

MANAGED BY
ANTHONY CROSS &
JULIAN FOSH
IN ACCORDANCE WITH
THE LIONTRUST
ECONOMIC ADVANTAGE

OVERVIEW

The Fund

Liontrust UK Smaller Companies Fund invests in a portfolio of UK smaller companies, aiming for capital growth in excess of the FTSE Small Cap. Index.

Objective

The investment objective of the Liontrust UK Smaller Companies Fund is to provide long-term capital growth by investing primarily in smaller UK companies displaying a high degree of Intellectual Capital and employee motivation through equity ownership in their business model. To achieve this aim, the Fund will invest in a portfolio of UK smaller companies' shares, the majority of which are contained within the FTSE Small Cap., the FTSE Fledgling and the AIM indices. Companies within the Fund that graduate into the FTSE 250 Index will be held until a suitable replacement company is found.

Process

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 smaller companies with distinctive, intangible strengths that competitors struggle to reproduce. In a world of relentless global competition, it is these strengths that enable some companies to grow their market share, protect prices and margins and thus drive sustained profitability. In addition, the Fund only buys companies with properly motivated managers through a minimum 3% director equity ownership.

Fund Managers

Anthony Cross
Julian Fosh



Anthony Cross

- 20 years' investment experience
- Previously worked at Schroder Investment Management
- Joined Liontrust in September 1997
- Managed the Liontrust UK Smaller Companies Fund since launch on 8th January 1998

Julian Fosh

- 27 years' investment experience
- Previously worked at Scottish Amicable Investment Managers, Britannic Investment Managers, Scottish Friendly Assurance Society and Saracen Fund Managers
- Joined Liontrust in June 2008
- Managed the Liontrust UK Smaller Companies Fund since June 2008

After a strong start to the year, the broader UK market's March performance was more subdued with the FTSE All-share Index returning -1%. Smaller companies, however, bucked the trend with a rise in the FTSE Small Cap. Index excluding investment trusts of over 2%. Global economic data was choppy than previous months and concerns about European sovereign debt re-emerged with Spain particularly in the spot light.

The Fund performed well with a rise of 2%. It was a busy month for newsflow and it was pleasing to see our companies producing robust results accompanied by promising outlooks. Information technology in the form of software and services remains an important area for the Fund. Companies with particular niches such as *Advanced Computer Software* (healthcare and business services), *EMIS* (healthcare), *IDOX* (local government) and *Tikit* (legal) continue to do well. There were also good results from a diverse range of companies including *Brainjuicer* (market research), *Brooks Macdonald* (private client fund management), *Concurrent* (specialist computer boards) as well as two newer holdings *Bioquell* (healthcare) and *Plexus* (oil services). There were no notable disappointments.

The underlying strength of the global economy remains difficult to read given the exceptional levels of government financial intervention. The strength of our investment process, particularly in such a time of uncertainty, is its unrelenting focus on finding companies that have created strong barriers to competition through their intangible intellectual capital strengths. They have good pricing power and many operate in markets that are experiencing structural growth.

Figures/Results

Past performance is not a guide to future performance. Investment in the Fund carries the risk of potential total loss of capital. Some smaller companies may be less liquid than larger companies and the price swings in smaller company funds may therefore be greater than in larger company funds.

Discrete Years' Performance (%)

To previous quarter, 12 months ending:	Mar 08	Mar 09	Mar 10	Mar 11	Mar 12
Liontrust UK Smaller Companies Fund	-21.8	-22.6	59.4	27.1	9.9
FTSE Small Cap. ex ITs Total Return Index	-29.0	-44.6	68.7	15.2	-0.1

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

Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years	YTD	*Since launch
Liontrust UK Smaller Companies Fund	13.2	15.4	9.9	122.6	34.8	13.2	332.7
FTSE Small Cap. ex ITs Total Return Index	18.2	14.0	-0.1	94.1	-23.7	18.2	62.6
IMA UK Smaller Companies sector average	14.1	14.4	1.3	107.2	8.2	14.1	217.8
Quartile ranking	3	2	1	2	1	3	1

Source: Financial Express at 31st March 2012, total return, bid-to-bid.
*Launch date 8th January 1998.

LIONTRUST UK SMALLER COMPANIES FUND

Fund Information

Fund Information

Launch Date	08.01.98
IMA Sector	IMA UK Smaller Companies
Benchmark Index	FTSE Small Cap. ex ITs Total Return Index
Fund Size	£83m
Number of Holdings	45

Key Information

Initial Charge	5%
Annual Charge	1.50%
Minimum Initial Investment	£1,000
Minimum Additional Investment	£1,000
Total Expense Ratio (as at 31.10.11)	1.66%
Ex-Dividend Date	1 May
Distribution Date	30 June
Sedol Code	0742078
Bloomberg Code	RVMMBOI LN
ISIN Code	GB0007420788

Sector Breakdown[†]

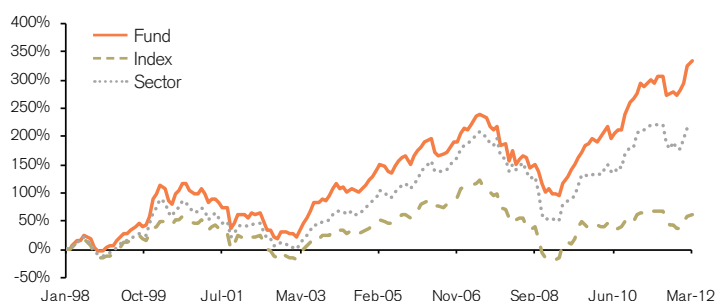
Basic Materials	0.0%
Consumer Goods	0.0%
Consumer Services	11.6%
Financials	11.3%
Health Care	5.6%
Industrials	27.0%
Oil & Gas	0.9%
Technology	33.7%
Telecommunications	0.0%
Utilities	0.0%

How to Buy the Fund – Distribution Channels

Liontrust UK Smaller Companies 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.



Performance since launch (08.01.98)[†]



Past performance is not a guide to future performance.

Asset Allocation[†]

FTSE 100 Index	0.00%
FTSE Mid 250 Index	5.83%
FTSE Small Cap. Index	14.74%
FTSE Fledgling Index	2.82%
FTSE AIM	61.64%
Others	5.00%
Cash	9.97%

Top 10 Holdings[†]

NCC	4.1%
RWS Holdings	4.1%
iomart	4.0%
Brooks Macdonald	3.9%
Dialight	3.9%
Next Fifteen Communications	3.4%
Charles Stanley	3.3%
Murgitroyd	3.3%
Tikit	3.0%
Paypoint	3.0%

Risk Ratios (annualised over 36 months)

Alpha	14.89%
Beta	0.59
Information Ratio (Relative)	0.17
Annual Volatility	19.50%

ALPHA : A measure of the portfolio's expected return when the benchmark produces no movement.

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 and the benchmark.

INFORMATION RATIO (RELATIVE) : The overall Fund returns minus the benchmarked returns and divided by the tracking error. Shows the value added, in units of assumed risk, of the fund manager's decisions in excess of what the market would have delivered.

ANNUAL VOLATILITY : Demonstrates how widely the range of returns from the Fund differed from its average return during the review period: the smaller the volatility value the lesser the degree of fluctuation around its eventual average movement over the period.

[†]Source: Financial Express as at 31st March 2012.

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