LIONTRUST SPECIAL SITUATIONS FUND

Annual Report & Financial Statements

For the year:
1 June 2018
to
31 May 2019

Managed in accordance with
The Liontrust Economic Advantage

LIONTRUST FUND PARTNERS LLP

LIONTRUST

Contents

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

Management and Administration

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

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Administration and Dealing facsimile 0207 964 2562
Email Liontrustadmin@bnymellon.com
Website www.liontrust.co.uk

Authorised and regulated by the Financial Conduct Authority.

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 ACD is Liontrust Asset Management PLC ("LAM", "Liontrust" or the "Group") which is incorporated in England.

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

Authorised and regulated by the FCA.

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

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

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.

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

* Please refer to page 44 for details of the changes.

Liontrust Special Situations Fund

Investment profile

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

Liontrust Asset Management PLC

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

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

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

Manager's Investment Report

Investment objective and policy

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

To achieve this aim, the Fund will invest primarily in a concentrated portfolio of UK companies' shares. The Fund will invest where the fund manager believes there are the greatest opportunities to provide long-term capital growth. The Fund will not be restricted in choice of investment by either size or sector. The Fund may also invest in transferable securities, money market instruments, warrants, cash and near cash and deposits. The Fund may also invest up to 10% of its property in units or shares in collective investment schemes. The Fund is permitted to use derivatives for the purposes of efficient portfolio management and for investment purposes.

Manager's Investment Report (continued)

Performance of the Fund

In the year to 31 May 2019 an investment in the Fund returned 3.0% (retail class) and 4.1% (institutional class). This compares with a return of -3.2% from the FTSE All-Share Index, the benchmark Index, and -4.7% from the IA UK All Companies sector. From the Fund's launch on 10 November 2005 to 31 May 2019, an investment in the Fund rose by 388.4% (retail class) and 432.8% (institutional class), compared to a rise of 134.5% by the FTSE All-Share Index, and 130.6% from the IA UK All Companies sector.

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

A dividend of 3.76 pence per unit was paid to Retail unitholders, 6.88 pence per unit to Advised unitholders, 2.01 pence per unit to Mandate unitholders and 7.94 pence per unit to Institutional unitholders on 31 July 2019.

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

Manager's Investment Report (continued)

Risk and Reward profile

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

Typically lower rewards, lower risk

Typically higher rewards, higher risk

1	2	3	4	5	6	7

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

- The Synthetic Risk Reward Indicator (SRRI) is based upon historical data and may not be relied upon to gauge the future risk profile of the Fund.
- The SRRI shown is not guaranteed to remain the same and may shift over time.
- The lowest category (1) does not mean 'risk free'.
- The Fund's risk and reward category has been calculated using the methodology set by the European Commission. It is based upon the rate by which the Fund or a representative fund or Index's value has moved up and down in the past.
- The Fund is categorised 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 invest in smaller companies which are often less liquid and harder to sell than larger companies, this may result in 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, 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 -3.2% in the 12 months to 31 May 2019.

The first major market move of the 12 month period was the capitulation in October 2018. This sharp drop appeared to be the culmination of mounting concerns over factors such as trade tariffs and monetary tightening, which had been part of the investment landscape for some time. The negative momentum continued for the duration of the fourth quarter, resulting in the FTSE All-Share falling 10% in the three month period.

After the turn of the year, however, equities began to claw back these losses as previous concerns about trade and monetary policy began to ease. The US Federal Reserve unveiled a 'patient' approach to future interest rate moves and adjusted its 2019 median rate forecast from two hikes over the year to an unchanged rate.

However, by the end of May, investors were in fact expecting two rate cuts over 2019. This growing consensus that US rates may have peaked at a mere 2.25% - 2.50% contributed to the US yield curve taking on a downward sloping shape at the shorter maturity end. Much has been made of the resulting 'inversion' of yields for three month and 10 year maturities. The three month US Treasury bill ended May yielding marginally more than the 10 year bond, a rare occurrence which many have posited is a precursor to a recession.

Trade tensions initially calmed when the US and China agreed to a pause in tariffs increases in December and engaged in negotiations for a trade deal. This period of détente lasted until May, when talks broke down and the US imposed the additional trade tariffs that had been threatened before negotiations began.

In the UK, political uncertainty was heightened by Theresa May's confirmation of a June 7 resignation date and EU election results which saw big losses for Labour and the Conservative party at the hands of the Brexit Party and Liberal Democrats.

The Fund

The Fund returned 4.1% (institutional class) in the 12 months to 31 May 2019, ahead of both the FTSE All-Share Index's -3.2% return and the -4.7% average return from funds in the IA UK All Companies sector.

It was encouraging that the Fund both offered some relative protection versus the rest of the market during the fourth quarter sell-off and was able to fully participate in the 2019 rebound.

The Economic Advantage process is very much bottom up, but the characteristics we look for tend to be found in certain sectors rather than others. Technology is a sector rich with intellectual property (IP) – one of the three main intangible assets the process seeks out – and the Fund has a significant allocation to this area. During the review period, the technology sector of the market was the standout performer with a total return of 21.5% and it was responsible for some of the Fund's biggest risers such as Craneware, Kainos and dotdigital Group.

The strongest stock-specific contributions to Fund performance included: RWS (+75.6%), Craneware (+64.4%), Gamma Communications (+59.5%), Spirax-Sarco Engineering (+37.1%) and Sage (+31.2%).

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

Full year results from Craneware were welcomed by investors. The company, which is the largest provider of pricing and billing systems to US hospitals, reported on an 'outstanding' year in financial and operational terms. Revenue increased 16% to US$67.1m in the 12 months to 30 June 2018. Its new sales in the year – which included five significant contract wins or extensions – more than doubled, while renewal rates were above 100% by US dollar value. This renewal rate continued in the first half of its current financial year, and the pace of revenue growth also remained broadly the same at 15%.

Gamma Communications' recovery from late-2018 weakness was aided by a trading update. It stated that 2018 EBITDA (earnings before interest, tax, depreciation and amortisation) was expected to be at the "top of the range of market expectations" while revenue and earnings per share were to be in-line with forecasts. The company came good on this with results showing a 34% increase to £48.3m. The provider of voice, data and mobile communications for businesses saw an 18% increase in revenue to £285m, led by its indirect sales channel as its number of channel partners grew from 1,089 to 1,150 over the year.

Manager's Investment Report (continued)

The Fund (continued)

Spirax-Sarco Engineering announced a 15% sales increase in 2018, split roughly equally between organic and acquisitive growth. The company, which manufactures products to regulate steam and electrical thermal energy, stated that the integration of the recent Gestra and Chromalox acquisitions had progressed to schedule and their business performance continues to be in line with its expectations.

Sage's share price has steadily appreciated since the start of 2019. Its half year results for the six months to March 2019 highlighted a 10% increase in recurring revenue, one of the key intangible assets which the Economic Advantage process seeks. This was underpinned by a 28% increase in software subscriptions. As a result, the accounting software company expects full-year recurring revenue to be at the top end, or slightly exceed, its guidance of 8-9% growth.

The biggest detractors from the Fund's performance included: Accesso Technology (-69.6%), AA (-54.9%), Smart Metering Systems (-39.8%), John Wood (-38.9%) and Domino's Pizza (-35.8%).

Accesso Technology had the most pronounced negative share price move in the portfolio. A "broadly" in line February trading update was interpreted as a minor downgrade and sent its shares lower. The queuing and ticketing technology company also indicated that it would be reviewing its investment spending priorities in light of the opportunities available to it, but did not clarify any details over whether this would mean a simple reallocation of spend, or a material decrease/increase in spending. The market naturally speculated that if it was the latter, this could lead to earnings downgrades. Mixed in with this was the news that that executive chairman Tom Burnet, who has been the face of the company for many years, would be stepping down.

Roadside assistance company the AA slid after the release of full year results, despite delivering EBITDA of £341m, in line with its most recent guidance range of £335 - £345m. On the same day as the results, the AA announced that it had won a contract with Admiral to provide roadside assistance to its 4.3 million motor insurance customers. The company is in a midst of a strategic refocus, a task which is unlikely to be helped by the unexpected resignation of its CFO at the end of April, which saw the shares take another leg lower.

Shares in Smart Metering Systems gave up some ground in 2018 on worries that a shift to the next generation of smart meters (from SMETS1 to SMETS2) would slow installations. A December 2018 trading update confirmed that the company shared this concern, and 2018 full-year results released in April gave further details. Installation run rates dipped in the second half of 2018 but the company said it expects installation rates to accelerate into the second half of 2019. It has also written down the value of its first generation meter portfolio. This charge, together with increased investment to its supply chain to handle second generation meters, led to a large drop in the company's profitability during 2018.

John Wood issued a 2018 trading statement which prompted a heavy share price fall despite highlighting a return to revenue growth (+10% to around US$11bn). The company outlined a positive medium-term outlook, but warned that recent oil & gas price volatility could "impact confidence and the pace of contract awards". An AGM statement in May maintained full year guidance, but investors perceived execution risks to have grown due to the company announcing a larger than normal second half weighting. The "phasing of projects" meant that c.60% of EBITDA is expected to fall in the second six months.

A Q1 trading statement from Domino's Pizza repeated the now very familiar pattern of international difficulties undermining solid UK growth. Group sales rose 4.3% to £324m: UK and Republic of Ireland sales rising 4.8% to £299m while international sales fell 2.0% to £25.1m. A deterioration in international sales means that Domino's no longer expects the division to break even this year.

Portfolio Activity

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

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

AJ Bell, Coats, Sage, and TI Fluid Systems were also added.

Manager's Investment Report (continued)

Portfolio Activity (continued)

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

Coats, the world's leading manufacturer of industrial threads, has two main divisions – Apparel & Footwear and Performance Materials – following the sale of its Crafts business in January. As well as significant intellectual property, Coats has an excellent distribution network which extends to over 100 countries and 50 manufacturing sites.

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

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

Outlook

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

The Economic Advantage investment process is unashamedly bottom-up. This is not to say that investor sentiment will not have an impact, but over the long term the greatest influence on the type of companies the Fund invests in will be their ability to successfully execute growth plans and compound profits. We therefore treat periods of indiscriminate market weakness as an opportunity to identify stocks whose long-term fundamentals are undervalued. We do not claim to know how long any period of market weakness may persist, but – in the long run – buying into quality companies when others are selling usually proves a fruitful strategy.

Anthony Cross & Julian Fosh

Fund Managers

July 2019

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

Authorised Status

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

Statement of the Manager's Responsibilities

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

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

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

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

Statement of the Trustee's Responsibilities in Respect of the Scheme and Report of the Trustee to the Unitholders of the Liontrust Special Situations Fund ("the Trust") for the Year Ended 31 May 2019

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 all of custodial assets and maintaining a record of all other assets of the Trust in accordance with the Regulations.

The Trustee must ensure that:

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

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

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

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

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

For and on behalf of

The Bank of New York Mellon (International) Limited

1 Canada Square
London E14 5AL

12 September 2019

Certification of Financial Statements by Partners of the Manager

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

John Ions

Chief Executive

Antony Morrison

Partner, Head of Finance

Liontrust Fund Partners LLP
12 September 2019

Independent Auditors' Report to the Unitholders of Liontrust Special Situations Fund

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the financial position of the Trust as at 31 May 2019 and of the net revenue and the net capital gains on its scheme property for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law, the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

We have audited the financial statements, included within the Annual Report & Financial Statements (the "Annual Report") which comprise: the balance sheet as at 31 May 2019; the statement of total return and the statement of change in net assets attributable to unitholders for the year then ended; the distribution tables; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

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

Report on the audit of the financial statements (continued)

Reporting on other information

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

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

Authorised Fund Manager's Report

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

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Fund Manager for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

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

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

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

Collective Investment Schemes sourcebook exception reporting

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

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

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Edinburgh

12 September 2019

Comparative Tables

for the year ended 31 May 2019

Advised Income Accounting year ended	31 May 2019 per unit (p)	31 May 2018 per unit (p)	31 May 2017 per unit (p)
Change in net assets per unit			
Opening net asset value per unit	416.47	378.33	305.69
Return before operating charges	20.43	48.97	82.39
Operating charges	(4.52)	(4.17)	(3.83)
Return after operating charges	15.91	44.80	78.56
Distributions	(6.88)	(6.66)	(5.92)
Retained distributions on accumulation units	–	–	–
Closing net asset value per unit	**425.50**	**416.47**	**378.33**
After transaction costs of*	(0.67)	(0.43)	(0.49)
Performance			
Return after charges	3.82%	11.84%	25.70%
Other information			
Closing net asset value (£'000)	9,410	7,765	6,354
Closing number of units	2,211,460	1,864,411	1,679,485
Operating charges**	1.10%	1.07%	1.10%
Direct transaction costs*	0.16%	0.11%	0.14%
Prices			
Highest unit price	442.77	438.19	395.65
Lowest unit price	376.56	364.91	293.39

* 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)

for the year ended 31 May 2019

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

for the year ended 31 May 2019

Institutional Income Accounting year ended	31 May 2019 per unit (p)	31 May 2018 per unit (p)	31 May 2017 per unit (p)
Change in net assets per unit			
Opening net asset value per unit	418.12	379.75	306.76
Return before operating charges	20.56	49.25	82.79
Operating charges	(3.51)	(3.21)	(2.97)
Return after operating charges	17.05	46.04	79.82
Distributions	(7.94)	(7.67)	(6.83)
Retained distributions on accumulation units	–	–	–
Closing net asset value per unit	**427.23**	**418.12**	**379.75**
After transaction costs of*	(0.67)	(0.43)	(0.50)
Performance			
Return after charges	4.08%	12.12%	26.02%
Other information			
Closing net asset value (£'000)	4,150,486	3,369,169	2,542,824
Closing number of units	971,492,218	805,787,842	669,606,993
Operating charges**	0.85%	0.82%	0.85%
Direct transaction costs*	0.16%	0.11%	0.14%
Prices			
Highest unit price	445.62	432.27	390.25
Lowest unit price	378.57	366.39	294.47

* 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)

for the year ended 31 May 2019

Mandate Income+ Accounting year ended	31 May 2019 per unit (p)
Change in net assets per unit	
Opening net asset value per unit	100.00
Return before operating charges	4.30
Operating charges	(0.74)
Return after operating charges	3.56
Distributions	(2.01)
Retained distributions on accumulation units	–
Closing net asset value per unit	**101.55**
After transaction costs of*	(0.16)
Performance	
Return after charges	3.56%
Other information	
Closing net asset value (£'000)	324,802
Closing number of units	319,860,000
Operating charges**	0.76%
Direct transaction costs*	0.16%
Prices	
Highest unit price	106.10
Lowest unit price	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)

for the year ended 31 May 2019

Retail Income Accounting year ended	31 May 2019 per unit (p)	31 May 2018 per unit (p)	31 May 2017 per unit (p)
Change in net assets per unit			
Opening net asset value per unit	414.70	376.94	304.77
Return before operating charges	20.15	48.49	81.83
Operating charges	(7.53)	(7.01)	(6.36)
Return after operating charges	12.62	41.48	75.47
Distributions	(3.76)	(3.72)	(3.30)
Retained distributions on accumulation units	–	–	–
Closing net asset value per unit	**423.56**	**414.70**	**376.94**
After transaction costs of*	(0.66)	(0.42)	(0.49)
Performance			
Return after charges	3.04%	11.00%	24.76%
Other information			
Closing net asset value (£'000)	198,992	210,235	216,855
Closing number of units	46,981,035	50,695,703	57,530,075
Operating charges**	1.85%	1.82%	1.85%
Direct transaction costs*	0.16%	0.11%	0.14%
Prices			
Highest unit price	450.34	446.14	403.05
Lowest unit price	373.29	363.26	292.42

* 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 2019

Holding	Stock description	Market value (£'000)	Percentage of total net assets (%)
	UNITED KINGDOM 92.34% (2018 - 92.00%)		
	CONSUMER GOODS - 15.72% (2018 - 11.10%)	**761,179**	**15.72**
5,970,193	Diageo	198,241	4.09
3,104,511	Reckitt Benckiser	196,143	4.05
19,941,237	Rightmove	115,400	2.38
23,220,251	TI Fluid Systems	42,354	0.88
4,320,814	Unilever	209,041	4.32
	CONSUMER SERVICES - 12.58% (2018 - 16.58%)	**609,195**	**12.58**
10,193,956	Compass	183,746	3.80
31,481,115	Domino's Pizza	73,351	1.51
9,441,399	*GlobalData*	61,369	1.27
5,766,610	*Next Fifteen Communications*	32,408	0.67
11,157,141	RELX	205,515	4.24
10,077,424	*YouGov*	52,806	1.09
	FINANCIALS - 8.35% (2018 - 8.14%)	**404,387**	**8.35**
2,229,925	AJ Bell	9,276	0.19
1,342,189	*Brooks MacDonald*	25,836	0.53
6,127,221	Hargreaves Lansdown	137,679	2.84
10,200,971	IntegraFin	40,090	0.83
4,504,020	*Mortgage Advice Bureau*	25,223	0.52
6,173,260	Savills	51,578	1.07
41,955,013	TP ICAP	114,705	2.37
	HEALTH CARE - 6.78% (2018 - 9.45%)	**328,033**	**6.78**
1,355,783	AstraZeneca	78,934	1.63
10,247,233	*CareTech*	37,915	0.78
5,467,260	*ECO Animal Health*	19,135	0.40
12,603,302	GlaxoSmithKline	192,049	3.97

Portfolio Statement (continued)

as at 31 May 2019

Holding	Stock description	Market value (£'000)	Percentage of total net assets (%)
	INDUSTRIALS - 26.95% (2018 - 25.93%)	**1,304,577**	**26.95**
37,498,099	AA	20,474	0.42
12,888,603	Aggreko	101,227	2.09
9,852,776	Clipper Logistics	27,686	0.57
100,133,487	Coats	78,855	1.63
2,473,570	Intertek	130,703	2.70
21,824,239	Pagegroup	111,522	2.30
6,718,131	PayPoint	73,765	1.52
2,425,851	Renishaw	95,773	1.98
40,773,349	Rotork	115,104	2.38
23,057,644	*RWS*	141,344	2.93
8,239,385	*Smart Metering Systems*	41,147	0.85
4,578,991	Spectris	114,429	2.36
1,892,258	Spirax-Sarco Engineering	156,679	3.24
6,528,393	Weir	95,869	1.98
	OIL & GAS - 9.39% (2018 - 9.83%)	**454,924**	**9.39**
35,713,997	BP	191,963	3.96
9,316,226	*Plexus*	4,192	0.09
7,835,524	Royal Dutch Shell 'B'	192,715	3.98
16,609,127	Wood (John)	66,054	1.36
	TECHNOLOGY - 10.33% (2018 - 9.17%)	**500,543**	**10.33**
981,442	*Accesso Technology*	7,655	0.16
5,891,009	*Bango*	5,655	0.12
3,327,918	Bond International Software*	–	0.00
2,479,057	*Craneware*	74,620	1.54
28,300,642	*Dotdigital*	27,735	0.57
6,079,455	*EMIS*	72,224	1.49
20,163,962	*Ideagen*	27,020	0.56
6,402,223	*IMImobile*	19,335	0.40
10,392,281	*iomart*	35,853	0.74
8,930,903	Kainos	55,907	1.15
22,336,103	Sage	166,225	3.43
6,395,705	*StatPro*	8,314	0.17

Portfolio Statement (continued)

as at 31 May 2019

Holding	Stock description	Market value (£'000)	Percentage of total net assets (%)
	Telecommunications - 2.24% (2018 - 1.80%)	**108,214**	**2.24**
9,288,812	*Gamma Communications*	108,214	2.24
	IRELAND 0.00% (2018 - 4.79%)		
	MONEY MARKET FUNDS 0.00% (2018 - 4.79%)		
	SHORT-TERM DEPOSITS (2018 - 0.29%)**		
	Portfolio of investments	**4,471,052**	**92.34**
	Net other assets	**370,983**	**7.66**
	Total net assets	**4,842,035**	**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 2018.

*   Delisted securities.

** As at year end 31 May 2019 short term deposits are disclosed in note 8 "Cash and bank balances" on page 31.

Financial Statements

Statement of Total Return
for the year ended 31 May 2019

	Notes	(£'000)	1.6.2018 to 31.5.2019 (£'000)	(£'000)	1.6.2017 to 31.5.2018 (£'000)
Income					
Net capital gains	2		114,673		319,180
Revenue	3	116,938		88,149	
Expenses	4	(37,017)		(28,164)	
Interest payable and similar charges		—		—	
Net revenue before taxation		79,921		59,985	
Taxation	5	—		—	
Net revenue after taxation			79,921		59,985
Total return before distributions			**194,594**		**379,165**
Distributions	6		(79,997)		(60,193)
Change in net assets attributable to unitholders from investment activities			**114,597**		**318,972**

Statement of Change in Net Assets Attributable to Unitholders
for the year ended 31 May 2019

	(£'000)	1.6.2018 to 31.5.2019 (£'000)	(£'000)	1.6.2017 to 31.5.2018 (£'000)
Opening net assets attributable to unitholders		**3,587,169**		**2,766,033**
Amounts received on issue of units	1,374,932		678,012	
Amounts paid on cancellation of units	(242,317)		(180,391)	
		1,132,615		497,621
Dilution adjustment		4,742		4,543
Change in net assets attributable to unitholders from investment activities (see above)		114,597		318,972
Retained distribution on accumulation units		2,912		—
Closing net assets attributable to unitholders		**4,842,035**		**3,587,169**

Financial Statements (continued)

Balance sheet

as at 31 May 2019

	Notes	31.5.2019 (£'000)	31.5.2018 (£'000)
Assets			
Fixed Assets			
Investments		4,471,052	3,482,268
Current assets:			
Debtors	7	86,109	31,703
Cash and cash equivalents	8	402,348	141,017
Total other assets		**488,457**	**172,720**
Total assets		**4,959,509**	**3,654,988**
Liabilities			
Distribution payable	9	(85,496)	(63,814)
Other creditors	9	(31,978)	(4,005)
Total other liabilities		**(117,474)**	**(67,819)**
Total liabilities		**(117,474)**	**(67,819)**
Net assets attributable to unitholders		**4,842,035**	**3,587,169**

Notes to the Financial Statements

for the year ended 31 May 2019

1 Accounting policies

a) Basis of preparation

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

b) Recognition of revenue

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

(ii) Bank interest, 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 have been valued at 12 midday, on 31 May 2019. 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 rate at midday at the end of the accounting period.

Notes to the Financial Statements (continued)

for the year ended 31 May 2019

1.1 Distribution policies

h) Basis of distribution

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

The Operating Expenses are paid directly by Liontrust and will be reimbursed by the Fund at a flat rate per year out of its net asset values.

i) Stock dividends

The ordinary element of a stock dividend is recognised as revenue to the extent that its market value is equivalent to the 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

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

Notes to the Financial Statements (continued)

for the year ended 31 May 2019

2 Net capital gains

	1.6.2018 to 31.5.2019 (£'000)	1.6.2017 to 31.5.2018 (£'000)
Non-derivative securities	114,638	319,184
Foreign currency	39	—
Transaction charges	(4)	(4)
Net capital gains	**114,673**	**319,180**

3 Revenue

	1.6.2018 to 31.5.2019 (£'000)	1.6.2017 to 31.5.2018 (£'000)
Money Market Deposits	560	—
UK dividends	115,729	87,380
Distributions from Regulated Collective Investment Schemes:		
Offshore investment revenue*	363	427
Bank interest	100	45
Stocklending income	186	297
Total revenue	**116,938**	**88,149**

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

Notes to the Financial Statements (continued)

for the year ended 31 May 2019

4 Expenses*

	1.6.2018 to 31.5.2019 (£'000)	1.6.2017 to 31.5.2018 (£'000)
Payable to the Manager, associates of the Manager, and agents of either of them:		
Manager's periodic charge	32,932	25,876
Fixed rate administration fees	2,847	–
Registration fees	272	1,499
	36,051	**27,375**
Payable to the Trustee, associates of the Trustee, and agents of either of them:		
Safe custody fees	35	166
Trustee's fees	105	366
Wire charges	–	3
	140	**535**
Other expenses		
Administration fee	819	16
Audit fee**	3	11
Printing fee	2	6
Other expenses	2	221
	826	**254**
Total expenses	**37,017**	**28,164**

* Please refer to page 44 for details of the new fee structure.

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

Notes to the Financial Statements (continued)

for the year ended 31 May 2019

5 Taxation

	1.6.2018 to 31.5.2019 (£'000)	1.6.2017 to 31.5.2018 (£'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 (2018: lower) than the standard rate of corporation tax in the UK for authorised unit trusts of 20% (2018: 20%). The differences are explained below:

	1.6.2018 to 31.5.2019 (£'000)	1.6.2017 to 31.5.2018 (£'000)
Net revenue before taxation	79,921	59,985
Corporation tax at 20% (2018: 20%)	15,984	11,997
Effects of:		
Expenses not deductible for tax purposes	–	1
Movement in excess management expenses	7,162	5,478
UK dividends	(23,146)	(17,476)
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 £29,533,660 (2018: £22,372,046) in relation to excess management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the year or the prior year.

Notes to the Financial Statements (continued)

for the year ended 31 May 2019

6 Distributions

	1.6.2018 to 31.5.2019 (£'000)	1.6.2017 to 31.5.2018 (£'000)
Final	88,408	63,814
Amounts deducted on cancellation of units	2,809	1,814
Amounts received on issue of units	(11,220)	(5,435)
	79,997	**60,193**

Reconciliation of net revenue after taxation to:		
Net revenue after taxation	79,921	59,985
Fees paid from capital	35	169
Add: Income brought forward from previous year	23	11
Movement in net income as a result of conversions	18	51
Less: Income carried forward	–	(23)
Net distribution for the year	**79,997**	**60,193**

Details of the distribution per unit are set out in the table on page 40.

7 Debtors

	31.5.2019 (£'000)	31.5.2018 (£'000)
Accrued revenue	22,853	14,790
Amounts receivable on creation of units	63,150	4,477
Sales awaiting settlement	106	12,436
Total debtors	**86,109**	**31,703**

Notes to the Financial Statements (continued)

for the year ended 31 May 2019

8 Cash and cash equivalents

	31.5.2019 (£'000)	31.5.2018 (£'000)
Cash at bank	291,556	141,017
Term deposits*	110,792	–
Total cash and cash equivalents	**402,348**	**141,017**

* As at year end 31 May 2018 short term deposits were disclosed in the Portfolio Statement.

9 Creditors

	31.5.2019 (£'000)	31.5.2018 (£'000)
Distribution payable		
Net distribution payable	85,496	63,814
	85,496	**63,814**
Other creditors		
Accrued expenses	3,724	2,890
Amounts payable on cancellation of units	23,775	1,115
Purchases awaiting settlement	4,479	–
Total other creditors	**31,978**	**4,005**

10 Contingent liabilities

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

11 Related party transactions

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

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

The charges made by the Manager during the year are disclosed in note 4 on page 28. At 31 May 2019 £3,708,773 was due to the Manager (2018: £2,488,618). This amount is included under 'Accrued expenses' in note 9.

During the year the Manager received creation monies of £245,126,428 (2018: £683,447,007) and paid cancellation monies of £1,386,152,471 (2018: £182,205,280). At 31 May 2019 there were creation monies due from the Manager of £63,149,963 (2018: £4,477,334). There were cancellation monies due to the Manager of £23,775,048 at 31 May 2019 (2018: £1,115,124).

Notes to the Financial Statements (continued)

for the year ended 31 May 2019

12 Securities on loan

The aggregate value of securities on loan at 31 May 2019 is £nil (2018: £160,267,176). The identities of these counterparties are listed in the counterparties table below. Securities on loan are included in the portfolio statement and no account is taken of any collateral held. The aggregate value of collateral held at 31 May 2019 is £nil (2018: £173,600,438). This collateral is listed in the collateral held table below.

The gross earnings and fees paid for the year are £273,858 (2018: £436,536) and £87,635 (2018: £139,691).

Counterparties	31.5.2019 (£'000)	31.5.2018 (£'000)
Bank of Nova Scotia	–	3,735
Barclays Capital Securities	–	6,339
Citigroup Global Markets	–	657
Credit Suisse Securities (Europe)	–	6,038
Deutsche Bank	–	57,501
Goldman Sachs International	–	19,357
HSBC Bank	–	17,150
ING Bank	–	10,052
Merrill Lynch International	–	22,126
Societe Generale	–	2,532
UBS	–	14,780
	–	**160,267**

Collateral held	31.5.2019 (£'000)	31.5.2018 (£'000)
Bonds	–	33,028
Equities	–	94,467
Cash	–	46,105
	–	**173,600**

Notes to the Financial Statements (continued)

for the year ended 31 May 2019

13 Risk management policies

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

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

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

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

Market price risk

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

Furthermore, because a significant proportion of the companies in which the Fund invests is traded on the Alternative Investment Market (AIM) 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 ACD in pursuance of its investment objective and policy as set out in the prospectus.

As at 31 May 2019 and 31 May 2018 the overall market exposure for the Fund was as shown in the Portfolio Statement, other than for derivatives where the exposure could be greater. The Fund is exposed to market price risk as the assets and liabilities of the fund are listed on stock exchanges and their prices are subject to movements both up and down that would result in an appreciation or depreciation in the fair value of that asset. The sensitivity of the Fund to market price risk is estimated below which shows the expected change in the market value of the Fund when a representative market index changes by 15%. These percentage movements are based on the Investment Adviser's estimate of reasonably possible market movements over the course of a year and uses an industry standard measure (Beta) to estimate the amount a Fund has previously changed when that corresponding market index has moved taking into account the Fund's historic correlation to the representative index's movements over the last three years using monthly returns. This analysis assumes that the historic relationships between the portfolio's holdings and the representative index are a valid approximation of their future relationship and that the characteristics of the portfolio and the market have been broadly unchanged over the three years.

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%. As at 31 May 2018, had the representative market index increased/decreased by 15% the resulting change in the value of the Net Asset Value was expected to have been an increase/a decrease of 12.3%.

* No derivatives were held in the current year.

Notes to the Financial Statements (continued)

for the year ended 31 May 2019

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.

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

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

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 can be significantly affected by currency risk movements as some of the assets and income are denominated in currencies other than sterling, which is the company's functional and reporting currency.

The 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 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 2019

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 linked to LIBOR. As a result, the fund is not subject to significant amounts of risk due to fluctuations in the prevailing level of market interest rates. Therefore, no interest rate sensitivity analysis has been prepared for these.

Liquidity risk

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

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

Counterparty credit risk

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

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

The Fund will only buy and sell financial instruments through parties that have been approved as acceptable by the Manager. 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 Depositary is responsible for the safe-keeping of assets and has appointed the Bank of New York Mellon, S.A./N.V., London Branch ("BNYMSA") as its global custodian. The long term credit rating of the parent company of the Depositary and Custodian, The Bank of New York Mellon Corporation, as at 31 December 2018 was A (Standard & Poor's rating).

Notes to the Financial Statements (continued)

for the year ended 31 May 2019

13 Risk management policies (continued)

Counterparty credit risk (continued)

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

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

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

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

Maturity profile of financial liabilities

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

Short-term debtors and creditors

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

Fair value of financial assets and liabilities

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

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

Notes to the Financial Statements (continued)

for the year ended 31 May 2019

14 Portfolio transaction costs

For the year ending 31 May 2019

Purchases	Transaction Value (£'000)	Commissions (£'000)	%	Taxes (£'000)	%
Equities 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	(£'000)	(£'000)	%	(£'000)	%
Equities 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%**	

Notes to the Financial Statements (continued)

for the year ended 31 May 2019

14 Portfolio transaction costs (continued)

For the year ending 31 May 2018

Purchases	Transaction Value (£'000)	Commissions (£'000)	%	Taxes (£'000)	%
Equities instruments (direct)	683,427	523	0.08	2,812	0.41
Total purchases	**683,427**	**523**		**2,812**	
Total purchases including transaction costs	**686,762**				

Sales	(£'000)	(£'000)	%	(£'000)	%
Equities instruments (direct)	241,539	154	0.06	–	–
Total sales	**241,539**	**154**		**–**	
Total sales net of transaction costs	**241,385**				
Total transaction costs		**677**		**2,812**	
Total transaction costs as a % of average net assets		**0.02%**		**0.09%**	

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 0.33% (2018: 0.48%).

Notes to the Financial Statements (continued)

for the year ended 31 May 2019

15 Fair value of financial assets and financial liabilities

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

Valuation of financial investments

31.5.2019	Assets (£'000)	Liabilities (£'000)
Quoted prices for identical instruments in active markets	4,471,052	–
Valuation techniques using observable market data	–	–
Valuation techniques using non–observable data*	–	–
	4,471,052	**–**

31.5.2018	Assets (£'000)	Liabilities (£'000)
Quoted prices for identical instruments in active markets	3,472,026	–
Valuation techniques using observable market data	10,242	–
Valuation techniques using non–observable data	–	–
	3,482,268	**–**

* The Fund held shares in Bond International Software, valued at Nil.

16 Post balance sheet events

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

17 Unit classes

For the year ending 31 May 2019

	Opening units	Units issued	Units redeemed	Units converted	Closing units
Advised Income	1,864,411	599,378	(242,529)	(9,800)	2,211,460
Institutional Accumulation	–	81,819,844	(4,548,841)	75,582,776	152,853,779
Institutional Income	805,787,843	227,453,790	(48,535,186)	(13,214,229)	971,492,218
Mandate Income	–	327,497,196	(7,392,071)	(245,125)	319,860,000
Retail Income	50,695,703	6,934,025	(5,859,498)	(4,789,195)	46,981,035

Distribution Tables

for the year ended 31 May 2019

Final distribution

Group 1 - Units purchased prior to 1 June 2018
Group 2 - Units purchased 1 June 2018 to 31 May 2019

Accumulation units	Net Revenue Pence per unit	Equalisation Pence per unit	Distribution paid 31.7.2019 Pence per unit	Distribution paid 31.7.2018 Pence per unit
Institutional - Group 1*	1.90	–	1.90	n/a
Institutional - Group 2*	0.86	1.04	1.90	n/a

Income units	Net Revenue Pence per unit	Equalisation Pence per unit	Distribution paid 31.7.2019 Pence per unit	Distribution paid 31.7.2018 Pence per unit
Advised - Group 1	6.88	–	6.88	6.66
Advised - Group 2	4.04	2.84	6.88	6.66
Institutional - Group 1	7.94	–	7.94	7.67
Institutional - Group 2	5.01	2.93	7.94	7.67
Mandate Income - Group 1**	2.01	–	2.01	n/a
Mandate Income - Group 2**	1.13	0.88	2.01	n/a
Retail - Group 1	3.76	–	3.76	3.72
Retail - Group 2	2.92	0.84	3.76	3.72

* Units launched on 5 July 2018.

** Units launched on 4 June 2018.

Securities Financing Transactions

as at 31 May 2019

Return and cost

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

	Collective Investment Undertaking (£'000)	Manager of Collective Investment Undertaking (£'000)	Third Parties (e.g. lending agent) (£'000)	Total (£'000)
Securities lending				
Gross return	186	19	69	274
% of total	68%	7%	25%	100%
Cost*	–	–	–	–

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

Additional Information

Trust Deed: The Fund was established by a Trust Deed made between the Manager and the Trustee dated 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, providing you maintain a balance of £2,500. At its absolute discretion, the Manager may accept a lower minimum amount for the purchase and sale of units.

A contract note in respect of any purchase will be issued the day following the dealing date. Unit certificates will not be issued. Instructions to sell your units may be required to be given by telephone and then confirmed in writing to Liontrust Fund Partners LLP 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	1.12	Advised Income	1.00
Institutional Accumulation	Nil	Institutional Accumulation	0.87	Institutional Accumulation	0.75
Institutional Income	Nil	Institutional Income	0.87	Institutional Income	0.75
Mandate Income	Nil	Mandate Income	0.81	Mandate Income	0.65
Retail Income	up to 5	Retail Income	1.87	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. 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 page 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 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, other industry websites such as www.trustnet.com. Daily and historic Fund prices are available from our Dealing and Administration team on 0344 892 0349.

Capital Gains Tax: As an authorised unit trust, any capital gains made within the Fund is exempt from UK Capital Gains Tax. An individual investor is subject to capital gains tax on gains made on their investment, however an individual's first £12,000 of net gains on disposals in the 2019-2020 tax year are exempt from tax (2018-2019: £11,700).

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

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

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

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

	Headcount	Total Remuneration (£000)
Manager UK Staff*	42	4,814
of which		
Fixed remuneration	42	3,283
Variable remuneration	42	1,531
UCITS Aggregate Remuneration Code Staff**	8	3,702
of which		
Senior Management	2	1,256
Other code staff/risk takers	6	2,446

* 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)

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

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

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

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

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

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

Changes to the Company: The Manager has appointed the Bank of New York Mellon (International) Limited ("BNYM") to provide administration services for the Fund, replacing DST Financial Services Europe Limited as Registrar and State Street Bank & Trust Company as Fund Accountant. The costs incurred in changing Registrar and Fund Accountant cover such things as contractual termination costs, legal expenses in negotiating new administration contracts, costs and expenses in relation to the operational transition of administration services, and these costs will be borne by the funds affected, via the Administration Fees collected by the Manager from the Fund, with the exception that BNYM will contribute £379,339 to the Manager in relation to these costs. It is expected that the BNYM contribution will therefore either reduce or not require an increase in the amount payable by the Fund via the Administration Fees. The payment to the Manager will be made in two equal tranches in September 2019 and March 2020, and under certain circumstances may be repayable, in full or in part, to BNYM if the administration contracts are terminated.

From 1 September 2018 the following changes took effect:

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

From 1 May 2019, the following change took effect:

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

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

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LIONTRUST