LIONTRUST SPECIAL SITUATIONS FUND

Annual Report & Financial Statements

For the year:
1 June 2019
to
31 May 2020

Managed in accordance with
The Liontrust Economic Advantage

LIONTRUST FUND PARTNERS LLP

LIONTRUST

Contents

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

Management and Administration

Authorised Fund Manager ("Manager")

Liontrust Fund Partners LLP
2 Savoy Court
London WC2R 0EZ

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

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

Investment Adviser

Liontrust Investment Partners LLP
2 Savoy Court
London WC2R 0EZ

Authorised and regulated by the FCA.

Trustee

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

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

Independent Auditors

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Administrator and Registrar

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

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

Liontrust Special Situations Fund

Liontrust Asset Management PLC

Liontrust Asset Management PLC (The "Company") is a specialist asset manager with £19.3 billion in assets under management as at 30 June 2020 and which takes pride in having a distinct culture and approach to managing money. Our purpose is to have a positive impact on our investors, stakeholders and society. We aim to achieve this by providing the environment which enables our fund managers and employees to flourish, helping our investors achieve their financial goals, supporting companies in generating sustainable growth, and empowering and inspiring the wider community. What makes Liontrust distinct?

- The company launched in 1995 and was listed on the London Stock Exchange in 1999.
- We are an independent business with no corporate parent, our head office is on the Strand in London and we have branch offices in Luxembourg and Edinburgh.
- We believe in the benefits of active fund management over the long term and all our fund managers are truly active.
- We focus only on those areas of investment in which we have particular expertise. We have nine fund management teams: six that invest in UK, European, Asian and Global equities, a Global Fixed Income team, a Sustainable Investment team and one team that manages Multi-Asset portfolios.
- Our fund managers are independent thinkers and have the courage of their convictions in making investment decisions.
- Our fund managers have the freedom to manage their portfolios according to their own investment processes and market views without being distracted by other day-to-day aspects of running a fund management company.
- Each fund management team applies distinct and rigorous investment processes to the management of funds and portfolios that ensure the way we manage money is predictable and repeatable.
- Staying true to their documented investment processes helps to create an in-built risk control for our fund managers, especially in more challenging environments, by preventing them from buying stocks for the wrong reasons.
- We aim to treat investors, clients, members, employees, suppliers and other stakeholders fairly and with respect. We are committed to the Principles of Treating Customers Fairly (TCF) and they are central to how we conduct business across all our functions.

Liontrust Asset Management PLC is the parent company of Liontrust Investment Partners LLP, Liontrust Fund Partners LLP and Liontrust Investment Management Limited which are authorised and regulated by the Financial Conduct Authority. Liontrust Asset Management PLC is also the parent company of Liontrust International (Luxembourg) S.A. which is regulated by the commission de Surveillance du Secteur Financier in Luxembourg. All members of the Liontrust Group sell only Liontrust Group products.

Manager's Investment Report

Investment Objective

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

Investment Policy

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

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

The Fund is permitted to use derivatives for the purposes of efficient portfolio management and for investment purposes. Please refer to the Prospectus for further details.

The Team

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

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

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

The Process

The fund managers evaluate companies in the UK stock market for their possession of durable Economic Advantage. Companies must possess at least one of the main advantages: intellectual property, strong distribution or recurring business (at least 70% of annual turnover).

Strict risk scoring of companies determines stock weightings within the portfolios. Each company is graded against eight criteria: financial risk (balance sheet and accounting risk, capital requirements and financial gearing), product dependency, customer dependency, pricing risk, regulatory change, licence dependency, acquisition risk and valuation.

Every smaller company held in the Economic Advantage funds has at least 3% of its equity held by senior management and main board directors. Companies are also assessed for employee ownership below the senior management and board and changes in equity ownership are monitored.

Manager's Investment Report (continued)

Performance of the Fund

In the year to 31 May 2020 an investment in the Fund returned -4.6% (retail class) and -3.6% (institutional class). This compares with an -11.2% return from the FTSE All-Share Index comparator benchmark, and a -9.3% return from the IA UK All Companies sector, also a comparator benchmark.

From the Fund's launch on 10 November 2005 to 31 May 2020, an investment in the Fund rose by 366% (retail class) and 414% (institutional class), compared to a rise of 108% in the FTSE All-Share Index, and 109% from the IA UK All Companies sector.

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

A dividend of 1.98 pence per unit will be paid to Retail unitholders, 5.19 pence per unit to Advised unitholders, 1.59 pence per unit to Mandate unitholders and 6.27 pence per unit to Institutional unitholders on 31 July 2020.

Note: The primary class post-Retail Distribution Review is the institutional class, whereas pre-Retail Distribution Review the bundled Retail class performance history is used, unadjusted for the lower fees of the post Retail Distribution Review classes.

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

Manager's Investment Report (continued)

Risk and Reward profile

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

Typically lower rewards, lower risk

Typically higher rewards, higher risk

1	2	3	4	**5**	6	7

- The Synthetic Risk and Reward Indicator ("SRRI") is based upon historical data and may not be relied upon to gauge the future risk profile of the Fund.
- The SRRI shown is not guaranteed to remain the same and may shift over time.
- The lowest category (1) does not mean 'risk free'.
- The Fund's risk and reward category has been calculated using the methodology set by the European Commission. It is based upon the rate by which the Fund or a representative fund or Index's value has moved up and down in the past.
- The Fund is categorised 5 for its exposure to UK companies.
- The SRRI may not fully take into account the following risks:
  - That a company may fail thus reducing its value within the Fund;
  - Any company which has high overseas earnings may carry a higher currency risk.
- The Fund may encounter liquidity constraints from time to time. In addition the spread between the price you buy and sell units will reflect the less liquid nature of the underlying holdings.
- The Fund may invest in companies listed on the Alternative Investment Market ("AIM") which is primarily for emerging or smaller companies. The rules are less demanding than those of the official List of the London Stock Exchange and therefore companies listed on AIM may carry a greater risk than a company with a full listing.
- The Fund may, under certain circumstances, make use of derivative instruments but it is not intended that their use will materially affect volatility.
- Counterparty Risk: any derivative contract, including FX hedging, may be at risk if the counterparty fails.

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

Manager's Investment Report (continued)

The Market

The FTSE All-Share Index returned -11.2% in the 12 months to 31 May 2020.

The Covid-19 pandemic overshadowed all other market themes during the review period. The outbreak escalated at the turn of the year and global stockmarkets began selling off heavily in February as cases outside of China, the country of origin, accelerated. Lockdowns ensued around the world and trillions of dollars were committed to supporting economies which had in large parts essentially shut down.

The economic impact will be huge; the Bank of England, for example, predicts a 14% fall in UK output over the year. The crisis resulted in the quickest bear market in history, with selling largely indiscriminate. In April and May, however, there was some evidence of greater market stability and political leaders in Europe began setting out plans to ease lockdown measures and provide stimulus to aid economic recovery.

Before the Covid-19 crisis, the main macro focuses for markets were US-China trade wars, central bank monetary easing and Brexit developments. There had appeared to be greater clarity on the latter as the UK formally exited the European Union in January, but it is yet to be seen whether the coronavirus pandemic will disrupt trade deal negotiations.

The Fund

The Fund returned -3.6% (institutional class) in the 12 months to 31 May 2020. The FTSE All-Share Index comparator benchmark returned -11.2% and the average return in the IA UK All Companies sector, also a comparator benchmark, was -9.3%.

While suffering a negative return over the year, the Fund has displayed some insulation from the worst of the sell-off in the UK market. Some of this can be attributed to low exposure to the worst hit areas. For example, the Fund's underweight position in oil & gas relative to the FTSE All-Share Index restricted losses from the sector's 45% tumble. The Fund also has low exposure to the financials sector, which fell by 20% over the year; the portfolio has no holdings in banks or insurers, where losses were the worst, while the diversified financials it does own actually made a positive average return over the period.

Stock and sector dynamics have been driven by the top-down implications of lockdown style measures worldwide. With so much uncertainty over the duration of the Covid-19 crisis it has been very difficult for individual companies to update investors on the specifics of business disruption. Many have withdrawn financial guidance for this year, suspended dividend payments or taken advantage of a decision by the financial markets regulator to allow for delays in publishing financial reports.

The Fund has been affected by some of these macro themes that have influenced the pattern of market returns. For example, the Fund's detractors included some that have high exposure to person-to-person business, such as **Next Fifteen Communications** in public relations, **Pagegroup** in recruitment and **Compass Group** in contract catering. The typically cyclical industrials sector, to which the Fund is overweight, also saw some heavy falls during the worst of the sell-off before recovering somewhat in April and May. Stocks such as **Aggreko** and **Coats Group** still finished the period nursing heavy share price losses.

The biggest group of detractors in the portfolio can be attributed to oil price weakness. A combination of reduced global demand during lockdowns and limited oil storage space amid a supply glut led oil prices to tumble, with the US West Texas Intermediate (WTI) oil future briefly trading at a negative price for the first time in history. The Fund's holdings in **BP**, **Shell**, **John Wood Group**, **Plexus Holdings** and **Weir Group** all suffered heavy share price falls.

As well as focusing on the impact of the pandemic on trading activity, investors have also been analysing companies' balance sheets for any signs of financial stress as a result of a drop-off in cash flow. The Economic Advantage investment process determines portfolio holding sizes based on a risk assessment that includes a number of measures, including financial risk. This checklist approach to determining the holding sizes of investments may seem rather pedestrian during a bull market, but it really comes into its own during setbacks.

Working capital concerns are particularly relevant at the lower end of the market cap range where fixed costs could swiftly eat up cash resources if sales or production are halted; working capital shortfalls are obviously a key short-term concern. Given the circumstances, we contacted the brokers of all the Fund's smaller companies – regardless of how well-funded they appear – and impressed upon them the importance of acting quickly if equity funding is needed. By acting early, they will put themselves in a better position to secure funding; this was one of the team's takeaways from the experience of the 2008 credit crunch.

Manager's Investment Report (continued)

The Fund (continued)

The strongest stock-specific contributions to Fund performance included GlobalData, Domino's Pizza Group, AstraZeneca, YouGov and TP ICAP.

- GlobalData's results for 2019 illustrated the data analytics and consulting company's operational gearing: a 13% increase in revenues to £178m helped push EBITDA (earnings before interest tax and depreciation) up by 38% as the company hit its target of a 25% EBITDA margin. Recurring subscriptions also rose to over 75% of total revenues. This high level of repeat business may allow the group to cope better than most with the Covid-19 crisis. A trading update in April commented that revenues have so far been largely unaffected and renewal rates have been strong.
- With a large proportion of delivery sales, Domino's Pizza is another business that has been able to operate reasonably effectively during the UK's lockdown period. In March, the company commented that the early stages of lockdown had resulted in an acceleration of sales, with delivery growth more than offsetting the lack of collection sales. In 2019, the announcement of an orderly exit from its international operations had helped lift its shares. The underwhelming performance of its international division had weighed on the outlook for the business for some time.
- As with many other companies in the healthcare sector, AstraZeneca is involved in the medical battle against Covid-19 and its activity levels have proven resilient. In April, the company was able to reaffirm its 2020 financial guidance for revenue growth of high single-digit to a low double-digit percentage and earnings growth of a mid- to high-teens percentage.
- Market research and data analytics group YouGov stated in late March that it had yet to feel a material impact from the coronavirus crisis and continues to have a strong pipeline of sales opportunities. With a strong net cash balance, the company is well positioned to withstand this period of uncertainty.
- Interdealer broker TP ICAP was able to adapt its operations to allow most of its staff to work from home. In the first quarter of 2020, revenue of £547m was 17% higher year-on-year, boosted by higher client volumes at the end of the period as the pandemic created market volatility. Given its resilient performance during the initial stages of the pandemic, the company was able to retain its 2020 financial guidance (low single-digit percentage revenue growth).

The biggest detractors from the Fund's performance included John Wood Group, Royal Dutch Shell, BP, Aggreko and Craneware.

- BP, Royal Dutch Shell and John Wood Group all fell victim to a tumbling oil price. Oil services engineer John Wood Group commented that the steep fall in oil prices will likely lead to postponement of projects in its current pipeline and slower new order intake. However, it reassured investors over the strength of its balance sheet and stated that it will accelerate planned cost reductions to combat the pressures it is facing. It also cancelled plans to pay a dividend relating to the 2019 financial year.

  Both BP and Shell have reacted swiftly to the oil price plunge, shoring up their balance sheets through large issues of bonds. While the low oil price will be negative for earnings, it is worth noting that both BP and Shell have extensive operations beyond oil exploration and production. These include gas, power, petrochemicals, retail networks (filling stations – where prices were certainly not negative), energy trading operations and, increasingly, renewables. This mix of operations has historically led to returns that are less volatile than oil prices– particularly when compared with pure exploration and production operators.
- As a global supplier of temporary power and temperature control equipment, Aggreko is exposed to reduced levels of activity across a range of countries and sectors – particularly the events industry. It has already seen the Tokyo Olympics postponed from summer 2020 to 2021. Aggreko's contract with the organiser is worth up to around US$250m, of which is has so far received US$98m in milestone payments. In response to Covid-19 uncertainty, Aggreko has imposed a hiring freeze, reduced discretionary spend and limited fleet capital expenditure to that required to fulfil secured orders and meet known demand. Going into the crisis, it also had significant liquidity in the form of over £600m in cash and undrawn banking facilities.
- Craneware lost ground early in the review period after a June trading statement highlighting sluggish sales growth in the second half of its financial year. The US healthcare-focused software provider stated that new product launches on its Trisus platform had seen a slower than anticipated uptake by clients in the second half of the company's financial year and, as a result, full-year revenue growth was expected to be around 6%.

Manager's Investment Report (continued)

Portfolio Activity

Two stocks left the portfolio during the year: StatPro Group delisted on completion of a 230p-a-share takeover and we sold AA after the roadside assistance company fell into the small cap segment of the market but had less than the 3% senior management equity ownership that our investment process requires.

The Fund added a number of positions in smaller companies during the review period: Alpha FX, IG Design, JTC, Keywords Studios, Learning Technologies Group, The Pebble Group and Robert Walters.

Alpha FX was added to the Fund on the strength of its intellectual property. The company provides consultancy services and technologies to corporates and institutions looking to manage their currency exposures, with a particular focus on risk management, international payments and collections.

IG Design is one of the world's largest suppliers of gifting materials such as wrapping paper and crackers. Its Economic Advantage is derived from its distribution network, which enables it to handle the logistics of supplying large customers such as Walmart.

Fund administrator JTC has assets under administration of over US$130bn. The company possesses an Economic Advantage core intangible asset in the form of its high level of recurring income.

Keywords Studios provides support services such as artwork and localisation services (e.g. translation) to video games publishers. It has a very good distribution network with offices around the globe, allowing it to capture a large share of the market.

Learning Technologies Group is a specialist e-learning company which we believe possesses substantial intellectual property. It plans to consolidate the sector through acquisition and recently completed a reverse acquisition of PeopleFluent (a provider of cloud-based recruitment and HR solutions) that more than doubled its revenues and boosted its presence in the US.

The Pebble Group comprises two divisions: *Brand Addition,* which supplies ethically sourced bespoke promotional material to large global brands under long-term (typically 3-5 year) contracts and *facilisgroup*, which supports over 150 SMEs working in the US promotions industry through technology solutions and bulk purchasing benefits. As one of very few large promotional product services providers focussed on this sector, customers benefit from its distribution strength and wealth of creative services.

International recruitment company Robert Walters has a very strong distribution network covering 31 countries and generates almost three quarters of net fee income outside of the UK.

Outlook

The current economic and social situation is without precedent. At this stage, it is impossible to predict just how long or deep this crisis will prove to be or the speed of any eventual recovery.

As a team, we have experience of investing through periods of volatility and uncertainty, harnessing the strengths of intangible assets and equity ownership as part of our investment process for over 20 years - a period which includes previous sharp sell-offs such as the technology correction at the turn of the century and the financial crash of 2008.

During these previous bouts of stockmarket turbulence, the strict adherence to investment process has served us well. Its strengths should again prove important during the Covid-19 crisis. In times like these, having a clear investment process is invaluable as its decision-making framework ensures the team continues to take a rational approach to managing the portfolios.

While near-term returns for some of the Fund's holdings will obviously be heavily challenged by the current environment, we have high conviction in these companies. In this crisis, as in all others, it is important to focus on a company's ability to trade through a downturn and its potential to emerge on the other side in a position to take advantage of any subsequent upturn. We believe that our businesses, with their strong barriers to competition, attractive market positions and history of high returns, are in a good position to navigate this difficult time.

Anthony Cross, Julian Fosh, Victoria Stevens, Matt Tonge & Alex Wedge

Fund Managers

July 2020

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

Authorised Status

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

Statement of the Manager's Responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- comply with the requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Association ("IA") in May 2014, updated in June 2017;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enable it to demonstrate that the financial statements, as prepared, comply with the above requirements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Scheme will continue in operation.

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

Statement of the Trustee's Responsibilities in Respect of the Scheme and Report of the Trustee to the Unitholders of the Liontrust Special Situations Fund ("the Trust") for the Year Ended 31 May 2020

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

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

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

The Trustee must ensure that:

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

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

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

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

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

For and on behalf of

The Bank of New York Mellon (International) Limited

1 Canada Square
London E14 5AL

22 September 2020

Certification of Financial Statements by Partners of the Manager

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

John Ions

Chief Executive

Antony Morrison

Partner, Head of Finance

Liontrust Fund Partners LLP
22 September 2020

Independent Auditors' Report to the Unitholders of Liontrust Special Situations Fund (the "Trust")

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Liontrust Special Situations Fund (the "Trust"):

- give a true and fair view of the financial position of the Trust as at 31 May 2020 and of the net revenue and the net capital losses on its scheme property for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law, the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

We have audited the financial statements, included within the Annual Report & Financial Statements (the "Annual Report") which comprise: the balance sheet as at 31 May 2020; the statement of total return and the statement of change in net assets attributable to unitholders for the year then ended; the distribution tables; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Trust's ability to continue as a going concern.

Independent Auditors' Report to the Unitholders of Liontrust Special Situations Fund (the "Trust") (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 Manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

Manager's Report

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

Responsibilities for the financial statements and the audit

Responsibilities of the Manager for the financial statements

As explained more fully in the Statement of the Manager's Responsibilities set out on page 9, the Manager is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Manager is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Independent Auditors' Report to the Unitholders of Liontrust Special Situations Fund (the "Trust") (continued)

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

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

Collective Investment Schemes sourcebook exception reporting

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

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

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Edinburgh

22 September 2020

Comparative Tables

as at 31 May 2020

Advised Income Accounting year ended	31 May 2020 per unit (p)	31 May 2019 per unit (p)	31 May 2018 per unit (p)
Change in net assets per unit			
Opening net asset value per unit	425.50	416.47	378.33
Return before operating charges	(13.77)	20.43	48.97
Operating charges	(4.59)	(4.52)	(4.17)
Return after operating charges	(18.36)	15.91	44.80
Distributions	(5.19)	(6.88)	(6.66)
Closing net asset value per unit	**401.95**	**425.50**	**416.47**
After transaction costs of*	(0.33)	(0.67)	(0.43)
Performance			
Return after charges	(4.32)%	3.82%	11.84%
Other information			
Closing net asset value (£'000)	8,440	9,410	7,765
Closing number of units	2,099,721	2,211,460	1,864,411
Operating charges**	1.09%	1.10%	1.07%
Direct transaction costs*	0.08%	0.16%	0.11%
Prices			
Highest unit price	464.85	442.77	438.19
Lowest unit price	318.61	376.56	364.91

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

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

Comparative Tables (continued)

as at 31 May 2020

Institutional Accumulation+ Accounting year ended	31 May 2020 per unit (p)	31 May 2019 per unit (p)
Change in net assets per unit		
Opening net asset value per unit	103.59	100.00
Return before operating charges	(3.22)	4.35
Operating charges	(0.86)	(0.76)
Return after operating charges	(4.08)	3.59
Distributions	(1.54)	(1.91)
Retained distributions on accumulation units	1.54	1.91
Closing net asset value per unit	**99.51**	**103.59**
After transaction costs of*	(0.08)	(0.14)
Performance		
Return after charges	(3.94)%	3.59%
Other information		
Closing net asset value (£'000)	489,505	158,345
Closing number of units	491,905,245	152,853,779
Operating charges**	0.84%	0.86%
Direct transaction costs*	0.08%	0.18%
Prices		
Highest unit price	113.53	106.11
Lowest unit price	77.87	90.16

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

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

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

Comparative Tables (continued)

as at 31 May 2020

Institutional Income Accounting year ended	31 May 2020 per unit (p)	31 May 2019 per unit (p)	31 May 2018 per unit (p)
Change in net assets per unit			
Opening net asset value per unit	427.23	418.12	379.75
Return before operating charges	(13.84)	20.56	49.25
Operating charges	(3.56)	(3.51)	(3.21)
Return after operating charges	(17.40)	17.05	46.04
Distributions	(6.27)	(7.94)	(7.67)
Closing net asset value per unit	**403.56**	**427.23**	**418.12**
After transaction costs of*	(0.33)	(0.67)	(0.43)
Performance			
Return after charges	(4.07)%	4.08%	12.12%
Other information			
Closing net asset value (£'000)	4,053,733	4,150,486	3,369,169
Closing number of units	1,004,494,278	971,492,218	805,787,842
Operating charges**	0.84%	0.85%	0.82%
Direct transaction costs*	0.08%	0.16%	0.11%
Prices			
Highest unit price	467.41	445.62	432.27
Lowest unit price	320.57	378.57	366.39

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

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

Comparative Tables (continued)

as at 31 May 2020

Mandate Income+ Accounting year ended	31 May 2020 per unit (p)	31 May 2019 per unit (p)
Change in net assets per unit		
Opening net asset value per unit	101.55	100.00
Return before operating charges	(3.22)	4.30
Operating charges	(0.75)	(0.74)
Return after operating charges	(3.97)	3.56
Distributions	(1.59)	(2.01)
Closing net asset value per unit	**95.99**	**101.55**
After transaction costs of*	(0.08)	(0.16)
Performance		
Return after charges	(3.91)%	3.56%
Other information		
Closing net asset value (£'000)	649,030	324,802
Closing number of units	676,120,763	319,860,000
Operating charges**	0.74%	0.76%
Direct transaction costs*	0.08%	0.16%
Prices		
Highest unit price	111.31	106.10
Lowest unit price	76.34	90.08

\+ The Mandate Income unit class was launched on 4 June 2018.

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

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

Comparative Tables (continued)

as at 31 May 2020

Retail Income Accounting year ended	31 May 2020 per unit (p)	31 May 2019 per unit (p)	31 May 2018 per unit (p)
Change in net assets per unit			
Opening net asset value per unit	423.56	414.70	376.94
Return before operating charges	(13.66)	20.15	48.49
Operating charges	(7.68)	(7.53)	(7.01)
Return after operating charges	(21.34)	12.62	41.48
Distributions	(1.98)	(3.76)	(3.72)
Closing net asset value per unit	**400.24**	**423.56**	**414.70**
After transaction costs of*	(0.33)	(0.66)	(0.42)
Performance			
Return after charges	(5.04)%	3.04%	11.00%
Other information			
Closing net asset value (£'000)	171,000	198,992	210,235
Closing number of units	42,724,758	46,981,035	50,695,703
Operating charges**	1.84%	1.85%	1.82%
Direct transaction costs*	0.08%	0.16%	0.11%
Prices			
Highest unit price	460.67	450.34	446.14
Lowest unit price	315.19	373.29	363.26

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

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

Portfolio Statement

as at 31 May 2020

Holding	Stock description	Market value (£'000)	Percentage of total net assets (%)
	UNITED KINGDOM (92.34%)		
	CONSUMER GOODS (15.72%)	**689,561**	**12.83**
7,047,871	Diageo	196,671	3.66
7,674,075	*IG Design Group*	42,514	0.79
3,050,483	Reckitt Benckiser	220,306	4.10
6,259,005	Rightmove	36,690	0.68
4,466,040	Unilever	193,380	3.60
	CONSUMER SERVICES (12.58%)	**699,664**	**13.03**
10,584,376	Compass	125,213	2.33
36,939,073	Domino's Pizza	132,833	2.47
8,621,483	*GlobalData*	120,701	2.25
6,881,603	*Next Fifteen Communications*	23,604	0.44
15,110,732	*Pebble*	14,808	0.28
11,195,416	RELX	209,746	3.91
10,077,424	*YouGov*	72,759	1.35
	FINANCIALS (8.35%)	**531,909**	**9.90**
10,624,558	AJ Bell	41,967	0.78
1,311,165	*Alpha FX*	10,096	0.19
1,423,426	*Brooks MacDonald*	21,636	0.40
7,704,431	Hargreaves Lansdown	141,261	2.63
15,025,637	IntegraFin	80,237	1.49
4,504,020	*Mortgage Advice Bureau*	26,574	0.50
7,191,521	Savills	62,027	1.15
43,562,165	TP ICAP	148,111	2.76
	HEALTH CARE (6.78%)	**384,654**	**7.16**
1,476,333	AstraZeneca	126,669	2.36
10,922,820	*CareTech*	43,910	0.82
4,267,885	*ECO Animal Health*	8,707	0.16
12,285,734	GlaxoSmithKline	205,368	3.82
	INDUSTRIALS (26.95%)	**1,431,117**	**26.64**
20,222,137	Aggreko	94,882	1.77
10,046,411	Clipper Logistics	28,632	0.53
133,974,252	Coats	72,078	1.34
2,660,984	Intertek	146,514	2.73

Portfolio Statement (continued)

as at 31 May 2020

Holding	Stock description	Market value (£'000)	Percentage of total net assets (%)
	INDUSTRIALS continued		
37,713,812	*Learning Technologies*	49,443	0.92
30,147,692	PageGroup	112,511	2.10
6,718,131	PayPoint	49,983	0.93
3,060,329	Renishaw	117,761	2.19
7,201,485	Robert Walters	24,845	0.46
44,529,900	Rotork	118,360	2.20
23,678,244	RWS	153,435	2.86
9,307,626	*Smart Metering Systems*	58,638	1.09
4,788,203	Spectris	122,722	2.29
1,892,258	Spirax-Sarco Engineering	186,615	3.47
9,803,050	Weir	94,698	1.76
	OIL & GAS (9.39%)	**322,634**	**6.01**
48,975,920	BP	149,719	2.79
9,316,226	*Plexus*	1,025	0.02
10,959,486	Royal Dutch Shell 'B'	134,341	2.50
19,531,097	Wood (John)	37,549	0.70
	TECHNOLOGY (10.33%)	**526,629**	**9.80**
75,495	*Accesso Technology Rights 10/06/2020*	60	0.00
981,442	*Accesso Technology*	3,631	0.07
5,891,009	*Bango*	9,013	0.17
2,599,623	*Craneware*	48,613	0.90
28,300,642	*Dotdigital*	28,442	0.53
6,079,455	*EMIS*	67,604	1.26
20,600,782	*Ideagen*	40,790	0.76
7,701,287	*IMImobile*	23,489	0.44
10,392,281	*iomart*	34,503	0.64
8,930,903	Kainos	74,662	1.39
28,347,185	*Sage*	195,822	3.64
	TELECOMMUNICATIONS (2.24%)	**114,253**	**2.13**
9,288,812	*Gamma Communications*	114,253	2.13

Portfolio Statement (continued)

as at 31 May 2020

Holding	Stock description	Market value (£'000)	Percentage of total net assets (%)
	IRELAND (0.00%)		
	INDUSTRIALS (0.00%)	**58,332**	**1.09**
3,249,711	*Keywords*	58,332	1.09
	JERSEY (0.00%)		
	FINANCIALS (0.00%)	**28,023**	**0.52**
6,441,984	JTC	28,023	0.52
	UNITED STATES OF AMERICA (0.00%)		
	CONSUMER GOODS (0.00%)	**64,827**	**1.21**
33,869,937	TI Fluid Systems	64,827	1.21
	Portfolio of investments	**4,851,603**	**90.32**
	Net other assets	**520,105**	**9.68**
	Net assets	**5,371,708**	**100.00**

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

Comparative figures shown in brackets relate to 31 May 2019.

Financial Statements

Statement of Total Return

for the year ended 31 May 2020

	Notes	(£'000)	1.6.2019 to 31.5.2020 (£'000)	(£'000)	1.6.2018 to 31.5.2019 (£'000)
Income					
Net capital (losses)/gains	2		(314,202)		114,673
Revenue	3	120,266		116,938	
Expenses	4	(44,811)		(37,017)	
Interest payable and similar charges		(15)		–	
Net revenue before taxation		75,440		79,921	
Taxation	5	–		–	
Net revenue after taxation			75,440		79,921
Total return before distribution			**(238,762)**		**194,594**
Distribution	6		(75,608)		(79,997)
Change in net assets attributable to unitholders from investment activities			**(314,370)**		**114,597**

Statement of Change in Net Assets Attributable to Unitholders

for the year ended 31 May 2020

	(£'000)	1.6.2019 to 31.5.2020 (£'000)	(£'000)	1.6.2018 to 31.5.2019 (£'000)
Opening net assets attributable to unitholders		**4,842,035**		**3,587,169**
Amounts received on creation of units	2,261,156		1,374,932	
Amounts paid on cancellation of units	(1,424,668)		(242,317)	
		836,488		1,132,615
Dilution adjustment		–		4,742
Change in net assets attributable to unitholders from investment activities (see above)		(314,370)		114,597
Retained distribution on accumulation units		7,555		2,912
Closing net assets attributable to unitholders		**5,371,708**		**4,842,035**

Financial Statements (continued)

Balance sheet

as at 31 May 2020

	Notes	31.5.2020 (£'000)	31.5.2019 (£'000)
Assets			
Fixed Assets			
Investments		4,851,603	4,471,052
Current assets:			
Debtors	7	46,277	86,109
Cash and cash equivalents	8	590,156	402,348
Total assets		**5,488,036**	**4,959,509**

	Notes	31.5.2020 (£'000)	31.5.2019 (£'000)
Liabilities			
Distribution payable		(74,763)	(85,496)
Other creditors	9	(41,565)	(31,978)
Total liabilities		**(116,328)**	**(117,474)**
Net assets attributable to unitholders		**5,371,708**	**4,842,035**

Notes to the Financial Statements

for the year ended 31 May 2020

1 Accounting policies

a) Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), the Statement of Recommended Practice "Financial Statements of UK Authorised Funds" issued by the Investment Association in May 2014 (the "SORP"), and updated in June 2017, the COLL and the Company's Instrument of Incorporation and Prospectus. In applying UK GAAP, the financial statements have been prepared in compliance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102).

b) Recognition of revenue

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

(ii) Special cash dividends are treated as either revenue or capital depending on the facts of each particular case.

(iii) Bank interest, stock lending and nominal interest on interest-bearing securities is recognised on an accruals basis.

c) Expenses

All expenses are accounted for on an accruals basis.

d) Basis of valuation of investments

All investments are usually valued at 12 midday, on the last business day of the accounting year. Listed investments have been valued at bid-market value, net of any accrued income.

e) Taxation

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

f) Deferred taxation

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

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

g) Foreign exchange

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

Notes to the Financial Statements (continued)

for the year ended 31 May 2020

1.1 Distribution policies

h) Basis of distribution

Income produced by the Fund's investments accumulates during each accounting period. If at the end of the accounting period revenue exceeds expenses, the net revenue of the Fund is available to be distributed to unitholders. The Manager will seek to distribute this income in a manner that will maximise the total returns to holders of the majority of units. The custody fee, transaction charges and stamp duty reserve tax are deducted from capital. All other expenses were charged against revenue.

The operating expenses of the Fund are paid out of the Fixed Rate Administration fee by the Manager.

i) Stock dividends

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

j) Special dividends

The underlying circumstances behind special dividends are reviewed on a case by case basis in determining whether the amount is revenue or capital in nature. Amounts recognised as revenue will form part of the distribution. Any tax treatment will follow the accounting treatment of the principal amount.

Notes to the Financial Statements (continued)

for the year ended 31 May 2020

2 Net capital (losses)/gains

	1.6.2019 to 31.5.2020 (£'000)	1.6.2018 to 31.5.2019 (£'000)
Non-derivative securities	(314,215)	114,638
Currency gains	13	39
Transaction charges	–	(4)
Net capital (losses)/gains	**(314,202)**	**114,673**

3 Revenue

	1.6.2019 to 31.5.2020 (£'000)	1.6.2018 to 31.5.2019 (£'000)
Money Market Deposits	892	560
UK dividends	119,184	115,729
Non-taxable overseas dividends	6	–
Distributions from Regulated Collective Investment Schemes:		
Offshore investment revenue*	–	363
Bank interest	184	100
Stocklending income	–	186
Total revenue	**120,266**	**116,938**

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

Notes to the Financial Statements (continued)

for the year ended 31 May 2020

4 Expenses

	1.6.2019 to 31.5.2020 (£'000)	1.6.2018 to 31.5.2019 (£'000)
Payable to the Manager, associates of the Manager, and agents of either of them:		
Manager's periodic charge	40,264	32,932
Fixed rate administration fees	4,547	2,847
Registration fees	–	272
	44,811	**36,051**
Payable to the Trustee, associates of the Trustee, and agents of either of them:		
Safe custody fees	–	35
Trustee's fees	–	105
	–	**140**
Other expenses		
Administration fee	–	819
Audit fee*	–	3
Printing fee	–	2
Other expenses	–	2
	–	**826**
Total expenses	**44,811**	**37,017**

* The audit fee for the year (which is included in the Fixed rate administration fees), excluding VAT, was £9,923 (2019: £9,450).

Notes to the Financial Statements (continued)

for the year ended 31 May 2020

5 Taxation

	1.6.2019 to 31.5.2020 (£'000)	1.6.2018 to 31.5.2019 (£'000)
a) Analysis of charge in year		
Irrecoverable overseas tax	–	–
Total tax charge for the year (see note 5(b))	**–**	**–**

b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK for authorised unit trusts of 20% (2019: 20%). The differences are explained below:

	1.6.2019 to 31.5.2020 (£'000)	1.6.2018 to 31.5.2019 (£'000)
Net revenue before taxation	75,440	79,921
Corporation tax at 20% (2019: 20%)	15,088	15,984
Effects of:		
Movement in unrecognised tax losses	8,750	7,162
Revenue not subject to tax	(23,838)	(23,146)
Total tax charge for year (see note 5(a))	**–**	**–**

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

c) Deferred tax

There is no provision required for deferred taxation at the balance sheet date.

At the year end there is a potential deferred tax asset of £38,283,720 (2019: £29,533,660) due to tax losses of £191,418,602 (2019: £147,668,302).

It is considered unlikely that the fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised (2019: same)

Notes to the Financial Statements (continued)

for the year ended 31 May 2020

6 Distributions

	1.6.2019 to 31.5.2020 (£'000)	1.6.2018 to 31.5.2019 (£'000)
Final	82,317	88,408
Amounts deducted on cancellation of units	11,773	2,809
Amounts received on creation of units	(18,482)	(11,220)
	75,608	**79,997**
Reconciliation of net revenue after taxation to:		
Net revenue after taxation	75,440	79,921
Fees paid from capital	–	35
Add: Income brought forward from previous year	–	23
Movement in net income as a result of conversions	168	18
Net distribution for the year	**75,608**	**79,997**

Details of the distribution per unit are set out in the table on page 41.

7 Debtors

	31.5.2020 (£'000)	31.5.2019 (£'000)
Accrued revenue	15,019	22,853
Amounts receivable on creation of units	31,258	63,150
Sales awaiting settlement	–	106
Total debtors	**46,277**	**86,109**

Notes to the Financial Statements (continued)

for the year ended 31 May 2020

8 Cash and cash equivalents

	31.5.2020 (£'000)	31.5.2019 (£'000)
Cash at bank	514,077	291,556
Term deposits	76,079	110,792
Total cash and cash equivalents	**590,156**	**402,348**

9 Other creditors

	31.5.2020 (£'000)	31.5.2019 (£'000)
Accrued expenses	3,736	3,724
Amounts payable on cancellation of units	28,781	23,775
Purchases awaiting settlement	9,048	4,479
Total other creditors	**41,565**	**31,978**

10 Contingent liabilities

There were no contingent liabilities or outstanding commitments at the balance sheet date (2019: £Nil).

11 Related party transactions

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

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

The charges made by the Manager during the year are disclosed in note 4 on page 28. At 31 May 2020 £3,724,310 was due to the Manager (2019: £3,708,773). This amount is included under 'Accrued expenses' in note 9.

During the year the Manager received creation monies of £2,279,638,715 (2019: £245,126,428) and paid cancellation monies of £1,434,394,234 (2019: £1,386,152,471). At 31 May 2020 there were creation monies due from the Manager of £31,257,797 (2019: £63,149,963). There were cancellation monies due to the Manager of £28,780,686 at 31 May 2020 (2019: £23,775,048).

Notes to the Financial Statements (continued)

for the year ended 31 May 2020

12 Securities on loan

The aggregate value of securities on loan at 31 May 2020 is £Nil (2019: £Nil). Securities on loan are included in the portfolio statement and no account is taken of any collateral held. The aggregate value of collateral held at 31 May 2020 is £Nil (2019: £Nil).

The gross earnings and fees paid for the year are £Nil (2019: £273,858) and £Nil (2019: £87,635)

13 Risk management policies

In accordance with the investment objectives and policies the Fund can hold certain financial instruments as detailed in the Fund's prospectus. These comprise:

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

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

The main risks arising from the Fund's financial instruments are market price risk, interest rate risk, foreign currency risk, liquidity risk and credit and counterparty risk. The Manager's policies for managing these risks are summarised below. The Fund has used a combination of risk measurements and limits to measure and monitor portfolio risk. This is in line with the Liontrust group's Risk Management Process. These policies have remained unchanged since the beginning of the year to which these financial statements relate and during the prior year.

* No derivatives were held in the current year.

Market price risk

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

Notes to the Financial Statements (continued)

for the year ended 31 May 2020

13 Risk management policies (continued)

Market price risk (continued)

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

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

As at 31 May 2020 and 31 May 2019 the overall market exposure for the Fund was as shown in the Portfolio Statement, other than for derivatives where the exposure could be greater. The Fund is exposed to market price risk as the assets and liabilities of the fund are listed on stock exchanges and their prices are subject to movements both up and down that would result in an appreciation or depreciation in the fair value of that asset. The sensitivity of the Fund to market price risk is estimated below which shows the expected change in the market value of the Fund when a representative market index changes by 15%. These percentage movements are based on the Investment Adviser's estimate of reasonably possible market movements over the course of a year and uses an industry standard measure (Beta) to estimate the amount a Fund has previously changed when that corresponding market index has moved taking into account the Fund's historic correlation to the representative index's movements over the last three years using monthly returns. This analysis assumes that the historic relationships between the portfolio's holdings and the representative index are a valid approximation of their future relationship and that the characteristics of the portfolio and the market have been broadly unchanged over the three years.

As at 31 May 2020, had the representative market index increased/decreased by 15% the resulting change in the value of the Net Asset Value is expected to have been an increase/a decrease of 13.7%.

As at 31 May 2019, had the representative market index increased/decreased by 15% the resulting change in the value of the Net Asset Value is expected to have been an increase/a decrease of 12.5%.

Notes to the Financial Statements (continued)

for the year ended 31 May 2020

13 Risk management policies (continued)

Market price risk (continued)

Some limitations of sensitivity analysis are;

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

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

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

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

The Fund uses a combination of other risk measurements and limits. This is in line with the Liontrust Group's Risk Management Process.

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

Foreign currency risk

Currency risk is the risk that the revenue and net asset value of the Fund may be adversely affected by movements in foreign exchange rates. The revenue and capital value of the Fund's investments may 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 Manager has identified three principal areas where foreign currency risk could impact the 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 unwanted currency risk being identified.

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

Notes to the Financial Statements (continued)

for the year ended 31 May 2020

13 Risk management policies (continued)

Foreign currency risk (continued)

The Fund may receive income in currencies other than sterling and the sterling values of this income can be affected by movements in exchange rates. The Fund converts all receipts of income into sterling on or near the date of receipt; it does not, however, hedge or otherwise seek to avoid exchange rate risk on income accrued but not received.

However, in line with the Fund's objectives of investing primarily in the UK and Ireland, the Fund is expected to have only minimal foreign currency exposures.

Interest rate risk

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

Liquidity risk

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

In accordance with the Manager's policy, the Investment Adviser monitors the Fund's liquidity on a daily basis.

Counterparty credit risk

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

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

The Fund only buys and sells investments through brokers which have been approved by the Manager as an acceptable counterparty. This list is reviewed at least annually.

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

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

The Trustee is responsible for the safe-keeping of assets and has appointed the Bank of New York Mellon, S.A./N.V., London Branch ("BNYMSA") as its global custodian. The long term credit rating of the parent company of the Trustee and Custodian, The Bank of New York Mellon Corporation, as at 31 August 2020 was A (Standard & Poor's rating).

Notes to the Financial Statements (continued)

for the year ended 31 May 2020

13 Risk management policies (continued)

Counterparty credit risk (continued)

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

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

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

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

Maturity profile of financial liabilities

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

Short-term debtors and creditors

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

Fair value of financial assets and liabilities

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

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

Notes to the Financial Statements (continued)

for the year ended 31 May 2020

14 Portfolio transaction costs

For the year ending 31 May 2020

Purchases (excluding derivatives)	Transaction Value (£'000)	Commissions (£'000)	%	Taxes (£'000)	%
Equity instruments (direct)	913,770	467	0.05	3,476	0.38
Total purchases	**913,770**	**467**		**3,476**	
Total purchases including transaction costs	**917,713**				

Sales (excluding derivatives)	(£'000)	(£'000)	%	(£'000)	%
Equity instruments (direct)	221,578	85	0.04	–	–
Total sales	**221,578**	**85**		**–**	
Total sales net of transaction costs	**221,493**				
Total transaction costs		**552**		**3,476**	
Total transaction costs as a % of average net assets		**0.01%**		**0.07%**	

Notes to the Financial Statements (continued)

for the year ended 31 May 2020

14 Portfolio transaction costs (continued)

For the year ending 31 May 2019

Purchases (excluding derivatives)	Transaction Value (£'000)	Commissions (£'000)	%	Taxes (£'000)	%
Equity instruments (direct)	1,333,110	706	0.05	5,947	0.45
Total purchases	**1,333,110**	**706**		**5,947**	
Total purchases including transaction costs	**1,339,763**				

Sales (excluding derivatives)	(£'000)	(£'000)	%	(£'000)	%
Equity instruments (direct)	281,960	64	0.02	–	–
Total sales	**281,960**	**64**		**–**	
Total sales net of transaction costs	**281,896**				

Total transaction costs		**770**		**5,947**	
Total transaction costs as a % of average net assets		**0.02%**		**0.14%**	

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

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

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

At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.51% (2019: 0.33%).

Notes to the Financial Statements (continued)

for the year ended 31 May 2020

15 Fair value of financial assets and financial liabilities

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

Valuation of financial investments

31.5.2020	Assets (£'000)	Liabilities (£'000)
Level 1: Quoted prices	4,851,603	–
	4,851,603	–

31.5.2019	Assets (£'000)	Liabilities (£'000)
Level 1: Quoted prices	4,471,052	–
	4,471,052	**–**

Level 1: Unadjusted quoted price in an active market for an identical instrument;

Level 2: Valuation techniques using observable inputs other than quoted prices within level 1;

Level 3: Valuation techniques using unobservable inputs.

Notes to the Financial Statements (continued)

for the year ended 31 May 2020

16 Post balance sheet events

As indicated in the Accounting Policies in the Notes to the financial statements on page 25, the investments have been valued at midday on 31 May 2020. Since that date the Fund's quoted prices have changed as detailed in the following table, which shows the quoted prices at midday on 31 May 2020 and at midday on 18 September 2020. This is deemed to be a non-adjusting post balance sheet event.

	Price at 31 May 2020 (pence per unit)	Price at 18 September 2020 (pence per unit)	% change
Advised Income	408.97	413.17	1.03
Institutional Accumulation	100.00	102.40	2.40
Institutional Income	411.69	415.16	0.84
Mandate Income	98.06	98.82	0.78
Retail Income	403.99	410.40	1.59

The following table summarises the total NAV movement since the balance sheet date:

	NAV at 31 May 2020 (£'000)	NAV at 18 September 2020 (£'000)	% change
Advised Income	8,440	8,622	2.16
Institutional Accumulation	489,505	569,587	16.36
Institutional Income	4,053,733	4,173,867	2.96
Mandate Income	649,030	691,527	6.55
Retail Income	171,000	172,530	0.89

17 Unit classes

For the year ending 31 May 2020

	Opening units	Units created	Units cancelled	Units converted	Closing units
Advised Income	2,211,460	598,605	(533,582)	(176,762)	2,099,721
Institutional Accumulation	152,853,779	447,642,457	(111,074,903)	2,483,912	491,905,245
Institutional Income	971,492,218	332,853,903	(250,440,885)	(49,410,958)	1,004,494,278
Mandate Income	319,860,000	380,739,343	(235,830,729)	211,352,149	676,120,763
Retail Income	46,981,035	8,834,042	(11,726,504)	(1,363,815)	42,724,758

Distribution Tables

for the year ended 31 May 2020

Final distribution

Group 1 - Units purchased prior to 1 June 2019
Group 2 - Units purchased 1 June 2019 to 31 May 2020

Accumulation units	Net Revenue Pence per unit	Equalisation Pence per unit	Distribution payable 31.7.2020 Pence per unit	Distribution paid 31.7.2019 Pence per unit
Institutional - Group 1	1.54	–	1.54	1.90
Institutional - Group 2	0.70	0.84	1.54	1.90

Income units	Net Revenue Pence per unit	Equalisation Pence per unit	Distribution paid 31.7.2020 Pence per unit	Distribution paid 31.7.2019 Pence per unit
Advised - Group 1	5.19	–	5.19	6.88
Advised - Group 2	2.91	2.28	5.19	6.88
Institutional - Group 1	6.27	–	6.27	7.94
Institutional - Group 2	3.05	3.22	6.27	7.94
Mandate Income - Group 1	1.59	–	1.59	2.01
Mandate Income - Group 2	0.59	1.00	1.59	2.01
Retail - Group 1	1.98	–	1.98	3.76
Retail - Group 2	1.23	0.75	1.98	3.76

Additional Information

Trust Deed: The Fund was established by a Trust Deed made between the Manager and the Trustee dated 5 September 2005.

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

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

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

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

The minimum initial lump sum investment in the Fund is £1,000, the minimum additional investment is £1,000 and the amount you may sell back to the Manager at any one time is £500. Please refer to the Prospectus for more details.

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

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

Initial charge	%	Ongoing charges figure*	%	Included within the OCF is the Annual Management Charge**	%
Advised Income	up to 2	Advised Income	1.08	Advised Income	1.00
Institutional Accumulation	Nil	Institutional Accumulation	0.83	Institutional Accumulation	0.75
Institutional Income	Nil	Institutional Income	0.83	Institutional Income	0.75
Mandate Income	Nil	Mandate Income	0.73	Mandate Income	0.65
Retail Income	up to 5	Retail Income	1.83	Retail Income	1.75

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

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

The Operating charges figures shown on the comparative tables on pages 15 to 19 are calculated on an ex-post basis over the period, whereas the ongoing charges figures shown above is a calculation as at a point in time, and therefore there could be immaterial differences between the two.

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

Additional Information (continued)

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

Capital Gains Tax: As an authorised unit trust, any capital gains made within the Fund is exempt from UK Capital Gains Tax. An individual's first £12,300 of net gains on disposals in the 2020-2021 tax year are exempt from tax (2019-2020 £12,000).

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

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

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

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

	Headcount	Total Remuneration (£000)
Manager UK Staff*	59	8,076
of which		
Fixed remuneration	59	5,168
Variable remuneration	59	2,908
UCITS Aggregate Remuneration Code Staff**	9	14,691
of which		
Senior Management	2	1,209
Other code staff/risk takers	7	13,482

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

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

Remuneration is made up of fixed pay (i.e. salary and benefits such as pension contributions) and variable pay (annual performance based or linked directly to investment management revenues). Annual incentives are designed to reward performance in line with the business strategy, objectives, values and long term interests of the Manager and the Liontrust Asset Management PLC Group. The annual incentive earned by an individual is dependent on the achievement of financial and non-financial objectives, including adherence to effective risk management practices.

Additional Information (continued)

Remuneration (continued)

The Manager provides long-term incentives which are designed to link reward with long-term success and recognise the responsibility participants have in driving future success and delivering value. Long-term incentive awards are conditional on the satisfaction of corporate performance measures. The structure of remuneration packages is such that the fixed element is sufficiently large to enable a flexible incentive policy to be operated.

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

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

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

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

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

The 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 May 2020 and at the balance sheet date, the fund did not use SFTs or total return swaps, as such no disclosure is required.

Assessment for Value: The regulator - the FCA - has asked every asset manager to assess the value of the funds they run. Assessing value goes beyond performance and costs and encompasses a minimum of seven criteria mandated by the FCA. The assessment of value of the Funds and the other UK-domiciled funds managed by Liontrust will be conducted as at 30 September each year. This assessment will be presented to investors in a composite report for all the Liontrust funds on www.liontrust.co.uk and the first one will be available no later than 31 January 2021.

Changes to the Prospectus: With effect from 10 February 2020, the Investment Objective and Policy of the Fund were updated. Full details can be found in the letter dated 8 January 2020 sent by Liontrust Fund Partners LLP to investors in the Fund. The updated Investment Objective and Policy can also be found in the Prospectus, Instrument of Incorporation and Key Investor Information Documents.

Important information: It is important to remember that the price of units, and the income from them, can fall as well as rise and is not guaranteed, investors may not get back the amount originally invested. Past performance is not a guide to future performance. The issue of units may be subject to an initial charge and this is likely to have an impact on the realisable value of your investment, particularly in the short term. You should always regard unit trust investment as long term.

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