

# LIONTRUST SPECIAL SITUATIONS FUND

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

Interim Report &  
Financial Statements (unaudited)

For the period:

**1 June 2018**

to

**30 November 2018**

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

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LIONTRUST FUND PARTNERS LLP

**LIONTRUST** 



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\* Collectively, these comprise the Authorised Managers Report (from herein referred to as the Managers Report).

## Management and Administration

### **Authorised Fund Manager ("Manager")**

Liontrust Fund Partners LLP  
2 Savoy Court  
London WC2R 0EZ

Administration and Dealing enquiries 0330 123 3822  
Administration and Dealing facsimile 0330 123 3720  
Email [admin@liontrust.co.uk](mailto:admin@liontrust.co.uk)  
Website [www.liontrust.co.uk](http://www.liontrust.co.uk)

Authorised and regulated by the Financial Conduct Authority.

### **Investment Adviser**

Liontrust Investment Partners LLP  
2 Savoy Court  
London WC2R 0EZ

Authorised and regulated by the Financial Conduct Authority.

### **Trustee\***

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

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

### **Registrar**

DST Financial Services Europe Limited  
DST House  
St. Nicholas Lane  
Basildon  
Essex SS15 5FS

Authorised and regulated by the Financial Conduct Authority.

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

\* Please refer to page 18 for details of the change.

# Liontrust Special Situations Fund

## Investment profile

Liontrust Special Situations Fund (The "Fund") is managed in accordance with a proprietary, tried and tested investment process. The Liontrust Economic Advantage, researched and documented by the managers at Liontrust. The Fund only invests in UK companies with distinctive, intangible strengths that competitors struggle to reproduce. Based on the belief that in the modern economy today's barriers to competition are built through intangible assets, three have been identified as very powerful - intellectual property, distribution networks and repeat business. Companies are only selected for the Fund if they possess at least one of these intangible assets.

## Manager's Investment Report

### Investment objective and policy

The investment objective of the Fund is to provide long-term capital growth.

To achieve this aim, the Fund will invest primarily in a concentrated portfolio of UK companies' shares. The Fund will invest where the fund manager believes there are the greatest opportunities to provide long-term capital growth. The Fund will not be restricted in choice of investment by either size or sector. 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.

### Liontrust Asset Management PLC

Liontrust Asset Management PLC (Company) is a specialist fund management company with £11.2 billion in assets under management as at 31 December 2018. The Company takes pride in having a distinct culture and approach to running money.

- 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, Liontrust Fund Partners LLP and Liontrust Investments Limited 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 (continued)

#### Performance of the Fund

In the six months to 30 November 2018 an investment in the Fund returned -4.1% (retail class) and -3.7% (institutional class). This compares with a -7.7% return from the FTSE All-Share Index, the benchmark index. From the Fund's launch on 10 November 2005 to 30 November 2018, an investment in the Fund rose by 354.4% (retail class) and 393.3% (primary class), compared to a rise of 123.6% in the FTSE All-Share Index.

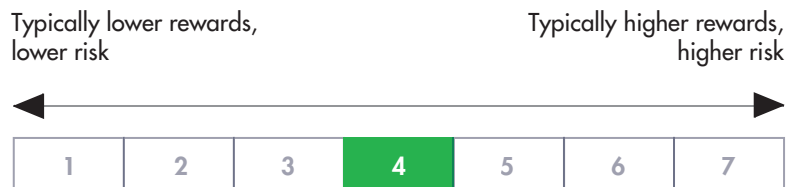
**Source:** Financial Express, bid to bid basis, total return (net of fees, income reinvested).

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

## Manager's Investment Report (continued)

### Risk and Reward profile

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



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

- The Synthetic Risk and 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 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 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.
- The Fund may encounter 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](http://www.liontrust.co.uk).



## Manager's Investment Report (continued)

### The Market

The FTSE All-Share Index returned -7.7% in the six months to 30 November 2018.

Investor sentiment gradually eroded over the review period before markets capitulated in October, resulting in the FTSE All-Share registering a monthly decline of 5.2%.

October's sharp drop 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.

The returns from UK indices over the six months paint a picture of risk-aversion: the large-cap FTSE 100 Index returned -7.2%, significantly outperforming the -12.2% return of the mid-cap FTSE 250 exIT (Investment Trusts) Index and -11.9% from the FTSE Small Cap exIT Index.

### The Fund

The Fund returned -3.7% (institutional class) in the six months to 30 November 2018, ahead of both the FTSE All-Share Index's -7.7% return and the -9.4% average return from funds in the IA UK All Companies sector.

The collapse in sentiment which hit markets in October also affected the portfolio to some extent. However, the Fund's performance was encouraging, with stocks we identified as having high barriers to entry proving resilient during the slide. We also viewed the market wobble as providing opportunities to identify stocks whose long-term fundamentals were undervalued.

Rather than overriding sector trends, the Fund's outperformance was largely a result of positive stock specific news. This meant the portfolio outperformed in sectors such as technology and consumer goods, which suffered heavily during the sell-off.

The strongest stock-specific contributions to Fund performance included Craneware (+56.9%), RWS Holdings (+40.6%), Reckitt Benckiser Group (+14.2%), AstraZeneca (+13.2%) and Shire (+11.1%).

Full year results from Craneware were handsomely rewarded by investors. The company, which is the largest provider of pricing and billing systems to US hospitals, 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.

Intellectual property company RWS Holdings issued a trading statement ahead of its full-year results noting that it has recorded its "best year ever" and expected to register a revenue increase of over 85%. This performance was driven mainly by the acquisition of Moravia in November 2017. This followed an upbeat set of interims which showed an 82% jump in revenue during the six months to 31 March 2018.

Consumer goods company Reckitt Benckiser raised its net revenue expectations for 2018 to 14%-15% growth from 13%-14% following a better than expected first-half performance from its Infant Formula and Child Nutrition division. Overall, the company posted a 30% increase in interim net revenue, at constant exchange rates, and a 29% increase in operating profit. Reckitt maintained this guidance despite a small slip in Q3 revenue.

Headline numbers from AstraZeneca's interim results were uninspiring - total revenue slipped 1% and operating profit fell 21% - but this was in-line with the market's expectations and the company was able to confirm its guidance for full-year results. It expects to see a pick-up in performance in the second half, with product sales returning to low single-digit growth. The company's shares also rose alongside a resilient healthcare sector, which benefited from its defensive qualities during the market sell-off.

Irish drugmaker Shire's share price has been underpinned by the impending takeover by Japan's Takeda Pharmaceutical.

The biggest detractors from the Fund's performance included Smart Metering Systems (-32.9%), Weir Group (-32.1%), Domino's Pizza Group (-31.4%), TI Fluid Systems (-30.6%) and Savills (-24.2%).



## Manager's Investment Report (continued)

### The Fund continued

Shares in Smart Metering Systems slid ahead of interim results released in September. The results themselves were fairly reassuring, showing ongoing growth in revenue (+27% to £46.7m) and profit before tax (+9% to £10.1m). Investor sentiment towards the shares has softened as a result of negative press concerning the likelihood of the energy industry hitting the government's 2020 roll-out targets for domestic smart meters. We feel that Smart Metering Systems' targets are sufficiently conservative so as to absorb any delays in roll out.

Oil-field service provider Weir Group suffered a drop in its share price in September after stating that there has been a softening in demand for original equipment and some order book deferrals. Its oil and gas aftermarkets were also beginning to show signs of pricing pressure during the final two weeks of August.

Good headline sales growth in Domino's Pizza's interim results was undermined by operational problems at some of its international businesses where it stated it "has taken us some time to refine the operating model and cost base at store level". Total sales increased by 13% to £617m, feeding through to 23% growth in revenues to £259m. In its international division - which accounts for only 8% of the total - growing profits in Iceland and Germany were offset by losses in Switzerland, Norway and Sweden. With respect to the UK, the company commented that the trading environment remains uncertain, but it was nevertheless able to maintain its guidance for full-year underlying profit before tax.

TI Fluid Systems' shares suffered quite heavily during the October sell-off. The automotive fluid systems manufacturer's third quarter results showed a slight dip in revenue due to lower global light vehicle volume growth, as a result of new European emissions testing, and lower Chinese demand.

Savills shares dipped after reporting an 18% drop in profit before tax in its half year results. Although the company commented that this represented "a better than anticipated performance" given the fall in transaction volumes it expected at the start of the year, investors remain nervous regarding trends in the real estate market.

### Portfolio Activity

Three stocks exited the portfolio over the interim period, all as a result of takeovers. Financial trading technology company NEX Group approved a £3.9bn takeover offer from CME Group, Fidessa exited after closing a £1.5bn deal with ION and Shire left the portfolio ahead of the completion of its £46bn acquisition by Takeda Pharmaceuticals.

We initiated seven new positions. Four of these were small-caps: Accesso Technology Group, ECO Animal Health Group, Ideagen and IMImobile. Accesso Technology provides queuing and ticketing technology to the leisure and entertainment markets; ECO Animal Health is a producer of pharmaceutical products for the animal health market; Ideagen is a provider of governance, risk and compliance software; and IMImobile is a cloud communications software provider.

Coats Group, Sage Group, and TI Fluid Systems were also added.

Coats, the world's leading manufacturer of industrial threads, has three divisions: Apparel & Footwear, Performance Materials and Crafts. As well as significant intellectual property, Coats has an excellent distribution network which extends to over 100 countries and 50 manufacturing sites.

Sage is a provider of accounting software to SMEs (small and medium-sized enterprises). In our view, it possesses all three of the Economic Advantage core intangible assets: intellectual property (via its software), distribution (though a software network which sits behind only Oracle and SAP for enterprise resource planning scale), and recurring income (78% in its most recent financial period). Although Sage faces competition in its core accounting market from new digital start-ups, we believe its intangible assets provide substantial barriers to competition.

Listed on the stock market last year, TI Fluid Systems is a leading global manufacturer of fluid storage, capture and delivery systems to the automotive sector. Examples of its products include the brake and fuel lines within a car, high pressure cooling systems, fuel tank systems and filler pipes. As with Coats, its Economic Advantage comes in the form of intellectual property and a strong distribution network. As a supplier to most of the world's major auto original equipment manufacturers (OEMs), it has embedded customer relationships.

### Manager's Investment Report (continued)

#### Outlook

The UK economic outlook remains uncertain. At the time of writing, a Brexit plan has yet to be determined. Furthermore, the true longer-term impact is unlikely to be known for some time yet. During periods of market or economic uncertainty, it is more important than ever to focus on company fundamentals rather than macroeconomic noise. Successfully predicting macroeconomic events is exceptionally difficult and we adhere to an investment process where this kind of forecasting plays no role.

The Economic Advantage investment process is unashamedly bottom-up. This is not to say that investor sentiment will not have an impact, but over the long term the greatest influence on the type of companies the Fund invests in will be their ability to successfully execute growth plans and compound profits. We therefore treat periods of indiscriminate market weakness as an opportunity to identify stocks whose long-term fundamentals are undervalued. We 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

Fund Managers

29 January 2019

#### Manager's Report

The manager's investment report, together with information on the authorised status of the Fund, the objectives and policy of the Fund, the information on page 1 and the portfolio statement, comprise the Manager's Report.

**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.

## Certification of Financial Statements by Directors 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  
29 January 2019

## Comparative Tables (unaudited)

as at 30 November 2018

### Net Asset Value and Operating Charges Figure

Advised Income	30.11.2018	31.5.2018	31.5.2017	31.5.2016
Closing net asset value (£'000)	7,813	7,765	6,354	4,305
Closing number of units	1,949,361	1,864,411	1,679,485	1,408,378
Closing net asset value per unit (p)	400.79	416.47	378.33	305.69
Operating charges	1.08%	1.07%	1.10%	1.11%

### Institutional Accumulation\*

Closing net asset value (£'000)	35,732	n/a	n/a	n/a
Closing number of units	37,249,831	n/a	n/a	n/a
Closing net asset value per unit (p)	95.92	n/a	n/a	n/a
Operating charges	0.83%	n/a	n/a	n/a

### Institutional Income

Closing net asset value (£'000)	3,640,730	3,369,169	2,542,824	1,559,784
Closing number of units	903,731,989	805,787,842	669,606,993	508,473,557
Closing net asset value per unit (p)	402.86	418.12	379.75	306.76
Operating charges	0.83%	0.82%	0.85%	0.88%

### Mandate Income\*\*

Closing net asset value (£'000)	184,632	n/a	n/a	n/a
Closing number of units	192,683,062	n/a	n/a	n/a
Closing net asset value per unit (p)	95.82	n/a	n/a	n/a
Operating charges	0.75%	n/a	n/a	n/a

### Retail Income

Closing net asset value (£'000)	210,308	210,235	216,855	185,674
Closing number of units	52,901,484	50,695,703	57,530,075	60,921,680
Closing net asset value per unit (p)	397.55	414.70	376.94	304.77
Operating charges	1.83%	1.82%	1.85%	1.88%

\* The Institutional Accumulation unit class was launched on 5 July 2018.

\*\* The Mandate Income unit class was launched on 1 June 2018.



## Portfolio Statement (unaudited)

as at 30 November 2018

Holding	Stock description	Market value (£'000)	Percentage of total net assets (%)
<b>CONSUMER GOODS (11.10%)</b>		<b>606,189</b>	<b>14.85</b>
5,916,033	Diageo	167,306	4.10
2,446,069	Reckitt Benckiser	161,147	3.95
18,180,000	Rightmove	81,774	2.00
18,443,650	TI Fluid Systems	33,106	0.81
3,805,048	Unilever	162,856	3.99
<b>CONSUMER SERVICES (16.58%)</b>		<b>516,942</b>	<b>12.67</b>
10,155,127	Compass	170,098	4.17
20,780,957	Domino's Pizza	53,511	1.31
8,903,604	GlobalData	52,977	1.30
5,766,610	Next Fifteen Communications	29,179	0.71
10,236,558	RELX	168,852	4.14
10,077,424	YouGov	42,325	1.04
<b>FINANCIALS (8.14%)</b>		<b>328,620</b>	<b>8.05</b>
1,342,189	Brooks MacDonald	22,213	0.54
5,613,191	Hargreaves Lansdown	108,643	2.66
9,333,766	IntegraFin	27,343	0.67
4,504,020	Mortgage Advice Bureau	23,601	0.58
5,655,746	Savills	41,315	1.01
33,957,020	TP ICAP	105,505	2.59
<b>HEALTH CARE (9.45%)</b>		<b>343,093</b>	<b>8.41</b>
1,879,860	AstraZeneca	115,668	2.84
9,740,586	CareTech	34,579	0.85
5,467,260	ECO Animal Health	23,783	0.58
10,553,252	GlaxoSmithKline	169,063	4.14

# Portfolio Statement (unaudited) (continued)

as at 30 November 2018

Holding	Stock description	Market value (£'000)	Percentage of total net assets (%)
	<b>INDUSTRIALS (25.93%)</b>	<b>1,057,131</b>	<b>25.92</b>
33,108,417	AA	30,884	0.76
10,442,590	Aggreko	78,236	1.92
9,102,776	Clipper Logistics	26,671	0.65
55,596,961	Coats	45,923	1.13
2,132,825	Intertek	101,949	2.50
16,036,721	Pagegroup	78,740	1.93
6,618,131	PayPoint	57,909	1.42
2,042,172	Renishaw	86,833	2.13
37,939,487	Rotork	99,060	2.43
23,517,292	RWS	117,469	2.88
8,239,385	Smart Metering Systems	45,811	1.12
4,137,847	Spectris	99,515	2.44
1,808,543	Spirax-Sarco Engineering	111,406	2.73
5,242,599	Weir	76,725	1.88
	<b>OIL &amp; GAS (9.83%)</b>	<b>414,123</b>	<b>10.16</b>
31,053,464	BP	161,571	3.96
9,316,226	Plexus	4,379	0.11
6,810,419	Royal Dutch Shell 'B' (UK Regd.)	164,233	4.03
13,005,815	Wood (John)	83,940	2.06
	<b>TECHNOLOGY (9.17%)</b>	<b>370,626</b>	<b>9.09</b>
3,327,918	Bond International Software*	—	—
981,442	Accesso Technology	14,918	0.37
5,891,009	Bango	5,773	0.14
2,479,057	Craneware	69,909	1.71
28,300,642	Dotdigital	22,641	0.56
6,079,455	EMIS	55,809	1.37
20,116,290	Ideagen	29,169	0.72
6,402,223	IMImobile	16,262	0.40
10,392,281	iomart	36,425	0.89
8,850,407	Kainos	37,703	0.92
12,539,847	Sage	74,662	1.83
6,395,705	StatPro	7,355	0.18

## Portfolio Statement (unaudited) (continued)

as at 30 November 2018

Holding	Stock description	Market value (£'000)	Percentage of total net assets (%)
	<b>TELECOMMUNICATIONS (1.80%)</b>	<b>74,496</b>	<b>1.83</b>
9,288,812	<i>Gamma Communications</i>	74,496	1.83
	<b>IRELAND (4.79%)</b>		
	<b>Portfolio of investments</b>	<b>3,711,220</b>	<b>90.98</b>
	<b>Net other assets</b>	<b>367,995</b>	<b>9.02</b>
	<b>Total net assets</b>	<b>4,079,215</b>	<b>100.00</b>

All securities are approved securities traded on eligible securities markets, as defined by the Collective Investment Scheme sourcebook, except those stocks in italics which are listed on the Alternative Investment Market.

Comparative figures shown in brackets relate to 31 May 2018.

At the end of the period 30 November 2018 short deposit have been added to the Cash and bank balances in the balance sheet, which, as at 31 May 2018, represented 0.29% of the Total Net Assets of Fund.

\* Delisted securities.

## Financial Statements (unaudited)

### Statement of Total Return (unaudited)

for the period ended 30 November 2018

		1.6.2018 to 30.11.2018		1.6.2017 to 30.11.2017
	(£'000)	(£'000)	(£'000)	(£'000)
Income				
Net capital (losses)/gains		(181,862)		39,236
Revenue	43,931		39,402	
Expenses	(17,141)		(13,302)	
Interest payable and similar charges	—		—	
Net revenue before taxation	26,790		26,100	
Taxation	—		—	
Net revenue after taxation		26,790		26,100
<b>Total return before distributions</b>		<b>(155,072)</b>		<b>65,336</b>
Distributions		—		—
<b>Change in net assets attributable to unitholders from investment activities</b>		<b>(155,072)</b>		<b>65,336</b>

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

for the period ended 30 November 2018

		1.6.2018 to 30.11.2018		1.6.2017 to 30.11.2017
	(£'000)	(£'000)	(£'000)	(£'000)
<b>Opening net assets attributable to unitholders</b>		<b>3,587,169</b>		<b>2,766,033</b>
Amounts received on issue of units	698,806		498,449	
Amounts paid on cancellation of units	(54,387)		(35,468)	
		644,419		462,981
Dilution adjustment		2,699		2,809
Change in net assets attributable to unitholders from investment activities (see above)		(155,072)		65,336
<b>Closing net assets attributable to unitholders</b>		<b>4,079,215</b>		<b>3,297,159</b>

Comparative information is provided for the Statement of Change in Net Assets Attributable to Unitholders. Since this information is for the prior interim period, the net assets at the end of that period do not correspond to the net assets at the start of the current period.



## Financial Statements (unaudited) (continued)

**Balance sheet (unaudited)**

as at 30 November 2018

	30.11.2018 (£'000)	31.5.2018 (£'000)
<b>Assets</b>		
<b>Fixed Assets</b>		
Investments	3,711,220	3,482,268
<b>Current assets:</b>		
Debtors	49,810	31,703
Cash and bank balances	386,012	141,017
<b>Total assets</b>	<b>4,147,042</b>	<b>3,654,988</b>
<b>Liabilities</b>		
Distribution payable	—	(63,814)
Other creditors	(67,827)	(4,005)
<b>Total liabilities</b>	<b>(67,827)</b>	<b>(67,819)</b>
<b>Net assets attributable to unitholders</b>	<b>4,079,215</b>	<b>3,587,169</b>

**Accounting Policies**

The financial statements have been prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in May 2014.

## Securities Financing Transactions

as at 30 November 2018

### 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
<b>Securities lending</b>				
Gross return	186	19	68	273
% of total	68.00%	7.00%	25.00%	100.00%
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 5 September 2005.

**Prospectus:** Copies of the Fund's Prospectus are available free of charge from the Manager upon request, and from our website, [www.liontrust.co.uk](http://www.liontrust.co.uk).

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

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

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

In the case of large deals of £15,000 and over, the Manager has the discretion to quote a special price within limits laid down under the Regulations.

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 Customer Services Team, PO Box 11061, Chelmsford CM99 2YA. A contract note confirming the instruction to sell will be issued the day following the dealing day. Following receipt of a correctly completed Form of Renunciation, a cheque in settlement will be sent directly to you or your bank/building society, if proof of ownership of the account has been received by us, in four business days. Liontrust does not make or accept payments to or from third parties unauthorised by the Financial Conduct Authority.

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

Initial charge	%	Ongoing charges figure*	%	Included within the OCF is the Annual Management Charge**	%
Advised Income	2.00	Advised Income	1.12	Advised Income	1.00
Institutional Accumulation	nil	Institutional Accumulation	0.87	Institutional Accumulation	0.75
Institutional Income	nil	Institutional Income	0.87	Institutional Income	0.75
Mandate class	nil	Mandate class	0.77	Mandate class	0.65
Retail Income	up to 5	Retail Income	1.87	Retail Income	1.75

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

\* The OCF covers all aspects of operating a fund during the course of its financial year. These include the annual charge for managing the Fund, administration and independent oversight functions, such as trustee, custody, legal and audit fees. The OCF excludes portfolio transaction costs except for an entry/exit charge paid by the Fund when buying or selling units in another fund. The Operating Charges figures shown on page 10 is calculated on an ex-post basis over the period, whereas the Ongoing Charges figures shown above is a calculation as at a point in time, and therefore there could be immaterial differences between the two.

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

## Additional Information (continued)

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

**Publication of prices:** The price of units in the Fund is quoted on our website, [www.liontrust.co.uk](http://www.liontrust.co.uk), other industry websites such as [www.trustnet.com](http://www.trustnet.com), and the website of the Investment Association (the industry trade body), [www.investmentassociation.org](http://www.investmentassociation.org). Daily and historic Fund prices are available from our Dealing and Administration team on 0330 123 3822.

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

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

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

**Corporate Unitholders:** Ordinary dividends distributed by the Fund to corporate unitholders will be treated as part-franked investment income and part unfranked investment income, in the corporate unitholders' hands. The precise split will be calculated by the Manager and will be detailed on the distribution vouchers accompanying the distribution.

For unitholders chargeable to UK corporation tax, income allocations representing the UK dividends received by the Fund will not be subject to corporation tax in the unitholders' hands. Income allocations representing other types of income received by the Fund will be taxable as if they were annual payments received after the deduction of tax at the rate of 20 per cent of the gross distribution.

### Changes to the Company

The Manager has appointed 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 £379,339 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) Ltd (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 operating charges figure will be made up of the asset management charge plus the fixed Administration Fees.

**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.





Liontrust Customer Services Team

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