LIONTRUST INVESTMENT FUNDS ICVC

Annual Report &
Financial Statements

For the year:
1 January 2018
to
31 December 2018

Liontrust Monthly Income Bond Fund
Liontrust Strategic Bond Fund

LIONTRUST FUND PARTNERS LLP

LIONTRUST

Contents

* The ACD's Report in accordance with the Investment Management Association (IMA) SORP (2014) and the Collective Investment Schemes Sourcebook comprises those items denoted above along with the Investment objective and policy, Investment review, Portfolio Statement and Material portfolio changes of each sub-fund.

Management and Administration

Management and Administration

The Authorised Corporate Director ("ACD") of Liontrust Investment Funds ICVC (the "Company") is:

Liontrust Fund Partners LLP*

The registered office of the ACD and the Company is 2 Savoy Court, London, WC2R 0EZ.

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

Depositary

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

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

Independent Auditor

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Administrator and Registrar

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

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

* Please refer to page 6 for changes to the Company

Management and Administration (continued)

Company Information

The Company is an investment company with variable capital under regulation 12 of the Open-Ended Investment Company Regulations 2001, incorporated in Scotland, under registered number IC000716, and authorised by the Financial Conduct Authority on 28 November 2008. At the year end the Company offered two sub-funds, the Liontrust Monthly Income Bond Fund and the Liontrust Strategic Bond Fund* (the "Sub-funds").

The Company is a UCITS scheme which complies with the FCA's Collective Investment Schemes Sourcebook ("COLL") and is structured as an umbrella company so that different Sub-funds may be established from time to time by the ACD with the approval of the FCA and the agreement of the Depositary.

The assets of each Sub-fund will be treated as separate from those of every other Sub-fund and will be invested in accordance with the investment objective and investment policy applicable to that Sub-fund. Investment of the assets of each of the Sub-funds must comply with the FCA's COLL and the investment objective and policy of the relevant Sub-fund.

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 ACD 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 ACD to its staff (employees and members)
- Aggregate total remuneration paid by to all relevant UCITS code staff

	Headcount	Total Remuneration (£'000)
ACD UK Staff[1]	**49**	**5,780**
of which		
Fixed remuneration	49	1,728
Variable remuneration	49	4,052
UCITS Aggregate Remuneration Code Staff[2]	**8**	**1,775**
of which		
Senior Management	2	940
Other control functions:	6	835

[1] The ACD's UK staff costs have been incurred by another Group entity and allocated to the ACD. The most appropriate measure of staff costs are those staff who are members of Liontrust Investment Partners LLP or Group staff who are employed by LAM but have their costs apportioned to the LLP. The information has been disclosed on an annualized basis.

[2] 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 the Sub-funds.

* Please refer to page 6.

Management and Administration (continued)

Remuneration (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 ACD and LAM. 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 ACD 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 LAM retain ultimate discretion to reduce annual incentive outcomes where appropriate.

The ACD 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 the Sub-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.

Scope of the policy

By entity

The ACD is subject to the requirements of the UCITS Remuneration Code as set out in SYSC 19E of the FCA Handbook (the "Code").

The Committee has determined that it is appropriate for it to disapply the rules on retention (SYSC 19E.2.18R), deferral (SYSC 19E.2.20R) and performance adjustment (SYSC 19E.2.22R) of the Code, in view of the size, internal organisation and the nature, scope and complexity of activities of the ACD.

However, the ACD chooses to comply with certain of the above 'payout process rules' on a voluntary basis.

By individual

The requirements of the Code are applicable to the remuneration arrangements of individuals who fall within the definition of Code Staff under the Code and this policy sets out the basis on which the rules contained within the Code will be applied to Code Staff. The Committee itself sets the remuneration and has oversight of remuneration arrangements for all other Code Staff together with such other senior employees as the Committee may determine from time to time.

The Committee also reviews the remuneration arrangements of other employees and the operation of the incentive plans to ensure that remuneration arrangements have regard to pay and employment conditions. However decisions on individual remuneration arrangements are made by management in the area, with oversight by the Human Resources Director.

No hedging or other mitigation arrangements may be entered into by employees as that would undermine risk alignment effects.

Management and Administration (continued)

Approach to the remuneration

The Committee seeks to balance the components of remuneration, namely:

- Base salary,
- Benefits and allowances,
- Annual bonus (both paid immediately in cash and deferrals) and
- Longer-term incentives

in order to ensure proper alignment of the interests with shareholders and investors in the Sub-funds within a framework which discourages excessive risk-taking and ensures that the policy is in line with the business strategy, objectives, values and interests of Liontrust, the Sub-funds and their investors.

The Committee has regard to the LAM Risk Appetite statement and the investment objectives of the Sub-funds (as outlined in the Prospectus) in its determination of the appropriate risk/reward balance.

Securities Financing Transactions Regulation

The Securities Financing Transactions Regulation, as published by the European Securities and Markets Authority, aims to improve the transparency of the securities financing markets. Disclosures regarding exposure to Securities Financing Transactions (SFTs) or total return swaps will be required on all reports & accounts published after 13 January 2017.

During the year to 31 December 2018 and at the balance sheet date, the Company did not use SFTs or total return swaps, as such no disclosure is required.

Changes to the Prospectus during the year

During the year, changes were made to the Company and therefore the following changes were reflected in the Prospectus and/or Instrument of Incorporation of the Company.

The addition of the Sub-fund Liontrust Strategic Bond Fund. This sub-fund launched on 8 May 2018.

Changes to the Company

The Liontrust Strategic Bond Fund was authorised on 1 March 2018 and launched on 8 May 2018.

From 1 September the following changes took effect:

- Change of ACD - We changed the ACD of the Company from Liontrust Investments Limited to another entity in the Liontrust Group: Liontrust Fund Partners LLP. Liontrust Fund Partners LLP is authorised and regulated by the FCA and currently acts as ACD or as Authorised Fund Manager for the rest of Liontrust's UK funds. It is for this reason that a Member of Liontrust Fund Partners LLP has signed off the accounts below rather than a director of Liontrust Investments Limited.
- Change of Depositary - The Depositary changed from National Westminster Bank Plc 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 ACD moved from variable to fixed Administration Fees for all of our funds. The Operating Expenses will be paid directly by Liontrust and we will be reimbursed by each fund at a flat rate per year out of their respective net asset values. Going forward, the ongoing charges figure will be made up of the asset management charge plus the fixed Administration Fees.
- We brought the funds of this ICVC into line with our other Liontrust fund ranges in terms of the circumstances in which a dilution adjustment is automatically used, which are set out in the Liontrust Dilution Adjustment Policy. The main change is that the funds will automatically implement a dilution adjustment when 3% of the fund is being subscribed or redeemed rather than the 1% trigger that was previously applied. For more details please contact the ACD.

Management and Administration (continued)

Statement of the Authorised Corporate Director's Responsibilities

The ACD of the Company is responsible for preparing the Annual Report and the financial statements in accordance with the Open-Ended Investment Companies Regulations 2001 ("the OEIC Regulations"), the FCA's Collective Investment Schemes Sourcebook ("COLL") and the Company's Instrument of Incorporation.

The OEIC Regulations and COLL require the ACD to prepare financial statements for each accounting period which:

- are in accordance with United Kingdom Generally Accepted Accounting Practice ("United Kingdom Accounting Standards and applicable law") and the Statement of Recommended Practice: Financial Statements of Authorised Funds issued by the Investment Management Association (now known as the Investment Association) ("IMA SORP") in May 2014; and
- give a true and fair view of the financial position of the Company and its Sub-funds as at the end of that period and the net revenue and the net capital gains or losses on the property of the Company and its Sub-funds for that period.

In preparing the financial statements, the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, applicable law and the IMA SORP have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation.

The ACD is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable it to ensure that the financial statements comply with the applicable IMA SORP and United Kingdom Accounting Standards and applicable law.

The ACD is also responsible for the system of internal controls, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with COLL 4.5.8R, the Annual Report and the audited financial statements were approved by the Members of the ACD of the Company and authorised for issue on 30 April 2019.

Report of the ACD to the Shareholders

The ACD, as sole director, presents its report and the audited financial statements of the Company for the year from 1 January 2018 to 31 December 2018.

The Company is a UCITS scheme which complies with the FCA's Collective Investment Schemes sourcebook. The shareholders are not liable for the debts of the Company.

The investment objectives and policies of each Sub-fund of the Company are covered in the section for each Sub-fund. The names and addresses of the ACD, the Depositary and the Auditor are detailed on page 3.

In the future there may be other Sub-funds of the Company.

The ACD is of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements as the assets of the Sub-funds consist predominantly of securities that are readily realisable and, accordingly, the Sub-funds have adequate financial resources to continue in operational existence for the foreseeable future.

Management and Administration (continued)

Changes to the ACD

We changed the ACD of the Company from Liontrust Investments Limited to another entity in the Liontrust Group: Liontrust Fund Partners LLP. Liontrust Fund Partners LLP is authorised and regulated by the FCA and currently acts as ACD or as Authorised Fund Manager for the rest of Liontrust's UK funds.

Member's Statement

In accordance with COLL 4.5.8BR, we hereby certify the Annual report and the financial statements were approved by the management committee of members of the ACD of the Company and authorised for issue on 30 April 2019.

Antony Morrison

Member

30 April 2019

Statement of the Depositary's Responsibilities and Report of the Depositary

To the Shareholders of Liontrust Investment Funds ICVC ("the Company") for the year ended 31 December 2018.

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

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

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

The Depositary must ensure that:

- the Company's cash flows are properly monitored[1] and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares in the Company is calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Corporate Director ("the ACD") are carried out (unless they conflict with the Regulations).

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

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

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

(ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

For and on behalf of The Bank of New York Mellon (International) Limited

30 April 2019

[1] This requirement on the Depositary applied from 18 March 2016.

Independent Auditors' Report to the Shareholders of Liontrust Investment Funds ICVC

Report on the audit of the financial statements

Opinion

In our opinion, Liontrust Investment Funds ICVC's (the "Company") financial statements:

- give a true and fair view of the financial position of the Company and each of the Sub-funds as at 31 December 2018 and of the net revenue and the net capital losses on the scheme property of the Company and each of the Sub-funds for the respective periods then ended ("respective periods" is defined as 1 January 2018 to 31 December 2018 for the Liontrust Monthly Income Bond Fund and with a period 8 May 2018 to 31 December 2018 for the Liontrust Strategic Bond Fund); 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 Instrument of Incorporation.

The Company is an Open Ended Investment Company ('OEIC') with two Sub-funds. The financial statements of the company comprise the financial statements of each of the Sub-funds. We have audited the financial statements, included within the Annual Report & Financial Statements (the "Annual Report"), which comprise: the balance sheets as at 31 December 2018; the statements of total return and the statements of change in net assets attributable to shareholders for the year then ended; the distribution tables; and the notes applicable to the financial statements of all Sub-funds, which include a description of the significant accounting policies and the notes to the financial statements.

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 company 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 Corporate Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Corporate Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's or any of the Sub-funds' 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 company's or any of the sub-funds' 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 company's business and the wider economy.

Independent Auditors' Report to the Shareholders of Liontrust Investment Funds ICVC (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 Corporate Director 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 Corporate Director's Report

In our opinion, the information given in the Authorised Corporate Director'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 Corporate Director for the financial statements

As explained more fully in the Statement of the Authorised Corporate Director's Responsibilities set out on page 7, the Authorised Corporate Director 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 Corporate Director 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 Corporate Director is responsible for assessing the Company's and each of the Sub-funds' 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 Corporate Director either intends to wind up or terminate the company or individual Sub-fund, or has 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.

Independent Auditors' Report to the Shareholders of Liontrust Investment Funds ICVC (continued)

Responsibilities for the financial statements and the audit (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 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.

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.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Edinburgh

30 April 2019

Notes applicable to the financial statements of all Sub-funds

for the year ended 31 December 2018

1 Accounting Policies

a) Basis of accounting

The financial statements of the Company comprise the financial statements of each of the Sub-funds and have been prepared on a going concern basis in accordance with UK Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice "Financial Statements of UK Authorised Funds" issued by the IMA (now known as the Investment Association) in May 2014 (the "SORP").

b) Valuation of investments

The valuation of the Sub-funds' listed investments is based on the bid-market prices, excluding any accrued interest in the case of debt securities, at the close of business on the last day of the accounting year on 31 December 2018, in accordance with the provisions of the Prospectus. Unquoted securities are valued by the ACD on a fair value basis taking into account, where appropriate, latest dealing prices, valuations from reliable sources, financial performance and other relevant factors.

For Collective Investment Schemes managed by other management groups, investments are valued at the bid price for dual priced Funds and at the single price for single priced Funds. Valuations should take into account any agreed rate of redemption charge.

c) Revenue

Revenue from debt securities and bank deposits is recognised on an effective interest rate basis.

Dividends on quoted ordinary shares, preference shares and investments in other collective investment schemes are recognised when the securities are first quoted ex-dividend. The equalisation component of collective investment scheme distributions is not treated as revenue and is deducted from the book cost of investments.

Dividends and withholding tax recoverable from overseas authorities are treated as receivable on the date on which the security is quoted ex-dividend where the amounts can be reasonably determined. Foreign dividends are grossed up at the appropriate rate of tax.

d) Expenses

All expenses are recognised on an accruals basis and are charged against revenue except for costs associated with the purchase and sale of investments, and the Annual Management Charge and Performance Fee for the Monthly Income Bond Fund which are allocated to the capital of the Fund.

For the Monthly Income Bond Fund, the ACD is entitled to a performance related fee of 20% of outperformance of the relevant index by each share class and is calculated to the end of the accounting year in December each year.

The full amount of any performance fee is calculated on an accruals basis and is chargeable against capital in determining distribution. Further details of the calculation can be found in the Prospectus.

e) Allocation of revenue and expenses to multiple share classes

The allocation of revenue and expenses to each share class is based on the proportion of the Sub-funds' assets attributable to each share class on the day the revenue is earned or the expense is incurred. The ACD's periodic charge is allocated at a fixed rate based on the net asset value of the respective Sub-funds.

f) Taxation

Corporation tax is charged at 20% of the income liable to corporation tax, less expenses. Deferred tax is provided for at the rate at which taxation is likely to become payable in respect of all timing differences between the accounting and taxation treatment of items.

Notes applicable to the financial statements of all Sub-funds (continued)

for the year ended 31 December 2018

1 Accounting Policies (continued)

g) Exchange rates

Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling on the date of the transaction. Investments and other assets and liabilities denominated in foreign currencies are translated into Sterling at the exchange rates applicable at the end of the accounting year.

h) Financial instruments

Where appropriate, certain permitted financial instruments such as derivative contracts or forward exchange contracts are used for the purpose of efficient portfolio management and investment purposes. Where such financial instruments are used to protect or enhance revenue, the revenue and expenses derived therefrom are included in "Revenue" or "Expenses" in the Statement of Total Return. Where such financial instruments are used to protect or enhance capital, the returns derived there from are included in "Net capital gains on investments" in the Statement of Total Return. Any positions in respect of such instruments open at the year end are reflected in the portfolio statement at their market value. Where positions generate total returns, such returns are apportioned between capital and revenue to properly reflects the nature of the transaction. The amounts held at futures clearing houses in respect of these financial instruments are included in the cash and bank balances and detailed in the Notes to the Financial Statements. Transaction costs associated with derivatives are charged to revenue when incurred. All forward contracts outstanding at financial reporting dates are marked to market. The Sub-funds may enter into permitted transactions such as derivative contracts or forward currency transactions as outlined in the relevant Investment Objective and Policy of the Sub-fund.

Derivative financial instruments are initially recorded at transaction value on the date on which the derivative contract is entered into. All contracts outstanding at the financial reporting date are carried at a value provided by independent pricing providers.

1.1 Distribution policies

i) Basis of distribution

The net revenue available for distribution at the end of each distribution period will be paid as a dividend or interest distribution.

Should the expenses of a Sub-fund (including taxation) exceed the revenue of a Sub-fund, there will be no distribution and the shortfall will be set against the capital of a Sub-fund.

Any revenue attributable to accumulation shareholders is retained within a Sub-fund at the end of the distribution period and represents a reinvestment of income on behalf of the accumulation shareholders.

For the Liontrust Monthly Income Bond Fund, all the interim distributions are based on a fixed rate for each share class and any income available for distribution at the end of the accounting year will be distributed or accumulated. The financial statements have been prepared on an effective yield basis but the Monthly Income Bond Fund distributes on a coupon basis. Where the coupon basis is higher, the additional amount, above that recorded in revenue, is transferred from capital in order to make the distribution. A reconciliation of the net distribution to the net revenue of the Sub-fund as reported in the Statement of Total Return is shown in note 7 on page 36.

For the purposes of determining the distribution, all or part of the ACD's periodic charge may be borne by the capital account of the Sub-funds. Currently only the Liontrust Monthly Income Bond Sub-fund charges the ACD's periodic charge and performance fee against capital.

2 Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date.

Monthly Income Bond Fund

Report for the year from 1 January 2018 to 31 December 2018

Investment objective and policy

The Sub-fund aims to produce a monthly income yield and the prospect of capital growth by investing in a portfolio of assets which predominantly comprises corporate bonds, and also includes government bonds, whilst at the same time actively managing the interest rate exposure of the Sub-fund. The Sub-fund will pay interest distributions monthly.

The Sub-fund will hold investment-grade sterling corporate bonds, government bonds, non-sterling investment-grade corporate bonds and relevant derivative instruments. In addition the Sub-fund may also invest from time to time in sub-investment grade bonds, covered bonds and preference shares. The Sub-fund may also invest in collective investment schemes, other transferable securities and other debt instruments, cash and near cash deposits, warrants and money market instruments.

The Sub-fund may enter into derivative and forward transactions for the purposes of efficient portfolio management (including hedging) ("EPM") and for investment purposes. Currency exposure in the Sub-fund will predominantly be hedged back into sterling through forward currency transactions. The specific aims of EPM are the reduction of risk, the reduction of cost or the generation of additional capital or income with a risk level which is consistent with the risk profile of the Sub-fund and the risk diversification rules laid down in COLL. The use of derivative and forward transactions for the purpose of meeting the Sub-fund's investment objectives will lower the risk profile of the Sub-fund.

Income payments in respect of Class B Gross Accumulation Shares, Class B Gross Income Shares, Class P Gross Accumulation Shares, Class P Gross Income Shares and Class Z Gross Income Shares in this Sub-fund will be smoothed during the accounting year with the balance of income (if any) being paid in respect of the final distribution period of the relevant annual accounting period.

For UK tax purposes, the Sub-fund is classified as a Bond Fund.

Monthly Income Bond Fund (continued)

Investment review

Fund review

Over the 12 months under review, the Fund produced a return of -3.0%, underperforming the iBoxx Sterling Corporates 5-15 year Index's -1.7% and the IA Sterling Corporate Bond sector average of -2.2% (Source: Financial Express, primary share class, total return net of fees and interest reinvested 31.12.17 to 31.12.18).

Credit weakness was driven by technicals and sentiment rather than fundamentals in our view, with geopolitical events such as threatened trade wars between China and the US, Italian/EU budget negotiations and Brexit serving to undermine confidence in equities and corporate bonds. The fact this occurred during a period that coincided with heavy corporate bond issuance only helped amplify underperformance in credit.

As a result, spreads widened significantly across the period and the Fund's overweight position to credit was the key driver of underperformance. While the credit overweight was an overall detractor however, sector positioning only resulted in a modest drag on performance as the negative impact from an overweight in insurance and the cost of credit default swap protection was largely offset by positive attribution from exposure to banks and telecoms, as well as an overweight in government bonds.

Stock selection also detracted from returns, giving back some of the gains from the previous year, largely within the banking sector.

Our interest rate positioning benefited performance at the margin despite the fact the Fund was, on average, approximately five years short duration over the year and government yields fell. While the structural short duration position generated a relative performance headwind of over 100bps, this was fully offset by other sources of performance attribution such as credit selection.

In addition to managing the size of the short throughout the year, we added more than 40bps from a combination of interest rate curve and cross market positions over the period.

On the macro front, 2018 as a whole saw a widespread resurgence of volatility, which resulted in a testing period for markets and offset ongoing resilience in underlying economies and corporate earnings data.

Q4 in particular saw a risk-off tone grip global markets as volatility returned to the fore, driven by fears over slowing growth plus the well-worn trio of trade, Brexit and tightening monetary policy.

Fears of a "no deal" Brexit scenario grew as political turmoil engulfed the UK. Prime Minister Theresa May's proposed EU Withdrawal Agreement was met with fierce criticism and several senior ministers resigned, including Brexit Secretary Dominic Raab. On failing to win enough support for the deal, the Prime Minister postponed the Parliamentary vote scheduled for mid-December until January.

This decision saw a further loss of support, triggering a vote of no confidence in her leadership of the Conservative Party. Despite going on to win 63% of the votes to retain her position, the significant lack of support from her party does not bode well for the pending vote on the Withdrawal Agreement.

Populism has continued to rise throughout 2018, leading to widespread political uncertainty throughout Europe over the period. Nowhere more so than in Italy, where no one party won a majority in the election, which resulted in a coalition between the populist Five Star Movement and the League and sparked concerns over the country's future membership of the EU.

In order to fund its policies, the new government submitted an increased budget to the EU but several of these proposals were rejected by the European Commission as they failed to meet required fiscal targets. As a result, Moody's downgraded Italy's sovereign debt one notch to Baa3: critically however, it remains investment grade. Despite the EU accepting a much revised budget proposal from Italy in December, concerns over the country's financial health have not abated.

Elsewhere, growing unrest in France has seen the rise of the "Gilet Jaunes" protests. Despite having been initially triggered by increasing fuel costs, subsequent price cuts failed to halt their momentum and they have since broadened into anti-government protests. President Macron announced a national debate will take place in January, giving the public a greater say in government affairs.

Trade war concerns dominated sentiment throughout the period, with rising tensions between the US and China, although we saw a slight thawing after the respective Presidents arranged a 90-day truce at November's G20 meeting.

Monthly Income Bond Fund (continued)

Investment review (continued)

Fund review (continued)

In the US, midterm elections turned out as anticipated, with the Democrats gaining a majority in the House of Representatives but the Republicans retaining a majority in the Senate. This will make it more difficult for the Trump administration to provide additional fiscal stimulus through further tax cuts.

Despite the political uncertainty highlighted above, tightening monetary policy proved to be a major theme across developed markets in 2018, with the Bank of Japan a notable exception.

The US Federal Reserve led the way raising interest rates four times across the year, as positive economic momentum proved robust against the challenging backdrop. The most recent hike in December was accompanied by more dovish commentary however, as growing signs of a slowdown in economic growth warrant more caution, and the Fed lowered expectations for hikes in 2019 from three to two. This has resulted in a disconnect between market and Fed expectations over the path of rates, with the former now pricing in no hikes in the US for 2019 and even possible cuts further out.

Fed activity has faced ongoing scrutiny from President Trump, who has frequently ignored the president's traditional avoidance of commenting on monetary policy.

In the UK, meanwhile, the Bank of England finally announced a long-awaited interest rate rise at the start of August. With so much focus on the rise that never was back in May, the significance of this actual hike perhaps went under the radar a little. After all, it was only the second rise in a decade and takes the level back to the highest since March 2009. Although following this rates remained on hold for the remainder of the year amidst mixed data and pending further Brexit developments.

Not to be left out, the European Central Bank confirmed the end of its quantitative easing programme in December, as promised. However, with data indicating a widespread slowdown in growth, they also reiterated previous guidance that interest rates will remain on hold until at least the summer of 2019. The slowing growth picture has been felt particularly in exports, where there are growing signs of Asian demand cooling.

Portfolio activity

Early in the period, we increased exposure to the housing association sector, where we saw good value opportunities in names with strong credit profiles. One such example saw the Fund establish a position in Places for People Homes, which builds new and renovates existing properties as well as leisure facilities.

We also executed several relative value switches within financials, taking advantage of the periods of spread compression and spread widening. We participated in new issues from HSBC and Nationwide as both came to market at attractive valuations and also took opportunities in existing holdings such as AXA.

We added a position in insurance firm SCOR and re-initiated a position in Allianz. We had sold the latter when we felt the bonds had reached fair value but market movements resulted in fixed-for-life bonds underperforming, offering attractive value and yield relative to other parts of the market.

Within our credit portfolio, key exposures remain overweight positions in insurance and telecoms and an underweight in utilities. As concerns over Brexit and global trade wars escalated over Q4 however, we moved more defensive, deploying inflows and proceeds from tenders on some holdings to increase our weighting to gilts while also reducing our overweight positions to favoured sectors.

While we ultimately believe these macro issues will be resolved, credit is exposed to the uncertainty over the short term, particularly as new issuance is expected to increase in the new year.

In addition, although committed to a significant short duration stance, we continued to develop many of these positions during the year, altering the size of the short depending on conditions as well as expressing it via different markets (the US and Germany) and also through curve selection.

Monthly Income Bond Fund (continued)

Investment review (continued)

Portfolio activity (continued)

We continue to believe government bonds are overvalued and expect yields to rise as concerns over a no deal Brexit and global trade wars abate. Indeed, in the event that we avoid a no deal, it is possible the correction in UK yields could be sharp, on the basis much of the downside is priced in and the Bank of England appears keen to hike policy rates as and when the situation is resolved.

In summary, we retain a significant underweight position to rates, and as of the end of December 2018, the absolute duration on the Fund was 2.2 years, compared to its index's 7.2. We believe the market has overreacted to the more dovish tone from the Fed as well as pricing in downside potential from ongoing US-China trade wars and therefore have a 0.5 year short position relative to the US market. We also currently have a two-year short to the UK and a 2.5 year short to Germany as we favour shorts to these lower-yielding markets.

Prevailing conditions continue to reinforce our positive medium-term outlook for credit, with economic data and corporate earnings trends still supportive. Moreover, valuations now appear attractive, helped by the significantly repricing that occurred in 2018 due to technical and sentiment factors mentioned above.

Looking forward, as these issues subside, we expect the market focus will shift back to the relatively strong underlying macroeconomic and corporate fundamentals, and attractive valuations.

Our core sector preferences within insurance and telecoms, supported by attractive valuations and higher credit quality, remain unchanged over the longer term despite being tempered by supply concerns.

Any opinions expressed are those of the Fund Manager. They should not be viewed as a guarantee of a return from an investment in the Sub-fund. The content of the commentary should not be viewed as a recommendation to invest nor buy or sell any securities. The investments of the Sub-fund are subject to normal market fluctuations. Investments can go down as well as up. Investors' capital is at risk and they may get back less than they originally invested. Past performance is not a guide to future performance.

Monthly Income Bond Fund (continued)

Investment review (continued)

Material portfolio changes by value

Purchases	Sales
Treasury 8% Stock 7/6/2021	Treasury 8% Stock 7/6/2021
Treasury 6% Stock 7/12/2028	Treasury 6% Stock 7/12/2028
Prudential 5.625% Bonds 20/10/2051	Prudential 7.75% Perpetual European Medium Term Notes
Orange 8.125% Guaranteed Senior European Medium Term Bonds 20/11/2028	Orange 9% Guaranteed Senior Bonds 1/3/2031
Allianz 5.5% Perpetual	NatWest Markets 5.5% Perpetual Bonds
British Telecommunications 5.75% Guaranteed Senior Bonds 7/12/2028	Standard Life 6.75% Guaranteed Perpetual Bonds
Places for People Homes 5.875% European Medium Term Notes 23/5/2031	British Telecom 9.625% Senior Bonds 15/12/2030
Nationwide Building Society 4.302% Floating Rate Notes 8/3/2029	Vodafone 5.9% Guaranteed Senior European Medium Term Bonds 26/11/2032
Yorkshire Water Services Finance 5.5% Guaranteed Bonds 28/5/2037	Anheuser-Busch InBev 9.75% Guaranteed European Medium Term Bonds 30/7/2024
NatWest Markets 5.5% Perpetual Bonds	Telefonica Europe 8.25% Guaranteed Bonds 15/9/2030

Monthly Income Bond Fund (continued)

Investment review (continued)

Risk and Reward profile

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

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

1	2	3	**4**	5	6	7

The Sub-fund is categorised 4 primarily for its exposure to a diversified portfolio of debt instruments along with a number of derivative positions.

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 Sub-fund.

- Bonds are affected by changes in interest rates and their value and the income they generate can rise or fall as a result.
- The creditworthiness of a bond issuer may also affect that bond's value. Bonds that produce a higher level of income usually also carry greater risk as such bond issuers may have difficulty in paying their debts. The value of a bond would be significantly affected if the issuer either refused to pay or was unable to pay.
- The Sub-fund can invest in derivatives. Derivatives are used to protect against currency, credit and interest rate movements or for investment purposes. There is a risk that losses could be made on derivative positions or that the counterparties could fail to complete on transactions.
- The level of targeted income is not guaranteed.
- Counterparty risk: any derivative contract, including FX hedging, may be at risk if the counterparty fails.
- For full details of the Sub-fund's risks, please see the prospectus which may be obtained from Liontrust or online at www.liontrust.co.uk.

Monthly Income Bond Fund (continued)

Portfolio Statement
as at 31 December 2018

Holding/ Nominal value	Stock description	Market value (£)	Percentage of total net assets (%)
	UNITED KINGDOM GOVERNMENT BONDS (9.42%)	**37,927,057**	**9.68**
£15,500,000	Treasury 6% Stock 7/12/2028	22,345,032	5.70
£13,260,000	Treasury 8% Stock 7/6/2021	15,582,025	3.98
	STERLING DENOMINATED DEBT SECURITIES (64.92%)	**269,593,789**	**68.78**
£4,650,000	3i 5.75% European Medium Term Notes 3/12/2032	5,621,193	1.43
£3,000,000	Aegon 6.625% Guaranteed Senior European Medium Term Bonds 16/12/2039	4,489,530	1.15
£4,167,000	Annington Funding 3.184% European Medium Term Notes 12/7/2029	3,975,235	1.01
£4,231,000	Aroundtown 3.25% European Medium Term Notes 18/7/2027	4,032,693	1.03
£5,350,000	Assicurazioni Generali 6.269% Guaranteed Perpetual Subordinated Floating Rate Bonds	5,143,133	1.31
£4,500,000	AT&T 7% Guaranteed Senior European Medium Term Bonds 30/4/2040	6,240,394	1.59
£3,700,000	Aviva 6.125% Floating Rate Bonds 14/11/2036	3,929,507	1.00
£3,300,000	Aviva 6.875% Guaranteed Subordinated Floating Rate European Medium Term Bonds 20/5/2058	3,673,494	0.94
£6,600,000	AXA 6.6862% Guaranteed Perpetual Subordinated Floating Rate European Medium Term Bonds	7,196,640	1.84
£5,250,000	Barclays Bank 14% Guaranteed Perpetual Subordinated Floating Rate Bonds	5,483,205	1.40
£6,500,000	British Telecommunications 5.75% Guaranteed Senior Bonds 7/12/2028	7,883,447	2.01
£4,670,000	Centrica 5.25% Subordinated European Medium Term Notes 10/4/2075	4,568,957	1.17
£5,000,000	CPUK Finance 7.239% Senior European Medium Term Bonds 28/2/2042	6,017,962	1.54
£1,600,000	Deutsche Telekom International Finance 8.875% Guaranteed Bonds 27/11/2028	2,407,806	0.61
£3,960,000	Direct Line Insurance 4.75% Perpetual Bonds	3,194,255	0.82
£3,500,000	EDP Finance 8.625% Guaranteed Senior European Medium Term Bonds 4/1/2024	4,448,349	1.14
£4,250,000	Ei 6% Senior Bonds 6/10/2023	4,504,192	1.15
£4,500,000	GlaxoSmithKline Capital 5.25% Guaranteed European Medium Term Bonds 19/12/2033	5,887,064	1.50
£4,300,000	Hammerson 7.25% Guaranteed Senior Bonds 21/4/2028	5,343,703	1.36
£4,400,000	Heathrow Funding 7.125% Guaranteed European Medium Term Bonds 14/2/2024	5,285,459	1.35
£1,500,000	HSBC 5.75% Guaranteed Subordinated European Medium Term Bonds 20/12/2027	1,713,995	0.44
£5,000,000	HSBC 6.75% Guaranteed Subordinated Bonds 11/9/2028	6,196,459	1.58
£3,300,000	HSBC 7% Guaranteed Subordinated European Medium Term Bonds 7/4/2038	4,404,207	1.12

Monthly Income Bond Fund (continued)

Portfolio Statement (continued)
as at 31 December 2018

Holding/ Nominal value	Stock description	Market value (£)	Percentage of total net assets (%)
	STERLING DENOMINATED DEBT SECURITIES (continued)		
£4,700,000	Iberdrola Finanzas 7.375% Guaranteed European Medium Term Bonds 29/1/2024	5,838,153	1.49
£3,823,000	Intu (SGS) Finance 4.25% European Medium Term Notes 17/9/2035	3,701,819	0.94
£5,294,000	Investec Bank 4.25% European Medium Term Notes 24/7/2028	5,091,346	1.30
£4,000,000	Legal & General 5.125% Bonds 14/11/2048	3,955,680	1.01
£2,500,000	Legal & General 5.5% Subordinated Floating Rate European Medium Term Notes 27/6/2064	2,328,850	0.59
£4,396,000	Liberty Living Finance 3.375% Bonds 28/11/2029	4,298,057	1.10
£4,000,000	Lloyds Bank 7.5% Guaranteed Senior European Medium Term Bonds 15/4/2024	4,978,292	1.27
£1,470,000	Lloyds Bank 13% Perpetual Floating Rate Subordinated Bonds	2,361,188	0.60
£4,500,000	Motability Operations 5.625% Guaranteed Senior European Medium Term Bonds 29/11/2030	5,924,278	1.51
£7,000,000	NGG Finance 5.625% Floating Rate Notes 18/6/2073	7,365,750	1.88
£7,000,000	Orange 8.125% Guaranteed Senior European Medium Term Bonds 20/11/2028	10,185,426	2.60
£6,200,000	Places for People Homes 5.875% European Medium Term Notes 23/5/2031	7,537,960	1.92
£2,000,000	Prudential 5% European Medium Term Notes 20/7/2055	1,984,697	0.51
£12,000,000	Prudential 5.625% Bonds 20/10/2051	12,017,160	3.07
£7,650,000	Rabobank 4.625% Subordinated European Medium Term Notes 23/5/2029	8,216,814	2.10
£3,500,000	RAC 4.87% European Medium Term Note 6/5/2046	3,328,235	0.85
£2,000,000	Santander 7.375% Perpetual Bonds	1,998,000	0.51
£4,500,000	Severn Trent Water Utilities 6.25% Guaranteed Bonds 7/6/2029	5,861,480	1.50
£2,400,000	Society of Lloyd's 4.875% Bonds 7/2/2047	2,381,496	0.61
£2,500,000	South Eastern Power Networks 6.375% Guaranteed Senior European Medium Term Bonds 12/11/2031	3,386,848	0.86
£5,123,000	SSE 8.375% Guaranteed Senior Bonds 20/11/2028	7,423,217	1.89
£10,950,000	Standard Chartered 5.125% Subordinated European Medium Term Notes 6/6/2034	11,654,195	2.97
£3,641,000	Tesco 6% European Medium Term Notes 14/12/2029	4,289,462	1.09
£3,511,000	Thames Water Utilities Cayman Finance 4% Senior Notes 19/6/2025	3,799,999	0.97
£5,300,000	Virgin Media Secured Finance 6.25% Guaranteed Senior Notes 28/3/2029	5,304,982	1.35
£6,000,000	Vodafone 4.875% Bonds 3/10/2078	5,682,240	1.45
£5,000,000	Western Power Distribution 3.5% Bonds 16/10/2026	5,013,550	1.28
£5,381,000	WM Morrison Supermarkets 4.75% European Medium Term Notes 4/7/2029	6,053,115	1.54
£4,500,000	Yorkshire Water Services Finance 5.5% Guaranteed Bonds 28/5/2037	5,990,621	1.53

Monthly Income Bond Fund (continued)

Portfolio Statement (continued)
as at 31 December 2018

Holding/ Nominal value	Stock description	Market value (£)	Percentage of total net assets (%)
	STERLING DENOMINATED FORWARD EXCHANGE CONTRACTS (0.84%)	**(529,834)**	**(0.14)**
£11,582,090	UK sterling 11,582,090 Vs Euro 13,000,000 - 14/2/2019	(103,674)	(0.03)
£9,751,500	UK sterling 9,751,500 Vs Euro 11,000,000 - 28/2/2019	(141,017)	(0.04)
£73,553,500	UK sterling 73,553,500 Vs US dollar 94,300,000 - 28/2/2019	(285,143)	(0.07)
	STERLING DENOMINATED OPEN FUTURES CONTRACTS (0.00%)	**131,400**	**0.03**
180	Long Gilt Future March 2019	131,400	0.03
	STERLING DENOMINATED INTEREST RATE SWAPS ((2.05)%)	**(5,438,786)**	**(1.39)**
GBP 22,000,000	Pay Fixed 3.7% GBP Vs 6 month LIBOR until 13/11/2043 (Counterparty: Deutsche Bank)	(5,438,786)	(1.39)
	EURO DENOMINATED DEBT SECURITIES (0.98%)	**2,904,088**	**0.74**
EUR 2,600,000	Telecom Italia Finance 7.75% European Medium Term Notes 24/1/2033	2,904,088	0.74
	EURO DENOMINATED FORWARD EXCHANGE CONTRACTS (0.00%)	**294,487**	**0.08**
EUR 13,000,000	Euro 13,000,000 Vs UK sterling 11,391,276 - 14/2/2019	294,487	0.08
	EURO DENOMINATED OPEN FUTURES CONTRACTS (0.12%)	**(849,026)**	**(0.22)**
(690)	Euro-Bobl Future March 2019	(235,347)	(0.06)
(530)	Euro-Bund Future March 2019	(613,679)	(0.16)
	EURO DENOMINATED CREDIT DEFAULT SWAPS ((0.72)%)	**(2,068,615)**	**(0.53)**
39,466,400	Buying protection on Markit iTraxx Europe 5% 20/6/2023 Credit Default Swap (Counterparty: Deutsche Bank)	(2,128,968)	(0.54)
(50,000,000)	Selling protection on iTraxx Europe 1% 20/6/2023 Credit Default Swap (Counterparty: Barclays)	60,353	0.01
	UNITED STATES DOLLAR DENOMINATED DEBT SECURITIES (25.90%)	**72,581,693**	**18.52**
USD 8,000,000	Allianz 5.5% Perpetual	5,841,709	1.49
USD 4,200,000	AT&T 6.375% Bonds 1/3/2041	3,571,184	0.91
USD 5,000,000	BNP Paribas 7% Perpetual Bonds	3,734,493	0.95
USD 8,100,000	BNP Paribas 7.195% Guaranteed Perpetual Subordinated Floating Rate Bonds	6,487,123	1.66
USD 6,700,000	Cloverie for Zurich Insurance 5.625% Bonds 24/6/2046	5,206,730	1.33
USD 4,500,000	Crédit Agricole 7.875% Variable Rate Bonds Perpetual	3,528,677	0.90
USD 5,550,000	Deutsche Telekom International Finance 9.25% Bonds 1/6/2032	6,192,903	1.58

Monthly Income Bond Fund (continued)

Portfolio Statement (continued)
as at 31 December 2018

Holding/ Nominal value	Stock description	Market value (£)	Percentage of total net assets (%)
	UNITED STATES DOLLAR DENOMINATED DEBT SECURITIES (continued)		
USD 3,500,000	HBOS Capital Funding 6.85% Perpetual Bonds	2,741,245	0.70
USD 6,810,000	HSBC Bank 3.1256% Perpetual Floating Rate Note	3,624,229	0.93
USD 7,000,000	Lloyds Bank 12% Perpetual Bonds	6,430,590	1.64
USD 9,000,000	Nationwide Building Society 4.302% Floating Rate Notes 8/3/2029	6,640,115	1.69
USD 6,000,000	NatWest Markets 6.1% Bonds 10/6/2023	4,785,455	1.22
USD 6,200,000	SCOR SE 5.25% Perpetual Bonds	3,967,494	1.01
USD 1,500,000	Standard Chartered 7.75% Perpetual Bonds	1,160,097	0.30
USD 10,600,000	Verizon Communications 5.25% Bonds 16/3/2037	8,669,649	2.21
	UNITED STATES DOLLAR DENOMINATED FORWARD EXCHANGE CONTRACTS ((0.02)%)	**(22,986)**	**(0.01)**
USD 2,000,000	US dollar 2,000,000 Vs UK sterling 1,589,023 - 28/2/2019	(22,986)	(0.01)
	UNITED STATES DOLLAR DENOMINATED OPEN FUTURES CONTRACTS (0.14%)	**(2,396,008)**	**(0.61)**
(520)	US 5 Year Note (CBT) Future March 2019	(794,249)	(0.20)
(360)	US 10 Year Ultra Future March 2019	(1,188,069)	(0.30)
(60)	US Ultra Bond (CBT) Future March 2019	(413,690)	(0.11)
	UNITED STATES DOLLAR DENOMINATED CREDIT DEFAULT SWAPS ((0.93)%)	**(1,157,271)**	**(0.29)**
29,700,000	Buying protection on Markit CDX North American High Yield 5% 20/6/2022 Credit Default Swap (Counterparty: Barclays)	(902,073)	(0.23)
20,000,000	Buying protection on Markit CDX North American Investment Grade 1% 20/12/2022 Credit Default Swap (Counterparty: Barclays)	(170,132)	(0.04)
10,000,000	Buying protection on Markit CDX North American Investment Grade 1% 20/12/2022 Credit Default Swap (Counterparty: Deutsche Bank)	(85,066)	(0.02)
	Portfolio of investments	**370,969,988**	**94.64**
	Net other assets	**20,997,652**	**5.36**
	Total net assets	**391,967,640**	**100.00**

All investments are approved securities being either officially listed in a member state or under the rules of an eligible market, unless otherwise stated.

All investments are in ordinary shares unless otherwise stated.

Note: comparative figures show percentages for each category of holding at 31 December 2017.

Monthly Income Bond Fund (continued)

Credit Quality

Summary of Credit ratings

	31.12.2018 (£)	31.12.2017 (£)
Investment grade	273,313,222	183,783,064
Below Investment grade	45,156,759	43,345,570
Not Rated	64,536,646	49,959,599
Total	**383,006,627**	**277,088,233**

Monthly Income Bond Fund (continued)

Comparative tables (continued)
for the year ended 31 December 2018

B Gross Accumulation Accounting year ended	31 December 2018 per share (p)	31 December 2017 per share (p)	31 December 2016 per share (p)
Change in net assets per share			
Opening net asset value per share	156.36	143.41	131.33
Return before operating charges*	(3.71)	13.92	13.03
Operating charges	(1.02)	(0.97)	(0.95)
Return after operating charges	(4.73)	12.95	12.08
Distributions	(8.27)	(8.11)	(8.06)
Retained distributions on accumulation shares	8.27	8.11	8.06
Closing net asset value per share	**151.63**	**156.36**	**143.41**
After transaction costs of	–	(0.03)	–
Performance			
Return after charges	(3.03)%	9.03%	9.20%
Other information			
Closing net asset value	24,572,295	7,831,654	1,452,611
Closing number of shares	16,205,188	5,008,857	1,012,891
Operating charges**	0.66%	0.64%	0.69%
Direct transaction costs	–	0.02%	–
Prices			
Highest share price	159.8	156.9	145.0
Lowest share price	151.0	144.0	125.9

* Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders 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 Sub-fund and share class returns before operating charges.

** The Operating Charges figure represents the annual operating expenses of the Sub-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 ACD's periodic charge and all charges which are deducted directly from the Sub-fund. The Operating Charges figure is expressed as an annual percentage rate.

Monthly Income Bond Fund (continued)

Comparative tables (continued)
for the year ended 31 December 2018

B Gross Income Accounting year ended	31 December 2018 per share (p)	31 December 2017 per share (p)	31 December 2016 per share (p)
Change in net assets per share			
Opening net asset value per share	105.79	102.37	99.43
Return before operating charges*	(2.41)	9.70	9.58
Operating charges	(0.68)	(0.65)	(0.70)
Return after operating charges	(3.09)	9.05	8.88
Distributions	(5.47)	(5.63)	(5.94)
Closing net asset value per share	**97.23**	**105.79**	**102.37**
After transaction costs of	–	(0.02)	–
Performance			
Return after charges	(2.92)%	8.84%	8.93%
Other information			
Closing net asset value	179,130,285	106,376,458	46,695,734
Closing number of shares	184,224,933	100,551,800	45,616,058
Operating charges**	0.66%	0.62%	0.69%
Direct transaction costs	–	0.02%	–
Prices			
Highest share price	108.1	107.2	105.8
Lowest share price	97.27	102.6	94.80

* Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders 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 Sub-fund and share class returns before operating charges.

** The Operating Charges figure represents the annual operating expenses of the Sub-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 ACD's periodic charge and all charges which are deducted directly from the Sub-fund. The Operating Charges figure is expressed as an annual percentage rate.

Monthly Income Bond Fund (continued)

Comparative tables (continued)
for the year ended 31 December 2018

P Gross Accumulation Accounting year ended	31 December 2018 per share (p)	31 December 2017 per share (p)	31 December 2016 per share (p)
Change in net assets per share			
Opening net asset value per share	164.51	151.48	138.29
Return before operating charges*	(4.13)	13.57	13.75
Operating charges	(0.59)	(0.54)	(0.56)
Return after operating charges	(4.72)	13.03	13.19
Distributions	(8.70)	(8.54)	(8.50)
Retained distributions on accumulation shares	8.70	8.54	8.50
Closing net asset value per share	**159.79**	**164.51**	**151.48**
After transaction costs of	–	(0.03)	–
Performance			
Return after charges	(2.87)%	8.60%	9.54%
Other information			
Closing net asset value	36,131,640	22,557,272	742,011
Closing number of shares	22,611,873	13,711,543	489,836
Operating charges	0.36%	0.34%	0.39%
Direct transaction costs	–	0.02%	–
Performance fee**	0.07%	0.57%	–
Prices			
Highest share price	167.7	165.1	153.1
Lowest share price	159.0	151.8	132.7

* Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders 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 Sub-fund and share class returns before operating charges.

** The Operating Charges figure represents the annual operating expenses of the Sub-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 ACD's periodic charge and all charges which are deducted directly from the Sub-fund. The Operating Charges figure is expressed as an annual percentage rate.

Monthly Income Bond Fund (continued)

Comparative tables (continued)
for the year ended 31 December 2018

P Gross Income Accounting year ended	31 December 2018 per share (p)	31 December 2017 per share (p)	31 December 2016 per share (p)
Change in net assets per share			
Opening net asset value per share	107.31	104.19	100.90
Return before operating charges*	(2.48)	9.19	9.73
Operating charges	(0.37)	(0.36)	(0.40)
Return after operating charges	(2.85)	8.83	9.33
Distributions	(5.55)	(5.71)	(6.04)
Closing net asset value per share	**98.91**	**107.31**	**104.19**
After transaction costs of	–	(0.02)	–
Performance			
Return after charges	(2.66)%	8.47%	9.25%
Other information			
Closing net asset value	152,132,398	136,965,636	74,589,613
Closing number of shares	153,802,721	127,634,295	71,586,830
Operating charges**	0.36%	0.34%	0.39%
Direct transaction costs	–	0.02%	–
Performance fee**	–	0.63%	–
Prices			
Highest share price	109.4	108.8	107.6
Lowest share price	99.00	104.2	96.30

* Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders 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 Sub-fund and share class returns before operating charges.

** The Operating Charges figure represents the annual operating expenses of the Sub-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 ACD's periodic charge and all charges which are deducted directly from the Sub-fund. The Operating Charges figure is expressed as an annual percentage rate.

Monthly Income Bond Fund (continued)

Comparative tables (continued)
for the year ended 31 December 2018

Z Gross Income **Accounting year ended**	**31 December 2018** **per share (p)**	**31 December 2017** **per share (p)**	**31 December 2016** **per share (p)**
Change in net assets per share			
Opening net asset value per share	110.65	106.56	102.97
Return before operating charges*	(2.55)	10.10	9.93
Operating charges	(0.14)	(0.14)	(0.17)
Return after operating charges	(2.69)	9.96	9.76
Distributions	(5.77)	(5.87)	(6.17)
Closing net asset value per share	**102.19**	**110.65**	**106.56**
After transaction costs of	–	(0.02)	–
Performance			
Return after charges	(2.43)%	9.35%	9.48%
Other information			
Closing net asset value	1,022	1,107	6,553
Closing number of shares	1,000	1,000	6,150
Operating charges**	0.13%	0.13%	0.16%
Direct transaction costs	–	0.02%	–
Prices			
Highest share price	113.1	112.1	110.0
Lowest share price	102.5	106.8	98.30

* Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders 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 Sub-fund and share class returns before operating charges.

** The Operating Charges figure represents the annual operating expenses of the Sub-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 ACD's periodic charge and all charges which are deducted directly from the Sub-fund. The Operating Charges figure is expressed as an annual percentage rate.

Monthly Income Bond Fund (continued)

Statement of Total Return
for the year ended 31 December 2018

	Notes	(£)	1.1.2018 to 31.12.2018 (£)	(£)	1.1.2017 to 31.12.2017 (£)
Income					
Net capital (losses)/gains	2		(23,316,089)		11,561,961
Revenue	3	15,116,793		11,398,395	
Expenses	4	(1,661,832)		(1,943,108)	
Interest payable and similar charges	6	(900,541)		(1,125,379)	
Net revenue before taxation		12,554,420		8,329,908	
Taxation	5	—		—	
Net revenue after taxation			12,554,420		8,329,908
Total return before distributions			**(10,761,669)**		**19,891,869**
Distributions	7		(17,958,596)		(12,930,276)
Change in net assets attributable to shareholders from investment activities			**(28,720,265)**		**6,961,593**

Statement of change in net assets attributable to shareholders
for the year ended 31 December 2018

	(£)	1.1.2018 to 31.12.2018 (£)	(£)	1.1.2017 to 31.12.2017 (£)
Opening net assets attributable to shareholders		**273,732,127**		**227,524,974**
Movement due to issue and cancellation of shares:				
Amounts received on issue of shares	190,499,196		58,330,741	
Amounts paid on cancellation of shares	(46,607,731)		(20,174,582)	
		143,891,465		38,156,159
Dilution adjustment		176		—
Change in net assets attributable to shareholders from investment activities		(28,720,265)		6,961,593
Retained distribution on accumulation shares		3,064,137		1,089,401
Closing net assets attributable to shareholders		**391,967,640**		**273,732,127**

Monthly Income Bond Fund (continued)

Balance Sheet

as at 31 December 2018

	Notes	31.12.2018 (£)	31.12.2017 (£)
Assets			
Fixed Assets			
Investments		383,492,867	281,404,970
Current assets:			
Debtors	8	7,128,911	5,654,410
Cash and bank balances	9	16,154,969	644,572
Total other assets		**23,283,880**	**6,298,982**
Total assets		**406,776,747**	**287,703,952**
Liabilities			
Investment liabilities		(12,522,879)	(11,514,257)
Creditors:			
Bank overdrafts		–	(59,093)
Distribution payable	10	(1,702,658)	(409,480)
Other creditors	10	(583,570)	(1,988,995)
Total other liabilities		**(2,286,228)**	**(2,457,568)**
Total liabilities		**(14,809,107)**	**(13,971,825)**
Net assets attributable to shareholders		**391,967,640**	**273,732,127**

Monthly Income Bond Fund (continued)

Notes to the financial statements
for the year ended 31 December 2018

1 Accounting policies

The accounting policies for the sub-fund are set out on pages 13 to 14.

2 Net capital (losses)/gains

	1.1.2018 to 31.12.2018 (£)	1.1.2017 to 31.12.2017 (£)
Non-derivative securities	(15,514,263)	6,664,726
Derivative securities	(833,365)	321,547
Forward currency contracts	(6,037,140)	5,429,839
Foreign currency	(923,749)	(835,422)
Transaction expenses	(7,572)	(18,729)
Net capital (losses)/gains	**(23,316,089)**	**11,561,961**

3 Revenue

	1.1.2018 to 31.12.2018 (£)	1.1.2017 to 31.12.2017 (£)
Bank interest	4,108	8,201
Interest from overseas fixed income securities	5,127,299	4,607,077
Interest from UK fixed income securities	9,714,822	6,528,576
Interest from bond futures	270,564	187,018
Revenue from interest rate swaps	—	67,523
Total revenue	**15,116,793**	**11,398,395**

Monthly Income Bond Fund (continued)

Notes to the financial statements (continued)
for the year ended 31 December 2018

4 Expenses

	1.1.2018 to 31.12.2018 (£)	1.1.2017 to 31.12.2017 (£)
Payable to the ACD, associates of the ACD, and agents of either of them:		
ACD's fees	1,115,343	764,078
Performance fee	28,980	853,167
	1,144,323	**1,617,245**
Payable to the Depositary, associates of the Depositary, and agents of either of them:		
Depositary fee	58,875	75,662
Safe custody fee	12,811	13,754
	71,686	**89,416**
Other expenses		
Administration fees	294,765	83,496
Audit fees*	6,960	10,562
FCA fees	279	(52)
Accounts printing and postage**	(1,876)	1,988
Reconciliation fees	602	598
Registration fee	144,613	139,855
Professional service fees	480	—
	445,823	**236,447**
Total expenses	**1,661,832**	**1,943,108**

Irrecoverable VAT is included in the above expenses where relevant.

* The audit fee for the year, excluding VAT, was £8,850 (2017: £8,802).

** Please refer to page 6 for details of the new fee structure.

Monthly Income Bond Fund (continued)

Notes to the financial statements (continued)
for the year ended 31 December 2018

5 Taxation

	1.1.2018 to 31.12.2018 (£)	1.1.2017 to 31.12.2017 (£)
a) Analysis of charge in year		
Total tax charge for the year (see note 5(b))	**–**	**–**

b) Factors affecting tax charge for the year

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an OEIC (20%).
The differences are explained below:

	1.1.2018 to 31.12.2018 (£)	1.1.2017 to 31.12.2017 (£)
Net revenue before taxation	12,554,420	8,329,908
Corporation tax at 20% (2017 – 20%)	2,510,884	1,665,982
Effects of:		
Tax deductible interest distributions	(3,362,894)	(1,988,629)
Add: Capitalised fee	852,010	322,647
Total tax charge for year (see note 5(a))	**–**	**–**

Authorised investment companies with variable capital are exempt from tax on capital gains. Therefore any capital return is not included in the above reconciliation.

c) Deferred tax asset

At 31 December 2018 the Sub-fund had no surplus management expenses (prior year: £Nil). No deferred tax asset has been recognised (prior year: £Nil).

6 Interest payable and similar charges

	1.1.2018 to 31.12.2018 (£)	1.1.2017 to 31.12.2017 (£)
Interest	52,527	19,387
Return from short position bond futures	848,014	1,105,992
Total interest payable and similar charges	**900,541**	**1,125,379**

Monthly Income Bond Fund (continued)

Notes to the financial statements (continued)
for the year ended 31 December 2018

7 Distributions

	1.1.2018 to 31.12.2018 (£)	1.1.2017 to 31.12.2017 (£)
1st Distribution	1,258,294	1,091,162
2nd Distribution	1,184,356	1,076,106
3rd Distribution	1,223,618	1,077,762
4th Distribution	1,287,405	1,046,958
5th Distribution	1,351,380	1,055,059
6th Distribution	1,384,795	1,067,488
7th Distribution	1,449,930	1,098,892
8th Distribution	1,459,131	1,126,148
9th Distribution	1,507,751	1,161,973
10th Distribution	1,584,215	1,196,777
11th Distribution	1,645,260	1,216,382
12th Distribution	3,070,266	957,403
	18,406,401	**13,172,110**
Amounts received on issue of shares	(1,000,255)	(370,652)
Amounts deducted on cancellation of shares	552,450	128,818
Net distribution	**17,958,596**	**12,930,276**
The distributable amount has been calculated as follows:		
Net revenue after taxation for the year	12,554,420	8,329,908
Authorised Corporate Director's periodic charge taken to capital	1,115,343	760,069
Performance fees taken to capital	28,980	853,167
Effective Interest	4,260,049	2,983,188
Equalisation on conversions	(196)	3,944
Net distribution	**17,958,596**	**12,930,276**

The distribution per share is set out in the tables on pages 44 to 55.

8 Debtors

	31.12.2018 (£)	31.12.2017 (£)
Accrued revenue	6,489,790	5,046,429
Amounts receivable on issue of shares	639,121	607,981
Total debtors	**7,128,911**	**5,654,410**

Monthly Income Bond Fund (continued)

Notes to the financial statements (continued)
for the year ended 31 December 2018

9 Cash and bank balances

	31.12.2018 (£)	31.12.2017 (£)
Amount held at futures clearing houses and brokers	2,982,497	–
Cash and bank balances	13,172,472	644,572
Total cash and bank balances	**16,154,969**	**644,572**

10 Creditors

	31.12.2018 (£)	31.12.2017 (£)
Distribution Payable		
Net distribution payable	1,702,658	409,480
	1,702,658	**409,480**
Other creditors		
Accrued other expenses	285,468	1,072,516
Amounts payable on cancellation of shares	143,273	61,705
Amounts due to futures clearing houses and brokers	154,829	854,768
Bank interest payable	–	6
Total creditors	**583,570**	**1,988,995**

11 Contingent liabilities

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

12 Related party transactions

Liontrust Asset Management Plc is regarded as a controlling party by virtue of being the ultimate parent company of the ACD, Liontrust Fund Partners LLP, giving the ability to act in concert in respect of the operations of the Company.

The ACD's periodic charge and performance fees paid to Liontrust Fund Partners LLP and its associates are shown in note 4, and details of shares issued and cancelled by Liontrust Fund Partners LLP are shown in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to Liontrust Fund Partners LLP and its associates at the year end was £149,015 (prior year: £930,857).

The total expense due to Liontrust Fund Partners LLP and its associates for the year was £1,146,991 (prior year: £1,617,245).

Monthly Income Bond Fund (continued)

Notes to the financial statements (continued)
for the year ended 31 December 2018

13 Risk management policies

The risks inherent in the Sub–fund's investment portfolio are as follows:

In pursuing its investment objective and investment policy, the Sub-fund holds a number of financial instruments. These may comprise:

- Investment grade corporate bonds and government bonds (both sterling and non-sterling). These are held in accordance with the Sub-fund's investment policies;
- Sub-investment grade bonds, covered bonds and preference shares;
- Cash, liquid resources and short-term debtors and creditors that arise directly from its operation;
- Shareholders' funds, which represent investors' monies that are invested on their behalf;
- Derivative transactions which the Sub-fund may enter into, the purpose of which is to manage certain aspects of the risks arising from the Sub-fund investment activities. Currently the Sub-fund utilises interest rate swaps and bond futures to manage interest rate risk, credit default swaps to manage credit exposure and foreign exchange positions to manage currency exposure;
- Short-term borrowings used to finance operational cash flows;
- Derivatives are also used for investment purposes not just to manage risk/exposures.

The main risks arising from the financial instruments are market price (including "emerging markets price risk"), foreign currency, interest rate, liquidity and counterparty credit risk. The ACD reviews the policies for managing each of these risks and they are summarised below.

The ACD uses a detailed Risk Management Policy in accordance with the FCA rules which covers how these and other risks in the Sub-fund are monitored and managed which is reviewed at least annually. The risk team responsible for these risk policies is independent of the fund managers and ensure all relevant risks are appropriately controlled.

Market price risk

Market price risk is the risk that the Sub-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 Sub-fund's investment portfolio is monitored by the ACD in pursuance of its investment objective and policy as set out in the prospectus. Futures contracts may be used to hedge against market price risk where deemed appropriate for efficient portfolio management purposes.

Currency risk

Currency risk is the risk that the revenue and net asset value of the Sub-fund may be adversely affected by movements in foreign exchange rates. The revenue and capital value of the Sub-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.

Monthly Income Bond Fund (continued)

Notes to the financial statements (continued)
for the year ended 31 December 2018

13 Risk management policies (continued)

Currency risk (continued)

The Sub-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 Sub-fund may receive income in currencies other than sterling, and the sterling values of this income can be affected by movements in exchange rates.

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 Sub-fund's revenue is generated by the holding of bonds, which contractually oblige the borrower to repay the Sub-fund interest under specific terms. Changes to interest rates may affect the cash inflows and outflows calculated with reference to financial assets and liabilities.

By a careful assessment of economic and other relevant factors, the Portfolio Managers will seek to invest in those companies most likely to benefit, or be shielded, from anticipated changes in interest rates.

Liquidity risk

Liquidity risk is the risk that the Sub-fund will not be able to meet its obligations as they fall due. The Sub-fund 's assets comprise wholly of readily realisable securities which can be sold to meet liquidity requirements. The main liquidity risk of the Sub-fund is the redemption of any shares that investors wish to sell, which are redeemable on demand under the prospectus.

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 Sub-fund are downgraded.

The Sub-fund holds bonds issued by companies and governments in order to achieve its investment objective. Any impairment to the borrower's ability to repay amounts due may result in changes to the tradable value of the bond and the amount to be received upon maturity of the bond. The ability of the borrower to repay not only the principal value but also any interest due on the bond, referred to as the borrower's credit rating, is monitored by the ACD.

The Sub-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 Sub-fund will only buy and sell financial instruments through parties that have been approved as acceptable by the ACD.

The Sub-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 Sub-fund has fulfilled its obligations. The Sub-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.

Monthly Income Bond Fund (continued)

Notes to the financial statements (continued)
for the year ended 31 December 2018

13 Risk management policies (continued)

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

31.12.2018	Assets (£)	Liabilities (£)
Quoted prices for identical instruments in active markets	131,400	(3,245,034)
Valuation techniques using observable market data	383,361,467	(9,277,845)
	383,492,867	**(12,522,879)**

31.12.2017	Assets (£)	Liabilities (£)
Quoted prices for identical instruments in active markets	705,960	(4,480)
Valuation techniques using observable market data	280,699,010	(11,509,777)
	281,404,970	**(11,514,257)**

Monthly Income Bond Fund (continued)

Notes to the financial statements (continued)
for the year ended 31 December 2018

13 Risk management policies (continued)

Risk Management Process

The Sub-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 Sub-fund uses the VaR approach. 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. The VaR is calculated using a Historical Simulation model carried out in accordance with regulatory guidelines. The below table provides an analysis of the VaR measures and leverage levels* for the Liontrust Monthly Income Bond Fund. The maximum VaR the Sub-fund is allowed to use under the UCITS Regulations is 20%.

The Sub-fund's lowest, highest and average utilisation of the VaR limit during the year was:

	2018			2017**	
Lowest VaR	Highest VaR	Average VaR	Lowest VaR	Highest VaR	Average VaR
7.57%	**18.06%**	**11.49%**	**4.55%**	**10.65%**	**7.95%**

Counterparties to open derivative contracts at the balance sheet date were Deutsche Bank, Barclays and UBS. At the year-end collateral of £Nil (prior year: £nil) was received from these counterparties in respect of derivative contracts. Collateral pledged to these counterparties in respect of derivative contracts was £9,315,649 (prior year: £13,830,041) in the form of cash and or UK Treasury bonds.

The Sub-fund's lowest, highest and average level of leverage employed during the year was:

	2018			2017	
Lowest Leverage	Highest Leverage	Average Leverage	Lowest Leverage	Highest Leverage	Average Leverage
118.80%	**206.02%**	**142.44%**	**110.36%**	**138.29%**	**126.91%**

* The leverage has been calculated using the sum of the notionals of the derivatives used.

** Comparatives have been restated for improved presentation.

14 Share movement

For the year ending 31 December 2018

	Opening shares	Shares issued	Shares redeemed	Shares converted	Closing shares
Class B Gross Accumulation	5,008,857	13,955,812	(2,738,986)	(20,495)	16,205,188
Class B Gross Income	100,551,800	94,549,500	(10,965,176)	88,809	184,224,933
Class P Gross Accumulation	13,711,543	25,876,796	(16,988,593)	12,127	22,611,873
Class P Gross Income	127,634,295	30,216,072	(3,971,796)	(75,850)	153,802,721
Class Z Gross Income	1,000	–	–	–	1,000

Monthly Income Bond Fund (continued)

Notes to the financial statements (continued)
for the year ended 31 December 2018

15 Portfolio transaction costs

For the year ending 31 December 2018

Purchases (excluding derivatives)	Transaction Value (£)	Commissions (£)	%	Taxes (£)	%
Debt instruments (direct)	289,297,156	–	–	–	–
Total purchases	**289,297,156**	**–**		**–**	
Total purchases including transaction costs	**289,297,156**				

Sales (excluding derivatives)	(£)	(£)	%	(£)	%
Debt instruments (direct)	163,594,818	–	–	–	–
Total sales	**163,594,818**	**–**		**–**	
Total sales net of transaction costs	**163,594,818**				
Derivative transaction costs		**2,482**		**–**	
Total transaction costs		**2,482**		**–**	
Total transaction costs as a % of average net assets		**0.00%**		**0.00%**	

Monthly Income Bond Fund (continued)

Notes to the financial statements (continued)
for the year ended 31 December 2018

15 Portfolio transaction costs (continued)

For the year ending 31 December 2017

Purchases (excluding derivatives)	Transaction Value (£)	Commissions (£)	%	Taxes (£)	%
Debt instruments (direct)	165,556,245	–	–	–	–
Total purchases	**165,556,245**	**–**		**–**	
Total purchases including transaction costs	**165,556,245**				

Sales (excluding derivatives)	(£)	(£)	%	(£)	%
Debt instruments (direct)	126,616,620	–	–	–	–
Total sales	**126,616,620**	**–**		**–**	
Total sales net of transaction costs	**126,616,620**				
Derivative transaction costs		**46,490**		**–**	
Total transaction costs		**46,490**		**–**	
Total transaction costs as a % of average net assets		**0.02%**		**0.00%**	

The above analysis covers any direct transaction costs suffered by the Sub-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.

For the Sub-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 Sub-fund's daily liquidity position are excluded from the analysis.

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

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

At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.72% (2017 : 0.73%).

Monthly Income Bond Fund (continued)

Distribution tables
for the year ended 31 December 2018

Group 1 - Shares purchased prior to 1 December 2018
Group 2 - Shares purchased 1 December 2018 to 31 December 2018

Accumulation shares	Net Revenue Pence per share	Equalisation Pence per share	Distribution payable 31.1.2019 Pence per share	Distribution paid 31.1.2018 Pence per share
Class B Gross - Group 1	3.2747	–	3.2747	2.6059
Class B Gross - Group 2	0.4663	2.8084	3.2747	2.6059
Class P Gross - Group 1	3.7013	–	3.7013	3.0441
Class P Gross - Group 2	0.4213	3.2800	3.7013	3.0441
Income shares				
Class B Gross - Group 1	0.4668	–	0.4668	0.1344
Class B Gross - Group 2	0.2511	0.2157	0.4668	0.1344
Class P Gross - Group 1	0.5479	–	0.5479	0.2149
Class P Gross - Group 2	0.2636	0.2843	0.5479	0.2149
Class Z Gross - Group 1	0.7690	–	0.7690	0.3660
Class Z Gross - Group 2	0.7690	0.0000	0.7690	0.3660

Monthly Income Bond Fund (continued)

Distribution tables (continued)
for the year ended 31 December 2018

Group 1 - Shares purchased prior to 1 November 2018
Group 2 - Shares purchased 1 November 2018 to 30 November 2018

Accumulation shares	Net Revenue Pence per share	Equalisation Pence per share	Distribution paid 31.12.2018 Pence per share	Distribution paid 31.12.2017 Pence per share
Class B Gross - Group 1	0.4500	–	0.4500	0.5000
Class B Gross - Group 2	–	0.4500	0.4500	0.5000
Class P Gross - Group 1	0.4500	–	0.4500	0.5000
Class P Gross - Group 2	–	0.4500	0.4500	0.5000
Income shares				
Class B Gross - Group 1	0.4500	–	0.4500	0.5000
Class B Gross - Group 2	0.1842	0.2658	0.4500	0.5000
Class P Gross - Group 1	0.4500	–	0.4500	0.5000
Class P Gross - Group 2	0.1523	0.2977	0.4500	0.5000
Class Z Gross - Group 1	0.4500	–	0.4500	0.5000
Class Z Gross - Group 2	0.4500	–	0.4500	0.5000

Monthly Income Bond Fund (continued)

Distribution tables (continued)
for the year ended 31 December 2018

Group 1 - Shares purchased prior to 1 October 2018
Group 2 - Shares purchased 1 October 2018 to 31 October 2018

Accumulation shares	Net Revenue Pence per share	Equalisation Pence per share	Distribution paid 30.11.2018 Pence per share	Distribution paid 30.11.2017 Pence per share
Class B Gross - Group 1	0.4500	–	0.4500	0.5000
Class B Gross - Group 2	–	0.4500	0.4500	0.5000
Class P Gross - Group 1	0.4500	–	0.4500	0.5000
Class P Gross - Group 2	–	0.4500	0.4500	0.5000
Income shares				
Class B Gross - Group 1	0.4500	–	0.4500	0.5000
Class B Gross - Group 2	0.2325	0.2175	0.4500	0.5000
Class P Gross - Group 1	0.4500	–	0.4500	0.5000
Class P Gross - Group 2	0.1402	0.3098	0.4500	0.5000
Class Z Gross - Group 1	0.4500	–	0.4500	0.5000
Class Z Gross - Group 2	0.4500	–	0.4500	0.5000

Monthly Income Bond Fund (continued)

Distribution tables (continued)
for the year ended 31 December 2018

Group 1 - Shares purchased prior to 1 September 2018
Group 2 - Shares purchased 1 September 2018 to 30 September 2018

Accumulation shares	Net Revenue Pence per share	Equalisation Pence per share	Distribution paid 31.10.2018 Pence per share	Distribution paid 31.10.2017 Pence per share
Class B Gross - Group 1	0.4500	–	0.4500	0.5000
Class B Gross - Group 2	–	0.4500	0.4500	0.5000
Class P Gross - Group 1	0.4500	–	0.4500	0.5000
Class P Gross - Group 2	–	0.4500	0.4500	0.5000
Income shares				
Class B Gross - Group 1	0.4500	–	0.4500	0.5000
Class B Gross - Group 2	0.1320	0.3180	0.4500	0.5000
Class P Gross - Group 1	0.4500	–	0.4500	0.5000
Class P Gross - Group 2	0.1229	0.3271	0.4500	0.5000
Class Z Gross - Group 1	0.4500	–	0.4500	0.5000
Class Z Gross - Group 2	0.4500	–	0.4500	0.5000

Monthly Income Bond Fund (continued)

Distribution tables (continued)
for the year ended 31 December 2018

Group 1 - Shares purchased prior to 1 August 2018
Group 2 - Shares purchased 1 August 2018 to 31 August 2018

Accumulation shares	Net Revenue Pence per share	Equalisation Pence per share	Distribution paid 30.9.2018 Pence per share	Distribution paid 30.9.2017 Pence per share
Class B Gross - Group 1	0.4500	–	0.4500	0.5000
Class B Gross - Group 2	–	0.4500	0.4500	0.5000
Class P Gross - Group 1	0.4500	–	0.4500	0.5000
Class P Gross - Group 2	–	0.4500	0.4500	0.5000
Income shares				
Class B Gross - Group 1	0.4500	–	0.4500	0.5000
Class B Gross - Group 2	0.1162	0.3338	0.4500	0.5000
Class P Gross - Group 1	0.4500	–	0.4500	0.5000
Class P Gross - Group 2	0.0649	0.3851	0.4500	0.5000
Class Z Gross - Group 1	0.4500	–	0.4500	0.5000
Class Z Gross - Group 2	0.4500	–	0.4500	0.5000

Monthly Income Bond Fund (continued)

Distribution tables (continued)
for the year ended 31 December 2018

Group 1 - Shares purchased prior to 1 July 2018
Group 2 - Shares purchased 1 July 2018 to 31 July 2018

Accumulation shares	Net Revenue Pence per share	Equalisation Pence per share	Distribution paid 31.8.2018 Pence per share	Distribution paid 31.8.2017 Pence per share
Class B Gross - Group 1	0.4500	–	0.4500	0.5000
Class B Gross - Group 2	–	0.4500	0.4500	0.5000
Class P Gross - Group 1	0.4500	–	0.4500	0.5000
Class P Gross - Group 2	–	0.4500	0.4500	0.5000
Income shares				
Class B Gross - Group 1	0.4500	–	0.4500	0.5000
Class B Gross - Group 2	0.1304	0.3196	0.4500	0.5000
Class P Gross - Group 1	0.4500	–	0.4500	0.5000
Class P Gross - Group 2	0.0951	0.3549	0.4500	0.5000
Class Z Gross - Group 1	0.4500	–	0.4500	0.5000
Class Z Gross - Group 2	0.4500	–	0.4500	0.5000

Monthly Income Bond Fund (continued)

Distribution tables (continued)
for the year ended 31 December 2018

Group 1 - Shares purchased prior to 1 June 2018
Group 2 - Shares purchased 1 June 2018 to 30 June 2018

Accumulation shares	Net Revenue Pence per share	Equalisation Pence per share	Distribution paid 31.7.2018 Pence per share	Distribution paid 31.7.2017 Pence per share
Class B Gross - Group 1	0.4500	–	0.4500	0.5000
Class B Gross - Group 2	–	0.4500	0.4500	0.5000
Class P Gross - Group 1	0.4500	–	0.4500	0.5000
Class P Gross - Group 2	–	0.4500	0.4500	0.5000
Income shares				
Class B Gross - Group 1	0.4500	–	0.4500	0.5000
Class B Gross - Group 2	0.0873	0.3627	0.4500	0.5000
Class P Gross - Group 1	0.4500	–	0.4500	0.5000
Class P Gross - Group 2	0.1112	0.3388	0.4500	0.5000
Class Z Gross - Group 1	0.4500	–	0.4500	0.5000
Class Z Gross - Group 2	0.4500	–	0.4500	0.5000

Monthly Income Bond Fund (continued)

Distribution tables (continued)
for the year ended 31 December 2018

Group 1 - Shares purchased prior to 1 May 2018
Group 2 - Shares purchased 1 May 2018 to 31 May 2018

Accumulation shares	Net Revenue Pence per share	Equalisation Pence per share	Distribution paid 30.6.2018 Pence per share	Distribution paid 30.6.2017 Pence per share
Class B Gross - Group 1	0.4500	–	0.4500	0.5000
Class B Gross - Group 2	–	0.4500	0.4500	0.5000
Class P Gross - Group 1	0.4500	–	0.4500	0.5000
Class P Gross - Group 2	–	0.4500	0.4500	0.5000
Income shares				
Class B Gross - Group 1	0.4500	–	0.4500	0.5000
Class B Gross - Group 2	0.2392	0.2108	0.4500	0.5000
Class P Gross - Group 1	0.4500	–	0.4500	0.5000
Class P Gross - Group 2	0.1932	0.2568	0.4500	0.5000
Class Z Gross - Group 1	0.4500	–	0.4500	0.5000
Class Z Gross - Group 2	0.4500	–	0.4500	0.5000

Monthly Income Bond Fund (continued)

Distribution tables (continued)
for the year ended 31 December 2018

Group 1 - Shares purchased prior to 1 April 2018
Group 2 - Shares purchased 1 April 2018 to 30 April 2018

Accumulation shares	Net Revenue Pence per share	Equalisation Pence per share	Distribution paid 31.5.2018 Pence per share	Distribution paid 31.5.2017 Pence per share
Class B Gross - Group 1	0.4500	–	0.4500	0.5000
Class B Gross - Group 2	–	0.4500	0.4500	0.5000
Class P Gross - Group 1	0.4500	–	0.4500	0.5000
Class P Gross - Group 2	–	0.4500	0.4500	0.5000
Income shares				
Class B Gross - Group 1	0.4500	–	0.4500	0.5000
Class B Gross - Group 2	0.2976	0.1524	0.4500	0.5000
Class P Gross - Group 1	0.4500	–	0.4500	0.5000
Class P Gross - Group 2	0.1835	0.2665	0.4500	0.5000
Class Z Gross - Group 1	0.4500	–	0.4500	0.5000
Class Z Gross - Group 2	0.4500	–	0.4500	0.5000

Monthly Income Bond Fund (continued)

Distribution tables (continued)
for the year ended 31 December 2018

Group 1 - Shares purchased prior to 1 March 2018
Group 2 - Shares purchased 1 March 2018 to 31 March 2018

Accumulation shares	Net Revenue Pence per share	Equalisation Pence per share	Distribution paid 30.4.2018 Pence per share	Distribution paid 30.4.2017 Pence per share
Class B Net - Group 1*	–	–	–	0.5000
Class B Net - Group 2*	–	–	–	0.5000
Class B Gross - Group 1	0.4500	–	0.4500	0.5000
Class B Gross - Group 2	–	0.4500	0.4500	0.5000
Class P Net - Group 1*	–	–	–	0.5000
Class P Net - Group 2*	–	–	–	0.5000
Class P Gross - Group 1	0.4500	–	0.4500	0.5000
Class P Gross - Group 2	–	0.4500	0.4500	0.5000
Income shares				
Class B Net - Group 1*	–	–	–	0.5000
Class B Net - Group 2*	–	–	–	0.5000
Class B Gross - Group 1	0.4500	–	0.4500	0.5000
Class B Gross - Group 2	0.2502	0.1998	0.4500	0.5000
Class P Net - Group 1*	–	–	–	0.5000
Class P Net - Group 2*	–	–	–	0.5000
Class P Gross - Group 1	0.4500	–	0.4500	0.5000
Class P Gross - Group 2	0.2046	0.2454	0.4500	0.5000
Class Z Gross - Group 1	0.4500	–	0.4500	0.5000
Class Z Gross - Group 2	0.4500	–	0.4500	0.5000

* Share classes closed with effect 26 April 2017.

Monthly Income Bond Fund (continued)

Distribution tables (continued)
for the year ended 31 December 2018

Group 1 - Shares purchased prior to 1 February 2018
Group 2 - Shares purchased 1 February 2018 to 28 February 2018

Accumulation shares	Net Revenue Pence per share	Equalisation Pence per share	Distribution paid 31.3.2018 Pence per share	Distribution paid 31.3.2017 Pence per share
Class B Net - Group 1	–	–	–	0.4000
Class B Net - Group 2	–	–	–	0.4000
Class B Gross - Group 1	0.4500	–	0.4500	0.5000
Class B Gross - Group 2	0.0838	0.3662	0.4500	0.5000
Class P Net - Group 1	–	–	–	0.4000
Class P Net - Group 2	–	0.0000	–	0.4000
Class P Gross - Group 1	0.4500	–	0.4500	0.5000
Class P Gross - Group 2	–	0.4500	0.4500	0.5000
Income shares				
Class B Net - Group 1	–	–	–	0.4000
Class B Net - Group 2	–	–	–	0.4000
Class B Gross - Group 1	0.4500	–	0.4500	0.5000
Class B Gross - Group 2	0.1505	0.2995	0.4500	0.5000
Class P Net - Group 1	–	–	–	0.4000
Class P Net - Group 2	–	–	–	0.4000
Class P Gross - Group 1	0.4500	–	0.4500	0.5000
Class P Gross - Group 2	0.2632	0.1868	0.4500	0.5000
Class Z Gross - Group 1	0.4500	–	0.4500	0.5000
Class Z Gross - Group 2	0.4500	–	0.4500	0.5000

Monthly Income Bond Fund (continued)

Distribution tables (continued)
for the year ended 31 December 2018

Group 1 - Shares purchased prior to 1 January 2018
Group 2 - Shares purchased 1 January 2018 to 28 January 2018

Accumulation shares	Net Revenue Pence per share	Equalisation* Pence per share	Distribution paid 28.2.2018 Pence per share	Distribution paid 28.2.2017 Pence per share
Class B Net - Group 1	–	–	–	0.4000
Class B Net - Group 2	–	–	–	0.4000
Class B Gross - Group 1	0.5000	–	0.5000	0.5000
Class B Gross - Group 2	0.0812	0.4188	0.5000	0.5000
Class P Net - Group 1	–	–	–	0.4000
Class P Net - Group 2	–	–	–	0.4000
Class P Gross - Group 1	0.5000	–	0.5000	0.5000
Class P Gross - Group 2	–	0.5000	0.5000	0.5000
Income shares				
Class B Net - Group 1	–	–	–	0.4000
Class B Net - Group 2	–	–	–	0.4000
Class B Gross - Group 1	0.5000	–	0.5000	0.5000
Class B Gross - Group 2	0.2002	0.2998	0.5000	0.5000
Class P Net - Group 1	–	–	–	0.4000
Class P Net - Group 2	–	–	–	0.4000
Class P Gross - Group 1	0.5000	–	0.5000	0.5000
Class P Gross - Group 2	0.2521	0.2479	0.5000	0.5000
Class Z Gross - Group 1	0.5000	–	0.5000	0.5000
Class Z Gross - Group 2	0.5000	–	0.5000	0.5000

* Equalisation only applies to shares purchased during the distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

Strategic Bond Fund

Report for the period from 8 May 2018 to 31 December 2018

Investment objective and policy

The investment objective of the Sub-fund is to maximise total returns over the long term (at least 5 years) through a combination of income and capital growth.

To achieve this aim, the Sub-fund will invest in bond and credit instruments worldwide (including developed and emerging markets) and may invest up to 40% of its net assets in what the Investment Manager considers to be emerging markets. Investment in bonds will primarily be direct but may also be indirect via derivatives (specifically total return swaps and embedded derivatives). The Sub-fund will also use derivatives (specifically currency forwards, credit default swaps, interest rate swaps, futures, options and embedded derivatives), to manage the Sub-fund's credit, currency and duration exposures as described further below.

For the purposes of the Sub-fund, emerging market countries can be defined as all the countries in the world other than those classified as "advanced" by the International Monetary Fund ("IMF"). Emerging market countries are generally located in Asia, Africa, the Middle East, Latin America and the developing countries of Europe.

The Sub-fund will invest in government bond and credit markets through investments in debt securities, namely bonds which may be fixed or floating rate, corporate or sovereign, inflation or index linked bonds and other forms of securitised debt (including embedded) such as credit linked notes, mortgage or other asset backed debt instruments.

Investments will be made in debt securities of differing creditworthiness (including sovereign debt, investment grade instruments, high yield or speculative grade instruments, or unrated instruments) issued by governments, corporate issuers and borrowers in developed and emerging market countries and those of, or guaranteed by, supranational, national and local governments and government related entities in such countries.

The Sub-fund's investments will generally be broadly diversified, however at times (i.e. where market factors dictate) the fund manager may choose to hold a portfolio with concentrated exposure to certain instrument types, issuer types, creditworthiness, duration or geography.

In normal market conditions, the majority of the Sub-fund's investments will be in bond and credit markets, although it is possible that at certain times, (i.e. where market factors dictate or at times of significant subscription and redemptions in the Sub-fund), a substantial portion, or the entire Sub-fund could be invested in cash or cash equivalents (such as Money Market Instruments, treasury bills, certificates of deposit, commercial paper).

Investment will be made in debt securities denominated in hard currencies (including the US Dollar, Euro and the currencies of the developed countries) and may invest up to 25% of the Sub-fund in soft currencies (for example, emerging markets). The majority of currency exposure will be hedged using currency forwards with a 10% aggregate unhedged limit.

The Sub-fund may enter into derivative and forward transactions for the purposes of efficient portfolio management (including hedging) ("EPM") and for investment purposes. Currency exposure in the Sub-fund will predominantly be hedged back into sterling through forward currency transactions. The Sub-fund will also use credit derivatives (CDSs) and bond futures to manage credit and duration exposures. The Sub-fund may also use derivatives to create synthetic long positions (indirect exposure to bonds) where the Investment Adviser believes it is in the best interests of the Sub-fund to do so. The specific aims of EPM are the reduction of risk, the reduction of cost or the generation of additional capital or income with a risk level which is consistent with the risk profile of the Sub-fund and the risk diversification rules laid down in COLL. The use of derivative and forward transactions for the purpose of meeting the Sub-fund's investment objectives will, in most market conditions, lower the risk profile of the Sub-fund. However, in times of exceptional market conditions, the use of derivatives could have the effect of increasing the risk profile of the Sub-fund.

For UK tax purposes, the Sub-fund is classified as a Bond Fund.

Strategic Bond Fund (continued)

Investment review

Fund review

Between launch on 8 May 2018 and the end of the review period on 31 December 2018, the Liontrust Strategic Bond Fund (B class) returned -0.6% in sterling terms. For comparison, the Bloomberg Barclays Global Aggregate Index (sterling hedged) return 1.2%.

During the review period, a number of risk factors conspired to create volatility that the Fund was able to exploit via idiosyncratic, mispriced macro and micro opportunities without the need to take too much of an overriding directional bet. Prominent among these was quantitative easing (the ending thereof), President Trump's ongoing trade wars, Italian politics and an emerging markets crisis in Turkey and Argentina.

Strategically, rates are still some way from peaking in the US and completely out of whack in Europe. The time to aggressively buy duration and credit has not come yet, but there are myriad ways of exploiting this volatility.

Tactically, we were able to respond as events unfolded. We were particularly active during October, which was a torrid month for risk assets. For the past few years government yields had been low enough that any increase had been interpreted as vindication of the strength in the economic recovery. It became clear that US Treasuries were reaching the stage where increases in yield were having a meaningful impact on the generic price of risk; attention switched to the monetary cycle and whether US Federal Reserve will overshoot on its tightening path.

Worries about disruptions from trade wars mounted with economic data starting to fall short of elevated expectations. The turndown in sentiment was partly due to expectations having being too high and also to heightened uncertainties creating an impediment to investment. In effect it was a growth scare and a repricing of risk, as opposed to an inflation scare; this could be clearly seen by the fall in US breakeven inflation levels meaning lower expectations were factored in to the market for future inflation. However, labour markets are tightening and, as we have posited for a long time, it is wage inflation that creates the feedback for general inflation to accelerate.

We therefore used the October volatility to take some contrarian positions: increasing the Fund's duration - including an increase net high yield weighting – and buying inflation breakeven protection (i.e. going long inflation versus expectations).

Contagion from the growth scare spread to physical assets with the oil price getting caught in the crosshairs; Brent oil fell sharply in the fourth quarter from over US$80 a barrel to close to US$50. Supply had been ballooning so an oil price fall is not exclusively an indicator of lower aggregate demand. Oil has both relatively inelastic supply and demand so we should expect large moves in its price; one needs to either entice extra supply or, in this case, reprice to where the marginal producer becomes unprofitable. In the longer term though, a decline in oil prices is positive for demand as energy costs absorb less share of consumers' wallets.

In line with market expectations, the Fed increased its rates range by 25 basis points in December. The FOMC voting members' dot plots were revised down and their forecasts are now for two rate rises in 2019; a number that also represents our most probable scenario. However, markets have now priced out any US rate rises in 2019; an act which we believe is premature.

As the flight-to-quality trade amplified towards the end of the year, developed market government bond valuations become far too stretched; therefore we reduced duration in the Fund in December. On the other side of the coin, credit was discounting a large amount of bad news and we added exposure, with a preference for high yield over investment grade.

The one certainty is that, as we approach the latter stages of the cycle, uncertainty will be higher! This means that elevated volatility levels are here to stay. As active managers we welcome this as it should throw up a large number of investment opportunities.

The Fund is constructed as a portfolio of interacting risk positions with alpha anticipated to arise from sources in Rates, Allocation and Selection:

Rates

The Fund's adjusted underlying duration* was lower than our 4.5 years midpoint or the Bloomberg Barclays Global Aggregate Index duration of 7.0 years. The majority of the Fund's duration was in the US as the Federal Reserve is far further through the monetary tightening cycle than other central banks. It is highly unlikely that US base rates will peak significantly above 3% in this cycle.

Strategic Bond Fund (continued)

Investment review (continued)

Fund review (continued)

The Fund's duration at the end of June – the Fund's first full month - at 2.5 years before rising to 3.2 by the end of September. This increase was a response to US yields moving above 3%, a level we see as offering a degree of protection for investors if not quite 'fair value'. We view 3.5% on the US 10 year as a level where we would seriously consider removing the underweight interest rate risk view that we have held since 2011.

We used October's volatility to tactically alter the extent of the duration underweight within the Fund. When rates sold off we increased the Fund's duration to approaching 4 years, after they rallied it was taken down to the 3 year area where it finished the month. By the end of the year, we had reduced underlying adjusted duration to just below 2 years as bond markets had become far too bearish about the economy. Growth will be slower in 2019 but anticipated global real growth of 3% is still reasonable, plus there are increasing wage inflation pressures too. Absent any new news, if developed market government bond markets rally further we will reduce duration more; conversely if yields increase as anticipated we will add back some interest rate risk to the Fund.

Early in the review period we had established a position in US 5-year inflation breakevens; US 5-year Treasury Inflation-Protected Securities (TIPS) were purchased and the equivalent duration contribution removed from conventional US Treasuries. The inflation breakeven, the inflation rate at which you are equally rewarded for holding TIPS versus conventional debt, had fallen from 2.10% in early July to 1.95% during August. The majority of this reduction in the TIPS market's inflation expectations was due to the prior strength in the dollar but neglected to account for the fact that dollar strength has stemmed from rampant US growth and headline CPI which was running at 2.9%. We were later able to take profits on this position as the breakeven moved back out from 1.95% to 2.05%.

We had also long been advocates of US yield curve flattening and have instigated a short in 5 year Treasury futures versus a long position in 30 year Treasuries to capture this. As 2018 progressed we started to reverse this as we approach the end of the rates cycle, a little profit was made from a steepening position and the Fund finished the year with net zero exposure to the US 30 year part of the curve.

Other rates positions included a short Canada versus long the US. We felt that extreme valuations overlooked the natural long term convergence between economic activity levels of Canada and its larger neighbour. Trade tensions also caused the yield differential to widen despite the underlying improvement in the Canadian economy and the high probability of an imminent rate rise there. This trade generated alpha for the Fund as the yield differential compressed over the year.

In Europe the Fund was short Germany versus a long position in Norway. A recent legislative change in the Norges Bank's inflation target helped to create this valuation opportunity; whilst we do anticipate rate rises in Norway we believe these are further out and slower than the market currently anticipates. Additionally, European Central Bank President Draghi's announcement of quantitative easing's termination the conditions are ripe for inflation to gather momentum in the eurozone.

The Fund was also short duration in the UK with an offsetting long position in the Australian government bond market.

Allocation

The Fund's investment grade weighting averaged 35% across the period. The US credit market is a little cheaper than Europe in spread terms but there is not a massive amount to choose between them.

Included in the 35% was an average 5% exposure to floating rate notes. The yields on floating rate notes are benefitting from both the US interest rate cycle and a dislocation in US LIBOR; capital upside is limited but we believe these represent a reasonable real store of value.

Within high yield, we have bought some higher quality issues. There are, however no bonds rated CCC or lower in the Fund as the risk/reward equation is not presently favourable for them, and rarely is.

In addition to the allocation to physical bonds we are able to use credit default swap indices to dynamically alter the Fund's tactical risk exposure across the period. For example, as the selloff in risk assets intensified in October, we removed the US CDX HY (high yield) Index credit default swap protection from the Fund due to the improved valuations available. This increased the Fund's net weighting in credit by 10% without incurring significant trading costs or disturbing our favoured high credit picks. When markets reached what we believed to be the short term capitulation point we chose to add a further 10% risk through the CDX HY Index. These moves swung the Fund from a net 10% long position in high yield to a 30% long.

Strategic Bond Fund (continued)

Investment review (continued)

Fund review (continued)

This allocation decision was catalysed by a return of value to the US high yield space as bond prices dipped below par, offering yields above 7%. This was partly due to the fears of a repeat of the 2014-15 energy crisis and its impact on the US high yield market. However, there has already been a cleansing of the investment universe and many aggressive capital structures defaulted in that cycle. We therefore do not need oil prices to recover in order for US high yield to outperform, but merely to stabilise as the supply/demand imbalance corrects itself. Energy-related issuers represent only 10% of the CDX HY index suggesting that the sell-off in the entire index was an example of contagion leading to mispricing.

Selection

The investment grade credit that we invested in very much constitute household names. Examples included Vodafone, Goldman Sachs, Volkswagen, Innogy and Wells Fargo. One theme within the Fund is that it has numerous positions where the issuer's bonds are cheaper outside of their home market currency. Of these, SES and Barclays were notable for making positive contributions to the Fund's return over the review period.

Another of the Fund's best performing selections was Drax. This company is an improving credit story as it converts old coal fired plants to renewable wooden pellets and its US dollar bonds offer good value.

We rarely feel compelled to comment on bonds that the Fund has no exposure to. However GE is such a large issuer that the Fund's avoidance of its debt was a relative boost in November as its bonds came under huge pressure and spreads jumped higher to reflect fundamental challenges coupled with a rating downgrade.

Among the negative contributors, spreads widened on some British American Tobacco bonds held by the Fund. We initiated these positions as we felt a Philip Morris profit warning created a valuation opportunity. However, the subsequent industry-wide threat of a US FDA ban on menthol cigarettes pushed the bonds lower. One of the rate exceptions to the Fund's very defensive focus on higher quality balance sheets is Enquest, an oil & gas E&P operator. Its bonds came under pressure as the oil price fell.

* Source: UBS Delta, Liontrust. Adjusted underlying duration is based on the correlation of the instruments as opposed to just the mathematical weighted average of cash flows. High yield companies' bonds exhibit less duration sensitivity as the credit risk has a bigger proportion of the total yield; the lower the credit quality the less rate-sensitive the bond. Additionally, some subordinated financials also have low duration correlations and the bonds trade on a cash price rather than spread.

Any opinions expressed are those of the Fund Manager. They should not be viewed as a guarantee of a return from an investment in the Sub-fund. The content of the commentary should not be viewed as a recommendation to invest nor buy or sell any securities. The investments of the Sub-fund are subject to normal market fluctuations. Investments can go down as well as up. Investors' capital is at risk and they may get back less than they originally invested. Past performance is not a guide to future performance.

Strategic Bond Fund (continued)

Investment review (continued)

Material portfolio changes by value

Purchases	Sales
Norway (Government) 2% Bonds 24/5/2023	New Zealand (Government) 3% Bonds 20/4/2029
US Treasury 0.625% Inflation Indexed Bonds 15/4/2023	US Treasury 2.875% Notes 30/9/2023
Australia (Commonwealth) 3.25% Bonds 21/4/2025	US Treasury 0.625% Inflation Indexed Bonds 15/4/2023
US Treasury 0.5% Bonds 15/1/2028	US Treasury 2.75% Bonds 15/2/2028
US Treasury 2.875% Notes 30/9/2023	US Treasury 0.125% Indexed Notes 15/4/2019
New Zealand (Government) 3% Bonds 20/4/2029	Gestamp Automocion 3.25% Guaranteed Bonds 30/4/2026
US Treasury 2.75% Bonds 15/2/2028	Treasury 1.5% Gilts 22/7/2047
US Treasury 0.125% Indexed Notes 15/4/2019	Softbank 5% Senior Notes 15/4/2028
US Treasury 3% Bonds 15/2/2048	BNP Paribas 4.375% Medium Term Notes 12/5/2026
Wells Fargo 2% European Medium Term Notes 27/4/2026	ATF Netherlands 3.75% Perpetual Bonds

Strategic Bond Fund (continued)

Investment review (continued)

Risk and Reward profile

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

Typically lower rewards, lower risk						Typically higher rewards, higher risk
1	2	3	**4**	5	6	7

The Sub-fund is categorised 4 primarily for its exposure to a diversified portfolio of debt instruments along with a number of derivative positions.

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 Sub-fund.

- Bonds are affected by changes in interest rates and their value and the income they generate can rise or fall as a result.
- The creditworthiness of a bond issuer may also affect that bond's value. Bonds that produce a higher level of income usually also carry greater risk as such bond issuers may have difficulty in paying their debts. The value of a bond would be significantly affected if the issuer either refused to pay or was unable to pay.
- The Sub-fund can invest in derivatives. Derivatives are used to protect against currency, credit and interest rate movements or for investment purposes. There is a risk that losses could be made on derivative positions or that the counterparties could fail to complete on transactions.
- Counterparty risk: any derivative contract, including FX hedging, may be at risk if the counterparty fails.
- For full details of the Sub-fund's risks, please see the prospectus which may be obtained from Liontrust or online at www.liontrust.co.uk.

Strategic Bond Fund (continued)

Portfolio Statement
as at 31 December 2018

Holding/ Nominal value	Stock description	Market value (£)	Percentage of total net assets (%)
	STERLING DENOMINATED DEBT SECURITIES	**9,175,597**	**5.71**
£1,000,000	CPUK Finance 3.69% European Medium Term Notes 28/8/2028	1,015,430	0.63
£1,800,000	Électricité de France 6% Perpetual Subordinated Floating Rate Bonds	1,742,658	1.08
£600,000	Enquest 5.5% European Medium Term Notes 15/2/2022	434,124	0.27
£1,450,000	Goldman Sachs 3.13% Bonds 25/7/2029	1,394,103	0.87
£1,500,000	Grainger 3.375% Bonds 24/4/2028	1,473,480	0.92
£600,000	Phoenix 5.75% Perpetual Bonds	484,020	0.30
£1,000,000	Virgin Media Receivables Financing Notes I DAC 5.5% Bonds 15/9/2024	957,500	0.60
£1,500,000	Welltower 4.8% Senior Notes 20/11/2028	1,674,282	1.04
	STERLING DENOMINATED FORWARD EXCHANGE CONTRACTS	**(800,595)**	**(0.50)**
£17,321,048	UK sterling 17,321,048 v AUD 31,000,000 - 8/2/2019	204,301	0.13
£20,230,110	UK sterling 20,230,110 v Euro 23,000,000 - 8/2/2019	(440,613)	(0.27)
£1,576,764	UK sterling 1,576,764 v Euro 1,750,000 - 8/2/2019	3,991	0.00
£1,811,990	UK sterling 1,811,990 v Euro 2,000,000 - 8/2/2019	14,536	0.01
£20,664,914	UK sterling 20,664,914 v NOK 225,000,000 - 8/2/2019	265,645	0.17
£463,801	UK sterling 463,801 v NOK 5,100,000 - 8/2/2019	1,418	0.00
£7,328,339	UK sterling 7,328,339 v NZD 14,250,000 - 8/2/2019	(165,454)	(0.10)
£60,069,878	UK sterling 60,069,878 v US dollar 77,500,000 - 8/2/2019	(668,911)	(0.42)
£1,542,781	UK sterling 1,542,781 v US dollar 2,000,000 - 8/2/2019	(24,671)	(0.02)
£2,327,048	UK sterling 2,327,048 v US dollar 3,000,000 - 8/2/2019	(24,131)	(0.02)
£7,861,487	UK sterling 7,861,487 v US dollar 10,000,000 - 8/2/2019	24,224	0.02
£1,731,711	UK sterling 1,731,711 v US dollar 2,200,000 - 28/2/2019	9,070	0.00
	STERLING DENOMINATED OPEN FUTURES CONTRACTS	**24,400**	**0.02**
(40)	Long Gilt Future March 2019	24,400	0.02
	AUSTRALIA GOVERNMENT BONDS	**17,671,162**	**11.00**
AUD 30,000,000	Australia (Commonwealth) 3.25% Bonds 21/4/2025	17,671,162	11.00
	CANADIAN DOLLAR DENOMINATED OPEN FUTURES CONTRACTS	**(444,202)**	**(0.28)**
(200)	CAN 10 Year Bond Future March 2019	(444,202)	(0.28)

Strategic Bond Fund (continued)

Portfolio Statement (continued)
as at 31 December 2018

Holding/ Nominal value	Stock description	Market value (£)	Percentage of total net assets (%)
	EURO DENOMINATED DEBT SECURITIES	**22,115,279**	**13.76**
EUR 500,000	Aroundtown 2% European Medium Term Notes 2/11/2026	425,581	0.26
EUR 1,426,000	Catalent Pharma Solutions 4.75% Bonds 15/12/2024	1,278,613	0.80
EUR 2,000,000	Cie Financiere et Industrielle des Autoroutes 0.375% European Medium Term Notes 7/2/2025	1,723,167	1.07
EUR 2,000,000	Covivio 1.5% Bonds 21/6/2027	1,671,913	1.04
EUR 800,000	CPI Property 4.375% Perpetual Bonds	667,667	0.42
EUR 1,150,000	Equinix 2.875% Bonds 1/2/2026	979,095	0.61
EUR 1,250,000	Grifols 3.2% Bonds 1/5/2025	1,100,922	0.68
EUR 2,500,000	innogy Finance 1.5% Bonds 31/7/2029	2,152,404	1.34
EUR 1,000,000	LHC Three 4.125% Bonds 15/8/2024	853,290	0.53
EUR 1,200,000	LKQ European s BV 3.625% Bonds 1/4/2026	1,041,537	0.65
EUR 1,000,000	Netflix 3.625% Bonds 15/5/2027	867,305	0.54
EUR 1,500,000	Rabobank 6.5% Perpetual Floating Rate Notes	1,441,823	0.90
EUR 1,300,000	SES 5.625% Perpetual Bonds	1,185,076	0.74
EUR 2,000,000	SoftBank 3.125% Bonds 19/9/2025	1,646,154	1.02
EUR 2,000,000	Volkswagen International Finance 4.625% Perpetual Bonds	1,678,467	1.04
EUR 1,300,000	Vonovia Finance BV 1.5% Bonds 14/1/2028	1,094,539	0.68
EUR 2,500,000	Wells Fargo 2% European Medium Term Notes 27/4/2026	2,307,726	1.44
	EURO DENOMINATED FORWARD EXCHANGE CONTRACTS	**22,420**	**0.01**
EUR 1,000,000	Euro 1,000,000 v UK sterling 876,307 - 8/2/2019	22,420	0.01
	EURO DENOMINATED OPEN FUTURES CONTRACTS	**(53,047)**	**(0.03)**
(20)	Euro Buxl 30 Year Bond Future March 2019	(44,879)	(0.03)
(270)	Euro-Bobl Future March 2019	(28,364)	(0.01)
25	Euro-Bund Future March 2019	20,196	0.01
	JAPANESE YEN DENOMINATED OPEN FUTURES CONTRACTS	**(12,309)**	**(0.01)**
(2)	JPN 10 Year Bond (OSE) Future March 2019	(12,309)	(0.01)

Strategic Bond Fund (continued)

Portfolio Statement (continued)
as at 31 December 2018

Holding/ Nominal value	Stock description	Market value (£)	Percentage of total net assets (%)
	NEW ZEALAND DOLLAR DENOMINATED FORWARD EXCHANGE CONTRACTS	**(244,254)**	**(0.15)**
NZD 14,250,000	NZD 14,250,000 v UK sterling 7,738,047 - 8/2/2019	(244,254)	(0.15)
	NORWAY GOVERNMENT BONDS	**20,897,732**	**13.00**
NOK 225,000,000	Norway (Government) 2% Bonds 24/5/2023	20,897,732	13.00
	UNITED STATES OF AMERICA GOVERNMENT BONDS	**28,671,010**	**17.84**
$12,500,000	US Treasury 0.5% Bonds 15/1/2028	9,607,514	5.98
$19,500,000	US Treasury 0.625% Inflation Indexed Bonds 15/4/2023	15,339,032	9.54
$1,500,000	US Treasury 2.75% Bonds 15/2/2028	1,184,205	0.74
$3,250,000	US Treasury 3% Bonds 15/2/2048	2,540,259	1.58
	UNITED STATES DOLLAR DENOMINATED DEBT SECURITIES	**42,078,154**	**26.18**
$2,000,000	Abbott Laboratories 4.9% Bonds 30/11/2046	1,648,436	1.02
$1,250,000	ABN AMRO Bank 6.25% Medium Term Notes 27/4/2022	1,037,698	0.64
$1,250,000	ABN AMRO 7.125% Bonds 15/10/2093	1,347,384	0.84
$1,450,000	Altice France 8.125% Bonds 1/2/2027	1,073,041	0.67
$2,000,000	American International 5.75% Bonds 1/4/2048	1,366,206	0.85
$2,000,000	Anheuser-Busch InBev Worldwide 3.05175% Floating Rate Bonds 12/1/2024	1,524,340	0.95
$1,000,000	Ardagh Packaging 7.25% Bonds 15/5/2024	783,213	0.49
$2,000,000	AT Securities 5.25% Perpetual Bonds	1,397,481	0.87
$1,750,000	Bank of America 5.875% Perpetual Bonds	1,250,393	0.78
$1,750,000	Barclays 5.2% Bonds 12/5/2026	1,317,147	0.82
$2,000,000	BMW US Capital 2.83519% Floating Rate Bonds 4/12/2021	1,555,069	0.97
$1,800,000	Citigroup 5.35% Perpetual Bonds	1,270,218	0.79
$1,000,000	Cloverie for Zurich Insurance 4.75% Perpetual Medium Term Notes	626,421	0.39
$1,420,000	Constellation Brands 2.7% Bonds 9/5/2022	1,076,909	0.67
$1,750,000	Crédit Agricole 4.375% Subordinated Bonds 17/3/2025	1,330,240	0.83
$1,500,000	CVS Health 3.48713% Floating Rate Bonds 9/3/2021	1,168,269	0.73

Strategic Bond Fund (continued)

Portfolio Statement (continued)
as at 31 December 2018

Holding/ Nominal value	Stock description	Market value (£)	Percentage of total net assets (%)
	UNITED STATES DOLLAR DENOMINATED DEBT SECURITIES (continued)		
$1,500,000	Diamond 1 Finance 8.1% Bonds 15/7/2036	1,280,051	0.80
$1,800,000	Drax Finco 6.625% Bonds 1/11/2025	1,388,584	0.86
$1,900,000	GLP Capital 5.375% Bonds 15/4/2026	1,475,439	0.92
$1,500,000	JP Morgan Chase 3.26425% Floating Rate Bonds 10/1/2025	1,127,704	0.70
$1,350,000	Level 3 Financing 5.375% Bonds 1/5/2025	993,738	0.62
$2,000,000	Lloyds Banking 4.65% Bonds 24/3/2026	1,476,427	0.92
$1,800,000	MetLife 5.875% Perpetual Bonds	1,356,784	0.84
$1,000,000	Neptune Energy Bondco 6.625% Bonds 15/5/2025	728,251	0.45
$750,000	PGH Capital 5.375% Bonds 6/7/2027	504,230	0.31
$2,000,000	Philip Morris International 3.25% Bonds 10/11/2024	1,532,546	0.95
$1,800,000	Reynolds American 6.15% Guaranteed Bonds 15/9/2043	1,377,428	0.86
$2,000,000	Santander UK 5% Subordinated Notes 7/11/2023	1,533,433	0.95
$1,750,000	Santander USA 4.5% Bonds 17/7/2025	1,360,462	0.85
$1,000,000	Telecom Italia Capital 7.721% Guaranteed Bonds 4/6/2038	779,782	0.48
$800,000	TransDigm 6.5% Bonds 15/5/2025	599,874	0.37
$1,000,000	United Parcel Service 2.846% Floating Rate Bonds 1/4/2023	780,498	0.49
$1,000,000	United Rentals North America 6.5% Bonds 15/12/2026	773,398	0.48
$1,000,000	Verizon Communications 4.272% Bonds 15/1/2036	733,255	0.46
$2,000,000	Vodafone 5.25% Bonds 30/5/2048	1,474,303	0.92
$1,465,000	Ziggo Secured Finance 5.5% Bonds 15/1/2027	1,029,502	0.64
	UNITED STATES DOLLAR DENOMINATED FORWARD EXCHANGE CONTRACTS	**1,299**	**0.00**
$500,000	US dollar 500,000 vs UK sterling 390,564 - 8/2/2019	1,299	0.00
	UNITED STATES DOLLAR DENOMINATED OPEN FUTURES CONTRACTS	**(60,355)**	**(0.04)**
(150)	US 5 Year Note (CBT) Future March 2019	(84,646)	(0.05)
180	US 10 Year Note (CBT) Future March 2019	417,370	0.26
(60)	US Ultra Bond CBT Future March 2019	(393,079)	(0.25)

Strategic Bond Fund (continued)

Portfolio Statement (continued)
as at 31 December 2018

Holding/ Nominal value	Stock description	Market value (£)	Percentage of total net assets (%)
	UNITED STATES DOLLAR DENOMINATED CREDIT DEFAULT SWAPS	**345,191**	**0.22**
($8,500,000)	Selling protection on Markit 5% 20/12/2023 Credit Default Swap (Counterparty: UBS)	146,706	0.09
($8,500,000)	Selling protection on Markit 5% 20/12/2023 Credit Default Swap (Counterparty: UBS)	146,706	0.09
($3,000,000)	Selling protection on Markit 5% 20/12/2023 Credit Default Swap (Counterparty: UBS)	51,779	0.04
	Portfolio of investments	**139,387,482**	**86.73**
	Net other assets	**21,319,341**	**13.27**
	Total net assets	**160,706,823**	**100.00**

All investments are approved securities being either officially listed in a member state or under the rules of an eligible market, unless otherwise stated.

All investments are in ordinary shares unless otherwise stated.

Note: The sub-fund launched on 8 May 2018, hence no comparatives are given.

Credit Quality

Summary of Credit ratings

	31.12.2018 (£)
Investment grade	95,669,626
Below Investment grade	23,550,659
Not Rated	21,388,649
Total	**140,608,934**

The Sub-fund launched on 8 May 2018, hence no comparatives are given.

Strategic Bond Fund (continued)

Comparative tables
for the period ended 31 December 2018

B Gross Accumulation+ Accounting period ended	31 December 2018 per share (p)
Change in net assets per share	
Opening net asset value per share	100.00
Return before operating charges*	(0.22)
Operating charges	(0.47)
Return after operating charges	(0.69)
Distributions	(1.54)
Retained distributions on accumulation shares	1.54
Closing net asset value per share	**99.31**
After transaction costs of	0.00
Performance	
Return after charges	(0.69)%
Other information	
Closing net asset value	1,573,325
Closing number of shares	1,584,179
Operating charges**	0.72%
Direct transaction costs	0.00%
Prices	
Highest share price	101.50
Lowest share price	99.33

+ Share class launched 8 May 2018, hence no comparatives are given.

* Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders 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 Sub-fund and share class returns before operating charges.

** The Operating Charges figure represents the annual operating expenses of the Sub-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 ACD's periodic charge and all charges which are deducted directly from the Sub-fund. The Operating Charges figure is expressed as an annual percentage rate.

Strategic Bond Fund (continued)

Comparative tables (continued)
for the period ended 31 December 2018

B Gross Income+ **Accounting period ended**	**31 December 2018** **per share (p)**
Change in net assets per share	
Opening net asset value per share	100.00
Return before operating charges*	(0.24)
Operating charges	(0.46)
Return after operating charges	(0.70)
Distributions	(1.52)
Closing net asset value per share	**97.78**
After transaction costs of	0.00
Performance	
Return after charges	(0.70)%
Other information	
Closing net asset value	1,864,595
Closing number of shares	1,906,838
Operating charges**	0.70%
Direct transaction costs	0.00%
Prices	
Highest share price	101.20
Lowest share price	98.43

\+ Share class launched 8 May 2018, hence no comparatives are given.

* Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders 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 Sub-fund and share class returns before operating charges.

** The Operating Charges figure represents the annual operating expenses of the Sub-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 ACD's periodic charge and all charges which are deducted directly from the Sub-fund. The Operating Charges figure is expressed as an annual percentage rate.

Strategic Bond Fund (continued)

Comparative tables (continued)
for the period ended 31 December 2018

M Gross Income+ Accounting period ended	31 December 2018 per share (p)
Change in net assets per share	
Opening net asset value per share	100.00
Return before operating charges*	(0.22)
Operating charges	(0.33)
Return after operating charges	(0.55)
Distributions	(1.65)
Closing net asset value per share	**97.80**
After transaction costs of	0.00
Performance	
Return after charges	(0.55)%
Other information	
Closing net asset value	157,268,903
Closing number of shares	160,803,059
Operating charges**	0.50%
Direct transaction costs	0.00%
Prices	
Highest share price	101.30
Lowest share price	98.49

+ Share class launched 8 May 2018, hence no comparatives are given.

* Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders 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 Sub-fund and share class returns before operating charges.

** The Operating Charges figure represents the annual operating expenses of the Sub-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 ACD's periodic charge and all charges which are deducted directly from the Sub-fund. The Operating Charges figure is expressed as an annual percentage rate.

Strategic Bond Fund (continued)

Statement of Total Return
for the period ended 31 December 2018

	Notes	(£)	8.5.2018 to 31.12.2018* (£)
Income			
Net capital losses	2		(3,481,418)
Revenue	3	2,500,835	
Expenses	4	(348,115)	
Interest payable and similar charges	6	(158,532)	
Net revenue before taxation		1,994,188	
Taxation	5	(17,821)	
Net revenue after taxation			1,976,367
Total return before distributions			**(1,505,051)**
Distributions	7		(1,976,369)
Change in net assets attributable to shareholders from investment activities			**(3,481,420)**

Statement of change in net assets attributable to shareholders
for the period ended 31 December 2018

	(£)	8.5.2018 to 31.12.2018* (£)
Opening net assets attributable to shareholders		**–**
Movement due to issue and cancellation of shares:		
Amounts received on issue of shares	164,905,724	
Amounts paid on cancellation of shares	(983,751)	
		163,921,973
Dilution adjustment		247,939
Change in net assets attributable to shareholders from investment activities		(3,481,420)
Retained distribution on accumulation shares		18,331
Closing net assets attributable to shareholders		**160,706,823**

* The Sub-fund launched on 8 May 2018, hence no comparatives are given.

Strategic Bond Fund (continued)

Balance Sheet

as at 31 December 2018

	Notes	31.12.2018* (£)
Assets		
Fixed Assets		
Investments		141,962,995
Current assets:		
Debtors	8	2,128,603
Cash and bank balances	9	21,017,019
Total other assets		**23,145,622**
Total assets		**165,108,617**
Liabilities		
Investment liabilities		(2,575,513)
Creditors:		
Distribution payable	10	(1,108,434)
Other creditors	10	(717,847)
Total other liabilities		**(1,826,281)**
Total liabilities		**(4,401,794)**
Net assets attributable to shareholders		**160,706,823**

* The Sub-fund launched on 8 May 2018, hence no comparatives are given.

Strategic Bond Fund (continued)

Notes to the financial statements
for the period ended 31 December 2018

1 Accounting policies

The accounting policies for the Sub-fund are set out on pages 13 to 14.

2 Net capital losses

	8.5.2018 to 31.12.2018 (£)
Non-derivative securities	466,291
Derivative securities	(430,293)
Forward currency contracts	(2,480,994)
Foreign currency	(1,031,207)
Transaction expenses	(5,215)
Net capital losses	**(3,481,418)**

3 Revenue

	8.5.2018 to 31.12.2018 (£)
Bank interest	17,891
Interest from overseas fixed income securities	1,874,848
Interest from UK fixed income securities	482,130
Interest from bond futures	125,889
Non-taxable overseas dividends	77
Total revenue	**2,500,835**

The Sub-fund launched on 8 May 2018, hence no comparatives are given.

Strategic Bond Fund (continued)

Notes to the financial statements (continued)
for the period ended 31 December 2018

4 Expenses

	8.5.2018 to 31.12.2018 (£)
Payable to the ACD, associates of the ACD, and agents of either of them:	
ACD's fees	243,137
	243,137
Payable to the Depositary, associates of the Depositary, and agents of either of them:	
Depositary fee	8,497
Safe custody fee	1,378
	9,875
Other expenses	
Administration fees	96,251
Audit fees*	5,117
FCA fees	122
Expense/TER cap	(10,892)
Reconciliation fees	189
Registration fees	4,316
	95,103
Total expenses	**348,115**

Irrecoverable VAT is included in the above expenses where relevant.

* The audit fee for the period, excluding VAT, was £8,400.

The Sub-fund launched on 8 May 2018, hence no comparatives are given.

Strategic Bond Fund (continued)

Notes to the financial statements (continued)
for the period ended 31 December 2018

5 Taxation

	8.5.2018 to 31.12.2018 (£)
a) Analysis of charge in period	
Overseas tax	17,821
Total tax charge for the period (see note 5(b))	**17,821**

b) Factors affecting tax charge for the period

The taxation assessed for the period is lower than the standard rate of corporation tax in the UK for an OEIC (20%). The differences are explained below:

	8.5.2018 to 31.12.2018 (£)
Net revenue before taxation	1,994,188
Corporation tax at 20%	398,838
Effects of:	
Overseas tax	17,821
Relief on overseas tax expensed	(3,564)
Revenue not subject to tax	(16)
Tax deductible interest distributions	(395,258)
Total tax charge for period (see note 5(a))	**17,821**

Authorised investment companies with variable capital are exempt from tax on capital gains. Therefore any capital return is not included in the above reconciliation.

c) Deferred tax asset

At 31 December 2018 the Sub-fund had no surplus management expenses. No deferred tax asset has been recognised.

6 Interest payable and similar charges

	8.5.2018 to 31.12.2018 (£)
Interest	37,128
Return from short position bond futures	121,404
Total interest payable and similar charges	**158,532**

The Sub-fund launched on 8 May 2018, hence no comparatives are given.

Strategic Bond Fund (continued)

Notes to the financial statements (continued)
for the period ended 31 December 2018

7 Distributions

	8.5.2018 to 31.12.2018 (£)
1st Distribution	244,810
2nd Distribution	911,714
Final Distribution	1,118,543
	2,275,067
Amounts received on issue of shares	(300,943)
Amounts deducted on cancellation of shares	2,245
Net distribution	**1,976,369**
The distributable amount has been calculated as follows:	
Net revenue after taxation for the period	1,976,367
Equalisation on conversions	2
Net distribution	**1,976,369**

The distribution per share is set out in the table on pages 82 to 84.

8 Debtors

	31.12.2018 (£)
Accrued revenue	1,359,898
Accrued expenses refundable by the ACD/TER Cap	10,892
Amounts receivable on issue of shares	140,829
Currency contracts receivable	616,984
Total debtors	**2,128,603**

The Sub-fund launched on 8 May 2018, hence no comparatives are given.

Strategic Bond Fund (continued)

Notes to the financial statements (continued)
for the period ended 31 December 2018

9 Cash and bank balances

	31.12.2018 (£)
Amount held at futures clearing houses and brokers	1,465,816
Cash and bank balances	19,551,203
Total cash and bank balances	**21,017,019**

10 Creditors

	31.12.2018 (£)
Distribution Payable	
Net distribution payable	1,108,434
	1,108,434
Other creditors	
Accrued other expenses	92,842
Amounts payable on cancellation of shares	8,164
Bank interest payable	29
Currency contracts payable	616,812
Total creditors	**717,847**

11 Contingent liabilities

There were no contingent liabilities or outstanding commitments at the balance sheet date.

12 Related party transactions

Liontrust Asset Management Plc is regarded as a controlling party by virtue of being the ultimate parent company of the ACD, Liontrust Fund Partners LLP, giving the ability to act in concert in respect of the operations of the Company.

The ACD's periodic charge and performance fees paid to Liontrust Fund Partners LLP and its associates are shown in note 4, and details of shares issued and cancelled by Liontrust Fund Partners LLP are shown in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to Liontrust Fund Partners LLP and its associates at the period end was £45,147.

The total expense due to Liontrust Fund Partners LLP and its associates for the period was £243,137.

The Sub-fund launched on 8 May 2018, hence no comparatives are given.

Strategic Bond Fund (continued)

Notes to the financial statements (continued)
for the period ended 31 December 2018

13 Risk management policies

The risks inherent in the Sub-fund's investment portfolio are as follows:

In pursuing its investment objective and investment policy, the Sub-fund holds a number of financial instruments. These may comprise:

- Investment grade corporate bonds and government bonds (both sterling and non-sterling). These are held in accordance with the Sub-fund's investment policies;
- Sub-investment grade bonds, covered bonds and preference shares;
- Cash, liquid resources and short-term debtors and creditors that arise directly from its operation;
- Shareholders' funds, which represent investors' monies that are invested on their behalf;
- Derivative transactions which the Sub-fund may enter into, the purpose of which is to manage certain aspects of the risks arising from the Sub-fund's investment activities. Currently the Sub-fund utilises interest rate swaps and bond futures to manage interest rate risk, credit default swaps to manage credit exposure and foreign exchange positions to manage currency exposure;
- Short-term borrowings used to finance operational cash flows;
- Derivatives are also used for investment purposes not just to manage risk/exposures.

The main risks arising from the financial instruments are market price (including "emerging markets price risk"), foreign currency, interest rate, liquidity and counterparty credit risk. The ACD reviews the policies for managing each of these risks and they are summarised below.

The ACD uses a detailed Risk Management Policy in accordance with the FCA rules which covers how these and other risks in the Sub-fund are monitored and managed which is reviewed at least annually. The risk team responsible for these risk policies is independent of the fund managers and ensure all relevant risks are appropriately controlled.

Market price risk

Market price risk is the risk that the Sub-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 Sub-fund's investment portfolio is monitored by the ACD in pursuance of its investment objective and policy as set out in the prospectus. Futures contracts may be used to hedge against market price risk where deemed appropriate for efficient portfolio management purposes.

Currency risk

Currency risk is the risk that the revenue and net asset value of the Sub-fund may be adversely affected by movements in foreign exchange rates. The revenue and capital value of the Sub-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.

Strategic Bond Fund (continued)

Notes to the financial statements (continued)
for the period ended 31 December 2018

13 Risk management policies (continued)

Currency risk (continued)

The Sub-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 Sub-fund may receive income in currencies other than sterling, and the sterling values of this income can be affected by movements in exchange rates.

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 Sub-fund's revenue is generated by the holding of bonds, which contractually oblige the borrower to repay the Sub-fund interest under specific terms. Changes to interest rates may affect the cash inflows and outflows calculated with reference to financial assets and liabilities.

By a careful assessment of economic and other relevant factors, the Portfolio Managers will seek to invest in those companies most likely to benefit, or be shielded, from anticipated changes in interest rates.

Liquidity risk

Liquidity risk is the risk that the Sub-fund will not be able to meet its obligations as they fall due. The Sub-fund's assets comprise wholly of readily realisable securities which can be sold to meet liquidity requirements. The main liquidity risk of the Sub-fund is the redemption of any shares that investors wish to sell, which are redeemable on demand under the prospectus.

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 Sub-fund are downgraded.

The Sub-fund holds bonds issued by companies and governments in order to achieve its investment objective. Any impairment to the borrower's ability to repay amounts due may result in changes to the tradable value of the bond and the amount to be received upon maturity of the bond. The ability of the borrower to repay not only the principal value but also any interest due on the bond, referred to as the borrower's credit rating, is monitored by the ACD.

The Sub-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 Sub-fund will only buy and sell financial instruments through parties that have been approved as acceptable by the ACD.

The Sub-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 Sub-fund has fulfilled its obligations. The Sub-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.

Strategic Bond Fund (continued)

Notes to the financial statements (continued)
for the period ended 31 December 2018

13 Risk management policies (continued)

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

31.12.2018	Assets (£)	Liabilities (£)
Quoted prices for identical instruments in active markets	461,966	(1,007,479)
Valuation techniques using observable market data	141,501,029	(1,568,034)
	141,962,995	**(2,575,513)**

Risk Management Process

The Sub-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 Sub-fund uses the VaR approach. 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. The VaR is calculated using a Historical Simulation model carried out in accordance with regulatory guidelines. The below table provides an analysis of the VaR measures and leverage levels* for the Liontrust Strategic Bond Fund. The maximum VaR the Sub-fund is allowed to use under the UCITS Regulations is 20%.

The Sub-fund's lowest, highest and average utilisation of the VaR limit during the period was:

		2018	
	Lowest VaR	Highest VaR	Average VaR
	4.01%	**12.35%**	**6.72%**

Counterparty to open derivative contracts at the balance sheet date was UBS. At the year-end collateral of £Nil was received from this counterparties in respect of derivative contracts. Collateral pledged to this counterparty in respect of derivative contracts was £Nil in the form of cash and or UK Treasury bonds.

The Sub-fund's lowest, highest and average level of leverage employed during the period was:

		2018	
	Lowest Leverage	Highest Leverage	Average Leverage
	0.00%	**190.99%**	**156.14%**

* The leverage has been calculated using the sum of the notionals of the derivatives used.

The Sub-fund launched on 8 May 2018, hence no comparatives are given.

Strategic Bond Fund (continued)

Notes to the financial statements (continued)
for the period ended 31 December 2018

14 Share movement

For the period ending 31 December 2018

	Opening shares	Shares issued	Shares redeemed	Shares converted	Closing shares
B Gross Accumulation	–	1,609,994	(25,815)	–	1,584,179
B Gross Income	–	1,920,486	(53,854)	40,206	1,906,838
M Gross Income	–	161,753,696	(910,431)	(40,206)	160,803,059

15 Portfolio transaction costs

for the period ending 31 December 2018

Purchases (excluding derivatives)	Transaction Value (£)	Commissions (£)	%	Taxes (£)	%
Debt instruments (direct)	187,645,652	–	–	–	–
Total purchases	**187,645,652**	**–**		**–**	
Total purchases including transaction costs	**187,645,652**				

Sales (excluding derivatives)	(£)	(£)	%	(£)	%
Debt instruments (direct)	47,603,253	–	–	–	–
Total sales	**47,603,253**	**–**		**–**	
Total sales net of transaction costs	**47,603,253**				
Derivative transaction costs		**3,587**		**–**	
Total transaction costs		**3,587**		**–**	
Total transaction costs as a % of average net assets		**0.00%**		**0.00%**	

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

The Sub-fund launched on 8 May 2018, hence no comparatives are given.

Strategic Bond Fund (continued)

Notes to the financial statements (continued)
for the period ended 31 December 2018

15 Portfolio transaction costs (continued)

For the Sub-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 Sub-fund's daily liquidity position are excluded from the analysis.

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

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

At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.31%.

The Sub-fund launched on 8 May 2018, hence no comparatives are given.

Strategic Bond Fund (continued)

Distribution tables
for the period ended 31 December 2018

Group 1 - Shares purchased prior to 1 October 2018
Group 2 - Shares purchased 1 October 2018 to 31 December 2018

Accumulation shares	Net Revenue Pence per share	Equalisation Pence per share	Distribution paid 28.2.2019 Pence per share
B Gross Accumulation - Group 1	0.6381	–	0.6381
B Gross Accumulation - Group 2	0.2459	0.3922	0.6381
Income shares			
B Gross Income - Group 1	0.6317	–	0.6317
B Gross Income - Group 2	0.4182	0.2135	0.6317
M Gross Income - Group 1	0.6818	–	0.6818
M Gross Income - Group 2	0.2626	0.4192	0.6818

The Sub-fund launched on 8 May 2018, hence no comparatives are given.

Strategic Bond Fund (continued)

Distribution tables (continued)
for the period ended 31 December 2018

Group 1 - Shares purchased prior to 1 July 2018
Group 2 - Shares purchased 1 July 2018 to 30 September 2018

Accumulation shares	Net Revenue Pence per share	Equalisation Pence per share	Distribution paid 30.11.2018 Pence per share
B Gross Accumulation - Group 1	0.6771	–	0.6771
B Gross Accumulation - Group 2	0.3336	0.3435	0.6771
Income shares			
B Gross Income - Group 1	0.6915	–	0.6915
B Gross Income - Group 2	0.2466	0.4449	0.6915
M Gross Income - Group 1	0.7157	–	0.7157
M Gross Income - Group 2	0.3135	0.4022	0.7157

The Sub-fund launched on 8 May 2018, hence no comparatives are given.

Strategic Bond Fund (continued)

Distribution tables (continued)
for the period ended 31 December 2018

Group 1 - Shares purchased prior to 1 April 2018
Group 2 - Shares purchased 1 April 2018 to 30 June 2018

Accumulation shares	Net Revenue Pence per share	Equalisation* Pence per share	Distribution paid 31.8.2018 Pence per share
B Gross Accumulation - Group 1	0.2262	–	0.2262
B Gross Accumulation - Group 2	0.1808	0.0454	0.2262
Income shares			
B Gross Income - Group 1	0.1996	–	0.1996
B Gross Income - Group 2	0.1996	0.0000	0.1996
M Gross Income - Group 1	0.2511	–	0.2511
M Gross Income - Group 2	0.2290	0.0221	0.2511

* Equalisation only applies to shares purchased during the distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

The sub-fund launched on 8 May 2018, hence no comparatives are given.

Additional Information

Important information

It is important to remember that the price of shares, 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 shares 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 investment in Funds as long term. The annual management fee of the Monthly Income Bond 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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