

IMPORTANT: IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS PROSPECTUS YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

Liontrust Fund Partners LLP, the manager of the Scheme (as defined in this Prospectus), is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained herein does not contain any untrue or misleading statement or omit any matters required by that part of the Financial Conduct Authority's Handbook of Rules and Guidance which deals with regulated collective investment schemes to be included in it. Liontrust Fund Partners LLP accepts responsibility accordingly.

PROSPECTUS
of
Liontrust Balanced Fund
(An authorised unit trust)

This document constitutes the Prospectus for Liontrust Balanced Fund and has been prepared in accordance with that part of the Financial Conduct Authority's Handbook of Rules and Guidance (the "Regulations") which deals with regulated collective investment schemes (the "Sourcebook").

This Prospectus is dated and is valid as at 16 February 2021.

Copies of this Prospectus have been sent to the FCA and the Trustee.

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No person has been authorised by the Manager to give any information or to make any representations in connection with the offering of units other than those contained in the Prospectus and, if given or made, such information or representations must not be relied on as having been made by the Manager. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of units shall not, under any circumstances, create any implication that the affairs of the Scheme have not changed since the date hereof.

The distribution of this Prospectus and the offering of units in certain jurisdictions may be restricted. Persons into whose possession this Prospectus comes are required by the Manager to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The units have not been and will not be registered under the United States Securities Act of 1933, as amended or registered or qualified under the securities law of any state of the United States. They may not be offered, sold, transferred or delivered, directly or indirectly, in the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia to, or for the account of, persons (including companies, partnerships, trusts or other entities) who are "US Persons" as defined in Rule 902 of Regulation S under the US Securities Act of 1933, as amended. Accordingly, this Prospectus may not be distributed in the United States or to a US Person. None of the units have been approved or disapproved by the US Securities and Exchange Commission, any states securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the units or the accuracy or adequacy of the prospectus. The Scheme has not been and will not be registered under the United States Investment Company Act of 1940, as amended.

Potential investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of units.

The provisions of the Trust Deed are binding on each of the unitholders a summary of which are included in this Prospectus; copies of the Trust Deed are available on request.

This Prospectus has been issued for the purpose of section 21 of the Financial Services and Markets Act 2000 (as amended from time to time) by the Manager, Liontrust Fund Partners LLP.

The distribution of this Prospectus in certain jurisdictions may require that this Prospectus is translated into the official language of those countries. Should any inconsistency arise between the translated version and the English version, the English version shall prevail.

This Prospectus is based on information, law and practice at the date hereof. The Manager cannot be bound by an out of date prospectus when it has issued a new prospectus and investors should check with Liontrust Fund Partners LLP that this is the most recently published prospectus.

THE MANAGER

The Manager is Liontrust Fund Partners LLP whose registered office is at 2 Savoy Court, London, WC2R 0EZ. Liontrust Fund Partners LLP is a limited liability partnership incorporated in England & Wales. It is an indirect subsidiary of Liontrust Asset Management PLC, a public company limited by shares, incorporated in England and Wales. It is authorised and regulated by the Financial Conduct Authority (the “FCA”).

The Manager may delegate its management, administration and investment advisory functions to third parties including associates subject to the Sourcebook.

The Manager has delegated investment management for the Funds to Liontrust Investment Partners LLP (the Investment Adviser) which is authorised and regulated by the FCA. The Investment Adviser is an indirect subsidiary of Liontrust Asset Management PLC. There is an Investment Management Agreement between the Manager and the Investment Adviser dated 15 June 2020.

The Investment Adviser has full discretionary powers both to advise and manage the relevant Funds on behalf of the Manager. The Investment Adviser is not paid commission but is paid fees by the Manager, which are laid out in the Investment Management Agreement between the respective companies.

The appointment of the Investment Adviser as investment adviser may be terminated by either party upon not less than 6 months' written notice after the first anniversary of the effective date of the Investment Management Agreement and may be terminated by either party at any time in certain other circumstances. The Investment Management Agreement contains indemnities from the Manager in favour of the Investment Adviser and provides limitations on the Investment Adviser's liability to the Manager.

The Investment Adviser acts as Investment Adviser to other funds or clients or may act as Investment Adviser to other funds or clients in the future any of which may be competing with the Fund(s) in the same markets.

The Manager has delegated administration, registration services to The Bank of New York Mellon (International) Limited.

Details of the Directors' other directorships and any significant business activities of the directors not connected with the business of the Manager are available upon request.

The FCA Rules regarding remuneration have been implemented primarily to ensure that relevant members of staff are not incentivised, by way of their remuneration package, to take excessive risks when managing funds. The Manager has approved and adopted a remuneration policy (the “Remuneration Policy”) which explains how the Manager complies with the FCA Rules and which staff are covered. Details of the up-to-date Remuneration Policy, including a description of how remuneration and benefits are calculated, the identities of the persons responsible for awarding such remuneration and benefits and the composition of the remuneration committee can be accessed at: www.liontrust.co.uk. A paper copy of these details is also available free of charge from the Manager upon request.

THE TRUSTEE

The Bank of New York Mellon (International) Limited is the Trustee of the Fund(s) and, for the avoidance of doubt, acts as the global custodian to the Fund(s).

The Trustee is a private company limited by shares incorporated in England and Wales on 9 August 1996. Its ultimate holding company is The Bank of New York Mellon Corporation, a public company incorporated in the United States.

The registered and head office address is at One Canada Square, London, E14 5AL.

The principal business activity of the Trustee is the provision of custodial, banking and related financial services. The Trustee is authorised by the Prudential Regulation Authority and is dual-regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Terms of Appointment:

The Manager is required to enter into a written contract with the Trustee to evidence its appointment. The Trustee was appointed under an agreement dated 15 June 2020 (the "Depositary Agreement"), pursuant to which the Manager and the Trustee agree to carry out various functions in order to comply with, and facilitate compliance with, the requirements of the UCITS Directive. The Depositary Agreement may be terminated by not less than 90 days written notice by any party provided that no such notice shall take effect until the appointment of a successor to the Trustee.

2.1 Trustee's functions

The Trustee has been entrusted with following main functions:

- 2.1.1 ensuring that the sale, issue, repurchase, redemption and cancellation of Shares are carried out in accordance with applicable law and the management regulations/articles of incorporation.
- 2.1.2 ensuring that the value of the Shares is calculated in accordance with applicable law and the management regulations/articles of incorporation.
- 2.1.3 carrying out the instructions of the Manager unless they conflict with applicable law and the management regulations/articles of incorporation.
- 2.1.4 ensuring that in transactions involving the assets of the Scheme any consideration is remitted within the usual time limits.
- 2.1.5 ensuring that the income of the UCITS is applied in accordance with applicable law and the management regulations/articles of incorporation.
- 2.1.6 monitoring of the Scheme's cash and cash flows.
- 2.1.7 safe-keeping of the Scheme's assets, including the safekeeping of financial instruments to be held in custody and ownership verification and record keeping in relation to other assets.

2.2 Trustee's liability

In carrying out its duties the Trustee shall act honestly, fairly professionally, independently and solely in the interests of the Company and its unitholders. In the event of a loss of a financial instrument held in custody, determined in accordance with the UCITS Directive, and in particular Article 18 of the UCITS Regulation, the Trustee shall return financial instruments of identical type or the corresponding amount to the Company without undue delay. The Trustee shall not be liable if it can prove that the loss of a financial instrument held in custody has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary pursuant to the UCITS Directive. In case of a loss of financial instruments held in custody, the unitholders may invoke the liability of the Trustee directly or indirectly through the Manager provided that this does not lead to a duplication of redress or to unequal treatment of the unitholders. The Trustee will be liable to the Scheme for all other losses suffered by the Scheme as a result of the Trustee's negligent or intentional failure to properly fulfil its obligations pursuant to the UCITS Directive. The Trustee shall not be liable for consequential or indirect or special damages or losses, arising out of or in connection with the performance or non-performance by the Trustee of its duties and obligations.

2.3 **Delegation**

The Trustee has full power to delegate the whole or any part of its safe-keeping functions but its liability will not be affected by the fact that it has entrusted to a third party some or all of the assets in its safekeeping. The Trustee's liability shall not be affected by any delegation of its safe-keeping functions under the Depositary Agreement. Information about the safe-keeping functions which have been delegated and the identification of the relevant delegates and sub-delegates are contained in Appendix VII to this Prospectus.

2.4 **Conflicts of Interest**

The Trustee or any BNY Mellon Affiliates may have an interest, relationship or arrangement that is in conflict with or otherwise material in relation to the services it provides to the Manager and the Company. Conflicts of interest may also arise between the Trustee's different clients.

As a global financial services provider, one of the Trustee's fundamental obligations is to manage conflicts of interest fairly and transparently. As a regulated business, the Trustee is required to prevent, manage and, where required, disclose information regarding any actual or potential conflict of interest incidents to relevant clients.

The Trustee is required to and does maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps designed to prevent conflicts of interest from adversely affecting the interests of its clients.

The Trustee maintains an EMEA Conflicts of Interest Policy (the "Conflicts Policy"). The Conflicts Policy (in conjunction with associated policies):

- (a) identifies the circumstances which constitute or may give rise to a conflict of interest entailing a risk of damage to the interests of one or more clients;
- (b) specifies the procedures or measures which should be followed or adopted by the Trustee in order to prevent or manage and report those conflicts of interest;
- (c) sets out effective procedures to prevent or control the exchange of information between persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more clients;
- (d) includes procedures to ensure the separate supervision of persons whose principal functions involve carrying out activities with or for clients and whose interests may conflict, or who otherwise represent different interests that may conflict, including with the interests of the Trustee;
- (e) includes procedures to remove any direct link between the remuneration of individuals principally engaged in one activity and the remuneration of, or revenues generated by, different individuals principally engaged in another activity, where a conflict of interest may arise in relation to those activities;
- (f) specifies measures to prevent or limit any person from exercising inappropriate influence over the way in which an individual carries out investment or ancillary services or activities; and
- (g) sets out measures to prevent or control the simultaneous or sequential involvement of an individual in separate investment or ancillary services or activities where such involvement may impair the proper management of conflicts of interest.

The Conflicts Policy clarifies that disclosure of conflicts of interest to clients is a measure of last resort to be used by the Trustee to address its regulatory obligations only where the organisational and administrative arrangements established by the relevant firm to prevent or manage its conflicts of interest are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of clients will be prevented.

The Trustee must assess and periodically review the Conflicts Policy at least once per annum and take all appropriate measures to address any deficiencies.

The Trustee undertakes that it shall make available to its competent authorities, on request, all information which it has obtained while performing its Services and which may be required by the competent authorities of the Company.

Delegation

The following conflicts of interests exist as a result of the delegation arrangements relating to safekeeping outlined above:

A Group Link where the Trustee has delegated, or where any Global Sub-Custodian has sub-delegated, the safekeeping of the Scheme Property to an entity within the same corporate group.

The Trustee shall ensure that policies and procedures are in place to identify all conflicts of interests arising from such Group Link and shall take all reasonable steps to avoid such conflicts of interests. Where such conflicts of interests cannot be avoided, the Trustee will ensure that such conflicts of interests are managed, monitored and disclosed in order to prevent adverse effects on the interests of the Company and its shareholders.

The Trustee may, from time to time, act as the Trustee of other open-ended investment companies with variable capital and as trustee or custodian of other collective investment schemes.

Up-to-date information stated above with regards to the Trustee will be made available to shareholders on request.

3 THE REGISTRAR

The Manager is responsible for the register and has delegated the function of Registrar to The Bank of New York Mellon (International) Limited, 1 Canada Square, London, E14 5AL.

The registers of unitholders can be inspected at The Bank of New York Mellon (International) Limited at the address given above during normal business hours.

4 AUDITORS

The Auditors of the Scheme are KPMG, 11th Floor, 15 Canada Square, Canary Wharf, London, E14 5GL.

5 FUND ACCOUNTANTS

The Manager has delegated the function of fund accounting to The Bank of New York Mellon (International) Limited, 1 Canada Square, London E14 5AL..

6 CONSTITUTION OF THE SCHEME

Information on the Scheme, including its type, authorisation and status under the UCITS Directive, is set out in Appendix 1.

7 BASE CURRENCY

The base currency of the Scheme is pounds sterling or such other currency as may be the lawful currency of the United Kingdom from time to time.

8 INVESTMENT OBJECTIVE AND POLICY OF THE SCHEME

The investment objective of the Scheme and the Manager's investment policy in order to achieve the investment objective is set out in Appendix 1.

9 **CHARACTERISTICS**

As the Scheme is one in which each investor's funds are pooled with other investors' funds, the Manager takes reasonable steps to ensure that each investment transaction carried out within the Scheme is suitable for the Scheme, having regard to the investment objective and policy of the Scheme. This Prospectus is intended to provide comprehensible and full details to enable investors to make a balanced and informed decision about the merits of participating in the Scheme.

10 **RISK FACTORS**

10.1 **General**

The investments of the Scheme are subject to normal market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in the value of investments will occur. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount they invest in the Scheme. There is no certainty that the investment objective of the Scheme will actually be achieved and no warranty or representation is given to this effect. The level of any yield for the Scheme may be subject to fluctuations and is not guaranteed.

If the income received by the Scheme is insufficient to pay the management charges then this amount will be deducted from capital and this will erode the capital value of the Scheme.

10.2 **Effects of Initial Charge or Redemption Charge**

Where an initial charge is imposed, an investor who realises his or her units after a short period may not (even in the absence of a fall in the value of the relevant investments) realise the amount originally invested.

In particular, where a redemption charge is payable, investors should note that the percentage rate at which the redemption charge is calculated is based on the market value rather than the initial value of the units. If the market value of the units has increased the redemption charge will show a corresponding increase. Currently there is no redemption charge levied on units.

The units therefore should be viewed as medium to long term investments.

10.3 **SDRT provision**

Investors should note that in certain circumstances a provision for SDRT may be applied on the purchase, redemption or transfer of units. (See paragraph 16.3 for further details on SDRT.)

10.4 **Suspension of Dealings in units**

Investors are reminded that in certain circumstances their right to redeem units (including a redemption by way of switching) may be suspended (see paragraph 13.4 "Suspension").

10.5 **Liabilities of the Scheme**

Unitholders are not liable for the debts of the Scheme. A unitholder is not liable to make any further payment to the Scheme after he has paid the price on purchase of the units.

10.6 **Tax**

The favourable tax treatment of ISAs may not continue in the future. Any effect tax may have on an investment may vary between investors and may change in the future.

10.7 **Currency Exchange Rates**

Currency fluctuations may adversely affect the value of the Scheme's investments and the income thereon and, depending on an investor's currency of reference, currency fluctuations may adversely affect the value of his or her investment in the Scheme.

10.8 **Emerging Markets**

Investments in emerging markets may be more volatile than investments in more developed markets. Some of these markets may have relatively unstable governments, economies based on only a few industries and securities markets that trade only a limited number of securities. Many emerging markets do not have well developed regulatory systems and disclosure standards may be less stringent than those of developed markets.

10.9 **Smaller Companies**

Schemes investing in smaller companies invest in transferable securities which may be less liquid than the securities of larger companies, as a result of inadequate trading volume or restrictions on trading. Securities in smaller companies may possess greater potential for capital appreciation, but also involve risks, such as limited product lines, markets and financial or managerial resources and trading in such securities may be subject to more abrupt price movements than trading in the securities of larger companies.

10.10 **Sub-Investment Grade Bonds**

From time to time the Scheme may hold sub-investment grade bonds. Such bonds have a lower credit rating than investment grade bonds and carry a higher degree of risk to both the income and capital value of the Scheme.

10.11 **Derivatives**

The Scheme may invest in derivatives for the purposes of efficient portfolio management. Such investment is not intended to increase the risk profile of the Scheme.

10.12 **Credit Risk**

Investments may be adversely affected if any of the institutions with which money is deposited, or which is a counterparty of the Scheme, suffers insolvency, other financial difficulties or otherwise fails to perform its financial obligations towards the Scheme: the Scheme will therefore be exposed to the credit risk of parties with whom it trades and will bear the risk of settlement default. Credit risk also arises from the uncertainty about the ultimate repayment of principal and interest for bond and other debt instrument investments. The entire deposit and purchase price of the debt instrument is at risk of loss if there is no recovery after default. The risk of default is usually greatest with bonds and debt instruments that are classified as 'sub-investment' grade.

10.13 **Legal and Documentation Risk**

The Scheme is exposed to the risk that, in the event of counterparty default or a dispute, the Manager may be unable to enforce or rely on rights or obligations arising under its contractual arrangements with its brokers and/or counterparties.

10.14 **Settlement Risk**

All investments in securities are transacted through brokers who have been approved by the Manager as an acceptable counterparty. There is a risk of loss if a counterparty fails to perform its financial or other obligations to the Scheme, for example, the possibility that a counterparty may default, by failing to make payments due, or make payments in a timely manner. If settlement never occurs the loss incurred by the Scheme will be the difference between the price of the original contract and the price of the replacement contract, or, in the

case where the contract is not replaced the absolute value of the contract at the time it is voided. Furthermore, in some markets 'delivery versus payment' may not be possible, in which case the absolute value of the contract is at risk if the Scheme meets its settlement obligations but the counterparty fails before meeting its obligations.

10.15 Charges to Capital

Where the investment objective of the Scheme is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, all or part of the fees of the Manager, may be charged against capital instead of against income. This treatment of the fees of the Manager will increase the amount of income available for distribution to unitholders in the Scheme concerned, but may constrain capital growth or increase capital losses.

11 TYPE OF UNITS

11.1 Type of units

The Trust Deed provide for different classes of unit to be established in the Scheme. Each such class may vary by factors such as their fee structure. In addition, each class may make available both accumulation and income units. The classes of unit currently available in the Scheme are set out in Appendix 1. The Trustee may create one or more classes of units as instructed from time to time by the Manager. An income unit represents one undivided share in the property of the Scheme and an accumulation unit represents an increasing number of undivided shares in the property of the Scheme. Each undivided share ranks *pari passu* with the other undivided shares in the Scheme unitholders are entitled to participate in the property of the Scheme and the income from that property in proportion to the number of undivided shares held in the Scheme represented by the units held by them. The nature of the right represented by units is that of a beneficial interest under a trust.

11.2 The Trust Deed allow gross income and gross accumulation units to be issued as well as net income and net accumulation units. Net units are units in respect of which income allocated to them is distributed periodically to the relevant unitholders (in the case of income units) or credited periodically to capital (in the case of accumulation units), in either case in accordance with relevant tax law, net of any tax deducted or accounted for by the Scheme. Gross units are income or accumulation units where, in accordance with relevant tax law, distribution or allocation of income is made without any tax being deducted or accounted for by the Scheme. Currently, however, only net income and net accumulation units are available, and all references in this Prospectus to income and accumulation units are to net income and net accumulation units.

11.3 Where the Scheme has different classes, each class may attract different charges and so monies may be deducted from the scheme property attributable to such classes in unequal proportions. In these circumstances, the proportionate interests of the classes within the Scheme will be adjusted accordingly.

11.4 Details of the units presently available for the Scheme, including details of their criteria for subscription and fee structure, are set out in Appendix I. For eligibility of receipt of rebate payments on any new business to an agent please contact the Manager.

11.5 Unitholders are entitled (subject to certain restrictions) to switch all or part of their units in a class into units in another class within the same Scheme. Details of this switching facility and the restrictions are set out in paragraph 13.3.

11.6 The Manager may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no units are acquired or held by any person in breach of the law or governmental regulations (or any interpretation of a law or regulation by a competent authority) of any country or territory or which would result in the Scheme incurring any liability to taxation which the Scheme is not able to recoup itself or suffering any other adverse consequence (including, for the avoidance of doubt, the Scheme becoming subject to withholding pursuant to the US Foreign Account Tax Compliance Act provisions of the Hiring Incentives to Restore

Employment Act, as enacted in Sections 1471-1474 of the US Internal Revenue Code of 1986 and any rules, regulations or other guidance issued thereunder). In this connection, the Manager may, inter alia, reject in its discretion any application for the purchase, redemption, transfer or switch of units.

11.7 If it comes to the notice of the Manager that any units ("affected units"):

- 11.7.1 are owned directly or beneficially in breach of any law or governmental regulations (or any interpretation of a law or regulation by a competent authority) of any country or territory; or
- 11.7.2 would result in the Scheme incurring any liability to taxation which the Scheme would not be able to recoup itself or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory); or
- 11.7.3 are held in any manner by virtue of which the unitholder of unitholder in question is/are not qualified to hold such units or if it reasonably believes this to be the case;

the Manager may give notice to the unitholder(s) of the affected units requiring the transfer of such units to a person who is qualified or entitled to own them or that a request in writing be given for the redemption of such units in accordance with the Regulations. If any unit upon whom such a notice is served does not within thirty days after the date of such notice transfer his affected units to a person qualified to own them or submit a written request for their redemption to the Manager or establish to the satisfaction of the Manager (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected units, he shall be deemed upon the expiry of that 30 days period to have given a request in writing for the redemption or cancellation (at the discretion of the Manager) of all the affected units.

A unitholder who becomes aware that he is holding or owns affected units shall immediately, unless he has already received a notice as set out above, either transfer all his affected units to a person qualified to own them or submit a request in writing to the Manager for the redemption of all his affected units.

Where a request in writing is given or deemed to be given for the redemption of affected units, such redemption will (if effected) be effected in the same manner as provided for in the Regulations.

11.8 **Income allocations**

The annual and interim accounting periods of the Scheme are set out in Appendix 1. Allocations of income are made in respect of the income available for allocation in each accounting period and will be made on the dates set out in Appendix 1 for the Scheme. The Trustee shall allocate the amount of income available between accumulation and income units in issue at the end of the relevant accounting periods.

Distributions of income for the Scheme are paid by BACS directly into the Shareholder's bank account on or before the income distribution dates set out in Appendix 1. A re-investment facility is available. Further information on the re-investment facility is available to unitholders from the Manager upon request.

In respect of accumulation units, the income will become part of the capital property of the Scheme on the income distribution date as set out in Appendix 1. This is reflected in the price of an accumulation unit.

If a distribution remains unclaimed for a period of six years after it has become due it will be forfeited and will revert to the Scheme.

The amount available for distribution in any accounting period is calculated by taking the aggregate of the income received or receivable for the account of the Scheme in respect of that period, and deducting the aggregate of the Manager's and Trustee's remuneration and other payments properly paid or payable out of the income account in respect of that accounting period and adding the Manager's best estimate of any relief from tax on that remuneration and those other payments. The Manager then makes such other adjustments as it considers appropriate (and after consulting the auditors as appropriate) in relation to taxation, the proportion of the prices received or paid for units that is related to income (taking into account any provisions in the relevant Trust Deed relating to income equalisation), potential income (which is unlikely to be reduced until 12 months after the income distribution date), income which should not be accounted for on an accrual basis because of lack of information as to how it accrues, transfers between the income and capital account and other matters.

Where the average income allocation to a unitholder (excluding the Manager or an associate of the Manager) is less than £10, the Trustee, after consulting the Manager, may decide not to proceed with the distribution but carry forward the income to the next accounting period or credit it to capital instead.

12 PRICING OF UNITS

12.1 Valuation of Property

The Scheme will be valued and priced in accordance with the provisions set out in Appendix 6. Valuations of the Scheme will take place on each business day (the "Valuation Point") for the purpose of determining prices of which units in the Scheme may be bought from or sold ("redeemed") to the Manager, being calculated on an offer basis (for the purpose of calculating the issue price of a unit) or a bid basis (for the purpose of calculating the cancellation price of a unit) respectively. The price at which the Manager sells units (the offer price) may not exceed the issue price of units plus the Manager's preliminary charge. The price at which the Manager redeems units (the bid price) will not be less than the cancellation price (less any redemption charge and any SDRT provision). The bid price will not exceed the relevant issue price.

Where permitted and subject to the Regulations, the Manager may in certain circumstances (for example where a significant event has occurred since the closure of a market) substitute a price with a more appropriate price which in its opinion reflects a fair and reasonable price for that investment.

The Manager will, upon completion of each valuation, notify the Trustee of the issue price, the cancellation price, the maximum offer price and the minimum bid price of units of each Class of the Scheme.

For the purposes of calculating the Manager's periodic charges the property of the Scheme is valued on a mid-market basis; for the purpose of calculating the investment limits the property of the Scheme is valued on a bid basis.

In April and October of each year all unitholders will receive a statement which provides a valuation of the unitholder's investment in the Scheme and a record of any transactions which have taken place during the period covered by the statement.

12.2 Price per unit in each Class

The price per unit at which units are issued or cancelled is calculated by taking the proportion, attributable to the units of the Class in question, of the value on the issue basis (when calculating the issue price per unit) or the cancellation basis (when calculating the cancellation price per unit) of the Scheme's Property by reference to the most recent valuation, computing the number of units of the relevant Class in issue immediately before that valuation, dividing the total by that number of units. Any initial charge or redemption charge, (or SDRT on a specific deal, if applicable) is payable in addition to the price or deducted from the proceeds and is taken from the gross subscription or redemption monies.

12.3 **Valuation Point**

The Scheme is valued daily at 12 noon on each dealing day. The Manager may at any time during a business day carry out an additional valuation if the Manager considers it desirable to do so.

12.4 **Publication of Prices**

All Share class prices will be published daily on our website at www.liontrust.co.uk. For reasons beyond the control of the Manager, these might not necessarily be the current prices.

All Share class prices will also be available on demand by dialling 0330 123 3822. The lines will be open on weekdays from 9am to 5pm UK time.

12.5 **Equalisation**

Part of the purchase price of a unit reflects the relevant share of accrued income in the Scheme. The first allocation of income in respect of a unit issued during an accounting period includes a capital sum by way of income equalisation. Being capital it is not liable to income tax but must be deducted from the base cost of income units for capital gains tax purposes. The amount of income equalisation is calculated by dividing the aggregate of the amounts of income included in the issue price of units of the type in question issued or re-issued in an accounting period/other grouping period by the number of those units and applying the resulting average to each of the units in question.

13 **BUYING AND SELLING UNITS**

The dealing office of the Manager is open from 9.00 am until 5.00 pm each normal business day ("Normal Business Day") to receive requests for the issue and redemption of units but the time and price at which a deal takes place depends on the rules as to pricing of units. A Normal Business Day for this purpose is defined as every day other than a Saturday, a Sunday, a Bank or Public Holiday in England, or Christmas Eve and New Year's Eve. However, on Christmas Eve or New Year's Eve, the dealing office may be opened for business at the discretion of the Manager and then only for as long as The London Stock Exchange is open for business.

Prices for the Scheme are calculated on each Dealing Day at 12 noon. Units purchased or sold before 12 noon will obtain the price calculated at 12 noon on that Dealing Day -i.e. a forward price.

The units in the Scheme are not listed or dealt in on any investment exchange.

At present, transfer of title by electronic communication is not accepted.

13.1 **Buying**

Units may be bought through FCA regulated or exempt intermediaries ("Authorised Intermediaries") or by sending a completed application form or clear written instructions to the Manager at Liontrust Fund Partners LLP, at PO Box 373, Darlington, DL1 9RQ or by telephone on 0330 123 3822.

A contract note giving details of the units purchased will be issued no later than the next business day after the day following execution of the transaction. Certificates will not be issued in respect of units. Ownership of units will be evidenced by an entry on the Company's Register of unitholders for the Scheme.

The Trust Deed of the Scheme does not authorise the issue of bearer certificates.

The minimum initial subscriptions, subsequent subscriptions and holdings levels for the Scheme are set out in Appendix 1. The Manager may at its sole discretion accept subscriptions

and/or holdings lower than the minimum amount(s). The only restriction on holdings is the value of the holding; there is no minimum number of units which any unitholder need hold.

The Manager reserves the right to reject, in its absolute discretion, any application for units in whole or in part, in which event, the Manager will return any money sent, or the balance, for the purchase of units which are the subject of the application, at the risk of the applicant.

The Manager may, by special arrangement and at its direction, agree to arrange for the issue of units in exchange for assets other than cash, but only if the Trustee has taken reasonable care to ensure that the acquisition of the assets in exchange for the number of units to be created is not likely to result in any material prejudice to the interests of unitholders of the Scheme.

When an applicant applies for units there is a window of time between the Manager receiving subscription money from the applicant and the Manager transferring the subscription money to the Trustee to be used to settle the creation of the applicant's units. If the Manager transfers the subscription money to the Trustee by the close of business on the Normal Business Day following receipt, the Manager is permitted to use an exemption to the FCA's client money rules which means that the Manager is not required to ensure that money is protected in a ring-fenced bank account. If the Manager transfers the subscription money to the Trustee outside of this window then the Manager is required to protect the money in a ring-fenced bank account in accordance with the FCA's client money rules.

No interest will be paid on money held within the client money account.

13.2 **Selling**

The Manager is obliged to issue and redeem units during a Normal Business Day (unless the value of the units which the unitholder wishes to redeem is less than his entire holding and would mean that the unitholder is left holding units with a value of less than the minimum holding shown in Appendix 1 for the Scheme. If following a redemption (or switch or transfer), a holding of units would fall below the minimum holding for that Scheme, the Manager has the discretion to effect a redemption of that unitholder's entire holding. The Manager may use this discretion at any time. Failure not to do so immediately after such redemption (or switch or transfer) does not remove this right).

Requests to redeem units in the Scheme may be made through Authorised Intermediaries or to the Manager by telephone or by sending clear written instructions (see paragraph 13.1 above for details).

Unless otherwise indicated, a redemption request will be taken to apply to the entire holding.

The Manager may defer redemptions at a particular valuation point to the next valuation point where the requested redemptions exceed 10% of the Scheme's value. The Manager will ensure the consistent treatment of all unitholders who have sought to redeem units at any valuation points at which redemptions are deferred. The Manager will pro rata all such redemption requests, to the stated level (i.e. 10% of the Scheme's value) and will defer the remainder until the next valuation point. The Manager will also ensure that all deals relating to an earlier valuation point are completed before those relating to a later valuation point are considered.

A contract note giving details of the number and price of the units sold back to the Manager will be sent to unitholders no later than the next business day after the units were sold. Payment in satisfaction of the redemption request will be issued on the fourth business day after the valuation point immediately following receipt of a signed request to redeem or the time duly executed instruments and authorisations to effect a transfer of title have been received, whichever is the later.

Where redemption proceeds are paid by cheque and the unitholder subsequently fails to present the cheque for payment, reasonable efforts will be made to contact the unitholder at the address of such unitholder listed on the evidenced on the register of unitholders, in order

to facilitate payment of any outstanding balance due. However, if the Manager is unable to contact the unitholder, after a period of 6 years, such amounts shall be forfeited and will revert to the Scheme or, at the Manager's discretion, paid to a UK charity of the Manager's choice. No interest will be payable to a unitholder in respect of amounts relating to unrepresented cheques.

Neither the Manager nor the Trustee is under an obligation to account to each other or to unitholders for any profit it makes on the issue or reissue of units or cancellation of units which it has redeemed. The Manager does not seek to make a profit from dealing in units as principal.

If a unitholder requests the redemption of units the Manager may, where it considers the deal to be substantial in relation to the total size of the Scheme concerned or in some way advantageous to the Scheme, arrange, having given prior notice to the unitholder, that, in place of payment in cash, the Trustee transfers property or, if required by the unitholder, the net proceeds of sale of the relevant property to the unitholder. The Manager will select the property to be transferred or sold in consultation with the Trustee. They must take reasonable care to ensure the property concerned would not be likely to result in any material prejudice to unitholders.

For these purposes, the Manager may consider a deal to be substantial if the relevant units constitute 5% or (a higher amount if considered appropriate) of those units in issue in the Scheme.

When a unitholder makes a redemption request for units there is a window of time between the Manager receiving redemption money from the Trustee and the Manager transferring the redemption money to the unitholder. The redemption money is currently protected in a ring-fenced bank account held by the Manager during this window.

No interest will be paid on money held within the client money account.

13.3 **Switching**

Subject to any restrictions on the eligibility of investors for a particular unit class, a unitholder in the Scheme may switch all or some of his units of one class ("the Original Units") for units of another class ("the New Units") at any Valuation Point of the Scheme. However, investors wishing to switch into gross units (if they are available) must first complete a Declaration of Eligibility and Undertaking that may be obtained from the Manager. The number of New Units issued will be determined by reference to the respective prices of New Units and Original Units at the Valuation Point applicable at the time the Original Units are redeemed and the New Units are issued.

Telephone switching instructions may be given but unitholders are required to provide written instructions to the Manager (which, in the case of joint unitholders, must be signed by all the joint unitholders) before switching is effected.

If a partial switch would result in the unitholder holding a number of Original Units or New Units of a value which is less than the minimum holding in the class concerned, the Manager may, if it thinks fit, convert the whole of the applicant's holding of Original Units to New Units or refuse to effect any switch of the Original Units. Save as otherwise specifically set out, the general provisions on procedures relating to redemption will apply equally to a switch. Written instructions must be received by the Manager before the Valuation Point for the Scheme to be dealt with at the prices at that Valuation Point. Switching requests received after a Valuation Point will be held over until the next Valuation Point of the Scheme.

The Manager may also, in its sole discretion, convert Original Units held by any unitholder for New Units, provided that the terms of the Original Units are substantially similar to the new Units and, in any event, the conversion does not materially prejudice any such unitholder. The Manager will provide the Unitholder with 60 days' prior notice of any such conversion. Please note that, under current tax law, a conversion of units between different classes will not be deemed to be a realisation for the purposes of capital gains taxation.

Unitholders may also switch some or all of their units of one class for units of another class in another Liontrust Fund. Further details may be obtained from the Manager.

Please note that under UK tax law a switch of units in one Scheme for units in any other Scheme is treated as a redemption of the original units and a purchase of new units and will, for persons subject to taxation, be a realisation of the original units for the purposes of capital gains taxation, which may give rise to a liability to tax, depending upon the unitholder's circumstances.

A unitholder who switches units in one Scheme for units in any other Scheme (or who switches between classes of units) will not be given a right by law to withdraw from or cancel the transaction.

Please note that any instruction to convert Original Units for New Units shall be treated as a switch.

13.4 **Suspension**

The Manager may, with the prior agreement of the Trustee, and must without delay if the Trustee so requires temporarily suspend the issue, cancellation, sale and redemption of units in the Scheme where due to exceptional circumstances it is in the interests of all the unitholders in the Scheme.

The Manager and the Trustee must ensure that the suspension is only allowed to continue for as long as is justified having regard to the interests of unitholders.

The Manager or the Trustee (as appropriate) will immediately inform the FCA of the suspension and the reasons for it and will follow this up as soon as practicable with written confirmation of the suspension and the reasons for it to the FCA and the regulator in each EEA state where the Scheme is offered for sale.

The Manager will notify unitholders as soon as is practicable after the commencement of the suspension, including details of the exceptional circumstances which have led to the suspension, in a clear, fair and not misleading way and giving unitholders details of how to find further information about the suspension.

Where such suspension takes place, the Manager will publish details on its website or other general means, sufficient details to keep unitholders appropriately informed about the suspension, including, if known, its possible duration.

During the suspension none of the obligations in that part of the Sourcebook relating to dealing will apply but the Manager will comply with as much of that part of the Sourcebook relating to valuation and pricing during the period of suspension as is practicable in light of the suspension.

Suspension will cease as soon as practicable after the exceptional circumstances leading to the suspension have ceased but the Manager and the Trustee will formally review the suspension at least every 28 days and will inform the FCA of the review and any change to the information given to unitholders.

The Manager may agree during the suspension to deal in units in which case all deals accepted during and outstanding prior to the suspension will be undertaken at a price calculated at the first Valuation Point after the restart of dealings in units.

13.5 **Large Deals**

Transactions in units under which the total consideration is more than £15,000 shall be considered to be a "large deal" within the meaning of the Regulations and will be redeemed at the cancellation price.

14 CHARGES AND EXPENSES OF THE SCHEME

All fees or expenses payable by a unitholder or out of scheme property are set out in this section.

14.1 Preliminary Charge

The Manager's preliminary charge for an investment in the Scheme which is included in the issue price of the units is set out in Appendix 1.

14.2 Administration Fees

Ordinary operating expenses incurred by the Fund may be paid out of the Scheme Property of the relevant Fund(s). To protect the unitholders from fluctuations in these expenses, the Manager has agreed to meet these operating expenses and to be reimbursed out of the Scheme Property at a flat rate per annum of the net asset value of the relevant Fund ("**Administration Fees**"), the current amount of these Administration Fees for each Fund are set out in Appendix I.

The rates have been determined based on historic costs and assume that the assets of a Fund do not exceed £500 million (see below for discount to be applied where the assets of a Fund do exceed £500 million). The Administration Fees will be reviewed annually. The Manager may amend the Administration Fee applicable to each Fund at any time at its discretion in accordance with the FCA Rules. In the event that the Manager exercises this discretion, unitholders will be notified in accordance with the FCA Rules relating to notifications of that nature and this Prospectus will be updated accordingly.

The Administration Fee shall accrue daily based on the prior day net asset value of each Fund and shall be paid monthly to the Manager out of Scheme Property on or as soon as is practicable after the last business day of the relevant calendar month. The Administration Fee will be calculated taking account of any applicable discount as set out in the table below, based on the net asset value of the Fund on the last business day of the previous month.

Net asset value	Discount to be applied to the Administration Fee (per annum)
Below £500 million	0.000%
£500 million to £1 billion	0.010%
£1 billion to £2 billion	0.020%
£2 billion to £3 billion	0.030%
£3 billion to £4 billion	0.040%
£4 billion to £5 billion	0.050%
Over £5 billion	0.060%

The above discounts will not apply in circumstances that the Administration Fees after the applicable discount would be below 0.07%. For example, if the Administration Fees for a Fund before any volume discount is 0.12% then the lowest it can go with the application of a volume discount is 0.07%. If the Administration Fees for a Fund before any volume discount is 0.06% then the volume discounts will not apply as the Administration Fee is already below 0.07%. Furthermore, the discount to be applied on Liontrust Balanced Fund is reduced by 0.050% at each net asset value level in the table above as the Administration Fee for this fund is below that of other similar funds in the Liontrust range. If the resultant discount to be applied drops below zero then the discount to be applied to the Administration Fee is 0.000%. Where an applicable threshold level of net asset value is achieved by a Fund on the last business day of any month, the relevant above discount will apply to that Fund in relation to the following month.

Expenses are allocated between capital and income in accordance with the Regulations. However, the approach for a given Fund is set out in Appendix I. Where expenses are deducted in the first instance from income if and only if this is insufficient, deductions will be made from capital. If deductions were made from capital, this would result in capital erosion and constrain growth.

The Manager will use the Administration Fees to pay for the following fees relating to the operation and administration of the Funds:

- a. The fees, expenses and disbursements payable to each service provider (being the Trustee, Registrar, Fund Accountant and Auditor);
- b. Custody fees and transaction charges
- c. Any costs incurred in modifying the Trust Deeds and/or the prospectuses and/or Key Investor Information Documents;
- d. Any costs incurred in respect of meetings of unitholders and communications with unitholders, including the costs of the postage;
- e. The fees of FCA under Chapter 10 of the Fees Manual;
- f. Any fees, expenses or disbursements of any investment, legal or other professional adviser of the Fund and those of the Fund's sub-advisers;
- g. All administration costs of the Funds, including but not limited to the costs of making and receiving payments to unitholders and any administration fees in relation to any derivative instruments, such as Collateral Management Fees;
- h. All costs in developing, purchasing and maintaining systems required to operate the Funds, including software; and
- i. VAT or any similar tax is payable in respect of the above.

In some periods, the Administration Fees may be less than the costs actually incurred. In these circumstances, the Manager will pay the difference from its own resources. Conversely, in some periods the Administration Fees may be more than the costs actually incurred. In these circumstances, the Manager will retain the difference, including any cost savings. None of the Company, Fund, the Trustee, the Manager, the Investment Adviser or any of their associates, nor the auditors, are liable to account to the Shareholders of any Fund for any profits or benefits it makes or receives that are derived from or in connection with dealings in the units of such Fund, any transaction in such Fund's property or the supply of services to such Fund.

The Administration Fees are not currently subject to VAT, but in the event of Value Added Tax (or any equivalent tax) being imposed this may be levied against the property of the Fund.

14.3 Annual Management Charge

The Manager is also entitled under the Trust Deed to make an annual management charge at the rates set out in Appendix 1 which accrues daily and is payable on the last business day of each month and is calculated on the day of accrual by reference to the value of the property

of the Scheme in accordance with the Regulations and the provisions set out in Appendix 6. The current rates of the periodic charge in respect of the Scheme are set out in Appendix 1.

14.4 Redemption Charge

Under the terms of the Trust Deed of the Scheme, the Manager is entitled to make a charge on the redemption of units. At present, the Manager does not make such a charge.

The Manager cannot levy this charge unless written notice of the introduction of the charge and the date of its commencement has been given to the Trustee and to regular investors and the Prospectus has been amended to reflect the change and the revised Prospectus has been made available for 60 days.

14.5 Other Expenses

In addition to the Annual Management Charge and the Administration Fee, the following expenses may also be payable by the Fund(s) out of its capital or income at the discretion of the Manager:

- a. brokers' commission, fiscal charges and other disbursements which are:
 - i. necessary to be incurred in effecting transactions for the Funds, and
 - ii. normally shown in contract notes, confirmation notes and difference accounts as appropriate;
- b. interest on borrowing permitted under the Funds and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- c. taxation and duties payable in respect of the property of the Funds, the Trust Deeds or the issue of units;
- d. liabilities on unitisation, amalgamation or reconstruction arising in certain circumstances specified by the COLL Sourcebook; and
- e. VAT or any similar tax is payable in respect of the above

15 WINDING-UP OF THE SCHEME

15.1 The Scheme will not be wound up except in accordance with the Sourcebook.

15.2 The Trustee shall proceed to wind-up the Scheme:

- 15.2.1 if the order declaring the Scheme to be an authorised unit trust scheme is revoked, or
- 15.2.2 if the Manager or the Trustee requests the FCA to revoke the order declaring the Scheme to be an authorised unit trust scheme and the FCA has agreed (provided no material change in any relevant factor occurs) that on the winding-up of the Scheme, the FCA will accede to that request, or
- 15.2.3 the expiration of any period specified in the Trust Deed as the period at the end of which the Scheme is to terminate, or
- 15.2.4 on the effective date of a duly approved scheme of arrangement which is to result in the Scheme being left with no property.

- 15.3 If any of the events set out above occurs the rules in the Sourcebook relating to dealing, valuation and pricing and investment and borrowing powers, will cease to apply. The Trustee shall cease to issue and cancel units and the Manager will stop redeeming and selling units.
- 15.4 In the case of the scheme of arrangement referred to in paragraph 15.2.4 above, the Trustee shall wind up the Scheme in accordance with the approved scheme of arrangement.
- 15.5 In any other case, the Trustee shall, as soon as practicable after the Scheme falls to be wound-up, realise the assets of that Scheme and, after paying, or retaining adequate provision for, all liabilities properly payable and retaining provision for the costs of the winding-up, distribute the proceeds to the unitholders and the Manager proportionately to their respective interest in the Scheme.
- 15.6 Any unclaimed net proceeds or other cash (including unclaimed distribution payments) held by the Trustee after twelve months from the date the proceeds became payable, shall be paid by the Trustee into Court, although the Trustee will have the right to retain any expenses incurred in making that payment. On completion of the winding-up, the Trustee shall notify the FCA in writing of that fact and the Trustee or the Manager shall request the FCA to revoke the order of authorisation.

16 **TAXATION**

The following statements on taxation represent the Manager's understanding of the current legislation and HM Revenue & Customs ("HMRC") practice as known at the date of printing of this document. Both are subject to change. Fiscal rules and their interpretation may change without warning. The information contained herein relates primarily to UK resident individual investors and may not apply to certain classes of investor (such as financial institutions). It should not be treated as legal or tax advice. Unitholders and potential unitholders, in particular those other than UK resident individuals, are recommended to consult their own professional advisers if they are in any doubt as to their individual position.

16.1 **The Scheme**

16.1.1 **Income**

Income, other than distributions of income received by the Scheme, which falls within an exempt class, received by the Scheme is subject to corporation tax. The rate of corporation tax is 19% for the tax year 2017/2018, but due to be reduced to 17% in April 2020.

Income received from non UK resident companies may in addition be received net of any foreign withholding tax. Any such withholding tax suffered by the Scheme may, depending on the provisions of any applicable double taxation treaty, be available to offset against any corporation tax liability on that income.

Dividends treated as being exempt under Part 9A of the Corporation Tax Act 2009 ("**CTA 2009**") and the franked portion of dividend distributions from other UK authorised unit trusts and UK open-ended investment companies are not chargeable to corporation tax in the hands of the Scheme.

16.1.2 **Capital Gains**

Authorised unit trusts are exempt from tax on capital gains realised on the disposal of investments (including on interest paying securities and derivatives) held within them.

16.2 Taxation of Unitholders

16.2.1 Income

Funds which are so called “Equity” Funds for the purposes of tax will pay any distributable income as dividend distributions (which will be automatically retained in the Scheme in the case of accumulation Shares).

Funds which are so-called “Bond” Funds for the purposes of tax may pay interest distributions (which will be automatically retained in the case of accumulation Shares).

An individual unitholder who is resident in the UK (for tax purposes) receives a dividend tax allowance of £5,000 per year (this replaced the dividend tax credit system in April 2016). Income tax is applied to dividend income above that allowance at rates of 7.5% for basic rate taxpayers, 32.5% for higher rate tax payers and 38.1% for additional rate tax payers.

As an authorised unit trust, the Scheme is also treated as making distributions when reinvesting income in respect of accumulation units. The above analysis applies both where the Scheme actually makes a distribution and where the Scheme is treated as making a distribution in respect of the net amounts reinvested.

Corporate unitholders who receive dividend distributions may have to divide them into two parts; a “franked” portion and an “unfranked” portion (in which case the division will be indicated on the tax voucher). In broad terms, the portion treated as franked will be such proportion as is equal to the proportion of the total income of the Scheme (brought into account when determining the distribution for the period in question) which consists of dividend income received which is treated as exempt under Part 9A CTA 2009. The “franked” portion of the payment is treated as dividend income, on which the United Kingdom resident corporate unitholder is not chargeable to corporation tax (unless the unitholder is deemed to be a dealer in securities by HMRC). No reclaim of tax credits can be made in relation to the “franked” portion of a dividend distribution.

The remainder, “unfranked” portion, of the distribution will be received as an annual payment after deduction of income tax at the basic rate, and corporate unitholders may, depending on their circumstances, be liable to corporation tax on the grossed up amount, but with credit for the 20% income tax treated as having been deducted. Any repayment of the income tax credit is limited to the corporate unitholder’s share of the Scheme’s liability to corporation tax for the distribution period in question.

If at any time in an accounting period the investments of the Scheme comprise more than 60 per cent. (by value) in “qualifying investments” the Scheme may elect to treat its distributions as a payment of interest (as opposed to a dividend) for UK tax purposes. The Scheme is referred to in this Prospectus as a “Bond” Fund (though the term does not appear in UK tax legislation). Qualifying investments are, broadly, debt-like instruments and include the holding of shares in a master fund (whether incorporated in the UK or offshore) that itself holds more than 60% of its investments in debt-like instruments. If any Fund were to be treated as paying an interest distribution, it would normally be able to deduct the amount of that distribution in computing its taxable income for corporation tax purposes, thereby reducing or eliminating its liability to corporation tax for the period in question.

16.2.2 Capital Gains

Any capital gains arising to individual unitholders who are resident in the UK on disposal of their units may, depending on their personal circumstances, be

subject to tax. Gains which exceed the annual exemption level (£11,100 for 2017/18) are taxable at either 10% or, where an individual unitholder is subject to income tax at the higher or additional rate, 20%.

Any capital gains (after taking account of indexation relief) arising to UK resident corporate unitholders are subject to corporation tax.

In the case of the first income allocation made in respect of a unit issued during an accounting period the amount representing income equalisation included in the price of the unit is a return of capital and is generally not taxable in the hands of unitholders. This amount is, however, generally deducted from the base cost of units in computing any capital gains realised on subsequent disposal of units.

Corporate Unitholders in the “Bond” Funds who are subject to corporation tax must treat their Shareholding as a creditor relationship subject to a fair value basis of accounting. Accordingly, a corporate Unitholder may, depending on its own circumstances, incur a charge to corporation tax on an unrealised increase in the value of its holding (and, likewise, obtain relief against corporation tax for an unrealised reduction in the value of its holding).

16.3 Stamp Duty Reserve Tax

SDRT is generally charged on any agreements to transfer units of the Scheme (other than transactions handled by the Manager) to third parties at a rate of 0.5% of the consideration.

No SDRT charge will be levied on surrenders of units unless the surrender is a non pro-rata in specie redemption. In those cases the underlying stock or marketable securities of the Scheme is chargeable to SDRT by reference to the surrendered units which constitute the consideration.

The charge to SDRT does not apply to an agreement to transfer units where that agreement would have been exempt from stamp duty under certain specified exemptions.

16.4 Reporting of tax information

The Scheme is subject to obligations which require them to provide certain information to relevant tax authorities about the Scheme, its unitholders, and payments made to them.

The International Tax Compliance Regulations 2015 give effect to:

- (i) reporting obligations under the OECD's Common Reporting Standard for Automatic Exchange of Information (the “**CRS**”). The Scheme is required to identify accounts maintained for account holders who are tax resident in the EU or jurisdictions with which the UK has entered into an agreement to automatically exchange tax information and collect and report such information to HMRC; and
- (ii) an intergovernmental agreement between the US and the United Kingdom in relation to the US Foreign Account Tax Compliance Act (“**FATCA**”). FATCA is designed to help the Internal Revenue Service (the “**IRS**”) combat US tax evasion. It requires financial institutions, such as the Scheme, to report on US investors or US holdings, whether or not this is relevant. Failure to comply (or be deemed compliant) with these requirements will subject the Scheme to US withholding taxes on certain US-sourced income and gains.

The International Tax Compliance (Crown Dependencies and Gibraltar) Regulations 2014 (the “**CDOT Regulations**”) impose a separate reporting regime for investors from several of the UK's overseas territories: Jersey, Guernsey, Isle of Man and Gibraltar. The CDOT Regulations implement the UK's intergovernmental agreements with these territories. From 31 December 2017 these agreements will be revoked and replaced by the CRS. HMRC have confirmed that accounts will only need to be reported once on the common return where they are reportable under both the CDOT Regulations and the CRS.

Provided the Scheme complies with its obligations under the International Tax Compliance Regulations 2015 to identify and report taxpayer information directly to HMRC, it should be deemed compliant with FATCA and the CRS. HMRC will share such information with the relevant overseas tax authorities.

Unitholders may be asked to provide additional information to the Manager to enable the Scheme to satisfy these obligations. Failure to provide requested information may subject a unitholder to liability for any resulting penalties, U.S. withholding taxes, tax information reporting and/or mandatory redemption, transfer or other termination of the unitholder's interest in its units. It is possible that other countries will enact similar legislation which will be implemented in the UK.

Withholding tax liability

To the extent the Scheme is subject to withholding tax as a result of:

- (i) a unitholder failing (or delaying) to provide relevant information to the Manager;
- (ii) a unitholder failing (or delaying) to enter into a direct agreement with the IRS; or
- (iii) the Scheme becoming liable under FATCA or any legislation or regulation to account for tax in any jurisdiction in the event that a unitholder or beneficial owner of a unit receives a distribution, payment or redemption, in respect of their units or disposes (or be deemed to have disposed) of part or all of their units in any way,

(each a “**Chargeable Event**”),

the Manager may take any action in relation to a unitholder's holding in the Scheme to ensure that such withholding is economically borne by the relevant unitholder and/or the Manager and/or its delegate or agent shall be entitled to deduct from the payment arising on a Chargeable Event an amount equal to the appropriate tax. The action by the Manager may also include, but is not limited to, removal of a non-compliant unitholder from the Scheme or the Manager or its delegates or agents redeeming or cancelling such number of shares held by the unitholder or such beneficial owner as are required to meet the amount of tax. Neither the Manager nor its delegate or agent, including the administrator, will be obliged to make any additional payments to the unitholder in respect of such withholding or deduction.

17 **MEETINGS OF UNITHOLDERS AND VOTING RIGHTS**

The Trustee or the Manager may, at any time, convene a general meeting of unitholders in the Scheme or in a particular class of units in the Scheme.

The Trustee shall, on request in writing of unitholders registered as holding not less than $\frac{1}{10}$ th in value of the units in issue in the Scheme or in a particular class of units in the Scheme, convene a meeting of unitholders.

A meeting of unitholders in the Scheme or in a particular class of units in the Scheme, duly convened, may require, authorise or approve any act, matter or document in respect of which any such resolution is required or expressly contemplated by the Regulations.

Except where an extraordinary resolution is specifically required or permitted, any resolution of the unitholders is passed by a simple majority. In the case of an equality of, or an absence of, votes cast, the chairman is entitled to the casting vote. To be passed as an extraordinary resolution the resolution must be carried by a majority of not less than 75% of the votes cast at a meeting.

Unitholders will receive at least 14 days' written notice of any meeting of unitholders and are entitled to be counted in the quorum and vote at any such meeting either in person or by proxy or in the case of a body corporate by a duly authorised representative.

A meeting of unitholders must have a chairman nominated by the Trustee.

A quorum at a meeting of unitholders is two unitholders present in person or by proxy, or in the case of a body corporate by a duly authorised representative. If, after a reasonable time from the start of the meeting a quorum is not present the meeting will stand adjourned and at such adjourned meeting one person entitled to be counted in a quorum shall constitute a quorum.

At any meeting of unitholders, on a show of hands every unitholder who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard, shall have one vote. A poll may be demanded by the Chairman of the Meeting, by the Trustee or by at least two unitholders. On a poll, the voting rights for units are the proportion of the voting rights attached to all of the units in issue that the value of the units bears to the aggregate value of all the units in issue. On a poll votes may be given either personally or by proxy. A unitholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

Where a resolution (including an extraordinary resolution) is required to conduct business at a meeting of unitholders and every unitholder is prohibited under the Sourcebook from voting, it shall not be necessary to convene such a meeting and a resolution may, with the prior written agreement of the Trustee to the process, instead be passed with the written consent of unitholders representing 50% or more, or for an extraordinary resolution 75% or more, of the units of the scheme in issue.

In the case of joint unitholders the vote of the most senior who votes, whether in person or by proxy, must be accepted to the exclusion of the votes of the other joint unitholders. For this purpose seniority must be determined by the order in which the names stand in the register of unitholders.

The Manager is only entitled to be counted in a quorum and vote at a meeting (and any adjournment thereof) in respect of units which they hold on or on behalf of or jointly with a person who, if himself the registered unitholder, would be entitled to vote and from whom they have received voting instructions. Associates of the Manager are entitled to be counted in the quorum but are only entitled to vote in respect of units held by them on behalf of or jointly with a person who, if himself the registered holder, would be entitled to vote and from whom they have received voting instructions.

In the context of despatch of notice, "unitholders" means the persons who were entered on the register of holders seven days before the notice of meeting was sent.

18 GENERAL INFORMATION

18.1 Money Laundering and Tax Evasion

As a result of legislation in force in the United Kingdom to prevent money laundering, the Manager is responsible for compliance with anti-laundering regulations. In order to implement these procedures, in certain circumstances unitholders may be asked to provide some proof of identity, for example when buying or selling units. Until satisfactory proof of identity is provided, the Manager reserves the right to refuse to issue units, pay the proceeds of a redemption of units, or pay income or units to the investor.

It is also anticipated that a new corporate criminal offence will come into force in the United Kingdom in 2017. This will target the failure by a 'relevant body' to prevent facilitation of tax evasion. If it can be demonstrated that reasonable prevention procedures were in place which were designed to prevent such facilitation occurring, the relevant body will not be guilty of a criminal offence. The Manager reserves the right to adopt such practices and procedures as it deems necessary to avoid committing an offence on the basis of the enacted form of the legislation.

18.2 Reports

For each annual accounting period and half-yearly accounting period (set out in Appendix 1) the Manager will prepare a report.

The Manager will, within four months after the end of each annual accounting period and within two months after the end of each half-yearly accounting period respectively, provide free of charge the report in accordance with the Sourcebook, by sending a copy of the report to each unitholder (or to the first named of joint unitholders) entered in or entitled to be entered in the register of unitholders at the close of business on the last day of the relevant accounting period.

The Manager will make the report available to unitholders on request free of charge. Copies of the latest report and accounts may be requested from the Manager at the principal place of business address quoted in paragraph 1 above.

18.3 Documents of the Scheme

A copy of the Trust Deed (as amended by any supplemental trust deeds) and the latest Prospectus of the Scheme may be obtained from, or inspected at, the Head Office of the Manager at 2 Savoy Court, London, WC2R 0EZ. A charge, currently of £5, will be levied for each copy of the Trust Deed.

18.4 Risk Management

The Manager will provide upon request of a unitholder further information relating to:

18.4.1 the quantitative limits applying in the risk management of any Scheme;

18.4.2 the methods used in relation to 18.4.1; and

18.4.3 any recent development of the risk and yields of the main categories of investment.

18.5 Provision of Investment Advice

All information concerning the Scheme and about investing in units in the Scheme is available from the Head Office of the Manager. The Manager is not authorised to give investment advice and persons requiring such advice should consult an Authorised Intermediary. All applications for units are made solely on the basis of the current Prospectus of the Scheme and investors should assure that they have the most up to date version.

18.6 Complaints Handling

Complaints concerning the operation or marketing of the Fund may be referred to the Manager at PO Box 373, Darlington, DL1 9RQ. The Manager aims to resolve all complaints as quickly as possible. Where the Manager cannot resolve the problem by close of business on the third business day after the complaint is received, the Manager will acknowledge the complaint in writing and give notice of who is handling the complaint.

If a complaint cannot be resolved within 4 weeks of receipt, the Manager will provide a written update.

If the Manager has not satisfactorily dealt with a complaint within 8 weeks, you can refer the matter to the Financial Ombudsman Service at South Quay Plaza, Exchange Tower, Harbour Exchange Square, London E14 9SR, telephone 0845 080 1800 or at complaint.info@financial-ombudsman.org.uk.

The Manager will handle complaints in line with its complaints procedure and the FCA rules governing complaints. A copy of the Manager's complaints procedure is available on request.

18.7 Notices

All notices or documents required to be served on unitholders shall be served by post to the address of such unitholder as evidenced on the register. All documents and remittances are sent at the risk of the unitholder.

18.8 **Conflicts of interest**

The Manager has produced a conflicts of interest policy that takes a three-stage approach to managing and controlling any actual or potential conflicts of interest. This policy is available on request.

18.9 **Best Execution**

When executing orders on behalf of the Scheme in relation to financial instruments, the Manager will take all reasonable steps to achieve “best execution” by following policy and procedures which are designed to obtain the best possible execution result, taking into consideration the nature of the Scheme’s orders, the priorities the Scheme place upon filing the orders and the market in question and which provides, in the reasonable opinion of the Manager, the best balance across a range of sometimes conflicting factors. The Manager’s order execution policy is available on the Manager’s website, www.liontrust.co.uk. Alternatively unitholders can contact the Manager’s customer service helpline 0330 123 3822 and request a copy of the policy.

18.10 **Voting Strategy**

Information on the Manager’s strategy for exercising the Scheme’s voting rights in relation to its underlying investments is available to unitholders upon request.

18.11 **Fee sharing and soft commissions**

The Scheme may enter into fee sharing agreements and soft commission arrangements which are permissible under the Regulations.

Under soft commission arrangements, the Manager’s affiliates may from time to time have entered into arrangements with brokers, under which the brokers will provide or procure services or other benefits which can be reasonably expected to assist in the provision of investment services. No direct payment is made for these services. Any transactions conducted under these arrangements are done so on a best execution basis as required by the FCA, and in accordance with other applicable FCA rules. More detailed information on soft commission arrangements are available on request.

The Manager may, on occasion, share fees and commission with external agents, intermediaries or introducers. Details of any such shared fees or commission may be disclosed in contract notes or are otherwise available on request.

APPENDIX 1

Scheme Details

Liontrust Balanced Fund (the “Fund”)

Product Reference Number: 200138

1 CONSTITUTION

The Scheme is a UCITS scheme constituted by trust deed on 9 October 2002 and authorised by the FCA on 9 October 2002.

2 INVESTMENT OBJECTIVE, POLICY, STRATEGY, PERFORMANCE COMPARATOR AND IA SECTOR

2.1 Investment Objective

The investment objective of Liontrust Balanced Fund is to generate long term (5 years or more) capital growth with the potential for income.

2.2 Investment Policy

The Scheme invests, directly or indirectly, in a mix of asset classes across the world including equity, fixed income and alternatives. There is no predetermined exposure to any asset class or region.

The Scheme may also invest in other eligible asset classes such as collective investment schemes (which may include Liontrust managed funds), other transferable securities, cash or near cash, deposits and money market instruments.

Derivatives and forward transactions may be used by the ACD for efficient portfolio management.

It is the intention to be near-fully invested at all times, however, the Scheme has the facility to take tactical positions in cash or near cash, and to use efficient portfolio management, should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Scheme is at all times eligible to qualify for, and to be included in, an Individual Savings Account.

For a definition of terms please refer to the glossary.

2.3 Investment Strategy

The Scheme invests in securities selected using a combination of top down and bottom up analysis while managing risk through asset allocation.

2.4 Performance Benchmark

<i>For total return purposes</i>	<i>Benchmark Category</i>	<i>Benchmark Type</i>
IA Mixed Investment 40-85%	Comparator	Sector

2.5 Rationale for choice of benchmark

Given the Fund does not have any predetermined exposure to any asset class or region the Manager believes it is appropriate for investors to compare the performance of the Fund versus the relevant IA sector which in this case is the IA Mixed Investment 40-85% Shares.

3 ACCOUNTING DATES

Annual Accounting Reference Date	31 December
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Interim Accounting Period Ends	30 June
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4 CHARACTERISTICS OF THE SCHEME

4.1 Unit Class and Type of Units

- Class A Net Income Units
- Class A Net Accumulation Units
- Class B Net Income Units
- Class B Net Accumulation Units
- Class C Net Income Units
- Class C Net Accumulation Units
- Class D Net Accumulation Units***

Units are available to all investors who can meet the minimum investment thresholds set out below, including investment through an ISA or Junior ISA. Only Net Accumulation Units are available for investment through a regular savings plan.

4.2 Valuation

Valuation Point	12 noon
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4.3 Preliminary Charge

Class A Units

Current initial charge	Nil
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Class B Units

Current initial charge	Nil
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Class C Units

Current initial charge	Nil
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Class D Units***

Current initial charge	Nil
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4.4 Annual Management Charge*

Class A Units

Annual Management Charge	1.60% per annum
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Class B Units

Annual Management Charge	1.00% per annum
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Class C Units

Annual Management Charge	0.75% per annum
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Class D Units***

Annual Management Charge	0.65% per annum
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The Annual Management Charge is taken from Income where possible. If the available Income is insufficient the Annual Management Charge will be taken from Capital.

4.5 **Administration Fee (per annum)***

Class A Units: 0.04%

Class B Units: 0.15%

Class C Units: 0.10%

Class D Units: 0.10%

The Administration Fee is taken from Income where possible.

4.6 **Distribution**

Annual Income Distribution Date	last day of February
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Interim Income Distribution Date	31 August
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4.7 **Investment minima****

Class A Units

Minimum initial purchase	£1,000
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Minimum subsequent purchase or sale	£50
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Minimum holding	£1,000
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Class B Units

Minimum initial purchase	£1,000
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Minimum subsequent purchase or sale	£50
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Minimum holding	£1,000
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Class C Units

Minimum initial purchase	£250,000
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Minimum subsequent purchase or sale	£100
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Minimum holding	£250,000
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Class D Units***

Minimum initial purchase	£100,000,000
Minimum subsequent purchase or sale	£0
Minimum holding	£100,000,000

4.8 Pricing basis

Dealing in the Scheme is on a forward price basis.

* Information on fees and charges are set out under section 14 – “Charges and Expenses of the scheme”.

** The Manager may waive the minimum levels at its discretion.

*** Class D Units are only available to persons who actively market and distribute such units (or whom the Manager believes intend to do so) and who satisfy the Manager's conditions for investment in such units.

APPENDIX 2

Eligible Markets

Eligible Securities Markets and Eligible Derivatives Markets

The Scheme may deal through securities markets which are regulated markets (as defined in the glossary to the FCA Handbook) or markets established in an EEA State which are regulated, operate regularly and are open to the public.

The Scheme may also deal through the securities markets and derivatives markets indicated below (subject to their respective investment objective and policy):

Securities Markets

Australia	Australian Stock Exchange
Canada	The Canadian Ventures Exchange
	Montreal Stock Exchange
	Toronto Stock Exchange
	Winnipeg Stock Exchange
Czech Republic	Prague Stock Exchange
Estonia	Tallinn Stock Exchange
Europe	EASDAQ
Hong Kong	Hong Kong Growth Enterprise
	Hong Kong Stock Exchange
Hungary	Budapest Stock Exchange
India	Bombay Stock Exchange
Indonesia	Indonesia SE
Japan	Fukuoka Stock Exchange
	Hiroshima Stock Exchange
	Nagoya Stock Exchange
	Niigata Stock Exchange
	Osaka Stock Exchange
	Sapporo Stock Exchange
	Tokyo Stock Exchange
	Tokyo Over-the-Counter

Poland	Warsaw Stock Exchange
Qatar	Doha Securities Market
Russia	MICEX- RTS.
Singapore	Stock Exchange of Singapore
South Africa	Johannesburg Stock Exchange
Switzerland	Swiss Exchange (Basle, Geneva and Zurich)
Taiwan	Taiwan Stock Exchange
Turkey	Istanbul Stock Exchange
United Kingdom	The Alternative Investment Market
United States	Boston Stock Exchange
	Cincinnati Stock Exchange
	Midwest Stock Exchange
	NASDAQ
	New York Stock Exchange
	Pacific Stock Exchange
	Philadelphia Stock Exchange
	OTC

Derivatives Markets

Australia	Sydney Futures Exchange
Austria	Austrian Futures & Options Exchange
Belgium	Belgian Futures & Options Exchange
Canada	Montreal Stock Exchange
Canada	Toronto Stock Exchange
Denmark	Copenhagen Stock Exchange
Finland	Finnish Options Market
France	Marché à Terme International de France
	Marché des Options Négociables de Paris
Germany	EUREX

	German Futures Exchange
Hong Kong	Hong Kong Futures Exchange
Ireland	Irish Futures and Options Exchange
Italy	Mercato Italiano Futures Exchange
Japan	Osaka Securities Exchange
	Tokyo Stock Exchange
	Tokyo International Financial Futures Exchange
Netherlands	EOE Financiele Termijnmarkt
	Financiele Termijnmarkt
Singapore	Singapore International Monetary Exchange
South Africa	SAFEX
Spain	Barcelona Futures & Options Market
	Madrid Futures & Options Market
Sweden	OM Stockholm Stock Exchange
	Swedish Options Market
Switzerland	EUREX
United Kingdom	LIFFE
	London Securities & Derivatives Exchange
United States	Chicago Board Option Exchange
	Chicago Board of Trade
	New York Futures Exchange
	American Stock Exchange
	Chicago Mercantile Exchange
	Pacific Stock Exchange
	Philadelphia Stock Exchange
	OTC

APPENDIX 3

Investment and borrowing powers of the Scheme

1 General rules of investment

The Manager invests the scheme property of the Scheme with the aim of achieving the investment objective for the Scheme set out in Appendix 1 subject to the limits on investment set out in the Scheme's investment policy and the limits set out in the Sourcebook, the Trust Deed and this Prospectus. These limits are summarised below.

1.1 Prudent spread of risk

The Manager shall ensure that, taking into account the investment objective and policy of the Scheme, the scheme property of the Scheme aims to provide a prudent spread of risk. Particular requirements as to this spread of risk are set out below.

1.2 Cover

1.2.1 Where the Sourcebook allows a transaction to be entered into or an investment to be retained only (for example, investment in nil and partly paid securities and the general power to accept or underwrite) if possible obligations arising out of the investment transactions or out of the retention would not cause any breach of any limits in the Sourcebook, it must be assumed that the maximum possible liability of the the Scheme under any other of those rules has also to be provided for.

1.2.2 Where a rule in the Sourcebook permits an investment transaction to be entered into or an investment to be retained only if that investment transaction, or the retention, or other similar transactions, are covered:

1.2.2.1 it must be assumed that in applying any of those rules, the Scheme must also simultaneously satisfy any other obligation relating to cover; and

1.2.2.2 no element of cover must be used more than once.

2 UCITS Schemes - general

2.1 Subject to the investment objective and policy of the Scheme, the scheme property of the Scheme must, except where otherwise provided in the Sourcebook, only consist of any or all of:

2.1.1 transferable securities;

2.1.2 approved money-market instruments;

2.1.3 permitted units in collective investment schemes;

2.1.4 permitted derivatives and forward transactions; and

2.1.5 permitted deposits.

3 Transferable Securities

3.1 A transferable security is an investment falling within article 76 (shares etc), article 77 (instruments creating or acknowledging indebtedness), article 78 (government and public securities), article 79 (instruments giving entitlement to investments) and article 80 (certificates representing certain securities) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (the "Regulated Activities Order").

- 3.2 An investment is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party.
- 3.3 In applying paragraph 3.2 of this Appendix to an investment which is issued by a body corporate, and which is an investment falling within articles 76 (shares, etc) or 77 (instruments creating or acknowledging indebtedness) of the Regulated Activities Order, the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.
- 3.4 An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.
- 3.5 The Scheme may invest in a transferable security only to the extent that the transferable security fulfils the following criteria:
 - 3.5.1 the potential loss which the Scheme may incur with respect to holding the transferable security is limited to the amount paid for it;
 - 3.5.2 its liquidity does not compromise the ability of the Manager to comply with its obligation to redeem units at the request of any qualifying unitholder under the Regulations;
 - 3.5.3 reliable valuation is available for it as follows:
 - 3.5.3.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;
 - 3.5.3.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;
 - 3.5.4 appropriate information is available for it as follows:
 - 3.5.4.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security;
 - 3.5.4.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is regular and accurate information available to the Manager on the transferable security or, where relevant, on the portfolio of the transferable security;
 - 3.5.5 it is negotiable; and
 - 3.5.6 its risks are adequately captured by the risk management process of the Manager.
- 3.6 Unless there is information available to the Manager that would lead to a different determination, a transferable security which is admitted to or dealt in on an eligible market shall be presumed:
 - 3.6.1 not to compromise the ability of the Manager to comply with its obligation to redeem units at the request of any qualifying unitholder; and

- 3.6.2 to be negotiable.
- 3.7 No more than 5% of the scheme property of the Scheme will be invested in warrants.
- 4 Closed end funds constituting transferable securities**
- 4.1 A unit in a closed end fund shall be taken to be a transferable security for the purposes of investment by the Scheme, provided it fulfils the criteria for transferable securities set out in paragraph 3.5 and either:
- 4.1.1 where the closed end fund is constituted as an investment company or a unit trust:
- 4.1.1.1 it is subject to corporate governance mechanisms applied to companies; and
- 4.1.1.2 where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or
- 4.1.2 Where the closed end fund is constituted under the law of contract:
- 4.1.2.1 it is subject to corporate governance mechanisms equivalent to those applied to companies; and
- 4.1.2.2 it is managed by a person who is subject to national regulation for the purpose of investor protection.
- 5 Transferable securities linked to other assets**
- 5.1 The Scheme may invest in any other investment which shall be taken to be a transferable security for the purposes of investment by the Scheme provided the investment:
- 5.1.1 fulfils the criteria for transferable securities set out in 3.5 above; and
- 5.1.2 is backed by or linked to the performance of other assets, which may differ from those in which the Scheme can invest.
- 5.2 Where an investment in 5.1 contains an embedded derivative component, the requirements of this section with respect to derivatives and forwards will apply to that component.
- 6 Approved Money-Market Instruments**
- 6.1 An approved money-market instrument is a money-market instrument which is normally dealt in on the money-market, is liquid and has a value which can be accurately determined at any time.
- 6.2 A money-market instrument shall be regarded as normally dealt in on the money-market if it:
- 6.2.1 has a maturity at issuance of up to and including 397 days;
- 6.2.2 has a residual maturity of up to and including 397 days;
- 6.2.3 undergoes regular yield adjustments in line with money-market conditions at least every 397 days; or
- 6.2.4 has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in 6.2.1 or 6.2.2 or is subject to yield adjustments as set out in 6.2.3.

- 6.2.5 A money-market instrument shall be regarded as liquid if it can be sold at limited cost in an adequately short time frame, taking into account the obligation of the Manager to redeem units at the request of any qualifying unitholder.
- 6.2.6 A money-market instrument shall be regarded as having a value which can be accurately determined at any time if accurate and reliable valuations systems, which fulfil the following criteria, are available:
 - 6.2.6.1 enabling the Manager to calculate a net asset value in accordance with the value at which the instrument held in the portfolio could be exchanged between knowledgeable willing parties in an arm's length transaction; and
 - 6.2.6.2 based either on market data or on valuation models including systems based on amortised costs.
- 6.2.7 A money-market instrument that is normally dealt in on the money-market and is admitted to or dealt in on an eligible market shall be presumed to be liquid and have a value which can be accurately determined at any time unless there is information available to the Manager that would lead to a different determination.
- 7 Transferable securities and money-market instruments generally to be admitted or dealt in on an Eligible Market**
- 7.1 Transferable securities and approved money-market instruments held within the Scheme must be:
 - 7.1.1 admitted to or dealt in on an eligible market as described in 8.3.1; or
 - 7.1.2 dealt in on an eligible market as described in 8.3.2; or
 - 7.1.3 admitted to or dealt in on an eligible market as described in 8.4; or
 - 7.1.4 for an approved money-market instrument not admitted to or dealt in on an eligible market, within 9.1; or
 - 7.1.5 recently issued transferable securities provided that:
 - 7.1.5.1 the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and
 - 7.1.5.2 such admission is secured within a year of issue.
- 7.2 No more than 10% of the scheme property of the Scheme is to consist of transferable securities and approved money-market instruments other than those referred to in 7.1.
- 8 Eligible markets regime: purpose and requirements**
- 8.1 To protect investors the markets on which investments of the Scheme are dealt in or traded on should be of an adequate quality ("eligible") at the time of acquisition of the investment and until it is sold.
- 8.2 Where a market ceases to be eligible, investments on that market cease to be approved securities. The 10% restriction in 7.2 above on investing in non approved securities applies and exceeding this limit because a market ceases to be eligible will generally be regarded as an inadvertent breach.
- 8.3 A market is eligible for the purposes of the rules if it is:
 - 8.3.1 a regulated market as defined in the Regulations; or

- 8.3.2 a market in an EEA State which is regulated, operates regularly and is open to the public.
- 8.4 A market not falling within paragraph 8.3 of this Appendix is eligible for the purposes of the Sourcebook if:
 - 8.4.1 the Manager, after consultation with and notification to the Trustee, decides that market is appropriate for investment of, or dealing in, the scheme property of the Scheme;
 - 8.4.2 the market is included in a list Appendix 2 of this Prospectus; and
 - 8.4.3 the Trustee has taken reasonable care to determine that:
 - 8.4.3.1 adequate custody arrangements can be provided for the investment dealt in on that market; and
 - 8.4.3.2 all reasonable steps have been taken by the Manager in deciding whether that market is eligible.
- 8.5 In paragraph 8.4.1, a market must not be considered appropriate unless it is regulated, operates regularly, is recognised by an overseas regulator, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors.
- 9 **Money-market instruments with a regulated issuer**
 - 9.1 In addition to instruments admitted to or dealt in on an eligible market, the Scheme may invest in an approved money-market instrument provided it fulfils the following requirements (and subject to obtaining a waiver from the FCA where applicable):
 - 9.1.1 the issue or the issuer is regulated for the purpose of protecting investors and savings; and
 - 9.1.2 the instrument is issued or guaranteed in accordance with paragraph 10 (Issuers and guarantors of money-market instruments) below.
 - 9.2 The issue or the issuer of a money-market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting investors and savings if:
 - 9.2.1 the instrument is an approved money-market instrument;
 - 9.2.2 appropriate information is available for the instrument (including information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with paragraph 11 (Appropriate information for money-market instruments) below; and
 - 9.2.3 the instrument is freely transferable.
- 10 **Issuers and guarantors of money-market instruments**
 - 10.1 The Scheme may invest in an approved money-market instrument if it is:
 - 10.1.1 issued or guaranteed by any one of the following:
 - 10.1.1.1 a central authority of an EEA State or, if the EEA State is a federal state, one of the members making up the federation;
 - 10.1.1.2 a regional or local authority of an EEA State;
 - 10.1.1.3 the European Central Bank or a central bank of an EEA State;

- 10.1.1.4 the European Union or the European Investment Bank;
 - 10.1.1.5 a non-EEA State or, in the case of a federal state, one of the members making up the federation;
 - 10.1.1.6 a public international body to which one or more EEA States belong; or
- 10.1.2 issued by a body, any securities of which are dealt in on an eligible market; or
- 10.1.3 issued or guaranteed by an establishment which is:
 - 10.1.3.1 subject to prudential supervision in accordance with criteria defined by European Community law; or
 - 10.1.3.2 subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by European Community law.
- 10.2 An establishment shall be considered to satisfy the requirement in 10.1.3.2 if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:
 - 10.2.1 it is located in the European Economic Area;
 - 10.2.2 it is located in an OECD country belonging to the Group of Ten;
 - 10.2.3 it has at least investment grade rating;
 - 10.2.4 on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by European Community law.
- 11 **Appropriate information for money-market instruments**
 - 11.1 In the case of an approved money-market instrument within 10.1.2 or issued by a body of the type referred to in the Sourcebook, or which is issued by an authority within 10.1.1.2 or a public international body within 10.1.1.6 but is not guaranteed by a central authority within 10.1.1.1, the following information must be available:
 - 11.1.1 information on both the issue or the issuance programme, and the legal and financial situation of the issuer prior to the issue of the instrument, verified by appropriately qualified third parties not subject to instructions from the issuer;
 - 11.1.2 updates of that information on a regular basis and whenever a significant event occurs; and
 - 11.1.3 available and reliable statistics on the issue or the issuance programme.
 - 11.2 In the case of an approved money-market instrument issued or guaranteed by an establishment within 10.1.3, the following information must be available:
 - 11.2.1 information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the instrument;
 - 11.2.2 updates of that information on a regular basis and whenever a significant event occurs; and
 - 11.2.3 available and reliable statistics on the issue or the issuance programme, or other data enabling an appropriate assessment of the credit risks related to investment in those instruments.

- 11.3 In the case of an approved money-market instrument:
- 11.3.1 within 10.1.1.1, 10.1.1.4 or 10.1.1.5; or
 - 11.3.2 which is issued by an authority within 10.1.1.2 or a public international body within 10.1.1.6 and is guaranteed by a central authority within 10.1.1.1;
 - 11.3.3 information must be available on the issue or the issuance programme, or on the legal and financial situation of the issuer prior to the issue of the instrument.
- 12 **Spread: general**
- 12.1 Separate rules on spread apply to government and public securities (see below).
- 12.2 For the purposes of this requirement companies included in the same group for the purposes of consolidated accounts as defined in accordance with Directive 83/349/EEC or in the same group in accordance with international accounting standards are regarded as a single body.
- 12.3 Not more than 20% in the value of the scheme property of the Scheme is to consist of deposits with a single body.
- 12.4 Not more than 5% in value of the scheme property of the Scheme is to consist of transferable securities or approved money-market instruments issued by any single body, except that the limit of 5% is raised to 10% in respect of up to 40% in value of the scheme property of the Scheme. For these purposes certificates representing certain securities are treated as equivalent to the underlying security.
- 12.5 The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the scheme property of the Scheme. This limit is raised to 10% where the counterparty is an Approved Bank (as defined in the Regulations).
- 12.6 Not more than 20% in value of the scheme property of the Scheme is to consist of transferable securities and approved money-market instruments issued by the same group.
- 12.7 Not more than 20% in value of the scheme property of the Scheme is to consist of the units of any one collective investment scheme.
- 12.8 In applying the limits in 12.3, 12.4 and 12.5, not more than 20% in value of the scheme property of the Scheme is to consist of any combination of two or more of the following:
- transferable securities or approved money-market instruments issued by; or
 - deposits made with; or
 - exposures from OTC derivatives transactions made with a single body.
- 12.9 The Sourcebook provides that:
- 12.9.1 The Manager must ensure that counterparty risk arising from an OTC derivative is subject to the limits set out in 12.5 and 12.8 of this paragraph.
 - 12.9.2 When calculating the exposure of the Scheme to a counterparty in accordance with paragraph 12.5, the Manager must use the positive mark-to-market value of the OTC derivative contract with that counterparty.
 - 12.9.3 The Manager may net the OTC derivative positions of the Scheme with the same counterparty, provided they are legally entitled to enforce netting arrangements with the counterparty on behalf of the Scheme.

- 12.9.4 The agreements in 12.9.3 above are only permissible with respect to OTC derivatives with the same counterparty and not in relation to any other exposures the Scheme may have with that same counterparty.
- 12.9.5 The Manager may reduce the exposure of scheme property to a counterparty of an OTC derivative through the receipt of collateral. Collateral received must be sufficiently liquid so that it can be sold quickly at a price that is close to its pre-sale valuation.
- 12.9.6 The Manager must take collateral into account in calculating exposure to counterparty risk in accordance with the limits in paragraph 12.5 when it passes collateral to an OTC counterparty on behalf of the UCITS scheme.
- 12.9.7 Collateral passed in accordance with paragraph 12.9.6 above may be taken into account on a net basis only if the Manager is able to legally enforce netting arrangements with this counterparty on behalf of the Scheme.
- 12.9.8 The Manager must calculate the issuer concentration limits referred to in paragraph 12.5 on the basis of the underlying exposure created through the use of the OTC derivatives pursuant to the commitment approach.
- 12.9.9 In relation to the exposure arising from OTC derivatives as referred to in paragraph 12.8, the Manager must include any exposure to OTC derivative counterparty risk in the calculation.

13 Spread: government and public securities

- 13.1 In general not more than 35% in value of the property of the Company may be invested in government and public securities issued by any one issuer provided that the issuers are among the following:

- (a) an EEA State;
- (b) a local authority of an EEA State;
- (c) a non-EEA State; or
- (d) a public international body to which one or more EEA States belong.

Subject to this restriction, there is no limit on the amount of the scheme property of the Company which may be invested in such securities or in any one issue.

- 13.2 The Scheme may invest more than 35% in value of its scheme property in such securities issued by any one body provided that:

- 13.2.1 the Manager has before any such investment is made consulted with the Trustee and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objective of the Scheme;
- 13.2.2 no more than 30% in value of the scheme property consists of such securities of any one issue;
- 13.2.3 the scheme property includes such securities issued by that or another issuer, of at least six different issues;
- 13.2.4 the disclosures required by the FCA have been made.

- 13.3 In giving effect to the above up to 100% of the scheme property of the Liontrust Balanced Fund may be invested in Government and other public securities issued or guaranteed by the Government of the United Kingdom, or Northern Ireland, the Governments of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg,

Netherlands, Portugal, Spain, and Sweden, and the Governments of Australia, Canada, Japan, New Zealand, Switzerland or the United States of America.

- 13.4 Notwithstanding 12.1 and subject to 13.1 and 13.2 above, in applying the 20% limit in paragraph 12.8 with respect to a single body, government and public securities issued by that body shall be taken into account.

14 **Investment in collective investment schemes**

- 14.1 The Scheme may invest up to 10% of the value of their scheme property in units or shares in other collective investment schemes ("**Second Scheme**") provided that the Second Scheme satisfies all of the following conditions and provided that no more than 30% of the value of the Scheme is invested in Second Schemes within 14.1.1.2- 14.1.1.4 below:

14.1.1 the Second Scheme must:

14.1.1.1 satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or

14.1.1.2 be recognised under the provisions of section 272 of the Financial Services and Markets Act 2000; or

14.1.1.3 be authorised as a non-UCITS retail scheme (provided the requirements of Article 50(1)(e) of the UCITS Directive are met); or

14.1.1.4 be authorised in another EEA State provided the requirements of Article 50(1)(e) of the UCITS Directive are met;

14.1.1.5 be authorised by the competent authority of an OECD member country (other than another EEA State) which has:

(i) signed the IOSCO Multilateral Memorandum of Understanding; and

(ii) approved the scheme's management company, rules and depositary/custody arrangements,

(provided the requirements of article 50(1)(e) of the UCITS Directive are met).

14.1.2 the Second Scheme must comply, where relevant, with that part of the Sourcebook relating to investment in associated collective investment schemes and investment in other group schemes;

14.1.3 the Second Scheme must have terms which prohibit more than 10% in value of the scheme property of the Second Scheme consisting of units in collective investment schemes; and

14.1.4 where the Second Scheme is an umbrella, the provisions in 14.1.2, 14.1.3 and paragraph 12 apply to each sub-fund as if it were a separate scheme.

- 14.2 The Scheme may, subject to the limits set out in 14.1 above, invest in collective investment schemes managed or operated by, or whose authorised corporate director is, the Manager or an associate of the Manager.

- 14.3 Where the Scheme invests in or disposes of units in another collective investment scheme and the Second Scheme is managed or operated by the Manager or an associate of the Manager and unless there is no charge in respect of such investment or disposal the Manager must pay the Scheme the amounts referred to in the Sourcebook within four business days following the date of the agreement to invest or dispose.

15 Investment in nil and partly paid securities

A transferable security or an approved money-market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Scheme, at the time when payment is required, without contravening the Sourcebook.

16 Derivatives: general

The Scheme may invest in derivatives for the purposes of efficient portfolio management only. Such investment is not intended to increase the risk profile of the Scheme.

16.1 A transaction in derivatives or a forward transaction must not be effected for the Scheme unless the transaction is of a kind specified in paragraph 18 (Permitted transactions (derivatives and forwards)) below, and the transaction is covered, as required by paragraph 29 (Cover for transactions in derivatives and forward transactions) of this Appendix.

16.2 Where the Scheme invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in that part of the Sourcebook dealing with counterparty risk and issuer concentration and spread: government and public securities.

16.3 Where a transferable security or approved money-market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section.

16.4 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:

16.4.1 by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;

16.4.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and

16.4.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.

16.5 A transferable security or an approved money-market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money-market instrument. That component shall be deemed to be a separate instrument.

16.6 Where the Scheme invests in an index based derivative, provided the relevant index falls within paragraph 19 (Financial Indices underlying derivatives), the underlying constituents of the index do not have to be taken into account for the purposes of the Sourcebook.

17 Efficient Portfolio Management

17.1 The Manager may utilise the property of the Scheme to enter into hedging or transactions for the purposes of efficient portfolio management ("EPM"). Permitted EPM transactions (excluding stocklending transactions) are transactions in derivatives (i.e. options, futures or contracts for differences) dealt in or traded on approved derivative markets, off exchange options or contracts for differences resembling options or synthetic futures in certain circumstances. Eligible derivatives markets are those which the Manager, after consultation with the Trustee, has decided are appropriate for the purpose of investment of or dealing in the property with regard to the relevant criteria set out in the Sourcebook and the formal

guidance on eligible markets issued by the FCA as amended from time to time. The eligible derivatives markets for the Scheme are set out in Appendix 2.

There is no limit on the amount of the property of the Scheme which may be used for EPM but the transactions must satisfy three broadly based requirements:

- 17.1.1 A transaction must be reasonably believed by the Manager to be economically appropriate to the efficient portfolio management of the Scheme. This means that, for transactions undertaken to reduce risk or cost (or both), the transaction alone or in combination will diminish a risk or cost of a kind or level which it is sensible to reduce and, for a transaction undertaken to generate additional capital or income, so-called “enhancement strategies”, the Scheme is certain (or certain barring events which are not reasonably foreseeable) to derive a benefit from the transaction. EPM may not include speculative transactions.
- 17.1.2 The purpose of an EPM transaction for the Scheme must be to achieve one of the following in respect of the Scheme:
 - 17.1.2.1 Reduction of risk. This allows for the use of the technique of cross-currency hedging in order to switch all, or part of the Scheme’s property away from a currency the Manager considers unduly prone to risk, to another currency. This aim also permits the use of tactical asset allocation (please see 17.1.2.2)
 - 17.1.2.2 Reduction of cost. The aims of reduction of risk or cost, together or separately, allow the Manager on a temporary basis to utilise the technique of tactical asset allocation. Tactical asset allocation permits the Manager to undertake a switch in exposure by use of derivatives, rather than through sale and purchase of scheme property. If a transaction for the Scheme relates to the acquisition or potential acquisition of transferable securities, the Manager must intend that the Scheme should invest in transferable securities within a reasonable time and the Manager must thereafter ensure that, unless the position has itself been closed out, that intention is realised within that reasonable time.
 - 17.1.2.3 The generation of additional capital or income for the Scheme which is consistent with the Scheme’s risk profile and the risk diversification rules appearing in the Sourcebook.

The generation of additional capital or income may arise out of taking advantage of price imperfections or from the receipt of a premium for writing of covered call or covered put options (even if the benefit is obtained at the expense of surrendering the chance or yet greater benefit).
- 17.1.3 The relevant purpose must relate to property of the Scheme; property (whether precisely identified or not) which is to be or is proposed to be acquired for the Scheme; and anticipated cash receipts of the Scheme, if due to be received at some time and likely to be received within one month.
- 17.2 Each EPM transaction must be fully covered “individually” by scheme property of the right kind (i.e. in the case of exposure in terms of property, appropriate transferable securities or other property; and, in the case of exposure in terms of money, cash “near cash”, borrowed cash or transferable securities which can be easily sold to realise the appropriate cash). It must also be covered “globally” (i.e. after providing cover for existing EPM transactions there is adequate cover for another transaction within the property, so there can be no gearing). Property and cash can be used only once for cover and, generally, scheme property is not available for cover if it is the subject of a stocklending arrangement. The lending transaction in a back to back currency borrowing transaction does not require cover.

- 17.3 Transactions may be effected in which the Manager has, either directly or indirectly, an interest that may potentially involve a conflict of its obligation to the Company. Where a conflict cannot be avoided, the Manager will have regard to its fiduciary responsibility to act in the best interests of the Scheme and its investors. The Manager will ensure that investors are treated fairly and that such transactions are effected on terms which are not less favourable to the Scheme than if the potential conflict had not existed.
- 17.4 Operational costs and fees arising from EPM techniques and/or the use of derivatives are paid for by the Scheme. The identity of the entities to which operational costs and fees are paid will be disclosed in the annual report.
- 18 Permitted transactions (derivatives and forwards)**
- 18.1 A transaction in a derivative must be in an approved derivative; or be one which complies with paragraph 22 (OTC transactions in derivatives).
- 18.2 A transaction in a derivative must have the underlying consisting of any one or more of the following to which the Scheme is dedicated: transferable securities, approved money-market instruments permitted under paragraphs 7.1.1 to 7.1.4, deposits permitted derivatives under this paragraph, collective investment scheme units permitted under paragraph 14 (Investment in collective investment schemes), financial indices which satisfy the criteria set out in paragraph 19 (Financial indices underlying derivatives), interest rates, foreign exchange rates, and currencies.
- 18.3 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
- 18.4 A transaction in a derivative must not cause the Scheme to diverge from its investment objective as stated in the Trust Deed constituting the Scheme and the most recently published version of this Prospectus.
- 18.5 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, approved money-market instruments, units in collective investment schemes, or derivatives.
- 18.6 Any forward transaction must be with an Eligible Institution or an Approved Bank (as defined in the Regulations).
- 18.7 A derivative includes an investment which fulfils the following criteria:
- 18.7.1 it allows transfer of the credit risk of the underlying independently from the other risks associated with that underlying;
 - 18.7.2 it does not result in the delivery or the transfer of assets other than those referred to in the Regulations, including cash;
 - 18.7.3 in the case of an OTC derivative, it complies with the requirements in paragraph 22; and
 - 18.7.4 its risks are adequately captured by the risk management process of the Manager and by its internal control mechanisms in the case of risk asymmetry of information between the Manager and the counterparty to the derivative resulting from the potential access of the counterparty to non-public information on persons whose assets are used as the underlying by that derivative.
- 18.8 The Scheme may not undertake transactions in derivatives on commodities.
- 19 Financial Indices underlying derivatives**
- 19.1 The financial indices referred to in 18.2 are those which satisfy the following criteria:

- 19.1.1 the index is sufficiently diversified;
 - 19.1.2 the index represents an adequate benchmark for the market to which it refers; and
 - 19.1.3 the index is published in an appropriate manner.
- 19.2 A financial index is sufficiently diversified if:
- 19.2.1 it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;
 - 19.2.2 where it is composed of assets in which the Scheme is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this section; and
 - 19.2.3 where it is composed of assets in which the Scheme cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this section.
- 19.3 A financial index represents an adequate benchmark for the market to which it refers if:
- 19.3.1 it measures the performance of a representative group of underlyings in a relevant and appropriate way;
 - 19.3.2 it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and
 - 19.3.3 the underlyings are sufficiently liquid, allowing users to replicate it if necessary.
- 19.4 A financial index is published in an appropriate manner if:
- 19.4.1 its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and
 - 19.4.2 material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.
- 19.5 Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to 18.2, be regarded as a combination of those underlyings.

20 **Transactions for the purchase of property**

A derivative or forward transaction which will or could lead to the delivery of property for the account of the Scheme may be entered into only if that property can be held for the account of the Scheme, and the Manager having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the Sourcebook.

21 **Requirement to cover sales**

No agreement by or on behalf of the Scheme to dispose of property or rights may be made unless the obligation to make the disposal and any other similar obligation could immediately be honoured by the Scheme by delivery of property or the assignment (or, in Scotland, assignation) of rights, and the property and rights above are owned by the Scheme at the time of the agreement. This requirement does not apply to a deposit.

22 **OTC transactions in derivatives**

22.1 Any transaction in an OTC derivative under paragraph 18.1 must be:

- 22.1.1 in a future or an option or a contract for differences;
- 22.1.2 with an approved counterparty; a counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank (as defined in the Regulations); or a person whose permission (including any requirements or limitations), as published in the FCA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;
- 22.1.3 on approved terms; the terms of the transaction in derivatives are approved only if, before the transaction is entered into, the Trustee is satisfied that the counterparty has agreed with the Manager: to provide at least daily and at any other time at the request of the Manager a reliable and verifiable valuation in respect of that transaction corresponding to its fair value (being the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction) and which does not rely only on market quotations by the counterparty; and that it or an alternative counterparty will, at the request of the Manager, enter into a further transaction to sell, liquidate or close out that transaction at any time, at a fair value arrived at under the reliable market value basis or pricing model agreed under the following paragraph; and
- 22.1.4 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the Manager having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy:
 - 22.1.4.1 on the basis of an up-to-date market value which the Manager and the Trustee have agreed is reliable; or
 - 22.1.4.2 if the value referred to in 22.1.4.1 is not available, on the basis of a pricing model which the Manager and the Trustee have agreed uses an adequate recognised methodology; and
- 22.1.5 subject to verifiable valuation: a transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by:
 - 22.1.5.1 an appropriate third party which is independent from the counterparty of the derivative at an adequate frequency and in such a way that the Manager is able to check it; or
 - 22.1.5.2 a department within the Manager which is independent from the department in charge of managing the Scheme and which is adequately equipped for such a purpose.

23 **Risk management**

The Manager uses a risk management process, enabling it to monitor and measure as frequently as appropriate the risk of the Scheme's positions and their contribution to the overall risk profile of the Scheme. Before using the process, the Manager will notify the FCA of the details of the risk management process.

24 Investment in deposits

The Scheme may invest in deposits only with an Approved Bank (as defined in the Regulations) and which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months.

25 Significant influence

25.1 The Manager must not acquire, or cause to be acquired for the Scheme, transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if:

25.1.1 immediately before the acquisition, the aggregate of any such securities held for the Scheme, taken together with any such securities already held for other authorised unit trusts of which it is also the Manager, gives the Manager power significantly to influence the conduct of business of that body corporate; or

25.1.2 the acquisition gives the Manager that power.

25.2 For the purposes of paragraph 25.1, the Manager is to be taken to have power significantly to influence the conduct of business of a body corporate if it can, because of the transferable securities held for all the authorised unit trusts of which it is the Manager, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).

26 Concentration

The Scheme:

26.1 must not acquire transferable securities other than debt securities which:

26.1.1 do not carry a right to vote on any matter at a general meeting of the body corporate that issued them; and

26.1.2 represent more than 10% of these securities issued by that body corporate;

26.2 must not acquire more than 10% of the debt securities issued by any single issuing body;

26.3 must not acquire more than 25% of the units in a collective investment scheme;

26.4 must not acquire more than 10% of the approved money-market instruments issued by any single body; and

26.5 need not comply with the limits in paragraphs 26.2, 26.3 and 26.4 of this Appendix if, at the time of the acquisition, the net amount in issue of the relevant investment cannot be calculated.

27 Derivative exposure

27.1 The Scheme may invest in derivatives and forward transactions as long as the exposure to which the Scheme is committed by that transaction itself is suitably covered from within the scheme property of the Scheme. Exposure will include any initial outlay in respect of that transaction.

27.2 Cover used in respect of one transaction in derivatives or forward transaction must not be used for cover in respect of another transaction in derivatives or a forward transaction.

27.3 The Manager will calculate the global exposure of the Scheme by using the commitment approach. The Manager must therefore:

- 27.3.1 ensure that it applies this approach to all derivative and forward transactions (including embedded derivatives); and
 - 27.3.2 convert each derivative or forward transaction into the market value of an equivalent position in the underlying asset of that derivative or forward.
- 28 Schemes replicating an index**
- 28.1 Notwithstanding paragraph 12 (Spread: general), the Scheme may invest up to 20% in value of its scheme property in shares and debentures which are issued by the same body where the stated investment policy is to replicate the composition of a relevant index as defined below.
 - 28.2 Replication of the composition of a relevant index shall be understood to be a reference to a replication of the composition of the underlying assets of that index, including the use of techniques and instruments permitted for the purpose of efficient portfolio management.
 - 28.3 The 20% limit in paragraph 28.1 can be raised up to 35% in value of the scheme property of the Scheme, but only in respect of one body and where justified by exceptional market conditions.
 - 28.4 In the case of the Scheme replicating an index its scheme property need not consist of the exact composition and weighting of the underlying in the relevant index in cases where the Scheme's investment objective is to achieve a result consistent with the replication of an index rather than an exact replication.
 - 28.5 The indices referred to above are those which satisfy the following criteria:
 - 28.5.1 the composition is sufficiently diversified;
 - 28.5.2 the index represents an adequate benchmark for the market to which it refers; and
 - 28.5.3 the index is published in an appropriate manner.
 - 28.6 The composition of an index is sufficiently diversified if its components adhere to the spread and concentration requirements in this section.
 - 28.7 An index represents an adequate benchmark if its provider uses a recognised methodology which generally does not result in the exclusion of a major issuer of the market to which it refers.
 - 28.8 An index is published in an appropriate manner if:
 - 28.8.1 it is accessible to the public;
 - 28.8.2 the index provider is independent from the index-replicating UCITS scheme; this does not preclude index providers and the UCITS scheme from forming part of the same group, provided that effective arrangements for the management of conflicts of interest are in place.
- 29 Cover for transactions in derivatives and forward transactions**
- 29.1 The Scheme may invest in derivatives and forward transactions as part of its investment policy provided:
 - 29.1.1 its global exposure relating to derivatives and forward transactions held does not exceed the net value of the scheme property; and
 - 29.1.2 its global exposure to the underlying assets does not exceed in aggregate the investment limits laid down in the Sourcebook.

- 29.2 The Manager must calculate the global exposure on at least a daily basis.
- 29.3 Exposure must be calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.
- 30 Cover and Borrowing**
- 30.1 Cash obtained from borrowing, and borrowing which the Manager reasonably regards an Eligible Institution or an Approved Bank (as defined in the Regulations) to be committed to provide, is not available for cover under paragraph 29 (Cover for transactions in derivatives and forward transactions) except where 30.2 below applies.
- 30.2 Where, for the purposes of this paragraph the Scheme borrows an amount of currency from an Eligible Institution or an Approved Bank (as defined in the Regulations); and keeps an amount in another currency, at least equal to such borrowing for the time being in 30.1 on deposit with the lender (or his agent or nominee), then this paragraph 30.2 applies as if the borrowed currency, and not the deposited currency, were part of the scheme property of the Scheme.
- 31 Cash and near cash**
- 31.1 Cash and near cash must not be retained in the scheme property of the Scheme except to the extent that, where this may reasonably be regarded as necessary in order to enable:
- 31.1.1 the pursuit of the Scheme's investment objective; or
 - 31.1.2 the redemption of units; or
 - 31.1.3 the efficient management of the Scheme in accordance with its investment objective; or
 - 31.1.4 other purposes which may reasonably be regarded as ancillary to the investment objective of the Scheme.
- 31.2 During the period of the initial offer the scheme property of the Scheme may consist of cash and near cash without limitation.
- 32 General**
- 32.1 It is not intended that the Scheme will have an interest in any immovable property or tangible movable property.
- 32.2 The investment objective and policy of the Scheme may mean that at times it is appropriate not to be fully invested. This will only occur when the Manager reasonably regards it as necessary to enable the pursuit of the Scheme's investment objective or for units to be redeemed or for the efficient management of the Scheme in accordance with its investment objective or a purpose which may reasonably be regarded as ancillary to the investment objective of the Scheme.
- 32.3 Where the Scheme invests in or disposes of units or shares in another collective investment scheme which is managed or operated by the Manager or an associate of the Manager, the Manager must pay to the Scheme by the close of business on the fourth business day the amount of any preliminary charge in respect of a purchase, and in the case of a sale, any charge made for the disposal.
- 32.4 A potential breach of any of these limits does not prevent the exercise of rights conferred by investments held by the Scheme but, in the event of a consequent breach, the Manager must then take such steps as are necessary to restore compliance with the investment limits as soon as practicable having regard to the interests of unitholders.

- 32.5 The Sourcebook permits the Manager to use certain techniques when investing in derivatives in order to manage the Scheme's exposure to particular counterparties and in relation to the use of collateral to reduce overall exposure with respect to over-the-counter ("**OTC**") derivatives; for example the Scheme may take collateral from counterparties with whom they have an OTC derivative position and use that collateral to net off against the exposure they have to the counterparty under that OTC derivative position, for the purposes of complying with counterparty spread limits.

33 Underwriting

Underwriting and sub underwriting contracts and placings may also, subject to certain conditions set out in the Sourcebook, be entered into for the account of the Scheme.

34 General power to borrow

- 34.1 The Trustee (on the instruction of the Manager) may, in accordance with this paragraph, borrow money for the use of the Scheme on terms that the borrowing is to be repayable out of the scheme property of the Scheme. This power to borrow is subject to the obligation of the Scheme to comply with any restriction in the instrument constituting the Scheme. The Trustee may borrow money only from an Eligible Institution or an Approved Bank (as defined in the Regulations).
- 34.2 The Manager must ensure that any borrowing is on a temporary basis and that borrowings are not persistent, and for this purpose the Manager must have regard in particular to the duration of any period of borrowing; and the number of occasions on which resort is had to borrowing in any period.
- 34.3 The Manager must ensure that no period of borrowing exceeds three months, whether in respect of any specific sum or at all, without the prior consent of the Trustee; the Trustee's consent may be given only on such conditions as appear to the Trustee appropriate to ensure that the borrowing does not cease to be on a temporary basis only.
- 34.4 The Manager must ensure that the Scheme's borrowing does not, on any business day, exceed 10% of the value of the scheme property of the Scheme.
- 34.5 These borrowing restrictions do not apply to "back to back" borrowing for currency hedging purposes (i.e. borrowing permitted in order to reduce or eliminate risk arising by reason of fluctuations in exchange rates).

35 Restrictions on lending of property other than money

- 35.1 The scheme property of the Scheme other than money must not be lent by way of deposit or otherwise.
- 35.2 Nothing in this paragraph prevents the Trustee at the request of the Manager from lending, depositing, pledging or charging scheme property for margin requirements where transactions in derivatives or forward transactions are used for the account of the Scheme in accordance with the Sourcebook.

36 Restrictions on lending of money

- 36.1 None of the money in the scheme property of the Scheme may be lent and, for the purposes of this paragraph, money is lent by the Scheme if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee.
- 36.2 Acquiring a debenture is not lending for the purposes of paragraph 36.1, nor is the placing of money on deposit or in a current account.

37 General power to accept or underwrite placings

- 37.1 Any power in the Sourcebook to invest in transferable securities may be used for the purpose of entering into transactions to which this applies, subject to compliance with any restriction in the Trust Deed. This section applies, to any agreement or understanding: which is an underwriting or sub-underwriting agreement, or which contemplates that securities will or may be issued or subscribed for or acquired for the account of the Scheme.
- 37.2 This ability does not apply to an option, or a purchase of a transferable security which confers a right to subscribe for or acquire a transferable security, or to convert one transferable security into another.
- 37.3 The exposure of the Scheme to agreements and understandings as set out above, on any day be covered and be such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in this chapter.

38 Guarantees and Indemnities

- 38.1 The Trustee for the account of a Manager must not provide any guarantee or indemnity in respect of the obligation of any person.
- 38.2 None of the scheme property of the Scheme may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.
- 38.3 These requirements do not apply to any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used accordance with the Sourcebook, or an indemnity given to a person winding up a body corporate or other scheme in circumstances where those assets are becoming part of the scheme property by way of a unitisation scheme.

39 Stock lending and Repo contracts

- 39.1 Stock lending is an arrangement where the Company or the Depositary delivers securities which are the subject of the transaction in return for which it is agreed that securities of the same kind and amount be redelivered to the Company or the Depositary at a later date. The Company or the Depositary at the time of delivery receives collateral to cover against the risk of the future redelivery not being completed. There is no limit on the value of the scheme property of the Company which may be the subject of repo contracts or stock lending arrangements. A repo contract is an agreement between a seller and buyer for the purchase or sale of securities, under which the seller agrees to repurchase the securities or equivalent securities, or the buyer agrees to resell the securities or equivalent securities, at an agreed date and, usually, at a stated price.
- 39.2 The Company, or the Depositary at the Company's request, may only enter into stock lending transactions (involving a disposal of securities in a Fund and re-acquisition of equivalent securities) or repo contract when it reasonably appears to the Company or ACD to be appropriate to do so with a view to generating additional income for the relevant Fund with an acceptable degree of risk. Such transactions must comply with conditions set out in the COLL Sourcebook, which require (inter alia) that:
1. the stock lending transaction must be of a kind described in Section 263B of the Taxation of Chargeable Gains Act 1992;
 2. the terms of the agreement under which the Depositary is to re-acquire the securities for the account of the Company must be acceptable to the Depositary and in accordance with good market practice;
 3. the counterparty must be acceptable in accordance with the COLL Sourcebook; and

4. the high quality and liquid collateral obtained must be acceptable to the Depositary and must also be adequate and sufficiently immediate as set down in the COLL Sourcebook.

39.3 For each Fund the income received is split between the Fund and the custodian who will manage the Stock lending activity. The current split of the income received is that the custodian will receive 30% and the Fund will receive the balance.

APPENDIX 4

Available on request

APPENDIX 5

Other Authorised Collective Investment Schemes operated by the Manager

- Liontrust Investment Funds I
- Liontrust Investment Funds II
- Liontrust Investment Funds IV
- Liontrust Sustainable Future ICVC
- Liontrust Investment Funds ICVC
- Liontrust Asia Income Fund
- Liontrust European Income Fund
- Liontrust European Growth Fund
- Liontrust European Enhanced Income Fund
- Liontrust Global Income Fund
- Liontrust Macro Equity Income Fund
- Liontrust Macro UK Growth Fund
- Liontrust Special Situations Fund
- Liontrust UK Growth Fund
- Liontrust UK Micro Cap Fund
- Liontrust UK Smaller Companies Fund

APPENDIX 6

Valuation and Pricing

The value of the property of the Scheme shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions.

- 1 All the property of the Scheme (including receivables) is to be included, subject to the following provisions.
- 2 The valuation of the property of the Scheme shall consist of two parts, one on an issue basis and one on a cancellation basis calculated in accordance with the following provisions.
- 2.1 The valuation of property for that part of the valuation which is on an issue basis is as follows:
 - 2.1.1 property which is not cash (or other assets dealt with in paragraphs 3 and 4 below) shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:
 - 2.1.1.1 units or shares in a collective investment scheme:
 - (i) if a single price for buying and selling units or shares is quoted, at that price (plus any dealing costs, which means any fiscal charges, commission or other charges (including any preliminary charge) payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction and including any dilution levy or SDRT provision which would be added in the event of a purchase by the Scheme of the units in question (except that, where the Manager, or an associate of the Manager, is also the manager or authorised corporate director of the collective investment scheme whose units are held by the Scheme, dealing costs must not include a preliminary charge which would be payable in the event of a purchase by the Scheme of those units)); or
 - (ii) if separate buying and selling prices are quoted, the most recent maximum sale price, less any expected discount (plus any dealing costs, which means any fiscal charges, commission or other charges (but excluding any preliminary charge on sale of units in a collective investment scheme) payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction); but where the Manager, or an associate of the Manager, is also the manager or authorised corporate director of the collective investment scheme whose units are held by the Scheme, the issue price shall be taken instead of the maximum sale price; or
 - (iii) if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no recent price exists or the recent price available does not

reflect the manager's best estimate, at a buyer's price which, in the opinion of the Manager, is fair and reasonable;

2.1.1.2 any other investment:

- (i) the best available market dealing offer price on the most appropriate market in a standard size (plus any dealing costs, which means any fiscal charges, commission or other charges payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction); or
- (ii) if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no recent price exists or the recent price available does not reflect the manager's best estimate, at a buyer's price which, in the opinion of the Manager, is fair and reasonable.

2.1.1.3 if any other property, or no price exists under 2.1.1.1 or 2.1.1.2 the Manager's reasonable estimate of a buyer's price (plus any dealing costs, which means any fiscal charges, commission or other charges payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction but excluding any preliminary charge on sale of units in a collective investment scheme). The buyer's price is the consideration which would be paid by the buyer for an immediate transfer or assignment (or, in Scotland, assignation) to him at arm's length.

2.2 The valuation of property for that part of the valuation which is on a cancellation basis is as follows:

2.2.1 Property which is not cash (or other assets dealt with in paragraphs 3 and 4 below) shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:

2.2.1.1 units or shares in a collective investment scheme:

- (i) if a single price for buying and selling units or shares is quoted, at that price (less any dealing costs, which means any fiscal charges, commission or other charges payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction, any redemption charge payable on sale of units in a collective investment scheme, taking account of any expected discount, any dilution levy or SDRT provision which would be deducted in the event of a sale by the Scheme of the units in question (except that, where the Manager, or an associate of the Manager, is also the manager or authorised corporate director of the collective investment scheme whose units are held by the Scheme, dealing

costs must not include a redemption charge which would be payable in the event of a sale by the relevant Scheme of those units)); or

- (ii) if separate buying and selling prices are quoted, the most recent minimum redemption price (less any dealing costs, which means any fiscal charges, commission or other charges payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction and any charge payable on the sale of units in a collective investment scheme (except that, where the Manager, or an associate of the Manager, is also the manager or authorised corporate director of the collective investment scheme whose units are held by the Scheme, dealing costs must not include a redemption charge which would be payable in the event of a sale by the Scheme of those units), less any expected discount); but, if the property sold in one transaction would amount to a large deal (as defined in the Glossary), the cancellation price shall be taken instead of the minimum redemption price; or
- (iii) if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a seller's price which, in the opinion of the Manager, is fair and reasonable;

2.2.1.2

any other investment:

- (i) the best available market dealing bid price on the most appropriate market in a standard size (less any dealing costs, which means any fiscal charges, commission or other charges payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction); or
- (ii) if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a seller's price which, in the opinion of the Manager, is fair and reasonable;

2.2.1.3

if any other property, or no price exists under 2.2.1.1 or 2.2.1.2, the Manager's reasonable estimate of a seller's price (less any dealing costs, which means any fiscal charges, commission or other charges payable in the event of the Scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Scheme are the least that could reasonably be expected to be paid in order to carry out the transaction, and including any redemption charge payable on sale of units in a collective investment scheme, (taking account of any expected discount, any dilution levy or SDRT provision which would be deducted in the event of a sale by the Scheme of the units in question) (except that, where the Manager, or an associate of the

Manager, is also the manager or authorised corporate director of the collective investment scheme whose units are held by the Scheme, dealing costs must not include a redemption charge which would be payable in the event of a sale by the Scheme of those units)).

- 3 Property which is a derivative transaction shall be treated as follows:
 - 3.1 if a written option, (and the premium for writing the option has become part of the Scheme's property) take the amount of the net valuation of premium (estimated on the basis of writing an option of the same series on the best terms then available on the most appropriate market on which such options are traded), but deduct the dealing costs for the calculation of the issue basis and add, in the case of the calculation of the cancellation basis, dealing costs; but if it is an OTC derivative, the valuation methods in the Sourcebook shall be used; or
 - 3.2 if an off-exchange future, include at the net value of closing out (in the case of the calculation of the issue basis, estimated on the basis of the amount of profit or loss receivable or incurable by the Scheme on closing out the contract and deducting minimum dealing costs in the case of profit and adding them in the case of loss); but if it is an OTC derivative, the valuation methods in the Sourcebook shall be used); or
 - 3.3 if any other form of derivative transaction, include at the net value of margin on closing out (whether as a positive or negative value), estimating the amount of margin (whether receivable or payable by the Scheme on closing out the contract) on the best terms then available on the most appropriate market on which such contracts are traded. If that amount is receivable minimum dealing costs are deducted but if however the amount is payable minimum dealing costs are added to the margin and the value is that figure as a negative sum; but if it is an OTC derivative, the valuation methods in the Sourcebook shall be used.
- 4 Cash and amounts held in current and deposit accounts shall be valued at their nominal values.
- 5 In determining the value of the Scheme's property, all instructions given to the Trustee to issue or cancel units shall be assumed (unless the contrary is shown) to have been carried out and any cash paid or received and all required consequential action required by the Regulations or the Trust Deed shall be assumed (unless the contrary is shown) to have been taken.
- 6 Subject to paragraphs 7 and 8 below, agreements for the unconditional sale or purchase of property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and, in the opinion of the Manager, their omission shall not materially affect the final net asset amount.
- 7 Futures or contracts for differences which are not yet due to be performed and unexpired written or purchased options which have not been exercised shall not be included under paragraph 6.
- 8 All agreements are to be included under paragraph 6 which are, or ought reasonably to have been, known to the person valuing the property assuming that all other persons in the Manager's employment take all reasonable steps to inform it immediately of the making of any agreement.
- 9 Deduct an estimated amount for anticipated tax liabilities (on unrealised capital gains where the liabilities have accrued and are payable out of the property of the Scheme; on realised capital gains in respect of previously completed and current accounting periods; and on income where liabilities have accrued) including (as applicable and without limitation) capital gains tax, income tax, corporation tax, value added tax, stamp duty and stamp duty reserve tax.

- 10 Deduct an estimated amount for any liabilities payable out of the property of the Scheme and any tax thereon (treating periodic items as accruing from day to day).
- 11 Deduct the principal amount of any outstanding borrowings whenever payable and any accrued but unpaid interest on borrowings.
- 12 In the case of a margined contract, deduct any amount reasonably anticipated to be paid by way of variation margin.
- 13 Add an estimated amount for accrued claims for tax of whatever nature which may be recoverable.
- 14 Add any other credits due to be paid into the property of the Scheme.
- 15 In the case of a margined contract, add any amount reasonably anticipated to be received by way of variation margin.
- 16 Add a sum representing any interest or any income accrued due or deemed to have accrued but not received and any stamp duty reserve tax provision anticipated to be received.
- 17 The valuation in respect of the Scheme is in the Scheme's base currency. To convert to the base currency the value of property which would otherwise be valued in another currency the Manager will either:
 - 17.1 select a rate of exchange which represents the average of the highest and lowest rates quoted at the relevant time for conversion of that currency into base currency on the market on which the manager would normally deal if it wished to make such a conversion; or
 - 17.2 invite the Trustee to agree that it is in the interests of unitholders to select a different rate, and, if the Trustee so agrees, use that other rate.

APPENDIX 7

Past Performance

The table below shows the performance of the Scheme to 31 December 2020 for the preceding five years. The performance figures are net of fees and charges.

The past performance shown in this table should not be seen as an indication of future performance.

Scheme and Unit Class	% Cumulative Growth	% Cumulative Growth	% Cumulative Growth	% Cumulative Growth	% Cumulative Growth
	Year to 31 Dec 2020	Year to 31 Dec 2019	Year to 31 Dec 2018	Year to 31 Dec 2017	Year to 31 Dec 2016
Liontrust Balanced Fund C Acc GBP	20.23	14.71	-1.01	13.51	12.80

Source: Morningstar Direct, in sterling with no initial charges, net income reinvested.

For retail investors invested in a unit class which is denominated in a currency other than that of the EEA State in which the retail investor is resident, the return may increase or decrease as a result of currency fluctuations.

Up to date information may be obtained at any time from the Manager's Fact Sheets for the Scheme, or by application to the Manager.

Investor profiles:

The Scheme described in this Prospectus is marketable to all investors. Due to the nature of the investments held, the performance of the Scheme may be volatile. The investor must be able to accept significant temporary losses, thus the Scheme is suitable for investors who can afford to set aside capital for at least 5 years. The Manager recommends that investors seek suitable advice from an authorised independent intermediary before investing, if necessary. In addition, investors should review the Fund KIID before investing.

APPENDIX 8

Trustee Delegations

The Trustee has delegated those safekeeping duties set out in Article 22(5)(a) of the UCITS Directive to The Bank of New York Mellon SA/NV and The Bank of New York Mellon, whom it has appointed as its global sub-custodian.

At the date of this prospectus the global sub-custodian has appointed local sub-custodians as listed below.

Country/Market	Sub - Custodian	Location
Argentina	Citibank N.A., Argentina	Buenos Aires
Australia	The Hongkong and Shanghai Banking Corporation Limited	Parramatta, NSW
Austria	UniCredit Bank Austria AG	Vienna
Bahrain	HSBC Bank Middle East Limited	Bahrain
Bangladesh	The Hongkong and Shanghai Banking Corporation Limited	Dhaka
Belgium	The Bank of New York Mellon SA/NV	Brussels
Belgium	Citibank Europe Plc, UK branch	London
Bermuda	HSBC Bank Bermuda Limited	Hamilton
Botswana	Stanbic Bank Botswana Limited	Gaborone
Brazil	Citibank N.A., Brazil	Sao Paulo
Brazil	Itau Unibanco S.A.	Sao Paulo
Bulgaria	Citibank Europe plc, Bulgaria Branch	Sofia
Canada	CIBC Mellon Trust Company (CIBC Mellon)	Toronto
Cayman Islands	The Bank of New York Mellon	New York
Channel Islands	The Bank of New York Mellon	New York
Chile	Banco de Chile	Santiago
Chile	Itau Corpbanca S.A.	Santiago
China	HSBC Bank (China) Company Limited	Shanghai
Colombia	Cititrust Colombia S.A. Sociedad Fiduciaria	Bogota
Costa Rica	Banco Nacional de Costa Rica	San José

Croatia	Privredna banka Zagreb d.d.	Zagreb
Cyprus	BNP Paribas Securities Services	Athens
Czech Republic	Citibank Europe plc, organizacni slozka	Prague
Denmark	Skandinaviska Enskilda Banken AB (Publ)	Stockholm
Egypt	HSBC Bank Egypt S.A.E.	Cairo
Estonia	SEB Pank AS	Tallinn
Eswatini	Standard Bank Eswatini Limited	Mbabane
Euromarket	Clearstream Banking S.A	Luxembourg
Euromarket	Euroclear Bank	Brussels
Finland	Skandinaviska Enskilda Banken AB (Publ)	Stockholm, Sweden
France	The Bank of New York Mellon SA/NV	Brussels
Germany	The Bank of New York Mellon SA/NV	Frankfurt am Main
Ghana	Stanbic Bank Ghana Limited	Accra
Greece	BNP Paribas Securities Services	Athens
Hong Kong	The Hongkong and Shanghai Banking Corporation Limited	Kowloon, Hong Kong
Hungary	Citibank Europe plc. Hungarian Branch Office	Budapest
Iceland	Landsbankinn hf.	Reykjavik
India	Deutsche Bank AG	Mumbai
India	The Hongkong and Shanghai Banking Corporation Limited	Mumbai
Indonesia	Deutsche Bank AG	Jakarta
Ireland	The Bank of New York Mellon	New York

Israel	Bank Hapoalim B.M.	Tel Aviv
Italy	The Bank of New York Mellon SA/NV	Brussels
Japan	Mizuho Bank, Ltd.	Tokyo
Japan	MUFG Bank, Ltd.	Tokyo
Jordan	Standard Chartered Bank, Jordan Branch	Jordan
Kazakhstan	Citibank Kazakhstan Joint-Stock Company	Almaty
Kenya	Stanbic Bank Kenya Limited	Nairobi
Kuwait	HSBC Bank Middle East Limited, Kuwait	Safat
Latvia	AS SEB banka	Kekavas novads
Lithuania	AB SEB bankas	Vilnius
Luxembourg	Euroclear Bank	Brussels
Malawi	Standard Bank PLC	Lilongwe
Malaysia	Deutsche Bank (Malaysia) Berhad	Kuala Lumpur
Malta	The Bank of New York Mellon SA/NV, Asset Servicing, Niederlassung Frankfurt am Main	Frankfurt am Main, Germany
Mauritius	The Hongkong and Shanghai Banking Corporation Limited	Ebene
Mexico	Banco S3 México S.A.	Ciudad de México
Mexico	Citibanamex	Colonia Santa Fe
Morocco	Citibank Maghreb S.A.	Casablanca
Namibia	Standard Bank Namibia Limited	Kleine Kuppe
Netherlands	The Bank of New York Mellon SA/NV	Brussels, Belgium
New Zealand	The Hongkong and Shanghai Banking Corporation Limited	Auckland

Nigeria	Stanic IBTC Bank Plc.	Lagos
Norway	Skandinaviska Enskilda Banken AB (Publ)	Stockholm, Sweden
Oman	HSBC Bank Oman S.A.O.G.	Sultanate of Oman
Pakistan	Deutsche Bank AG	Karachi
Peru	Citibank del Peru S.A.	Lima
Philippines	Deutsche Bank AG	Taguig City 1634
Poland	Bank Polska Kasa Opieki S.A.	Warszawa
Portugal	Citibank Europe Plc	Dublin
Qatar	HSBC Bank Middle East Limited, Doha	Doha
Romania	Citibank Europe plc Dublin, Romania Branch	Bucharest
Russia	PJSC ROSBANK	Moscow
Saudi Arabia	HSBC Saudi Arabia	Riyadh
Serbia	UniCredit Bank Serbia JSC	Belgrade
Singapore	DBS Bank Ltd	Singapore
Slovak Republic	Citibank Europe plc, pobočka zahraničnej banky	Bratislava
Slovenia	UniCredit Banka Slovenia d.d.	Ljubljana
South Africa	Standard Chartered Bank	Johannesburg
South Africa	The Standard Bank of South Africa Limited	Johannesburg
South Korea	The Hongkong and Shanghai Banking Corporation Limited	Seoul
South Korea	Deutsche Bank AG	Seoul
Spain	Banco Bilbao Vizcaya Argentaria, S.A.	Bilbao

Spain	Caceis Bank Spain, S.A.U.	Madrid
Sri Lanka	The Hongkong and Shanghai Banking Corporation Limited	Colombo
Sweden	Skandinaviska Enskilda Banken AB (Publ)	Stockholm
Switzerland	Credit Suisse (Switzerland) Ltd	Zurich
Switzerland	UBS Switzerland AG	Zurich
Taiwan	HSBC Bank (Taiwan) Limited	Taipei City
Tanzania	Stanbic Bank Tanzania Limited	Dar es Salaam
Thailand	The Hongkong and Shanghai Banking Corporation Limited	Bangkok
Tunisia	Union Internationale de Banques	Tunis
Turkey	Deutsche Bank A.S.	Istanbul
U.A.E.	HSBC Bank Middle East Limited, Dubai	Dubai
U.K.	Depository and Clearing Centre (DCC) Deutsche Bank AG, London Branch	London
U.K.	The Bank of New York Mellon	New York
U.S.A.	The Bank of New York Mellon	New York
U.S.A. Precious Metals	HSBC Bank, USA, N.A	New York
Uganda	Stanbic Bank Uganda Limited	Kampala
Ukraine	JSC "Citibank"	Kiev
Uruguay	Banco Itaú Uruguay S.A.	Montevideo
Vietnam	HSBC Bank (Vietnam) Ltd	Ho Chi Minh City
WAEMU	Société Générale Côte d'Ivoire	Abidjan 01, Ivory Coast
Zambia	Stanbic Bank Zambia Limited	Lusaka

Zimbabwe	Stanbic Bank Zimbabwe Limited	Harare
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Croatia	Privredna banka Zagreb d.d.	Zagreb
Cyprus	BNP Paribas Securities Services	Athens
Czech Republic	Citibank Europe plc, organizacni slozka	Prague
Denmark	Skandinaviska Enskilda Banken AB (Publ)	Stockholm
Egypt	HSBC Bank Egypt S.A.E.	Cairo
Estonia	SEB Pank AS	Tallinn
Eswatini	Standard Bank Eswatini Limited	Mbabane
Euromarket	Clearstream Banking S.A	Luxembourg
Euromarket	Euroclear Bank	Brussels
Finland	Skandinaviska Enskilda Banken AB (Publ)	Stockholm, Sweden
France	The Bank of New York Mellon SA/NV	Brussels
Germany	The Bank of New York Mellon SA/NV	Frankfurt am Main
Ghana	Stanbic Bank Ghana Limited	Accra
Greece	BNP Paribas Securities Services	Athens
Hong Kong	The Hongkong and Shanghai Banking Corporation Limited	Hong Kong
Hungary	Citibank Europe plc. Hungarian Branch Office	Budapest
Iceland	Landsbankinn hf.	Reykjavik
India	Deutsche Bank AG	Mumbai
India	The Hongkong and Shanghai Banking Corporation Limited	Mumbai
Indonesia	Deutsche Bank AG	Jakarta
Ireland	The Bank of New York Mellon	New York

Israel	Bank Hapoalim B.M.	Tel Aviv
Italy	The Bank of New York Mellon SA/NV	Brussels
Japan	Mizuho Bank, Ltd.	Tokyo
Japan	MUFG Bank, Ltd.	Tokyo
Jordan	Standard Chartered Bank, Jordan Branch	Jordan
Kazakhstan	Citibank Kazakhstan Joint-Stock Company	Almaty
Kenya	Stanbic Bank Kenya Limited	Nairobi
Kuwait	HSBC Bank Middle East Limited, Kuwait	Safat
Latvia	AS SEB banka	Kekavas novads
Lithuania	AB SEB bankas	Vilnius
Luxembourg	Euroclear Bank	Brussels
Malawi	Standard Bank PLC	Lilongwe
Malaysia	Deutsche Bank (Malaysia) Berhad	Kuala Lumpur
Malta	The Bank of New York Mellon SA/NV, Asset Servicing, Niederlassung Frankfurt am Main	Frankfurt am Main, Germany
Mauritius	The Hongkong and Shanghai Banking Corporation Limited	Ebene
Mexico	Banco S3 México S.A.	Ciudad de México
Mexico	Citibanamex	Colonia Santa Fe
Morocco	Citibank Maghreb S.A.	Casablanca
Namibia	Standard Bank Namibia Limited	Kleine Kuppe
Netherlands	The Bank of New York Mellon SA/NV	Brussels, Belgium
New Zealand	The Hongkong and Shanghai Banking Corporation Limited	Auckland

Nigeria	Stanic IBTC Bank Plc.	Lagos
Norway	Skandinaviska Enskilda Banken AB (Publ)	Stockholm, Sweden
Oman	HSBC Bank Oman S.A.O.G.	Sultanate of Oman
Pakistan	Deutsche Bank AG	Karachi
Peru	Citibank del Peru S.A.	Lima
Philippines	Deutsche Bank AG	Taguig City 1634
Poland	Bank Polska Kasa Opieki S.A.	Warszawa
Portugal	Citibank Europe Plc	Dublin
Qatar	HSBC Bank Middle East Limited, Doha	Doha
Romania	Citibank Europe plc Dublin, Romania Branch	Bucharest
Russia	PJSC ROSBANK	Moscow
Saudi Arabia	HSBC Saudi Arabia	Riyadh
Serbia	UniCredit Bank Serbia JSC	Belgrade
Singapore	DBS Bank Ltd	Singapore
Slovak Republic	Citibank Europe plc, pobočka zahraničnej banky	Bratislava
Slovenia	UniCredit Banka Slovenia d.d.	Ljubljana
South Africa	Standard Chartered Bank	Johannesburg
South Africa	The Standard Bank of South Africa Limited	Johannesburg
South Korea	The Hongkong and Shanghai Banking Corporation Limited	Seoul
South Korea	Deutsche Bank AG	Seoul
Spain	Banco Bilbao Vizcaya Argentaria, S.A.	Bilbao

Spain	Santander Securities Services, S.A.U.	Madrid
Sri Lanka	The Hongkong and Shanghai Banking Corporation Limited	Colombo
Sweden	Skandinaviska Enskilda Banken AB (Publ)	Stockholm
Switzerland	Credit Suisse (Switzerland) Ltd	Zurich
Switzerland	UBS Switzerland AG	Zurich
Taiwan	HSBC Bank (Taiwan) Limited	Taipei City
Tanzania	Stanbic Bank Tanzania Limited	Dar es Salaam
Thailand	The Hongkong and Shanghai Banking Corporation Limited	Bangkok
Tunisia	Union Internationale de Banques	Tunis
Turkey	Deutsche Bank A.S.	Istanbul
U.A.E.	HSBC Bank Middle East Limited, Dubai	Dubai
U.K.	Depository and Clearing Centre (DCC) Deutsche Bank AG, London Branch	London
U.K.	The Bank of New York Mellon	New York
U.S.A.	The Bank of New York Mellon	New York
U.S.A. Precious Metals	HSBC Bank, USA, N.A	New York
Uganda	Stanbic Bank Uganda Limited	Kampala
Ukraine	JSC "Citibank"	Kiev
Uruguay	Banco Itaú Uruguay S.A.	Montevideo
Vietnam	HSBC Bank (Vietnam) Ltd	Ho Chi Minh City
WAEMU	Société Générale Côte d'Ivoire	Abidjan 01, Ivory Coast
Zambia	Stanbic Bank Zambia Limited	Lusaka

Zimbabwe	Stanbic Bank Zimbabwe Limited	Harare
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Issued by Liontrust Fund Partners LLP, authorised and regulated by the Financial Conduct Authority.

APPENDIX 9

Glossary

Asset – An item of property with an economic value.

Asset allocation – Dividing the money invested in the fund across different investments ('assets'), e.g. in different geographic areas or by industry sectors such as healthcare or financial companies.

Asset class – A group of securities that exhibits similar characteristics.

Bottom up – An investment approach that focuses on analysing individual shares rather than stock markets.

Cash – Legal tender that can be used to exchange goods, debt or services.

Corporate bonds – A debt security issued by a corporation and sold to investors.

Collective Investment Scheme (CIS) – A fund where money is pooled together with that of other investors. This includes Liontrust managed funds and externally managed funds.

Deposits – A sum of money held at a bank that offers interest on the sum deposited.

Equities – Shares in a company.

Fixed income – A type of investment in which income is received at regular intervals at reasonably predicted levels. This includes corporate bonds, government bonds, investment grade bonds and sub investment grade bonds.

GICS – An industry equity classification system developed by MSCI and S&P, two major index providers.

Government bonds – A debt security issued by a government and sold to investors.

Growth – The increase in value of investments.

IA Sector – A sector as defined by the Investment Association with criteria that funds must fulfil in order to be a part of.

Income – Money paid out by an investment, such as interest from a bond or a dividend from a share.

Index – A measurement of a particular section of a market.

Index weighting – The way in which a proportion of the index is allocated to a particular share.

Investment grade bonds – Bonds that are judged by ratings agencies as likely to meet payment obligations.

Market capitalisation – The total market value of a company's outstanding shares. It is calculated by multiplying the current market price of one share by the number of shares outstanding.

Money market instruments – Short term securities and debts sold on money markets.

Near cash – Highly liquid assets which can be easily converted into cash.

Prospectus – A formal legal document that provides details about an investment offering for sale to the public.

Sector – An area of the economy that shares a particular characteristic.

Securities – A negotiable financial instrument that holds a monetary value.

Special situations – Situations that exist where companies are out of favour, misunderstood or where management changes or takeovers are expected.

Sub-investment grade bonds – Bonds that are judged by ratings agencies as less likely to meet payment obligations.

Top down – An investment approach that looks at the big picture first, e.g. the economy, then at the detail, like how individual shares are performing.

Transferable securities – Financial instruments that can be exchanged between two parties.