LIONTRUST UK SMALLER COMPANIES FUND

Annual Report & Financial Statements

For the year:
1 May 2018
to
30 April 2019

Managed in accordance with
The Liontrust Economic Advantage

LIONTRUST FUND PARTNERS LLP

LIONTRUST

Contents

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

Management and Administration

Authorised Fund Manager ("Manager")
Liontrust Fund Partners LLP
2 Savoy Court
London WC2R 0EZ

Administration and Dealing enquiries 0344 892 0349
Administration and Dealing facsimile 020 7964 2562
Email admin@liontrust.co.uk
Website www.liontrust.co.uk

Authorised and regulated by the Financial Conduct Authority ("FCA").

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

Investment Adviser
Liontrust Investment Partners LLP
2 Savoy Court
London WC2R 0EZ

Authorised and regulated by the FCA.

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

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

Independent Auditors
PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

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

(Authorised by PRA and regulated by the FCA and the PRA).

* Please refer to page 42 for details of the change.

Liontrust UK Smaller Companies Fund

Investment profile

The Liontrust UK Smaller Companies Fund (The "Fund") has been managed by Anthony Cross since 1998 and he was joined by his co-managers Julian Fosh in 2008 and Victoria Stevens and Matt Tonge in 2015. The fund managers use the Economic Advantage investment process to seek to identify companies with a durable competitive advantage that allows the companies to defy industry competition and sustain a higher than average level of profitability for longer than expected. All smaller companies in the Fund must have a minimum 3% directors' equity ownership, which the fund managers believe motivates key employees, helps to secure a company's competitive edge and leads to better corporate performance.

Liontrust Asset Management PLC

Liontrust Asset Management PLC (Company) is a specialist fund management company with £14.1 billion in assets under management as at 30 June 2019. The Company takes pride in having a distinct culture and approach to running money. We have two primary aims: to invest money on your behalf to try to help you reach your financial goals and to invest in what we believe are the best companies around the world, providing businesses with capital to grow. What makes Liontrust distinct?

The company launched in 1995 and was listed on the London Stock Exchange in 1999.

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

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

Manager's Investment Report

Investment objective and policy

The investment objective of Liontrust UK Smaller Companies Fund is to provide long-term capital growth by investing primarily in smaller UK companies displaying a high degree of Intellectual Capital and employee motivation through equity ownership in their business model.

To achieve this aim, the Fund will invest in a portfolio of UK smaller companies' shares, the majority of which are contained within the FTSE Small Cap., the FTSE Fledgling and the AIM indices. Companies within the Fund that graduate into the FTSE 250 Index will be held until a suitable replacement company is found. The Fund may also invest in transferable securities, money market instruments, warrants, cash and near cash and deposits. The Fund may also invest up to 10% of its property in units or shares in collective investment schemes. The Fund is permitted to use derivatives for the purposes of efficient portfolio management and for investment purposes.

Manager's Investment Report (continued)

Performance of the Fund

In the year to 30 April 2019 an investment in the Fund returned 4.7% (retail class) and 5.0% (primary class). This compares with a return of -5.3% from the FTSE Small Cap (excluding investment trusts) Total Return Index, the benchmark index and a -1.6% return from the IA UK Smaller Companies sector average.

Since the manager inception date of the Fund, 8 January 1998, an investment in the Fund has risen by 1219.7% (retail class) and 1241.5% (primary class) compared to a 265.7% return from the FTSE Small Cap (excluding investment trusts) Total Return Index and a 626.5% return from the IA UK Smaller Companies sector average.

Source: Financial Express, bid-to-bid basis, total return, net of fees, income reinvested. In line with Investment Association guidance, performance since inception is shown for the primary share class. The primary class post-Retail Distribution Review is the institutional class, whereas pre-Retail Distribution Review the bundled Retail class performance history is used, unadjusted for the lower fees of the post Retail Distribution Review classes.

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

Manager's Investment Report (continued)

Risk and Reward profile

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

Typically lower rewards, lower risk — Typically higher rewards, higher risk

1	2	3	**4**	5	6	7

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

- The Synthetic Risk Reward Indicator ("SRRI") is based upon historical data and may not be relied upon to gauge the future risk profile of the Fund.
- The SRRI shown is not guaranteed to remain the same and may shift over time
- The lowest category (1) does not mean 'risk free'.
- The Fund's risk and reward category has been calculated using the methodology set by the European Commission. It is based upon the rate by which the Fund or a representative fund or Index's value has moved up and down in the past.
- The Fund is categorised 4 primarily for its exposure to smaller UK companies.
- The SRRI may not fully take into account the following risks:
  - That a company may fail thus reducing its value within the Fund;
  - Any company which has high overseas earnings may carry a higher currency risk;
- As the Fund is primarily exposed to smaller companies there may be liquidity constraints from time to time. In addition the spread between the price you buy and sell units will reflect the less liquid nature of the underlying holdings.
- The Fund may invest in companies listed on the Alternative Investment Market ("AIM") which is primarily for emerging or smaller companies. The rules are less demanding than those of the official List of the London Stock Exchange and therefore companies listed on AIM may carry a greater risk than a company with a full listing.
- The Fund may, under certain circumstances, make use of derivative instruments but it is not intended that their use will materially affect volatility.
- Counterparty Risk: any derivative contract, including FX hedging, may be at risk if the counterparty fails.

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

Manager's Investment Report (continued)

The Market

In the year to 30 April 2019, the FTSE Small Cap ex-Investment Trusts Index returned -5.3%.

Investor sentiment gradually eroded during 2018 before markets capitulated in October. The sharp drop in the final quarter of 2018 appeared to be the culmination of mounting concerns over factors such as trade tariffs and monetary tightening, which have been part of the investment landscape for some time. The US-China 'Trade War' narrative remained a defining feature of the macroeconomic backdrop, with President Trump implementing tariffs on a range of Chinese goods (and threatening more) while China responded with retaliatory measures. At the same time, the gradual normalisation of global monetary policy continued; the US Federal Reserve implemented two more quarter-point rate rises (to 2.25%), the Bank of England raised rates to 0.75% and the European Central Bank confirmed plans to terminate its quantitative easing programme at the end of 2018. Brexit uncertainty was another factor weighing on UK markets through the period.

Over the fourth quarter of 2018 the FTSE Small Cap ex-IT Index returned -12% and the FTSE AIM All-Share lost 21.5%.

Markets regained their poise in 2019 as some of the aforementioned concerns subsided. US-China trade tensions appeared to ease while the US Federal Reserve backed away from plans to raise rates further. In the UK, a 'risk on' trade also received encouragement from another postponement of the Brexit deadline, from 12 April to 31 October.

The Fund

In the year to 30 April 2019, the Liontrust UK Smaller Companies Fund returned 5.0% (institutional class), outperforming the FTSE Small Cap ex-IT Index and the -1.6% average return in the IA UK Smaller Companies sector.

Investors familiar with the Economic Advantage investment process will be well aware that it is unashamedly bottom-up in nature, and makes no attempt to predict macroeconomic events. The fund managers believe that the long-term prospects of the Fund's investments are driven mostly by their ability to successfully execute growth plans and compound profits.

In the short-term, the managers recognise that investor sentiment and other exogenous factors will impact share prices, so they aim to ride out periods of volatility and treat indiscriminate market weakness as a buying opportunity. Despite the turbulence witnessed at the macroeconomic and stock market level, the smaller end of the UK market was still able to display some of its idiosyncratic characteristics. All of the Fund's largest performance contributors and detractors were driven by corporate news flow or other 'bottom up' considerations.

The largest contributors to the Fund's performance were: AB Dynamics (+134%), Bioquell (+92.5%), RWS Holdings (+67.3%), Gamma Communications (+48.3%) and Craneware (+46.8%).

AB Dynamics recorded a 69% increase in revenues to £25.8m and a near doubling of profit before tax to £6.4m in the six months to 28 February 2019. The company supplies advanced testing systems to the global motor industry. These systems, which include driving robots and guided soft targets, involve a substantial amount of intellectual property. The fund managers expect AB Dynamics to benefit from the growth of autonomous vehicle technology and Advanced Driver Assistance Systems. Within its interim results, the company commented on the size of its order book, noting that it provides "full visibility" for the remainder of this financial year (ending 31 October) and next.

Bioquell's share price jumped after it agreed to be taken over by US-based Ecolab. The deal was struck at 590p per share, a 40% premium to the company's share price at the time. Bioquell, a provider of bio-decontamination solutions to the pharmaceutical, life sciences and healthcare industries, had previously struggled to translate its intellectual property into sustained financial outperformance, until a new management team entered the fray a few years ago and substantially tightened up the business' commercial and operational focus. Momentum had already returned to both the underlying business performance and the share price prior to Ecolab's offer.

RWS Holdings indicated in a half-year trading statement that adjusted profit before tax for the period to 31 March 2019 would be at least £35.5m, a 24% year-on-year increase and ahead of expectations. Overall revenue growth amounted to 10% on an underlying like-for-like basis, boosted by a strong performance from the recently acquired Moravia business. RWS is a provider of intellectual property support services such as translation and localisation.

Manager's Investment Report (continued)

The Fund (continued)

Gamma Communications issued a trading update in January 2019 stating that 2018 EBITDA (earnings before interest, tax, depreciation and amortisation) would be at the "top of the range of market expectations". The company, which provides voice, data and mobile communications to businesses, in March released full-year results which showed a 34% EBITDA increase to £48.3m. Revenues rose 18% to £285m, led by its indirect sales channel as its number of channel partners grew from 1,089 to 1,150 over the year.

Craneware is one of the largest providers of pricing and billing systems to US hospitals. Its shares rallied in September 2018 as it reported on an "outstanding" year in financial and operational terms. Revenue increased 16% to US$67.1m. Its new sales in the year - which included five significant contract wins or extensions - more than doubled, while renewal rates were above 100% by US dollar value. In a bullish outlook comment, Craneware's management highlighted a record sales pipeline for its new financial year and increasing long-term revenue visibility. In March it then released interims in which it revealed it had visibility on over US$70m of the year's sales – almost 90% of the markets forecast for the whole year. In the fund managers' view, one of Craneware's core Economic Advantage intangible assets is its level of recurring business.

The biggest detractors from the Fund's performance were Proactis Holdings (-69.6%), accesso Technology (-61.2%), Quixant (-36.4%), Smart Metering Systems (-37.3%), Clipper Logistics (-34.2%).

Having initially been willing to continue backing Proactis Holdings following a management reorganisation announced in January, developments in February led the fund managers to conclude that the risks associated with the holding had grown too large. One of the more concerning aspects of February's profit warning – which cited a lower level of retention and a deterioration in US and European businesses' pipelines – was that it came just a month after its January statement had suggested trading was progressing in line with expectations. The position was sold in March following a managed exit from the position.

Shares in accesso Technology tumbled after the queuing and ticketing technology company announced a review of its investment spending priorities. The company did not clarify whether this would mean a simple reallocation of spend, or a material decrease/increase in spending. The market naturally speculated that if it was the latter, this could lead to earnings downgrades. Mixed in with this was the news that that executive chairman Tom Burnet, who has been the face of the company for many years, would be stepping back to a non-executive role.

In a January 2019 trading update Quixant painted a picture of a robust performance from its 'core' gaming platform business – with double-digit growth rates – that was undermined by a poor showing from its gaming monitors division. It stated that 2018 sales would be around US$115m, lower than consensus analyst forecasts of US$130m, with profit before tax also missing expectations of US$19.0m. The latter is the subject of a refocus, through which the company hopes to improve profitability by turning away some low-margin opportunities. Although the short-term price move is frustrating, moving away from lower margin monitors into products that contain a greater degree of intellectual property and therefore command higher margins chimes clearly with the Economic Advantage investment process; additionally the de-rating of the shares provided an attractive price to top up the Fund's holding.

Clipper Logistics is well-placed to participate in the long-term secular shift to online consumer spending by helping retailers with logistical fulfilment of orders. However, in 2018 the shares were held back by the nearer-term pressures that are mounting for the retail sector as a whole; solid full year results in July were overshadowed by cautious outlook comments. Brexit concerns were added to the mix after December's interim results flagged the negative impact the political uncertainty is having on the availability of seasonal labour. While this perturbed some investors, underlying business progress was still strong – 14% revenue growth to £228m and a 16% uplift in operating profit to £10.7m driven by e-fulfilment and returns management services – and the Fund maintain its conviction in the long-term opportunity offered by the company.

Shares in Smart Metering Systems gave up some ground in 2018 on worries that a shift to the next generation of smart meters (from SEMTS1 to SMETS2) would slow installations. A December trading update confirmed that the company shared this concern, and 2018 full-year results released in April gave further details. Installation run rates dipped in the second half of 2018 but the company said it expects installation rates to accelerate into the second half of 2019. It has also written down the value of its first generation meter portfolio. This charge, together with increased investment in its supply chain to handle second generation meters, led to a large drop in the company's profitability during 2018. Nevertheless, powerful regulatory drivers continue to underpin the company's prospects and the fund managers believe that the delay in achieving this growth has already been discounted in the shares.

Manager's Investment Report (continued)

Portfolio Activity

The Fund implemented some portfolio changes over the year, selling eight positions:

The holding in First Derivatives was sold despite the company remaining one of the more exciting growth companies listed on the market, with very strong intellectual property and a track record of delivery. However, aspects of First Derivatives accounting had caused a reassessment of the position's risks and it was ultimately decided that these outweighed the company's growth attractions.

The Fund also chose to exit its position in Empresaria Group following a deterioration in the company's cash flow return on capital profile, weak organic trading and high levels of debt in a cyclical business. This eroded the fund managers' conviction in the stock's ability to be a long-term compounder of earnings.

Residual positions in IDE Group and System1 were also closed out. IDE Group continues to be unable to convert its theoretical competitive advantage (recurring income) into any meaningful cash generation – leading eventually to high levels of debt and a rescue fund raise in August 2018. Marketing consultancy business System1 had unfortunately become a de-minimis position following a series of profit warnings over the last year.

The holding in Proactis was sold after a succession of negative corporate news releases raised question marks over management's ability to navigate through the challenges facing the business.

The other three disposals resulted from takeovers or application of the Fund's well-defined investment rules: Bioquell left the portfolio following completion of Ecolab's 590p a share purchase of the company; Renishaw was sold after the business grew to exceed the Fund's target market capitalisation range; and Pressure Technologies director's share ownership slipped below the 3% minimum level required of Fund holdings due to the retirement of its CEO.

Five new holdings were added:

Nasstar is a hosted desktop and cloud computing business, whose services enable customers to access their corporate desktop, applications and data in the cloud. Nasstar targets SME customers in application-rich, heavily regulated verticals such as legal, finance and recruitment, where complexity of delivery and a requirement for high customer service levels provide significant barriers to entry. With over 12,000 hosted desktop users relying on the company to deliver business-critical IT resource, Nasstar has a strong embedded distribution network. In addition, the business enjoys very strong recurring revenues (almost 90%) thanks to its subscription-based charging model.

Team17 Group was added to the Fund during the company's admission to trading on the AIM market. Team17 is a leading video games label and creative partner for independent developers. It raised £108m in the process of admission. The fund managers believe Team17 possesses Economic Advantage in the form of its intellectual property. The global video gaming industry is already very substantial and looks set to enjoy rapid growth in coming years. The Fund already has exposure to the sector via Keywords Studios and Sumo Group.

AJ Bell is a direct to consumer and business to business investment platform. The company enjoys high recurring income and a strong distribution network. Its competitive pricing and award winning customer service should help the business continue to grow its market share.

Nucleus Financial is a platform used by independent financial advisors (IFAs) to manage client assets in one place. The company enjoys a high level of recurring fee income and has a strong distribution network, working with over 800 adviser firms and used by over 2,000 advisers.

Bioventix is a biotechnology company which specialises in high-affinity sheep monoclonal antibodies for use in clinical diagnostics.

The Fund also has a small holding in World Careers Network which changed its name to Oleeo during the year.

Manager's Investment Report (continued)

Outlook

The UK economic outlook is uncertain, particularly with regard to the challenges of Brexit. Smaller companies are often vulnerable to economic shocks, especially if they are at the mercy of a narrow customer base or discretionary spend. The dangers are exacerbated further if balance sheets are weak and access to finance dries up.

During periods of market or economic uncertainty, it is therefore more important than ever to focus on company fundamentals rather than macroeconomic noise. Successfully predicting macroeconomic events is exceptionally difficult and the Fund adheres to an investment process where this kind of forecasting plays no role. The Economic Advantage investment process is unashamedly bottom-up. The Fund only considers investing in companies which generate profits, have solid balance sheets and positive cash flow to underpin their market valuation.

The Fund treats periods of indiscriminate market weakness as an opportunity to identify stocks whose long-term fundamentals are undervalued. This was the case in October 2018, when the Fund used a sharp fall to add to positions in almost half its holdings. The fund managers do not claim to know how long any period of market weakness may persist, but – in the long run – buying into quality companies when others are selling usually proves a fruitful strategy.

Anthony Cross, Julian Fosh, Victoria Stevens & Matthew Tonge

Partners, Liontrust Fund Partners LLP

August 2019

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

Authorised Status

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

Statement of the Manager's Responsibilities

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

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

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

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

Statement of the Trustee's Responsibilities in Respect of the Scheme and Report of the Trustee to the Unitholders of the Liontrust UK Smaller Companies Fund for the Year Ended 30 April 2019

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

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

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

The Trustee must ensure that:

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

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

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

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Trust's units and the application of the Trust's income in accordance with the Regulations and the Scheme documents of the Trust; and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the Regulations and the Scheme documents of the Trust.

For and on behalf of

The Bank of New York Mellon (International) Limited

1 Canada Square
London E14 5AL

28 August 2019

Certification of Financial Statements by Partners of the Manager

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

John Ions

Chief Executive

Antony Morrison

Partner, Head of Finance

Liontrust Fund Partners LLP
28 August 2019

Independent Auditors' Report to the Unitholders of Liontrust UK Smaller Companies Fund

Report on the audit of the financial statements

Opinion

In our opinion, Liontrust UK Smaller Companies Fund's (the "Trust") financial statements:

- give a true and fair view of the financial position of the Trust as at 30 April 2019 and of the net revenue and the net capital gains on its scheme property for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law, the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

We have audited the financial statements, included within the Annual Report & Financial Statements (the "Annual Report") which comprise: the balance sheet as at 30 April 2019; the statement of total return and the statement of change in net assets attributable to unitholders for the year then ended; the distribution tables; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Independent Auditors' Report to the Unitholders of Liontrust UK Smaller Companies Fund (continued)

Report on the audit of the financial statements (continued)

Reporting on other information

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

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

Authorised Fund Manager's Report

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

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Fund Manager for the financial statements

As explained more fully in the Statement of the Manager's Responsibilities set out on page 10, the Authorised Fund Manager is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Fund Manager is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Fund Manager is responsible for assessing the Trust's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Fund Manager either intend to wind up or terminate the Trust, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Independent Auditors' Report to the Unitholders of Liontrust UK Smaller Companies Fund (continued)

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

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

Collective Investment Schemes sourcebook exception reporting

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

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

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Edinburgh

28 August 2019

Comparative Tables

as at 30 April 2019

Institutional Accumulation Accounting year ended	30 April 2019 per unit (p)	30 April 2018 per unit (p)	30 April 2017 per unit (p)
Change in net assets per unit			
Opening net asset value per unit	1,396.14	1,218.91	941.86
Return before operating charges	88.25	195.07	291.68
Operating charges	(19.31)	(17.84)	(14.63)
Return after operating charges	68.94	177.23	277.05
Distributions	(3.74)	(3.15)	(1.70)
Retained distributions on accumulation units	3.74	3.15	1.70
Closing net asset value per unit	**1,465.08**	**1,396.14**	**1,218.91**
After transaction costs of*	(0.65)	(0.52)	(0.89)
Performance			
Return after charges	4.94%	14.54%	29.42%
Other information			
Closing net asset value (£'000)	387,930	299,576	179,176
Closing number of units	26,478,364	21,457,412	14,699,693
Operating charges**	1.37%	1.34%	1.36%
Direct transaction costs*	0.05%	0.04%	0.08%
Prices			
Highest unit price	1,610.59	1,447.92	1,256.31
Lowest unit price	1,270.21	1,217.56	872.98

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

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

Comparative Tables (continued)

as at 30 April 2019

Institutional Income Accounting year ended	30 April 2019 per unit (p)	30 April 2018 per unit (p)	30 April 2017 per unit (p)
Change in net assets per unit			
Opening net asset value per unit	1,383.30	1,210.42	936.53
Return before operating charges	87.48	193.68	289.83
Operating charges	(19.13)	(17.70)	(14.27)
Return after operating charges	68.35	175.98	275.56
Distributions	(3.67)	(3.10)	(1.67)
Closing net asset value per unit	**1,447.98**	**1,383.30**	**1,210.42**
After transaction costs of*	(0.65)	(0.52)	(0.87)
Performance			
Return after charges	4.94%	14.54%	29.42%
Other information			
Closing net asset value (£'000)	451,900	442,740	388,337
Closing number of units	31,209,032	32,006,072	32,082,688
Operating charges**	1.37%	1.34%	1.36%
Direct transaction costs*	0.05%	0.04%	0.08%
Prices			
Highest unit price	1,595.77	1,437.77	1,249.22
Lowest unit price	1,258.52	1,210.69	868.06

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

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

Comparative Tables (continued)

as at 30 April 2019

Retail Income Accounting year ended	30 April 2019 per unit (p)	30 April 2018 per unit (p)	30 April 2017 per unit (p)
Change in net assets per unit			
Opening net asset value per unit	1,380.88	1,208.68	936.28
Return before operating charges	87.14	193.14	289.22
Operating charges	(22.55)	(20.94)	(16.82)
Return after operating charges	64.59	172.20	272.40
Distributions	(0.11)	–	–
Closing net asset value per unit	**1,445.36**	**1,380.88**	**1,208.68**
After transaction costs of*	(0.64)	(0.52)	(0.87)
Performance			
Return after charges	4.68%	14.25%	29.09%
Other information			
Closing net asset value (£'000)	120,815	120,298	126,230
Closing number of units	8,358,799	8,711,707	10,443,605
Operating charges**	1.62%	1.59%	1.61%
Direct transaction costs*	0.05%	0.04%	0.08%
Prices			
Highest unit price	1,671.03	1,504.71	1,308.02
Lowest unit price	1,254.23	1,207.31	867.44

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

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

Portfolio Statement

as at 30 April 2019

Holding	Stock description	Market value (£'000)	Percentage of total net assets (%)
	EQUITIES (92.87%)	**877,444**	**91.34**
	BASIC MATERIALS (0.71%)	**9,030**	**0.94**
912,156	James Cropper	9,030	0.94
	CONSUMER GOODS (2.72%)	**57,008**	**5.93**
2,720,521	Focusrite	13,439	1.40
1,800,317	Hilton Food	17,697	1.84
9,899,407	Sumo	14,156	1.47
4,506,141	Team17	11,716	1.22
	CONSUMER SERVICES (7.86%)	**76,524**	**7.97**
10,277,787	Cello Health	13,258	1.38
2,727,176	GlobalData	16,363	1.70
3,147,361	Next Fifteen Communications	17,562	1.83
6,593,388	YouGov	29,341	3.06
	FINANCIALS (14.42%)	**146,900**	**15.29**
794,561	AJ Bell	3,218	0.33
951,588	Arbuthnot Banking	12,371	1.29
1,078,931	Brooks Macdonald	18,666	1.94
4,914,872	Charles Stanley	14,155	1.47
5,250,439	Curtis Banks	15,751	1.64
1,319,976	IntegraFin	5,237	0.55
4,851,882	JTC	18,631	1.94
2,411,280	Mattioli Woods	18,326	1.91
3,658,771	Mortgage Advice Bureau	20,562	2.14
4,199,425	Nucleus Financial	8,147	0.85
5,530,847	Tatton Asset Management	11,836	1.23
	HEALTHCARE (5.97%)	**56,420**	**5.87**
4,943,505	Animalcare	7,069	0.73
106,312	Bioventix	4,199	0.44
5,096,934	CareTech	16,565	1.72
3,145,603	Eco Animal Health	12,582	1.31
10,814,060	Medica	16,005	1.67

Portfolio Statement (continued)

as at 30 April 2019

Holding	Stock description	Market value (£'000)	Percentage of total net assets (%)
	INDUSTRIALS (30.01%)	**279,871**	**29.13**
758,954	AB Dynamics	16,697	1.74
2,019,325	Castings	7,148	0.74
6,392,464	Clipper Logistics	18,187	1.89
2,707,998	Cohort	9,884	1.03
5,707,917	FW Thorpe	17,580	1.83
10,408,250	Gateley	16,445	1.71
533,787	Judges Scientific	16,814	1.75
1,036,829	Keywords Studios	16,164	1.68
22,221,242	Learning Technologies	19,177	2.00
875,986	Murgitroyd	4,906	0.51
588,376	Oleeo	941	0.10
2,751,777	PayPoint	27,490	2.86
3,683,556	Robert Walters	21,217	2.21
5,003,708	RWS Holdings	30,423	3.17
8,569,673	Simplybiz	17,654	1.84
2,297,319	Smart Metering Systems	11,280	1.17
11,806,582	Trifast	27,864	2.90
	OIL & GAS (0.42%)	**3,617**	**0.38**
6,825,442	Plexus	3,617	0.38
	TECHNOLOGY (27.89%)	**219,962**	**22.9**
645,777	accesso Technology	5,425	0.57
5,115,672	Bango	5,730	0.60
3,301,972	Bond International Software*	–	–
7,013,138	Concurrent Technologies	5,540	0.58
879,998	Craneware	23,584	2.46
25,788,356	dotdigital	25,788	2.68
11,743,509	Ideagen	17,263	1.80
6,226,084	IMImobile	18,990	1.98
1,461,462	Instem	5,115	0.53
2,353,275	Intercede	612	0.06
6,848,254	iomart	23,832	2.48
4,181,971	K3 Business Technology	9,117	0.95
3,268,987	Kainos	17,130	1.78
56,089,611	Nasstar	6,731	0.70
14,098,662	Netcall	7,613	0.79
3,380,965	Pennant International	3,888	0.40

Portfolio Statement (continued)

as at 30 April 2019

Holding	Stock description	Market value (£'000)	Percentage of total net assets (%)
	TECHNOLOGY (continued)		
4,508,010	Quartix	11,270	1.17
5,131,832	Quixant	13,137	1.37
4,076,812	StatPro	5,300	0.55
2,171,414	Tracsis	13,897	1.45
	TELECOMMUNICATIONS (2.87%)	**28,112**	**2.93**
2,590,935	Gamma Communications	28,112	2.93
	IRELAND (4.72%)		
	MONEY MARKET FUNDS (4.72%)		
	Portfolio of investments	**877,444**	**91.34**
	Net other assets	**83,201**	**8.66**
	Net assets	**960,645**	**100.00**

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

Comparative figures shown in brackets relate to 30 April 2018.

* Delisted securities.

Financial Statements

Statement of Total Return

for the year ended 30 April 2019

	Notes	(£'000)	1.5.2018 to 30.4.2019 (£'000)	(£'000)	1.5.2017 to 30.4.2018 (£'000)
Income					
Net capital gains	2		39,604		100,113
Revenue	3	14,803		12,348	
Expenses	4	(12,736)		(10,837)	
Interest payable and similar charges		–		–	
Net revenue before taxation		2,067		1,511	
Taxation	5	–		(22)	
Net revenue after taxation			2,067		1,489
Total return before distribution			**41,671**		**101,602**
Distribution	6		(2,083)		(1,568)
Change in net assets attributable to unitholders from investment activities			**39,588**		**100,034**

Statement of Change in Net Assets Attributable to Unitholders

for the year ended 30 April 2019

	(£'000)	1.5.2018 to 30.4.2019 (£'000)	(£'000)	1.5.2017 to 30.4.2018 (£'000)
Opening net assets attributable to unitholders		**862,614**		**693,743**
Amounts received on issue of units	141,469		194,811	
Amounts paid on cancellation of units	(84,855)		(128,598)	
		56,614		66,213
Dilution adjustment		839		1,948
Change in net assets attributable to unitholders from investment activities		39,588		100,034
Retained distributions on Accumulation units		990		676
Closing net assets attributable to unitholders		**960,645**		**862,614**

Financial Statements (continued)

Balance sheet

as at 30 April 2019

	Notes	30.4.2019 (£'000)	30.4.2018 (£'000)
Assets			
Fixed Assets			
Investments		877,444	841,859
Current assets:			
Debtors	7	7,058	5,682
Cash and bank balances	8	82,755	18,067
Total other assets		**89,813**	**23,749**
Total assets		**967,257**	**865,608**
Liabilities			
Distribution payable	9	(1,154)	(992)
Other creditors	9	(5,458)	(2,002)
Total liabilities		**(6,612)**	**(2,994)**
Net assets attributable to unitholders		**960,645**	**862,614**

Notes to the Financial Statements

for the year ended 30 April 2019

1 Accounting policies

a) Basis of preparation

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

b) Recognition of revenue

(i) UK dividends classified as franked investment income are shown net of attributable tax credits when the securities are quoted ex-dividend.

(ii) Bank interest and stock lending are recognised on an accruals basis.

(iii) Overseas revenue that is received after the deduction of withholding tax is shown gross of taxation.

c) Expenses

The safe custody fees, transaction charges and wire charges are deducted from capital. All other expenses are charged against income. All expenses are accounted for on an accruals basis.

d) Basis of valuation of investments

All investments have been valued at 12 midday, on 30 April 2019. Listed investments have been valued at bid-market value, net of any accrued income.

Unquoted, delisted and suspended investments are valued based on the Manager's opinion of fair value, the intention of which is to estimate market value.

e) Taxation

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

f) Deferred taxation

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

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

g) Foreign exchange

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

Notes to the Financial Statements (continued)

for the year ended 30 April 2019

1 Accounting policies (continued)

1.1 Distribution policies

h) Basis of distribution

Income produced by the Fund's investments accumulates during each accounting period. If at the end of the accounting period income exceeds expenses, the net income of the Fund is available to be distributed to unitholders.

The Operating Expenses are paid directly by Liontrust and will be reimbursed by each fund at a flat rate per year out of their respective net asset values.

i) Stock dividends

The ordinary element of a stock dividend is recognised as revenue to the extent that its market value is equivalent to the value of the underlying shares on the date the shares are quoted ex-dividend. Where an enhancement is offered, the which the market value of the shares (on the date they are quoted ex-dividend) exceeds the cash value of the dividend taken to capital. The ordinary element of the stock dividend is treated as revenue and forms part of the distribution.

j) Special dividends

Special dividends are treated as repayments of revenue except where there is sufficient evidence to indicate that they should be treated, in whole or in part, as capital. Amounts recognised as revenue will form part of the distribution. The tax treatment will follow the accounting treatment of the receipt.

Notes to the Financial Statements (continued)

for the year ended 30 April 2019

2 Net capital gains

	1.5.2018 to 30.4.2019 (£'000)	1.5.2017 to 30.4.2018 (£'000)
Non-derivative securities	39,606	100,118
Currency gains/(losses)	1	(1)
Transaction charges	(3)	(4)
Net capital gains	**39,604**	**100,113**

3 Revenue

	1.5.2018 to 30.4.2019 (£'000)	1.5.2017 to 30.4.2018 (£'000)
Overseas taxable revenue*	–	(3)
Overseas non-taxable revenue	32	146
UK dividends	14,622	12,048
Distributions from Regulated Collective Investment Schemes:		
Offshore investment revenue**	83	90
Bank interest	39	4
Stocklending income	27	63
Total revenue	**14,803**	**12,348**

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

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

Notes to the Financial Statements (continued)

for the year ended 30 April 2019

4 Expenses*

	1.5.2018 to 30.4.2019 (£'000)	1.5.2017 to 30.4.2018 (£'000)
Payable to the Manager, associates of the Manager, and agents of either of them:		
Manager's periodic charge	11,649	10,200
Fixed rate administration fees	773	–
Registration fees	103	383
	12,525	**10,583**
Payable to the Trustee, associates of the Trustee, and agents of either of them:		
Safe custody fees	12	45
Trustee's fees	37	99
Wire charges	–	1
	49	**145**
Other expenses		
Administration fee	154	63
Audit fee**	4	11
Printing fee	2	5
Other expenses	2	30
	162	**109**
Total expenses	**12,736**	**10,837**

* Please refer to page 42 for details of the new fee structure.

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

Notes to the Financial Statements (continued)

for the year ended 30 April 2019

5 Taxation

	1.5.2018 to 30.4.2019 (£'000)	1.5.2017 to 30.4.2018 (£'000)
a) Analysis of charge in year		
Irrecoverable overseas tax	–	22
Total tax charge for the year (see note 5(b))	**–**	**22**

b) Factors affecting tax charge for the year

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

	1.5.2018 to 30.4.2019 (£'000)	1.5.2017 to 30.4.2018 (£'000)
Net revenue before taxation	2,067	1,511
Corporation tax at 20% (2018: 20%)	413	302
Effects of:		
Irrecoverable overseas tax	–	22
Movement in excess management expenses	2,478	2,136
Other non-taxable income	(7)	(29)
Prior year adjustment to tax losses	40	–
UK dividends*	(2,924)	(2,409)
Total tax charge for year (see note 5(a))	**–**	**22**

* As an authorised Unit Trust, these items are not subject to corporation tax.

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

c) Deferred tax

At the year end, there is a potential deferred tax asset of £12,069,751 (2018: £9,552,340) in relation to excess management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the year or the prior year.

Notes to the Financial Statements (continued)

for the year ended 30 April 2019

6 Distributions

	1.5.2018 to 30.4.2019 (£'000)	1.5.2017 to 30.4.2018 (£'000)
Final	2,144	1,668
Amounts deducted on cancellation of units	69	166
Amounts received on issue of units	(130)	(266)
	2,083	**1,568**

Reconciliation of net revenue after taxation to:		
Net revenue after taxation	2,067	1,489
Fees paid from capital	12	46
Add: Income brought forward from previous year	4	1
Movement in net income as a result of conversions	–	16
Revenue deficit payable from capital	–	20
Less: Income carried forward	–	(4)
Net distribution for the year	**2,083**	**1,568**

Details of the distribution per unit are set out in the table on page 38.

7 Debtors

	30.4.2019 (£'000)	30.4.2018 (£'000)
Accrued revenue	2,570	1,528
Amounts receivable on creation of units	3,914	4,154
Sales awaiting settlement	574	–
Total debtors	**7,058**	**5,682**

Notes to the Financial Statements (continued)

for the year ended 30 April 2019

8 Cash and bank balances

	30.4.2019 (£'000)	30.4.2018 (£'000)
Cash at bank	82,755	18,067
Total cash and bank balances	**82,755**	**18,067**

9 Creditors

	30.4.2019 (£'000)	30.4.2018 (£'000)
Distribution payable		
Net distribution payable	1,154	992
	1,154	**992**
Other creditors		
Accrued expenses	1,119	1,022
Amounts payable on cancellation of units	3,646	76
Purchases awaiting settlement	693	904
Total other creditors	**5,458**	**2,002**

10 Contingent liabilities

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

11 Related party transactions

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

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

The charges made by the Manager during the year are disclosed in note 4 on page 27. At 30 April 2019 £988,349 was due to the Manager (2018: £901,970). This amount is included under 'Accrued expenses' in note 9.

During the year the Manager received creation monies of £115,919,524 (2018: £195,077,104) and paid cancellation monies of £59,243,983 (2018: £128,764,422). At 30 April 2019 there were creation monies due from the Manager of £3,913,845 (2018: £4,154,074). There were cancellation monies due to the Manager of £3,646,122 at 30 April 2019 (2018: £76,216).

Notes to the Financial Statements (continued)

for the year ended 30 April 2019

12 Securities on loan

The aggregate value of securities on loan at 30 April 2019 is £Nil (2018: £23,120,923). The identities of these counterparties are listed in the counterparties table below. Securities on loan are included in the portfolio statement and no account is taken of any collateral held. The aggregate value of collateral held at 30 April 2019 is £Nil (2018: £24,837,211). This collateral is listed in the collateral held table below.

The gross earnings and fees paid for the year are £40,161 (2018: £93,217) and £12,851 (2018: £29,829).

Counterparties	30.4.2019 (£'000)	30.4.2018 (£'000)
Citigroup Global Markets	–	4,590
Credit Suisse Securities (Europe)	–	48
Deutsche Bank	–	657
Goldman Sachs International	–	1,612
HSBC Bank	–	1,236
ING Bank	–	–
JP Morgan Securities	–	1,856
Merrill Lynch	–	1,172
Societe Generale	–	52
UBS	–	11,898
	–	**23,121**

Collateral held	30.4.2019 (£'000)	30.4.2018 (£'000)
Bonds	–	11,288
Equities	–	12,704
Cash	–	845
	–	**24,837**

Notes to the Financial Statements (continued)

for the year ended 30 April 2019

13 Risk management policies

In accordance with the investment objectives and policies the Fund can hold certain financial instruments. These comprise:

- equity shares;
- cash and short-term debtors and creditors that arise directly from its operations;
- units in Collective Investment Schemes;
- derivatives*; and
- unitholders' funds which represent investors' monies which are invested on their behalf.

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

The main risks arising from the Fund's financial instruments are market price risk, foreign currency risk, interest rate risk, liquidity risk and credit and counterparty risk. The Manager's policies for managing these risks are summarised below. These policies have remained unchanged since the beginning of the year to which these financial statements relate and during the prior year.

* No derivatives were held in the current year.

Market price risk

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

Furthermore, because a significant proportion of the companies in which the Fund invests is traded on the Alternative Investment Market (AIM) and in smaller companies, their liquidity cannot be guaranteed. The nature of these investments is such that prices can be volatile and realisations may not achieve current book value, especially when such sales represent a significant proportion of the company's market capital. Nevertheless, on the ground that the investments are not intended for immediate realisation, bid market price is regarded as the most objective and appropriate method of valuation.

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

As at 30 April 2019 and 30 April 2018 the overall market exposure for the Fund was as shown in the Portfolio Statement, other than for derivatives where the exposure could be greater. The Fund is exposed to market price risk as the assets and liabilities of the fund are listed on stock exchanges and their prices are subject to movements both up and down that would result in an appreciation or depreciation in the fair value of that asset. The sensitivity of the Fund to market price risk is estimated below which shows the expected change in the market value of the Fund when a representative market index changes by 15%. These percentage movements are based on the Investment Adviser's estimate of reasonably possible market movements over the course of a year and uses an industry standard measure (Beta) to estimate the amount a Fund has previously changed when that corresponding market index has moved taking into account the Fund's historic correlation to the representative index's movements over the last three years using monthly returns. This analysis assumes that the historic relationships between the portfolio's holdings and the representative index are a valid approximation of their future relationship and that the characteristics of the portfolio and the market have been broadly unchanged over the three years.

Notes to the Financial Statements (continued)

for the year ended 30 April 2019

13 Risk management policies (continued)

Market price risk (continued)

As at 30 April 2019, had the representative market index increased/decreased by 15% the resulting change in the value of the Net Asset Value is expected to have been an increase/a decrease of 15.3%. As at 30 April 2018, had the representative market index increased/decreased by 15% the resulting change in the value of the Net Asset Value was expected to have been an increase/a decrease of 12.3%.

Some limitations of sensitivity analysis are;

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

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

The calculation of conversion methods for the commitment approach for standard derivatives is taken from the conversion methodologies listed in the ESMA Guidelines on calculation of Global Exposure and Counterparty Risk. The commitment conversion methodology for standard derivatives is either the notional value or the market value of the equivalent position in the underlying asset. Please refer to the portfolio statements for the notional values of any forwards and futures contracts.

VaR is a method of estimating potential loss due to market risk, rather than a statement of leverage, using a given confidence level, or probability, over a specific time period and assuming normal market conditions. VaR is calculated using a Historical Simulation model carried out in accordance with regulatory guidelines.

This year, the Fund has not used VaR to measure and monitor risk, but has used a combination of other risk measurements and limits. This is in line with the Liontrust Group's Risk Management Process.

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

Currency risk

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

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

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

Currency exposure is monitored closely and is considered to be part of the overall investment process. Currency hedges via forward exchange contracts will only be used in the event of a specific currency risk being identified.

Notes to the Financial Statements (continued)

for the year ended 30 April 2019

13 Risk management policies (continued)

Currency risk (continued)

The Fund may be subject to short-term exposure to exchange rate movements, for instance, where there is a difference between the date an investment purchase or sale is entered into and the date when settlement of the proceeds occurs. The ACD believes that the impact of such movements is not significant enough to warrant the cost incurred of eliminating them via hedging.

The Fund may receive income in currencies other than sterling, and the sterling values of this income can be affected by movements in exchange rates. The Fund converts all receipts of income into sterling on or near the date of receipt; it does not, however, hedge or otherwise seek to avoid exchange rate risk on income accrued but not received. However, in line with the Fund's objectives of investing primarily in the UK and Ireland, the Fund is expected to have only minimal foreign currency exposures.

Interest rate risk

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

Liquidity risk

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

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

Counterparty credit risk

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

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

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

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

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

Notes to the Financial Statements (continued)

for the year ended 30 April 2019

13 Risk management policies (continued)

Counterparty credit risk (continued)

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

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

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

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

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

Maturity profile of financial liabilities

All financial liabilities of the Fund at the year end are due to settle in one year or less, or on demand.

Short-term debtors and creditors

Other short-term debtors and creditors have been excluded from disclosures of financial instruments

Fair value of financial assets and liabilities

Securities held by the Fund are valued at bid-price. The difference between this value and the fair value of the securities is immaterial. There is also no material difference between the value of other financial assets and liabilities of the Fund included in the balance sheet and their fair value.

Securities are valued at bid and offer prices for calculating the cancellation and creation prices at the Fund's daily valuation point.

Notes to the Financial Statements (continued)

for the year ended 30 April 2019

14 Portfolio transaction costs

For the year ending 30 April 2019

Purchases (excluding derivatives)	Transaction Value (£'000)	Commissions (£'000)	%	Taxes (£'000)	%
Equities instruments (direct)	153,938	104	0.07	233	0.15
Total purchases	**153,938**	**104**		**233**	
Total purchases including transaction costs	**154,275**				

Sales (excluding derivatives)	(£'000)	(£'000)	%	(£'000)	%
Equities instruments (direct)	117,148	79	0.07	–	0.00
Total sales	**117,148**	**79**		**–**	
Total sales net of transaction costs	**117,069**				

Total transaction costs		**183**		**233**	
Total transaction costs as a % of average net assets		**0.02%**		**0.03%**	

Notes to the Financial Statements (continued)

for the year ended 30 April 2019

14 Portfolio transaction costs (continued)

For the year ending 30 April 2018

Purchases (excluding derivatives)	Transaction Value (£'000)	Commissions (£'000)	%	Taxes (£'000)	%
Equities instruments (direct)	142,945	123	0.09	100	0.07
Total purchases	**142,945**	**123**		**100**	
Total purchases including transaction costs	**143,168**				

Sales (excluding derivatives)	(£'000)	(£'000)	%	(£'000)	%
Equities instruments (direct)	87,601	85	0.10	–	–
Total sales	**87,601**	**85**		**–**	
Total sales net of transaction costs	**87,516**				
Total transaction costs		**208**		**100**	
Total transaction costs as a % of average net assets		**0.03%**		**0.01%**	

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

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

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

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

At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 2.14% (2018: 2.73%).

Notes to the Financial Statements (continued)

for the year ended 30 April 2019

15 Fair value of financial assets and financial liabilities

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

Valuation of financial investments

30.4.2019	Assets (£'000)	Liabilities (£'000)
Quoted prices for identical instruments in active markets	877,444	–
	877,444	**–**

30.4.2018	Assets (£'000)	Liabilities (£'000)
Quoted prices for identical instruments in active markets	841,859	–
	841,859	**–**

16 Post balance sheet events

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

17 Unit classes

For the year ending 30 April 2019

	Opening units	Units issued	Units redeemed	Units converted	Closing units
Institutional Accumulation	21,457,412	3,775,132	(993,856)	2,239,676	26,478,364
Institutional Income	32,006,072	5,709,011	(4,341,320)	(2,164,731)	31,209,032
Retail Income	8,711,707	359,683	(616,493)	(96,098)	8,358,799

Distribution Tables

for the year ended 30 April 2019

Final distribution

Group 1 - Units purchased prior to 1 May 2018
Group 2 - Units purchased 1 May 2018 to 30 April 2019

Accumulation units	Net Revenue Pence per unit	Equalisation Pence per unit	Distribution payable 30.6.2019 Pence per unit	Distribution paid 30.6.2018 Pence per unit
Institutional - Group 1	3.74	–	3.74	3.15
Institutional - Group 2	2.22	1.52	3.74	3.15

Income units	Net Revenue Pence per unit	Equalisation Pence per unit	Distribution payable 30.6.2019 Pence per unit	Distribution paid 30.6.2018 Pence per unit
Institutional - Group 1	3.67	–	3.67	3.10
Institutional - Group 2	2.34	1.33	3.67	3.10
Retail - Group 1	0.11	–	0.11	–
Retail - Group 2	0.06	0.05	0.11	–

Securities Financing Transactions

as at 30 April 2019

Return and cost

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

	Collective Investment Undertaking (£'000)	Manager of Collective Investment Undertaking (£'000)	Third Parties (e.g. lending agent) (£'000)	Total (£'000)
Securities lending				
Gross return	27	3	10	40
% of total	68%	7%	25%	100%
Cost*	–	–	–	–

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

Additional Information

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

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

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

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

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

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

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

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

Initial charge	%	Ongoing charges figure*	%	Included within the OCF is the Annual Management Charge**	%
Institutional Accumulation	Nil	Institutional Accumulation	1.40%	Institutional Accumulation	1.25
Institutional Income	Nil	Institutional Income	1.40%	Institutional Income	1.25
Retail Income	up to 5	Retail Income	1.65%	Retail Income	1.50

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

* The OCF covers all aspects of operating a fund. These include the annual charge for managing the Fund, administration and independent oversight functions, such as trustee, custody, legal and audit fees. The OCF excludes portfolio transaction costs except for an entry/exit charge paid by the Fund when buying or selling units in another fund.

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

Additional Information (continued)

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

Capital Gains Tax: As an authorised unit trust, any capital gains made within the Fund is exempt from UK Capital Gains Tax. An individual investor is subject to capital gains tax on gains made on their investment, however an individual's first £12,000 of net gains on disposals in the 2018-2019 tax year are exempt from tax (2017-2018: £11,700).

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

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

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

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

	Headcount	Total Remuneration (£000)
Manager UK Staff*	**42**	**4,814**
of which		
Fixed remuneration	42	3,283
Variable remuneration	42	1,531
UCITS Aggregate Remuneration Code Staff**	**8**	**2,424**
of which		
Senior Management	2	254
Other code staff/risk takers	6	2,170

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

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

Additional Information (continued)

Remuneration is made up of fixed pay (i.e. salary and benefits such as pension contributions) and variable pay (annual performance based or linked directly to investment management revenues). Annual incentives are designed to reward performance in line with the business strategy, objectives, values and long term interests of the Manager and the Liontrust Asset Management PLC Group. The annual incentive earned by an individual is dependent on the achievement of financial and non-financial objectives, including adherence to effective risk management practices. The Manager provides long-term incentives which are designed to link reward with long-term success and recognise the responsibility participants have in driving future success and delivering value. Long-term incentive awards are conditional on the satisfaction of corporate performance measures. The structure of remuneration packages is such that the fixed element is sufficiently large to enable a flexible incentive policy to be operated.

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

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

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

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

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

Changes to the Company: The Manager has appointed The Bank of New York Mellon (International) Limited ("BNYM") to provide administration services for the Fund, replacing DST Financial Services Europe Limited as Registrar and State Street Bank & Trust Company as Fund Accountant. The costs incurred in changing Registrar and Fund Accountant cover such things as contractual termination costs, legal expenses in negotiating new administration contracts, costs and expenses in relation to the operational transition of administration services, and these costs will be borne by the funds affected, via the Administration Fees collected by the Manager from the Fund, with the exception that BNYM will contribute £93,071 to the Manager in relation to these costs. It is expected that the BNYM contribution will therefore either reduce or not require an increase in the amount payable by the Fund via the Administration Fees. The payment to the Manager will be made in two equal tranches in September 2019 and March 2020, and under certain circumstances may be repayable, in full or in part, to BNYM if the administration contracts are terminated.

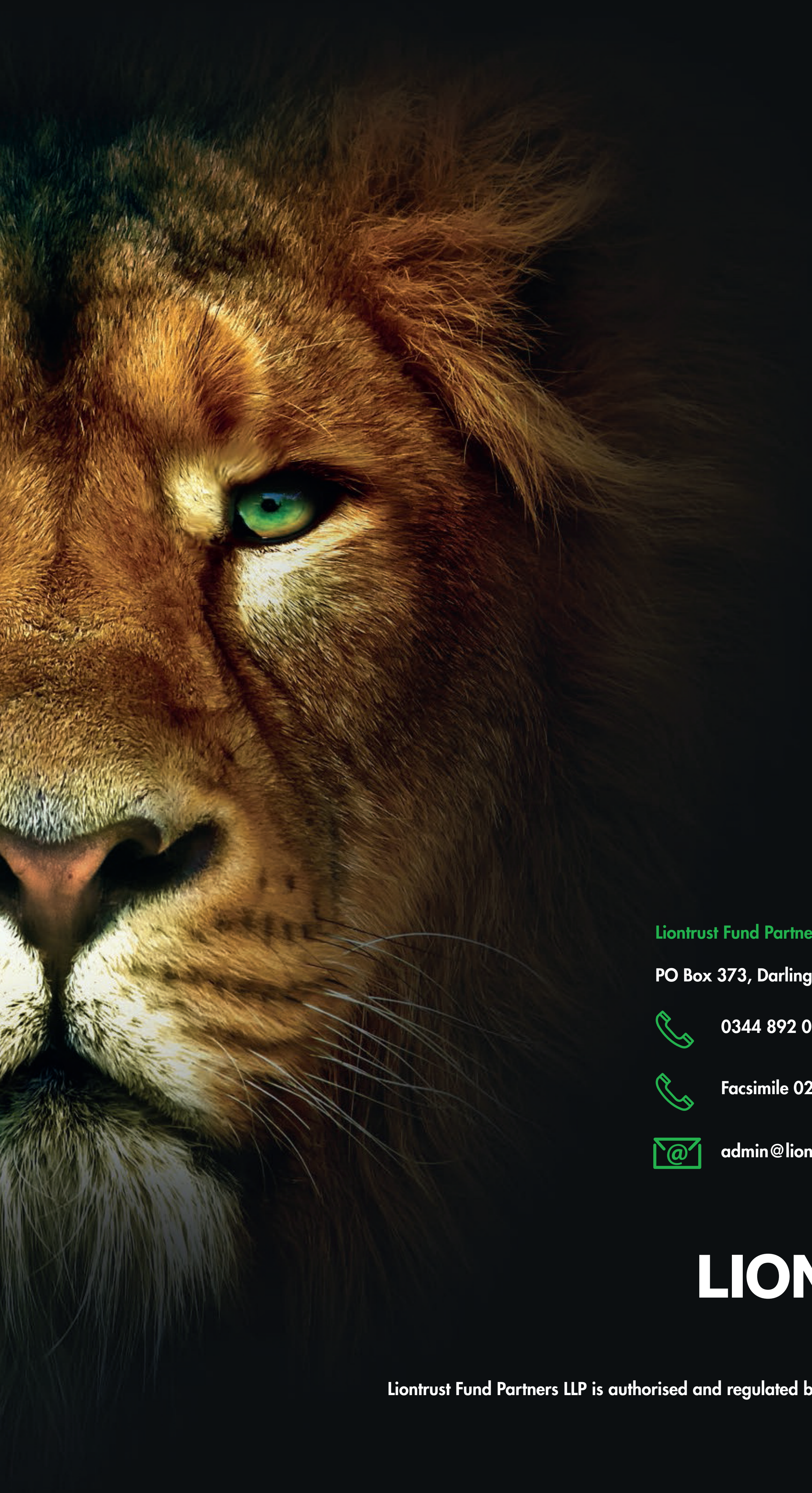
From 1 September the following changes took effect:

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

From 1 May 2019, the following change took effect:

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

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



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