the six months to 31 October 2020, the Liontrust UK Smaller Companies Fund returned 10.9% (institutional accumulation class), ahead of the FTSE Small Cap ex-Investment Trusts Index comparator benchmark. The average return of funds in the IA UK Smaller Companies sector, also a comparator benchmark, was 10.1%.

As the pandemic developed, the focus remained on the extent to which companies' trading had been affected by lockdown measures and the implications for liquidity.

Within the Fund, there were plenty of instances of businesses experiencing resilient trading but also some companies whose operations had been negatively affected. Encouragingly, the balance appears to be towards the former category so far. Overall, smaller caps in the UK market seemed to experience a better six months than their large-cap counterparts; the FTSE 100 fell by 4% over the period.

Another constructive sign for the Fund's holdings is that the majority found themselves in a sound liquidity position. A large number of companies on the UK market were forced to raise funds in a short timeframe this year, with their haste directly reflecting the speed of the economic correction and downturn in trading.

The number of the Fund's companies raising money via equity issues in 2020 has moved comfortably into double-digits. A handful joined the ranks of those raising cash to protect against the short-term liquidity impact of Covid-19 but they were largely conservative decisions to protect against worst-case pandemic scenarios rather than 'emergency' fund raises. Encouragingly, a greater number conducted fund-raises for proactive reasons – to provide funds for acquisitions or otherwise accelerate market growth opportunities.

The largest contributors to the Fund's performance included **Clipper Logistics**, **YouGov**, **dotdigital**, **Focusrite** and **Kainos**:

- Logistics, e-fulfilment and returns management specialist **Clipper Logistics** has largely avoided Covid-19 disruption. Although many of its retail clients have been heavily affected by restrictions imposed during lockdown, Clipper Logistics is exposed primarily to online consumption and has therefore benefitted from the shift in spending from the high street to online. In the year to 30 April 2020, revenues rose by 8.8% to over £500m while operating profit increased 19% to £24m. In a bullish outlook statement, management predicted that next year's results will "comfortably" exceed market forecasts after the first few months saw exceptionally high demand for e-fulfilment and returns management services.

- Research and analytics group **YouGov** saw revenue increase by 12% and adjusted operating profit grow 18% in the year to 31 July after a strong performance in its key markets of the UK and US. The company stated that it has not seen a material impact from Covid-19 on its financial performance. While some of its retail clients have delayed projects or renewal decisions, there has been an increase in work from technology clients and the public sector, including on Covid-19 and health-related issues.



## Manager's Investment Report (continued)

### The Fund (continued)

- **dotdigital**, the software-as-a-service provider of omnichannel marketing automation, reported 12% sales growth to £47.4m in the year to 30 June. It said that the pandemic had minimal impact due to its high level of contracted recurring revenues in its core business. It followed this up with a trading update on the first quarter of its new year that predicted greater sales growth than analysts had forecast. This better-than-expected performance was driven by existing sales customer growth, new customer wins and good product take up in non-email channels.

- **Focusrite** develops hardware and software for the high-quality production of recorded and live sound. It announced that revenue for the year to 31 August was ahead of market expectations at around £129m. Earnings were also expected to exceed forecasts. Demand for its products used in live sound events has fallen, for obvious reasons, but sales of its audio engineering products have grown at a higher rate than prior to lockdown.

- **Kainos** is an outsourced provider of IT design and support services primarily to the public sector and healthcare industry. Long-term customer relationships and ongoing demand from the NHS meant its business was resilient to the pandemic, and it was able to report revenues and profits for the year to 31 March 2020 that were well ahead of analyst forecasts. Trading in its new year was then very strong; Kainos commented that the ongoing structural shift towards digital adoption has seen very high customer demand. As a result, the company stated that results for the year to 31 March 2021 were also on course to materially exceed consensus estimates.

The biggest detractors from the Fund included **Arbuthnot Banking**, **Pebble**, **Curtis Banks**, **Midwich** and **Gateley**:

- **Arbuthnot Banking** has been heavily affected by the pandemic, both through the reduction in the Bank of England's base rate and the impact on borrowers' ability to make repayments. The group estimates that the 65 basis points reduction to 0.1% in base rates cost it £2.7m in lost revenues in the six months to 30 June. It expects the exceptionally low interest rate environment to remain an impediment to medium-term performance until it can reprice lending portfolios and impose lower rates across customer deposits. In line with government guidance, Arbuthnot has offered payment holidays to its mortgage borrowers and customers for its asset finance business RAF. It expects that the impact on credit impairments will not be fully understood until 2021, when the payment holiday schemes are phased out.

- Revenues at **Pebble** fell almost 25% in the first half of 2020 as its bespoke promotional material business, Brand Addition, suffered during the pandemic. The company commented that – as of September – order intake for Brand Addition has recovered to about 60% of prior year levels. Pebble's @ease procurement software for the promotions industry – operated by its facilisgroup business unit – experienced a better six months, generating revenue growth, albeit from a much lower base.

- Shares in **Curtis Banks** slid despite the company reporting fairly solid business trends. Revenue and profits were largely flat year-on-year in the first half of 2020. Sales activity was impacted by Covid-19, leading to the number of SIPP's administered falling slightly to 76,306 from 76,541 six months earlier while assets under administration dipped to £28.6bn from £29.1bn. In July, it raised £25 million to fund the acquisitions of peer SIPP provider Talbot & Muir and fintech company Dunstan Thomas.

- Specialist on-trade audio-visual equipment distributor **Midwich** sells a significant proportion of its products to be installed into buildings. It was therefore negatively impacted by lockdown measures that restricted site access and led to projects being delayed. Revenues in the first half of 2020 fell by 4% and the company slipped to a small operating loss of £0.7m compared with £11m profit a year earlier.

- Although **Gateley** recorded 6% revenue growth to £110m in the year to 30 April, the legal and professional services group commented that this growth was significantly constrained by the Covid-19 impact in the final two months. Many of the company's mandates were put on hold, leading to a sudden reduction in revenue, while its cost structure took longer to adjust downwards. It stated that activity levels have since gradually improved and, as at August, are around 7% lower than last year's level.

### Portfolio Activity

Pharmaceutical marketing consultant **Cello Health** exited the Fund upon the completion of a takeover by private equity group Arsenal Capital Partners. The deal valued Cello at £175m, with investors receiving 161p per share, a 40% premium to its share price prior to the announcement.

### Manager's Investment Report (continued)

#### Portfolio Activity (continued)

The fund also exited positions in **Pennant International** and **Eco Animal Health** after both companies' management equity ownership fell below the 3% level required of smaller companies by the Economic Advantage investment process.

The Fund established new positions in four companies: **Eckoh**, **EKF Diagnostics**, **Mind Gym** and **Tristel**.

- **Eckoh** is a relatively rare case of a stock that possesses all three core Economic Advantage intangible assets. It is a provider of software solutions used in contact centres with a patented solution that allows the receipt of customer payment information in a secure way. Eckoh has cited its high levels of recurring revenue (>80% of the total) and record order book as providing some insulation from the Covid-19 crisis.

- **Mind Gym** is a corporate training business that applies the principles of behavioural science to effect change within the corporate environment. It possesses strong intellectual property within a suite of bite-sized tutorials, or "workouts", it has created, and it is able to deliver them via a global network of trainers.

- **Tristel** is a manufacturer and developer of infection control and hygiene products, with a proprietary chemistry based on chlorine dioxide disinfection. The company's products are used to disinfect medical instruments which are made of plastic and therefore cannot be sterilised using heat treatment – such as flexible endoscopes and ultrasound probes used in multiple hospital departments. It is also building strength in the area of surface disinfection, which is likely to see a boost from increased hygiene awareness around the world during the Covid-19 pandemic and beyond. The Fund owns the shares on the basis of intellectual property and also distribution strength, as Tristel has built up a global sales portfolio over many years in an industry with very high barriers to entry and stringent regulatory requirements for product approval in different countries.

- **EKF Diagnostics** provides 'point of care' diagnostics such as blood analysers and tests for conditions such as diabetes and anaemia. EKF also contract manufactures a third-party device (Primestore MTM) which is used to safely store and transport contaminated blood samples for testing by deactivating the virus or pathogen within the sample. Demand for this device has rocketed as a direct result of the pandemic, leading to strong trading for the group, with the likelihood that a recent run of significant upgrades may continue.

#### Outlook

Many companies are likely to face significant challenges for some time yet. This is going to be particularly true as the lifeline of government support is withdrawn.

In this crisis, as in all others, it is important to focus on a company's ability to trade through a downturn and its potential to emerge on the other side in a position to take advantage of any subsequent upturn. In our view, the Fund's companies all have strong barriers to competition, attractive market positions and a history of high returns, which should stand them in good stead. Moreover, these companies should be able, once the dust settles, to take share from weaker competitors who have suffered more or ceased trading altogether.

At times such as these, the practice of investing alongside management also takes on a lot more significance. The Economic Advantage investment process is designed to ensure an owner-manager culture is present in all smaller companies. The Fund has a minimum threshold of 3% management equity ownership on its stocks, but the average is closer to 20%. Those management teams that have a lot of 'skin in the game' in their companies are much less likely to put their own capital at risk by taking on too much debt or other forms of risk.

**Anthony Cross, Julian Fosh, Victoria Stevens, Matthew Tonge & Alex Wedge**

Fund Managers

November 2020

**Past performance is not a guide to future performance, investments can result in a total loss of capital.**

## Manager's Investment Report (continued)

### Material portfolio changes by value

#### Purchases

EKF Diagnostics  
Midwich  
Alpha FX  
Eckoh  
Impax Asset Management  
Mind Gym  
Robert Walters  
Smart Metering Systems  
IG Design  
Tristel

#### Sales

Cello Health  
YouGov  
PayPoint  
Clipper Logistics  
Kainos  
Eco Animal Health  
Trifast  
Sumo  
dotdigital  
Focusrite

### 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.

### 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  
22 December 2020

## Performance Tables (unaudited)

as at 31 October 2020

## Net asset value

Period end	Units in Issue	Net Asset Value (£'000)	Net Asset Value per unit (p)
<b>31 October 2020</b>			
Institutional Accumulation	31,124,883	518,509	1,665.90
Institutional Income	30,745,940	504,407	1,640.57
Retail Income	7,661,192	125,327	1,635.86
<b>30 April 2020</b>			
Institutional Accumulation	29,865,855	447,314	1,497.74
Institutional Income	31,427,488	463,551	1,474.98
Retail Income	7,994,734	117,727	1,472.55
<b>30 April 2019</b>			
Institutional Accumulation	26,478,364	387,930	1,465.08
Institutional Income	31,209,032	451,900	1,447.98
Retail Income	8,358,799	120,815	1,445.36
<b>30 April 2018</b>			
Institutional Accumulation	21,457,412	299,576	1,396.14
Institutional Income	32,006,072	442,740	1,383.30
Retail Income	8,711,707	120,298	1,380.88



# Portfolio Statement (unaudited)

as at 31 October 2020

Holding/ Nominal value	Stock description	Market value (£'000)	Percentage of total net assets (%)
	<b>EQUITIES (91.66%)</b>	<b>1,043,815</b>	<b>90.91</b>
	<b>UNITED KINGDOM (88.15%)</b>	<b>998,039</b>	<b>86.92</b>
	<b>Advertising (3.64%)</b>	<b>25,249</b>	<b>2.20</b>
3,510,201	Next Fifteen Communications	15,655	1.36
13,706,345	Pebble	9,594	0.84
	<b>Auto Parts &amp; Equipment (1.26%)</b>	<b>15,181</b>	<b>1.32</b>
4,600,279	Quartix	15,181	1.32
	<b>Banks (1.25%)</b>	<b>8,868</b>	<b>0.77</b>
1,409,264	Arbuthnot Banking	8,808	0.77
9,515	Arbuthnot Banking	60	0.00
	<b>Biotechnology (1.98%)</b>	<b>18,625</b>	<b>1.62</b>
462,168	Bioventix	18,625	1.62
	<b>Commercial Services (13.83%)</b>	<b>158,544</b>	<b>13.79</b>
6,700,409	Clipper Logistics	28,745	2.50
855,638	Dynamics	16,685	1.45
11,050,867	Gateley	13,261	1.15
8,238,816	Mind Gym	6,591	0.57
5,075,130	Robert Walters	20,199	1.76
4,509,539	RWS	25,118	2.19
9,438,043	Simplybiz	13,024	1.13
3,637,561	YouGov	34,921	3.04
	<b>Computers (4.06%)</b>	<b>66,465</b>	<b>5.78</b>
3,176,779	Cohort	19,061	1.66
11,511,676	Eckoh	7,483	0.65
1,763,757	Kainos	21,729	1.89
3,264,291	Midwich	11,425	0.99
14,098,662	Netcall	6,767	0.59
	<b>Diversified Financial Services (15.61%)</b>	<b>173,538</b>	<b>15.11</b>
2,831,089	AJ Bell	11,891	1.04
1,494,052	Alpha FX	15,389	1.34
1,208,209	Brooks Macdonald	18,486	1.61
4,955,328	Charles Stanley	11,595	1.01

## Portfolio Statement (unaudited) (continued)

as at 31 October 2020

Holding/ Nominal value	Stock description	Market value (£'000)	Percentage of total net assets (%)
<b>EQUITIES (continued)</b>			
<b>UNITED KINGDOM (continued)</b>			
<b>Diversified Financial Services (continued)</b>			
17,690,852	FRP Advisory	18,045	1.57
2,328,889	Impax Asset Management	12,576	1.10
3,147,904	IntegraFin	15,299	1.33
2,411,280	Mattioli Woods	15,432	1.34
3,658,771	Mortgage Advice Bureau	28,026	2.44
7,304,364	Nucleus Financial	8,400	0.73
799,095	PayPoint	4,019	0.35
5,530,847	Tatton Asset Management	14,380	1.25
<b>Electrical Components &amp; Equipment (1.89%)</b>		<b>18,737</b>	<b>1.63</b>
6,245,711	FW Thorpe	18,737	1.63
<b>Electronics (4.51%)</b>		<b>47,396</b>	<b>4.13</b>
7,013,138	Concurrent Technologies	6,172	0.54
447,107	Judges Scientific	23,250	2.02
3,093,574	Smart Metering Systems	17,974	1.57
<b>Food Producers (1.96%)</b>		<b>19,718</b>	<b>1.72</b>
1,702,790	Hilton Food	19,718	1.72
<b>Forest Products &amp; Paper (0.78%)</b>		<b>8,027</b>	<b>0.70</b>
912,156	James Cropper	8,027	0.70
<b>Healthcare Products (0.00%)</b>		<b>13,275</b>	<b>1.16</b>
17,939,704	EKF Diagnostics	13,275	1.16
<b>Healthcare Services (3.33%)</b>		<b>36,360</b>	<b>3.17</b>
4,820,399	CareTech	21,885	1.91
10,814,060	Medica	11,355	0.99
650,000	Tristel	3,120	0.27
<b>Home Furnishings (1.38%)</b>		<b>22,226</b>	<b>1.94</b>
2,315,218	Focusrite	22,226	1.94

# Portfolio Statement (unaudited) (continued)

as at 31 October 2020

Holding/ Nominal value	Stock description	Market value (£'000)	Percentage of total net assets (%)
	<b>EQUITIES (continued)</b>		
	<b>UNITED KINGDOM (continued)</b>		
	<b>Housewares (1.28%)</b>	<b>12,638</b>	<b>1.10</b>
3,052,763	IG Design	12,638	1.10
	<b>Insurance (1.38%)</b>	<b>8,773</b>	<b>0.76</b>
4,386,351	Curtis Banks	8,773	0.76
	<b>Internet (2.64%)</b>	<b>30,173</b>	<b>2.63</b>
18,577,506	Attraqt	6,874	0.60
7,420,192	iomart	23,299	2.03
	<b>Investment Companies (1.36%)</b>	<b>20,224</b>	<b>1.76</b>
2,789,534	Gresham House	20,224	1.76
	<b>Iron &amp; Steel (0.66%)</b>	<b>5,963</b>	<b>0.52</b>
1,923,573	Castings	5,963	0.52
	<b>Metal &amp; Hardware (1.34%)</b>	<b>9,346</b>	<b>0.81</b>
7,724,047	Trifast	9,346	0.81
	<b>Miscellaneous Manufacturing (1.01%)</b>	<b>10,091</b>	<b>0.88</b>
5,935,755	Animalcare	10,091	0.88
	<b>Oil &amp; Gas Services (0.07%)</b>	<b>1,126</b>	<b>0.10</b>
6,825,442	Plexus	1,126	0.10
	<b>Pharmaceuticals (0.56%)</b>		
	<b>Retail (0.95%)</b>	<b>8,710</b>	<b>0.76</b>
21,776,025	Brickability	8,710	0.76
	<b>Software (15.97%)</b>	<b>191,858</b>	<b>16.73</b>
5,115,672	Bango	7,673	0.67
1,030,119	Craneware	15,452	1.35
23,013,474	dotdigital	33,945	2.96
11,515,548	Ideagen	24,183	2.11
7,488,856	IMImobile	29,581	2.58

## Portfolio Statement (unaudited) (continued)

as at 31 October 2020

Holding/ Nominal value	Stock description	Market value (£'000)	Percentage of total net assets (%)
	<b>EQUITIES (continued)</b>		
	<b>UNITED KINGDOM (continued)</b>		
	<b>Software (continued)</b>		
1,461,462	Instem	6,577	0.57
4,181,971	K3 Business Technology	3,764	0.33
15,638,674	Learning Technologies	19,611	1.71
6,422,411	Quixant	6,743	0.59
8,796,607	Sumo	21,904	1.91
3,203,537	Team17	22,425	1.95
	<b>Telecommunications (5.45%)</b>	<b>66,928</b>	<b>5.83</b>
2,648,035	accesso Technology	7,017	0.61
2,005,542	Gamma Communications	33,492	2.92
1,704,448	GlobalData	26,419	2.30
	<b>JERSEY (1.78%)</b>	<b>23,897</b>	<b>2.08</b>
	<b>Diversified Financial Services (1.78%)</b>	<b>23,897</b>	<b>2.08</b>
4,458,390	JTC	23,897	2.08
	<b>IRELAND (1.73%)</b>	<b>21,879</b>	<b>1.91</b>
	<b>Computers (1.73%)</b>	<b>21,879</b>	<b>1.91</b>
1,033,959	Keywords Studios	21,879	1.91
	<b>Portfolio of investments</b>	<b>1,043,815</b>	<b>90.91</b>
	<b>Net other assets</b>	<b>104,428</b>	<b>9.09</b>
	<b>Total net assets</b>	<b>1,148,243</b>	<b>100.00</b>

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 30 April 2020.

# Financial Statements (unaudited)

## Statement of Total Return (unaudited)

for the period ended 31 October 2020

	(£'000)	1.5.2020 to 31.10.2020 (£'000)	(£'000)	1.5.2019 to 31.10.2019 (£'000)
Income				
Net capital gains/(losses)		112,674		(605)
Revenue	7,236		10,744	
Expenses	(7,814)		(7,182)	
Interest payable and similar charges	(4)		(1)	
Net (expense)/revenue before taxation	(582)		3,561	
Taxation	–		–	
Net (expense)/revenue after taxation		(582)		3,561
<b>Total return before distributions</b>		<b>112,092</b>		<b>2,956</b>
Distributions		–		(17)
<b>Change in net assets attributable to unitholders from investment activities</b>		<b>112,092</b>		<b>2,939</b>

## Statement of Change in Net Assets Attributable to Unitholders (unaudited)

for the period ended 31 October 2020

	(£'000)	1.5.2020 to 31.10.2020 (£'000)	(£'000)	1.5.2019 to 31.10.2019 (£'000)
<b>Opening net assets attributable to unitholders</b>		<b>1,028,592</b>		<b>960,645</b>
Amounts received on issue of units	97,765		142,641	
Amounts paid on cancellation of units	(90,206)		(114,306)	
		7,559		28,335
Change in net assets attributable to unitholders from investment activities		112,092		2,939
<b>Closing net assets attributable to unitholders</b>		<b>1,148,243</b>		<b>991,919</b>

The opening net assets attributable to unitholders for the current period do not equal the closing net assets attributable to unitholders for the comparative period as they are not consecutive periods.



## Financial Statements (unaudited) (continued)

**Balance Sheet (unaudited)**

as at 31 October 2020

	31.10.2020 (£'000)	30.4.2020 (£'000)
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	1,043,815	942,803
<b>Current assets:</b>		
Debtors	7,092	5,997
Cash and bank balances	108,481	85,552
<b>Total assets</b>	<b>1,159,388</b>	<b>1,034,352</b>
<b>Liabilities</b>		
<b>Creditors:</b>		
Distribution payable	–	(1,914)
Other creditors	(11,145)	(3,846)
<b>Total liabilities</b>	<b>(11,145)</b>	<b>(5,760)</b>
<b>Net assets attributable to unitholders</b>	<b>1,148,243</b>	<b>1,028,592</b>

**Accounting Policies**

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 Association in May 2014 (the "SORP") and updated in June 2017, the COLL and the Company's Instrument of Incorporation and Prospectus. In applying UK GAAP, the financial statements have been prepared in compliance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ("FRS 102").

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2020 and are described in those financial statements.

## Securities Financing Transactions

as at 31 October 2020

### Securities Lending

Securities lending transactions entered into by the Fund are subject to a written legal agreement between the Fund and the Stock Lending Agent, The Bank of New York Mellon (London Branch), and separately between the Stock Lending Agent and the approved borrowing counterparty. Collateral received in exchange for securities lent is transferred under a title transfer arrangement and is delivered to and held in an account with a tri-party collateral manager in the name of The Bank of New York Mellon (International) Limited ("the Trustee") on behalf of the Fund. Collateral received is segregated from the assets belonging to the Fund's Trustee or the Stock Lending Agent.

The following table details the value of securities on loan as a proportion of the Fund's total lendable assets and Net Asset Value (NAV) as at 31 October 2020. The income earned from securities lending are also shown for the period ended 31 October 2020. Total lendable assets represents the aggregate value of assets forming part of the Fund's securities lending programme. This excludes any assets held by the Fund that are not considered lendable due to any market, regulatory, investment or other restriction.

	Securities on loan	
% of lendable assets	% of NAV	Income earned (£'000)
0.28	0.26	-

The total income earned from securities lending transactions is split between the relevant Fund and the Stock Lending Agent. The Fund receives 70% while the Stock Lending Agent receives 30% of such income, with all operational costs borne out of the Stock Lending Agent's share.

The following table details the value of securities on loan (individually identified in the Fund's portfolio statement) and associated collateral received, analysed by counterparty as at 31 October 2020.

Counterparty	Counterparty's country of establishment	Securities Lending Amount on loan (£'000)	Collateral received (£'000)
Citigroup Global Markets Limited	UK	869	956
Credit Suisse AG	Switzerland	351	437
Merrill Lynch International	UK	334	379
The Bank of Nova Scotia	Canada	19	21
UBS	Switzerland	1,381	1,569
<b>Total</b>		<b>2,954</b>	<b>3,362</b>

All securities on loan have an open maturity tenor as they are callable or terminable on a daily basis.

### Collateral

The Fund engages in activities which may require collateral to be provided to a counterparty ("collateral posted") or may hold collateral received ("collateral received") from a counterparty.

## Securities Financing Transactions (continued)

as at 31 October 2020

### Collateral (continued)

The following table provides an analysis by currency of the underlying cash and non-cash collateral received / posted by way of title transfer collateral arrangement by the Fund, in respect of securities lending transactions, as at 31 October 2020.

Currency	Cash collateral received (£'000)	Cash collateral posted (£'000)	Non-cash collateral received (£'000)	Non-cash collateral posted (£'000)
<b>Securities lending transactions</b>				
AUD	-	-	37	-
CHF	-	-	144	-
CNY	-	-	30	-
EUR	-	-	372	-
GBP	-	-	312	-
HKD	-	-	82	-
JPY	-	-	206	-
NOK	-	-	3	-
SEK	-	-	11	-
USD	-	-	2,165	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>3,362</b>	<b>-</b>

Non-cash collateral received by way of title transfer collateral arrangement in relation to securities lending transactions cannot be sold, re-invested or pledged.

The following table provides an analysis of the type, quality and maturity tenor of non-cash collateral received / posted by the Fund by way of title transfer collateral arrangement in respect of securities lending transactions, as at 31 October 2020.

Collateral type and quality	Maturity Tenor					Open transactions (£'000)	Total (£'000)
	1 - 7 days (£'000)	8 - 30 days (£'000)	31 - 90 days (£'000)	91 - 365 days (£'000)	More than 365 days (£'000)		
Collateral received - securities lending							
Fixed income							
Investment grade	—	—	4	3	199	—	206
Equities							
Recognised equity index	—	—	—	—	—	3,156	3,156
Total	—	—	4	3	199	3,156	3,362

Investment grade securities are those issued by an entity with a minimum investment grade credit rating from at least one globally recognised credit rating agency; Standard & Poor's, Moody's or Fitch.

A recognised equity index contains at least 20 equities where no single equity represents more than 20% of the total index and no five equities combined represent more than 60% of the total index.

The maturity tenor analysis for fixed income securities received as collateral is based on the respective contractual maturity date, while for equity securities and ETFs received as collateral are presented as open transactions as they are not subject to a contractual maturity date.

## Securities Financing Transactions (continued)

as at 31 October 2020

**Collateral (continued)**

As at 31 October 2020, all non-cash collateral received by the Fund in respect of securities lending transactions is held by the Fund's Trustee (or through its delegates).

The following table lists the top ten issuers (or all the issuers if less than ten) by value of non-cash collateral received by the Fund by way of the title transfer collateral arrangement across securities lending transactions as at 31 October 2020.

Issuer	Value (£'000)	% of the Fund's NAV
UBS AG	1,569	0.14
Citigroup Global Markets Limited	956	0.08
Credit Suisse Securities (Europe) Limited	437	0.04
Merrill Lynch International	379	0.03
The Bank of Nova Scotia	21	0.00
<b>Total</b>	<b>3,362</b>	<b>0.29</b>

## Additional Information

**Trust Deed:** The Fund was established by a Trust Deed made between the Manager and the Trustee dated 27 July 1995.

**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](http://www.liontrust.co.uk).

**Unit type:** The Fund issues income and accumulation units. 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. Please refer to the Prospectus for more details.

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 or other financial regulator.

**Management charges and spreads:** The initial charge and annual management fees per unit class are detailed below.

Initial charge	%	Ongoing charges figure*	%	Included within the OCF is the Annual Management Charge**	%
Institutional Accumulation	Nil	Institutional Accumulation	1.36	Institutional Accumulation	1.25
Institutional Income	Nil	Institutional Income	1.36	Institutional Income	1.25
Retail Income	up to 5	Retail Income	1.61	Retail Income	1.50

\* 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.

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

**Publication of prices:** The price of units in the Fund is quoted on our website, [www.liontrust.co.uk](http://www.liontrust.co.uk) and other industry websites such as [www.trustnet.com](http://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, any capital gains made within the Fund is exempt from UK Capital Gains Tax. An individual investor is subject to capital gains tax on gains made on their investment, however an individual's first £12,300 of net gains on disposals in the 2020-2021 tax year are exempt from tax (2019-2020: £12,000).

**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.



### Additional Information (continued)

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.

**Assessment for Value:** The regulator - the FCA - has asked every asset manager to assess the value of the funds they run. Assessing value goes beyond performance and costs and encompasses a minimum of seven criteria mandated by the FCA. The assessment of value of the Fund and the other UK-domiciled funds managed by Liontrust will be conducted as at 31 August each year. This assessment will be presented to investors in a composite report for all the Liontrust funds on [www.liontrust.co.uk](http://www.liontrust.co.uk) and the first one will be available no later than 31 December 2020.

#### **Changes to the Company:**

- Change of Independent Auditor of the Fund from PricewaterhouseCoopers LLP to KPMG LLP in December 2020.

**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.



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**LIONTRUST** 

Liontrust Fund Partners LLP is authorised and regulated by the Financial Conduct Authority.