LIONTRUST

LIONTRUST UK GROWTH FUND

MANAGER'S SHORT INTERIM REPORT
FOR THE PERIOD ENDED 30TH JUNE 2013

Managed by Anthony Cross &
Julian Fosh in accordance with
The Liontrust Economic Advantage

THE LIONTRUST ECONOMIC ADVANTAGE

LIONTRUST UK GROWTH FUND IS MANAGED BY **ANTHONY CROSS** AND **JULIAN FOSH** IN ACCORDANCE WITH THEIR INVESTMENT PROCESS FOR UK EQUITY PORTFOLIOS, **THE LIONTRUST ECONOMIC ADVANTAGE**.

This unit trust is managed to produce long-term capital growth using a disciplined investment approach which aims to identify UK companies whose competitive strengths ("Economic Advantage") allow them to sustain a higher than average level of profitability for longer than expected. Economic Advantage is the collection of distinctive characteristics of a company that competitors struggle to reproduce. These assets deliver pricing power, protect margins, and thus drive sustained profitability. The market rewards excess profitability, particularly when it is higher than consensus expectations. The Fund invests in a portfolio of competitive UK companies which we believe will surprise the market with the profits growth.

MANAGER'S INVESTMENT REPORT

The Market

The UK equity market started the six month period to 30 June 2013 strongly, gaining on the first trading day of 2013 as global markets rallied on the news that a deal had been reached to postpone the 'fiscal cliff' automatic budget cuts in the US. A benign environment for equities persisted until eurozone fears re-emerged in March as the Cypriot banking sector faltered. A bailout agreement was eventually reached, but the final terms created fears that the losses incurred by bondholders and some depositors could represent a template for any future eurozone bailouts. Despite this, equity markets continued to push upwards into May and – in the face of a mid-month wobble on concern over Chinese manufacturing data and comments from the Chairman of the Federal Reserve, Ben Bernanke, suggesting a 'tapering' of the Federal Reserve's quantitative easing (QE) – held on to gains to complete the FTSE All-Share index's 12th consecutive month in positive territory. At the end of the review period, the UK equity market suffered a correction with the FTSE All-Share falling 5% in June following further indications from Bernanke that QE could be reduced before the end of 2013, sooner than market expectations.

The Fund

In the six months to 30 June 2013 the Fund returned 9.3%, ahead of the FTSE All-Share gain of 8.5% but behind the average 10.5% return from the peer group of funds in the IMA UK All Companies sector.

Initially, in a continuation of the environment that prevailed in the fourth quarter of 2012, high-beta sectors (which are particularly sensitive to fluctuations in market sentiment) were among those that performed best. The Fund's lack of significant exposure to rallying sectors such as banks held back relative returns in January. This trend became less dominant as the period progressed and the Fund's low exposure to banks protected it from sector volatility as the Cypriot banking crisis emerged, while the lack of mining exposure was beneficial in an environment of increasing concern over global growth rates.

We are comfortable with the operational progress made by all holdings within the Fund, including those facing tough market conditions or weak share prices. In general we will continue to hold companies through such periods, so long as the economic advantage characteristics we have identified – intellectual property, strong distribution network or recurring revenue - remain intact. Short term periods of share price weakness per se give no cause for us to consider selling an investment, nor would we necessarily seek to 'lock in' substantial share price gains. In keeping with this investment approach, turnover was low over the six months, with no holdings sold from the portfolio and one position initiated – *Advanced Computer Software*.

Looking at the absolute performance of portfolio holdings, the distribution of returns was favourable, with six companies registering double-digit falls but 28 making double-digit gains.

A number of performance trends were observable. The positions in *Rightmove* (+46.2%) and *Savills* (+25.1%) both benefitted from signs of improvement in the housing market and the government's Budget announcement of further schemes designed to boost home ownership. In May, *Rightmove* released a trading statement for the first four months of 2013 which revealed growth in web traffic levels of over 20% year-on-year, an average revenue per advertiser (estate agents) increase of £70/month to about £600/month, and stated that April was the site's busiest month ever.

Inter-dealer brokers *Tullett Prebon* (+32.6%) and *ICAP* (+26.2%) performed well as both companies signalled that, following a period of tough market conditions, signs of improvement were emerging. This was followed in June by a jump in market volatility – a factor that typically boosts their transaction volumes. Asset manager *Hargreaves Lansdown* (+31.3%) is a natural beneficiary of rising equity markets as management fees increase in line with assets, while *Fidessa Group* (+32.4%) also stands to benefit as a provider of portfolio management software to the industry.

Some of the Fund's large-cap names made more modest, but still significant, contributions to performance with, for example, the share prices of consumer goods stocks *Reckitt Benckiser* and *Unilever* strengthening as investors rotated into staples in the first quarter of 2013. Other companies – such as *Domino's Pizza* (+32.2%) – simply benefitted from the ongoing successful execution of growth plans despite unhelpful economic conditions.

The worst performing holding over the period was *Petrofac*, a provider of services to the oil and gas industry whose shares fell 24.6% on a combination of a weaker energy demand outlook, growing political risks in the regions in which it operates, and a higher-than-expected level of capital investment in its offshore business. Shares in mid-cap engineer *Renishaw* were another large underperformer, down 24.9%. The company has flagged its expectation that 2013 sales will struggle to match the previous year's level due to a number of large orders in China related to the consumer electronics market which are unlikely to be repeated.

Outlook

For much of the period we observed a disconnect between an uncertain economic picture being painted by many companies in their outlook statements and the robust gains made by the stockmarket. In our opinion, the market's reaction to the prospect of a reduction in US quantitative easing activity later this year illustrates that not all of the gains made by equity markets can be attributed to improving fundamentals; the threat of the removal of this monetary stimulus resulted in a drop in market levels in June as investors were forced to consider the fair value for these assets in the absence of such structural support from central banks.

In our opinion, there are currently substantial opportunities for investment in UK companies that have desirable economic advantage characteristics. We do not take macroeconomic bets when managing the Fund. We try to look through cyclicality when investing in companies and aim to identify companies whose strengths allow them to prosper in a low growth environment and which we believe are capable of delivering superior returns across the cycle. We remain committed to adopting this long-term approach to the assessment of stocks, which means that we may invest in a company even if it faces temporarily tough market conditions, and we adhere to the requirement that holdings possess at least one of the three economic advantage characteristics (intellectual property, a strong distribution network and recurring revenues). Our long-term view is reflected in the low levels of stock turnover in the Fund.

Anthony Cross & Julian Fosh
Partners, Liontrust Investment Partners LLP
August 2013

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

FUND PROFILE

Investment Objective and Policy:

The investment objective of Liontrust UK Growth Fund is to provide long-term capital growth through a portfolio of mainly United Kingdom ("UK") equities but with the option of investing part of the portfolio overseas.

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 securities in companies listed on the International Stock Exchange of the UK and Ireland. The Fund may also invest in shares issued by companies incorporated in any European Economic Area ("EEA") Member State other than the UK which are listed on a recognised stock exchange of an EEA Member State. 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 unit trust is managed to produce long-term capital growth using a disciplined investment approach which aims to identify UK companies whose competitive strengths ("Economic Advantage") allow them to sustain a higher than average level of profitability for longer than expected. Economic Advantage is the collection of distinctive characteristics of a company that competitors struggle to reproduce. These assets deliver pricing power, protect margins, and thus drive sustained profitability. The market rewards excess profitability, particularly when it is higher than consensus expectations. The Fund invests in a portfolio of competitive UK companies which we believe will surprise the market with the profits growth.

FUND PROFILE CONTINUED

Risk Profile:

The Fund is invested exclusively in UK equities. It is invested in stocks throughout the FTSE All-Share Index, with no sector bias. The principal risks are those associated with stock market investments.

Risk Rating

The Risk disclosures are in accordance with ESMA 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 UK 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.
- Any company which has high overseas earnings may carry a higher currency risk as for valuation purposes, local receipts may require conversion into 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.

FUND PROFILE CONTINUED

Ongoing Charges Figure (%)	30th June 2013	31st December 2012
Class A income units	1.15%	1.17*
Class I income units	0.90%	0.92
Class R income units	1.65%	1.68

* A class launched 17th December 2012.

Fund Calendar	
Ex-dividend date	1st January
Income payment date	End of February
Accounting period ends	31st December

PERFORMANCE

Net Asset Values *pence per unit*	30th June 2013	31st December 2012	% Change
Class A income units	290.36	265.07*	9.54%
Class I income units	289.32	263.62	9.75%
Class R income units	285.03	260.95	9.23%

Distributions *pence per unit*	31st December 2012	31st December 2011
Class A income units	n/a*	n/a*
Class I income units	5.41	4.27
Class R income units	3.44	3.56

The Fund distributes income once per annum, at the end of February. The ex-dividend date is 1st January each year. Income can be reinvested to purchase units at no initial charge.

* A class launched 17th December 2012.

Total Return as at 30.06.2013 (%):	6 months	1 year	3 years	5 years	Since manager inception†
Liontrust UK Growth Fund	9.3	17.1	58.9	35.6	122.3
FTSE All-Share Index	8.5	17.9	43.5	38.2	93.9
Quartile Ranking	3	3	1	3	1

Discrete Years' Performance:

To previous quarter, 12 months ending:	Jun 09	Jun 10	Jun 11	Jun 12	Jun 13
Liontrust UK Growth Fund	-33.5	28.2	31.9	2.9	17.1
FTSE All-Share Index	-20.5	21.1	25.6	-3.1	17.9

† Anthony Cross and Julian Fosh took over management of the Fund on 25th March 2009.

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 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 (based on retail units).

PORTFOLIO

Top Ten Holdings:

As at 30th June 2013	%	As at 31st December 2012	%
Royal Dutch Shell 'B' Shares	4.47	Royal Dutch Shell 'B' Shares	5.17
GlaxoSmithKline	4.45	GlaxoSmithKline	4.19
Diageo	3.56	Diageo	3.91
British American Tobacco	3.42	BP	3.61
Unilever	3.39	British American Tobacco	3.60
BP	3.33	Unilever	3.48
BG	3.24	AstraZeneca	3.21
PayPoint	3.11	PayPoint	2.80
AstraZeneca	2.97	Compass	2.70
Reckitt Benckiser	2.72	BG	2.68
Total	**34.66**	**Total**	**35.35**

Sector Weightings

	FTSE All-Share Index	Liontrust UK Growth Fund	
	30th June 2013 %	30th June 2013 %	31st December 2012 %
Basic Materials	7.46	–	–
Consumer Goods	14.21	13.09	13.58
Consumer Services	10.24	11.52	12.20
Financials	23.67	6.44	6.74
Healthcare	7.58	9.19	9.26
Industrials	9.72	25.12	27.06
Oil & Gas	15.29	14.61	15.73
Technology	1.51	8.61	7.26
Telecommunications	6.45	–	–
Utilities	3.88	–	–
Short Term Deposits	–	1.37	–
		89.95	**91.83**
Cash (including SSgA* cash deposits)		**10.05**	**8.17**
		100.00	**100.00**

* State Street Global Advisors

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 30 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 Document (KIID) 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.

Administration & Dealing enquiries **0844 892 1007**
Facsimile **0844 892 0560**
Email **admin@liontrust.co.uk**
Website **www.liontrust.co.uk**

Authorised and regulated by the Financial Conduct Authority.

LIONTRUST FUND PARTNERS LLP
2 Savoy Court, London WC2R 0EZ

Liontrust & Fund Enquiries **+44 (0)20 7412 1700**
Administration & Dealing Enquiries **0844 892 1007**
Administration & Dealing Facsimile **0844 892 0560**
Administration & Dealing Email **admin@liontrust.co.uk**
info@liontrust.co.uk
www.liontrust.co.uk