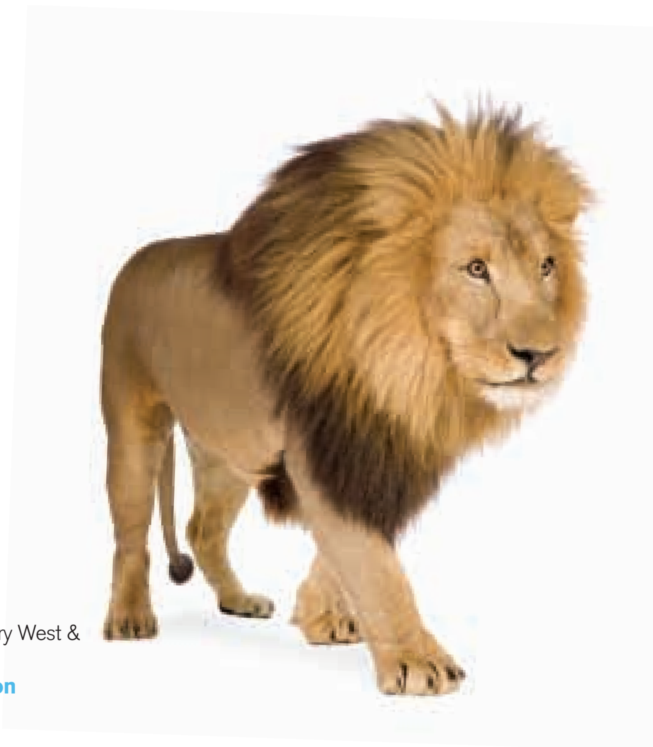
LIONTRUST EUROPEAN GROWTH FUND

MANAGER'S SHORT FINAL REPORT
FOR THE YEAR ENDED 30TH APRIL 2013



Managed by James Inglis-Jones, Gary West & Samantha Gleave in accordance with
The Liontrust Cashflow Solution

THE LIONTRUST CASHFLOW SOLUTION

LIONTRUST EUROPEAN GROWTH FUND IS MANAGED BY **JAMES INGLIS-JONES**, **GARY WEST** AND **SAMANTHA GLEAVE** IN ACCORDANCE WITH THEIR INVESTMENT PROCESS FOR EUROPEAN EQUITY PORTFOLIOS, **THE LIONTRUST CASHFLOW SOLUTION**.

This Fund aims to provide long-term capital growth through investment in a concentrated portfolio of mainly European companies (excluding the UK), broadly equally weighted. It invests in companies with strong cash flows which we believe are likely to beat investors' low profit expectations. Cash flows provide an accurate guide to future profits growth. They reveal valuable information about a company's investment decisions and its managers' prudence in recognising reported profits. The concentration of the portfolio could mean that the Fund will be volatile when compared with its benchmark. There are no limits on geographical or industrial sector exposures, which will not closely mirror that of the benchmark.

MARKET ENVIRONMENT

Fund Review

The divergence of stock market returns and economic fundamentals which we referred to in the interim report accelerated during the second half of the Fund's financial year with the market returning 19.1% against a backdrop of continued downward revisions to economic growth in Europe. Over the course of the year under review the MSCI Europe ex UK index returned 26.9% and it was the second half of the year that provided most of the gain. The Fund's return was disappointing relative to the market, returning 18.6%, lower than the index by 8.3%. The year to the end of April 2013 presented the investment process with a particularly difficult set of circumstances which we outline in this report. The long term record of the process remains strong with a return in this Fund since launch in 2006 of 49.3% relative to a 20.3% return from the market.

All ten industry sectors in the index rose in the second half, led by a 25.7% gain in the healthcare sector, which was also the best performing sector over the year, returning 39.6%. This was closely followed by the finance sector's 33.1% return. Defensive sectors – telecoms and utilities – lagged the overall market but were nonetheless in positive territory for the year, up 3.1% and 4.6% respectively.

The Greek election result in June and the bailout of Spanish banks provided European equity markets with impetus in the initial stages of the Fund's year. In September 2012, investor sentiment was further buoyed by the European Central Bank's (ECB) Outright Monetary Transactions programme - a new bond buying plan aimed at containing the borrowing costs of peripheral European economies such as Italy and Spain. These surges of optimism driving markets higher were delivered against a backdrop of worsening economic conditions and political uncertainty in the US and Europe.

October saw the release of Spanish banks stress test results (estimating a EUR60bn capital deficit), as well as the downgrade of five Spanish regions by Moody's. Uncertainty surrounding the US election was resolved early in November as Barack Obama recorded an election victory which was more comfortable than many had expected, boosting appetite for risky assets as hopes increased that an agreement would be reached to tackle the US automatic budget measures referred to as the 'fiscal cliff'. As it became clear that a deal would not be finalised before the end of 2012, however, markets gave back some gains.

Equity markets began 2013 on a firm footing as markets rallied on January's first day of trading to reflect progress made by US policymakers to postpone the 'fiscal cliff'. In February, Moody's cut the UK's credit rating by one notch in a move that was widely anticipated. Sterling had already weakened significantly against major currencies including the euro during early 2013. Three of the nine MPC members – including Governor Mervyn King – voted for an increase in quantitative easing at February's meeting, which added further momentum to sterling weakness. This trend relative to the euro reversed sharply in March, as the Cypriot banking crisis brought financial system troubles in the eurozone firmly back into focus. A deal was eventually reached in which Cyprus was able to find the necessary capital to ensure further ECB funding in a move which will see its two main banks restructured and depositors with over EUR100,000 – as well as bondholders – incurring losses. The uncertainty that surrounded the negotiation process, and the subsequent fears that the deal may act as a template for future eurozone bailouts led to a bout of equity market weakness, particularly in peripheral nations.

The Fund's financial year concluded with a volatile April, as Chinese GDP data proved weaker than expected, leading to an associated sell-off in commodities (particularly precious metals). This was more than offset by the Bank of Japan's announcement of a huge stimulus programme, which included a commitment to an increased asset purchase programme through to 2015, which provided support to global equity markets through to the end of the Fund's year.

Analysis of Portfolio Return

The most rewarding investment strategy in the year under review was a focus on large capitalisation stocks on inexpensive valuations as measured by metrics such as their accounting net asset value and after tax profits relative to market capitalisation. Usually, these measures of valuation perform well in an environment of rising optimism and enthusiasm for risky assets and the year to 30 April 2013 was no exception to this general rule. On a sector level financials performed particularly well as it was this sector that presented investors with the most widespread opportunities to find large capitalisation stocks that were cheap on net assets and the most obvious beneficiaries of the ECB's initiatives.

Measures of company quality - such as the return generated on invested capital by a business – fared poorly in this environment as investors focused on lower quality cheap assets that provided them with greater exposure to recovery. Strategies such as the Cashflow Solution that focus on cash generation and cash flow relative to market capitalisation did not perform particularly well. In fact, it is difficult to imagine a more adverse set of circumstances for our investment process than one of investor preference for large capitalisation cheap financials at the expense of higher quality and cash generative businesses, given our equally weighted method of portfolio construction and a process which has shunned financials in the current environment.

We know from empirical studies of the long term delivery of returns in the stock market that whilst our process is capable of delivering extremely attractive returns measured over reasonable time periods, it is punctuated by short periods when it does not work well. Usually our process will tend to struggle in periods of great optimism and enthusiasm for risky assets. Adopting an equally weighted strategy is often a mitigating factor in these environments as smaller capitalisation stocks tend to outperform larger capitalisation stocks as investor optimism builds. However with large capitalisation financials the primary beneficiaries of central bank activity, our equally weighted construction was not helpful. However, our enthusiasm for the logic of equally weighted portfolios remains undiminished – our analysis of historic returns suggests that an equally weighted portfolio offers the greatest potential in the medium to long term to benefit from our investment process.

Reviewing the performance of individual stocks in the portfolio over the course of the year under review the best returns were generated by *Amadeus* (+61.0%), *Diasorin* (+56.0%) and *TGS Nopec* (+50.0%). *Amadeus* is a transaction processor for the global travel and tourism industry identified as an attractive asset by our investment process owing to its significant capacity to generate cash flow. As a beneficiary of growth in air traffic over the course of 2012 and against the backdrop of a roll out of new airline IT tools, *Amadeus* reported good results that were well received by investors. More importantly from our own perspective, the group sustained the record levels of cash flow achieved in 2011 into 2012. *Diasorin*, the Italian developer and manufacturer of in vitro diagnostics, recovered strongly from poor performance in the prior year owing to concerns surrounding the impact of competition on the company's Vitamin D franchise. Over the course of 2012 and the first quarter of 2013 investors warmed to the potential for sales to be driven by the company's Liaison XR diagnostics tool and the launch of its molecular diagnostics strategy. Finally *TGS Nopec*, the Norwegian provider of geoscience data to the oil and gas industry, continued to benefit from an environment of high levels of exploration investment. Over the course of 2012 the growth in the industry continued to positively surprise investors, driving both profit estimates and the share price higher over the course of the year.

The most disappointing returns from stocks in the portfolio subsequent to the May review were *Umicore* (+2.1%), *Wacker Chemie* (+2.9%) and *Infineon* (+0.9%). Both *Umicore* and *Infineon* suffered from lacklustre trading over the course of the year. *Umicore* lowered its guidance in its first half results as a result of end market weakness and this was not well received by investors. *Infineon* – also as a result of end market weakness – particularly in the automotive sector, had to lower full year profits guidance causing the share price to suffer as a result. We persisted with our investment in *Wacker Chemie* over the course of the year despite the well-publicised difficulties in the polysilicon industry as we continued to believe the group offered valuation attractions. Although towards the end of the year there were nascent signs of recovery in polysilicon prices, the backdrop of suggestions in Europe that punitive tariffs should be imposed on Chinese exporters of solar panels was troubling for investors in the group.

Portfolio Activity and Construction

Portfolio activity followed the usual seasonal pattern in the Fund's 2013 financial year. The European company annual reports and accounts that form the basis of our research into cash flows tend to be released between March and April. We apply our Cashflow Solution qualitative research techniques to this material, before making changes to the portfolio, typically starting in May. In our report on the first half of the Fund's financial year we outlined the changes to the portfolio implemented as a result of our review of 2012 report and accounts and the impact these changes had on our sector and country positions, noting in particular a shift in emphasis towards high quality growth. Nine holdings were sold in the first half of the year: Assa Abloy, Bucher, Mobistar, NCC, Red Electrica, Scania, Schindler, SMA Solar Technology and Wartsila. In the same period, we initiated positions in 17 companies: *Aker Solutions, Amadeus, Anheuser Busch, ASML*, CFAO, *Christian Hansen, Infineon, JM, Leoni, Nobel Biocare, Novo Nordisk, Oerlikon, Pirelli, Roche, SAP, TGS Nopec*, and *Umicore*.

In the second half of the Fund's financial year trading activity was limited. The holding in CFAO, the French exporter (primarily to Africa) of consumer goods, pharmaceuticals, and auto parts was sold following a recommended takeover approach at EUR37.5/share from Japanese company Toyota Tsusho. We also initiated a position in *Vivendi*, the French media & telecoms conglomerate owing to a combination of its attractive cash flows and restructuring potential.

Outlook

After the strong performance of value investment styles over the course of the year under review the dispersion of valuations in the European equity market has narrowed dramatically. Logically this implies that contrarian value strategies have less potential to perform well. In addition the elevated expectations of recovery now embedded in valuations may cause investors to scrutinise financial results as they unfold over the course of the year with more care – looking for tangible evidence of improvement. We would welcome a greater focus on fundamental outcomes as it would provide a more constructive environment for our process.

European equities in relative terms continue to offer attractive value. Valuation measures such as the cyclically-adjusted price earnings ratio continue to point to Europe as the most attractive developed market world-wide. Our own analysis on the valuation attached to corporate cash flows in different markets avoids some of the pitfalls of the different sector composition of international markets and supports the view that Europe is the most attractive developed market across the globe. At a point in time when company fundamentals may assume more importance in the minds of investors, investors are – through this Fund – able to access a list of European stocks on attractive share valuations which generate significant cash flows and are run by company managers committed to using that cash flow intelligently. We believe that this approach has the potential to prove rewarding for investors able to commit to the Fund for the medium to long term.

James Inglis-Jones, Gary West & Samantha Gleave
Fund Managers
June 2013

Past performance is not a guide to future performance.

FUND PROFILE

Investment Objective and Policy

The investment objective of the Fund is to provide long-term capital growth through a concentrated portfolio of investments primarily in European companies excluding the UK.

Although the Fund may invest in all economic sectors in all parts of the world, it is intended that it will currently invest primarily in equities in companies incorporated in any European Economic Area ("EEA") Member State, together with Switzerland, but other than the UK, which are listed on a recognised stock exchange of an EEA Member State or Switzerland. 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.

Investment Approach

This Fund aims to provide long-term capital growth through investment in a concentrated portfolio of mainly European companies (excluding the UK), broadly equally weighted. It invests in companies with strong cash flows which we believe are likely to beat investors' low profit expectations. Cash flows provide an accurate guide to future profits growth. They reveal valuable information about a company's investment decisions and its managers' prudence in recognising reported profits. There are no limits on geographical or industrial sector exposures, which will not closely mirror that of the benchmark.

Risk Profile

The Fund is invested exclusively in European securities (excluding the UK). The principal risks identified by the manager are those associated with foreign currency risk and stock market investments. The concentration of the portfolio could mean that the Fund's returns are volatile when compared with its benchmark the FTSE All-World Developed Europe ex UK Index.

Risk and Reward Profile

The Risk disclosures are in accordance with CESR guidelines and are consistent with rating disclosed in the KIID.

Lower Risk
Typically lower rewards

Higher Risk
Typically higher rewards

1	2	3	4	5	6	7

- The indicator is based upon historical data and may not be relied upon to gauge the future risk profile of the Fund.
- The risk and reward indicator shown is not guaranteed and may shift over time.
- The lowest category (1) does not mean 'risk free'.
- The Fund's risk and reward category has been calculated using the methodology set by the European Commission. It is based upon the rate by which the Fund's value has moved up and down in the past.
- The Fund is categorised 6 primarily for its exposure to securities (equity) of larger and smaller European companies.

The risk and reward indicator does not take into account the following Fund risks:

- That a company may fail thus reducing its value within the Fund.
- Overseas investments carry a higher currency risk. They are valued by reference to their local currency that may move up or down when compared to the currency of the Fund, which is pounds sterling.
- The Fund will comprise both growth and value companies as appropriate.
- The Fund may, under certain circumstances, make use of derivative instruments but it is not intended that their use will materially affect volatility.

Ongoing Charges Figure*

	31st October 2012	30th April 2012
Class R income units	1.74%	–
Class I income units	0.99%	–
Class A income units	1.23%	–

* To comply with the requirements of the UCITS IV Directive the Total Expense Ratio has been replaced with an Ongoing Charges Figure. I class launched 1st November 2010 and A class launched 17th December 2012.

PERFORMANCE

Net Asset Values *pence per unit**			
	30th April 2013	30th April 2012	% Change
Class R income units	127.85	109.46	16.80%
Class I income units	128.20	109.89	16.66%
Class A income units	129.01	–	–

Distributions *pence per unit**		
	30th April 2013	30th April 2012
Class R income units	1.89	2.24
Class I income units	2.78	3.03
Class A income units	1.08	–

The Fund distributes income once per annum, on 30th June. The ex-dividend date is 1st May each year. Income can be reinvested to purchase units at no initial charge.

* I class launched 1st November 2010 and A class launched 17th December 2012.

Total Return (%)					
	6 months	1 year	3 years	5 years	Since launch*
Liontrust European Growth Fund	14.2	18.6	24.4	24.3	49.3
MSCI Europe Ex UK Index	19.1	26.9	17.6	8.3	20.3
Quartile Ranking	4	4	2	2	1

Discrete Years' Performance (%)					
To previous quarter, 12 months ending:	Mar '09	Mar '10	Mar '11	Mar '12	Mar '13
Liontrust European Growth Fund	-30.3	50.7	20.4	-9.4	13.9
MSCI Europe Ex UK Index	-31.4	46.0	6.1	-11.4	16.8

* Launched 15th November 2006.

Up-to-date past performance information may be obtained from the Fund's most recent fact sheet, available on our website (**www.liontrust.co.uk**) or by calling our Administration and Dealing team on **0844 892 1007**.

Past performance is not a guide to future performance. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally subscribed. The Fund holds a concentrated portfolio which could mean that it will be volatile when compared to its benchmark index. The issue of units in the Fund may be subject to an initial charge, which is likely to have an impact on the realisable value of the investment, particularly in the short term. Equity investment should always be considered as long term.

Performance data source: Financial Express, bid-to-bid basis, total return as at 30.04.13 (based on retail units).

PORTFOLIO

Geographical Breakdown			
	MSCI Europe Ex UK Index	Liontrust European Growth Fund	
Country	30th April 2013 %	30th April 2013 %	30th April 2012 %
Austria	0.64	3.28	5.20
Belgium	2.70	5.94	2.58
Denmark	2.62	6.12	0.00
Finland	1.82	0.00	5.37
France	22.55	10.59	8.82
Germany	20.39	13.97	6.50
Greece	0.08	0.00	0.00
Ireland	0.63	3.42	6.44
Italy	4.99	6.10	2.74
Netherlands	5.90	3.16	0.00
Norway	2.03	12.63	8.23
Portugal	0.40	3.56	4.94
Spain	6.71	7.46	6.99
Sweden	7.45	13.20	28.12
Switzerland	21.10	10.41	8.87
		99.84	**94.80**
Cash (including SSgA* cash deposits)		**0.16**	**5.20**
Net Assets	**100.00**	**100.00**	**100.00**

* State Street Global Advisors

Top 10 Holdings

As at 30th April 2013	%	As at 30th April 2012	%
Roche	4.07	Lundin Petroleum	7.05
Amadeus IT	4.03	Paddy Power	6.44
Publicis	3.92	Wartsila	5.37
OC Oerlikon	3.70	Andritz	5.20
Wincor Nixdorf	3.67	Fred Olsen Energy	5.02
DiaSorin	3.57	Schindler	4.98
Jeronimo Martins	3.56	Jeronimo Martins	4.94
Anheuser-Busch InBev	3.55	Assa Abloy	4.90
SAP	3.54	Publicis	4.68
TGS Nopec Geophysical	3.53	AstraZeneca	4.46
Total	**37.14**	**Total**	**53.04**

FURTHER INFORMATION

Liontrust Asset Management Plc

Liontrust, which was founded in 1994, is an independent fund management group whose shares are quoted on the London Stock Exchange. Liontrust manages £3.3 billion (as of 17 June 2013) in UK, European and Asian equities and Global Credit. We take pride in having a distinct culture and approach to asset management. This comes through the following factors:

- Liontrust is an independent business with no corporate parent.
- Liontrust specialises in those asset classes where it believes it has particular expertise and fund managers have strong long-term track records rather than try to be all things to all people.
- Liontrust uses rigorous investment processes that are robust and scaleable to ensure they are capable of delivering superior long-term performance. Using these investment processes ensures the way we manage money is predictable and repeatable.
- We aim to provide a culture that gives all fund managers the freedom to manage their portfolios according to their own investment processes and market views
- We have created an environment in which fund managers can focus on running money and not get distracted by other day-to-day aspects of running a fund management business, particularly administration.
- We aim to treat clients, investors, members, employees and suppliers fairly and with respect. Therefore, we are committed to the principles of Treating Customers Fairly (TCF) and they are central to how we conduct business across all our functions.

Further Information, Report & Financial Statements

Further information on the Fund and its portfolio, the Manager's Long Final and Interim Reports & Financial Statements and the Prospectus and Key Investor Information Documents (KIIDs) are available free of charge from the Manager upon request, and from www.liontrust.co.uk.

The Manager

Liontrust Fund Partners LLP, 2 Savoy Court, London WC2R 0EZ.

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Authorised and regulated by the Financial Conduct Authority.

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LIONTRUST

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