

MANAGED BY
GARY WEST &
JAMES INGLIS-JONES

THE LIONTRUST CASHFLOW SOLUTION

OVERVIEW

Objective

The investment objective of Liontrust European Absolute Return Fund is to achieve a positive absolute return for investors through a portfolio of investments primarily in equities and equity-related securities (including derivatives for investment purposes) of European companies.

It is expected that a positive absolute return is capable of being generated under all market conditions. The Fund will not be benchmarked against any European equity index.

Process

The Fund is managed in accordance with a proprietary, tried and tested investment process, *The Liontrust Cashflow Solution*, researched and documented by the managers at Liontrust.

Strong company cash flows (after investment spending) are a good indicator of strong growth in future reported profits. Conversely, weak cash flows often predict a collapse in reported profits.

We buy companies generating strong cash flows and sell those with weak cash flows.

Performance

Gary and James have a proven track record of returns from both long and short investments in their European long/short portfolios.

Market-neutral returns

Careful portfolio risk controls to deliver consistent returns uncorrelated with stock market movements and with low volatility. Currency exposures hedged to sterling.

Fund Managers

Gary West
James Inglis-Jones



Gary and James joined Liontrust in March 2006 and have managed the Liontrust European Absolute Return Fund since its launch on 8 July 2009

Gary West

- 24 years' investment experience
- Previously worked at Touche Remnant, Henderson Investors, Fleming Investment Management, JP Morgan Fleming and Polar Capital

James Inglis-Jones

- 14 years' investment experience
- Previously worked at Fleming Investment Management, JP Morgan Fleming and Polar Capital

The Liontrust European Absolute Return Fund returned -2.1% against a European market that fell -2.3%. The main contributing factors to market weakness were renewed concerns regarding Spain's debt load and the impact of austerity measures on economic growth and weaker than expected economic data from the US and China. Despite market weakness there still appeared to be some appetite for cyclical with a simple price momentum strategy delivering exceptionally strong returns. The strong returns to price momentum implied that the surge of low quality cyclical in evidence in the first quarter of the year spilled over in some sectors into April. The performance of sectors in the month delivered a mixed message. The strongest performers were delivered by Metals & Mining (+4.2%), Pharmaceuticals (+2.5%) and Furniture & Apparel (+2.5%), whilst Telecoms (-16.1%), Energy (-14.3%) and Banks (-8.4%) fared poorly.

The best performing long positions in the portfolio in April were *Andritz* (+7.8%), *Fred Olsen* (+6.3%) and *Hays* (+5.9%). *Andritz* performed strongly ahead of their first quarter results due in early May. *Fred Olsen* performed strongly but there was little corporate news to support this price development. *Hays*, however, reported an exceptionally strong third quarter trading statement that caused analysts to upgrade their full year profit estimates.

Whilst over the course of the first quarter of the year the poor returns of the fund were driven by the shift by investors into low quality cyclical, a development which heavily penalised the short book, the cause of the negative return in April was better explained by stock specific factors. In particular poor first quarter results from *Mobistar* (-23.5%) and *Wincor Nixdorf* (-20.6%) were the main cause of the negative return in the month. *Mobistar* issued disappointing first quarter results that drew attention to increasing pressure from regulation and intensifying competition. *Wincor Nixdorf* issued weak second quarter results and announced a restructuring programme to reduce costs in order to cope with lower capital spending by their Banking clients.

We have made good progress with our annual review. We have almost completed our review of new long opportunities and over the course of May it is likely we will implement a number of changes to the portfolio to bring it in line with our recent findings. In the long book the process in 2012 will continue to emphasize higher quality growth as these stocks continued to figure prominently in our list of companies with strong and attractive cash flows. In the short book we will ensure that any exposure to lower quality cheap cyclical is monitored carefully as this is often the source of vulnerability for the process when investors deliberately seek higher risk assets.

The predicted beta of the Fund at month end was 0.05 and the predicted volatility 4.83%. The gross position ended the month at 142% and the net position was 13%.

Discrete Years' Performance (%)

To previous quarter, 12 months ending:	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12
Liontrust European Absolute Return Fund	-	-	-	5.2	2.7
IMA Absolute Return	3.1	-3.4	10.9	3.3	-0.4

Source: Financial Express, bid-to-bid, total return.

Cumulative Performance (%)

	1 Month	3 Months	6 Months	1 Year	YTD	*Since Launch
Liontrust European Absolute Return Fund	-2.13	-5.89	-7.72	-1.46	-8.79	-1.67
IMA Absolute Return	-0.48	0.30	0.75	-1.20	1.11	10.45
Quartile ranking	4	4	4	3	4	4

Source: Financial Express at 30 April 2012, total return, bid-to-bid.
*Launch date 08.07.2009.

Past performance is not a guide to future performance. Investment in the Fund carries the risk of potential total loss of capital. Investment in the Fund involves a foreign currency, it may be subject to fluctuations in value due to movements in exchange rates.

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

Fund Information

Launch Date	08.07.09
Fund Size	£44.13m
Sedol Code	B610044
Bloomberg Code	LIONEAR LN
ISIN Code	GB00B6100440

Key Information

Initial Charge	5%
Annual Charge	1.5%
Performance Fee	20% of outperformance of cash hurdle (3m LIBOR). High water mark basis.

Portfolio and Typical Risk Parameters

Typical Position Size	1-5%
Market Cap. Range	Min €1bn (at investment)
Beta	+/- 0.2
Gross Market Exposure	150%-200%
Volatility	c. 8%
Net Market Exposure	+/- 20%

Market cap. breakdown

	Long	Short	Net
Large (over €10bn)	13.60%	-3.59%	10.01%
Mid (over €1bn)	59.65%	-55.32%	4.33%
Small (upto €1bn)	4.23%	-5.58%	-1.34%
Total	77.48%	-64.48%	13.00%

Top 10 Long Equity Exposures

Paddy Power	4.07%
Next	4.01%
Aggreko	3.53%
Fred Olsen Energy	3.26%
Reckitt Benkiser	3.23%
Andritz	3.07%
ITV	3.01%
Ashmore	3.01%
Jeronimo Martins	2.97%
IMI	2.95%

How to Buy the Fund – Distribution Channels

Liontrust European Absolute Return Fund is available through a wide range of fund platforms, primarily those shown below. For full details of all the Fund's 3rd party distributors, please contact your Liontrust Sales Manager.

- AXA Elevate
- Cofunds
- FundsNetwork
- HL Vantage
- Novia
- Nucleus
- Pershing Nexus Funds
- Skandia Investment Solutions
- Transact

Geographic Exposure

	Long	Short	Net
Austria	3.07%	-2.84%	0.23%
Belgium	1.55%	0.00%	1.55%
Denmark	0.00%	0.00%	0.00%
Finland	0.00%	-1.52%	-1.52%
France	2.42%	-13.11%	-10.69%
Germany	3.71%	-14.75%	-11.04%
Ireland	4.07%	0.00%	4.07%
Italy	1.60%	-0.97%	0.63%
Netherlands	0.00%	0.00%	0.00%
Norway	5.41%	-1.03%	4.38%
Portugal	2.97%	0.00%	2.97%
Spain	4.65%	-3.63%	1.02%
Sweden	10.27%	-2.12%	8.15%
Switzerland	2.38%	-12.22%	-9.84%
United Kingdom	35.38%	-12.29%	23.09%

Sector Breakdown

	Long	Short	Net
Basic Materials	8.46%	-4.82%	3.64%
Consumer Goods	5.65%	-6.97%	-1.32%
Consumer Services	16.55%	-4.96%	11.59%
Financials	7.97%	-9.11%	-1.14%
Healthcare	4.18%	-5.45%	-1.27%
Industrials	19.54%	-21.69%	-2.15%
Oil & Gas	6.96%	-5.28%	1.68%
Technology	1.45%	-2.99%	-1.54%
Telecommunications	1.55%	-1.66%	-0.11%
Utilities	5.17%	0.00%	5.17%

Risk Characteristics

Number of long positions	30
Number of short positions	46
Long positions as a % of NAV	77.48%
Short positions as a % of NAV	-64.48%
Net market exposure	13.00%
Gross market exposure	141.96%

Risk Measures

Predicted Beta	0.05
Predicted Volatility	4.83%

PREDICTED BETA: The amount the Fund is expected to gain or lose when the benchmark moves by one unit. It takes account of the relative risk of the Fund as well as the correlation of movements between the Fund's current holdings and the benchmark.

PREDICTED VOLATILITY: Represents a measure of the amount that the fund NAV is expected to fluctuate around its average return; the smaller the volatility value the lesser the expected degree of fluctuation around its eventual average movement.

Source: Liontrust Investment Partners LLP as at 30.04.2012.

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