

LIONTRUST CONTINENTAL EUROPE FUND

**Manager's Long Interim Report and Financial Statements
for the period ended 31st October 2009**



LIONTRUST
INVESTMENT FUNDS LIMITED

LIONTRUST CONTINENTAL EUROPE FUND

MANAGER

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E-mail: info@liontrust.co.uk
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Authorised and regulated by the Financial Services Authority.

DIRECTORS OF THE MANAGER

N. R. Legge (<i>Managing Director</i>)	J. H. Harbottle
V. K. Abrol (<i>Chief Operating Officer</i>)	A. C. Morrison
A. W. P. Cross	M. P. Morrissey
W. M. Dwerryhouse	R. J. Page †
C. J. Edmeades	R. A. Stead
R. C. Farquhar	S. G. Watson *

* Resigned as director 31st August 2009

† Resigned as director 30th October 2009

INVESTMENT ADVISER

Liontrust European Investment Services Limited, 2 Savoy Court, London WC2R 0EZ
Authorised and regulated by the Financial Services Authority.

TRUSTEE

State Street Trustees Limited, 20 Churchill Place, London E14 5HJ
Authorised and regulated by the Financial Services Authority.

REGISTRARS

The Bank of New York Mellon Europe Ltd, 12 Blenheim Place, Edinburgh EH7 5JH
Authorised and regulated by the Financial Services Authority.

AUDITORS

PricewaterhouseCoopers LLP, PO Box 90, Erskine House, 68-73 Queen Street, Edinburgh EH2 4NH

LIONTRUST CONTINENTAL EUROPE FUND

INVESTMENT PROFILE

This unit trust 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.

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MANAGER'S INVESTMENT REPORT

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.

Change to the Fund's Investment Objective and Policy

There has been a minor change to the Fund's Investment Objective. In common with the Fund's Prospectus and its promotional literature to date, the objective now describes the Fund's portfolio as "concentrated", on account of the number of stocks in which the portfolio has tended to invest over the life of the Fund. As the concentrated nature of the portfolio has been regularly communicated to investors to date, this change to the Objective is effective immediately. Please note that the change has been made to clarify the Objective; it has no impact on the way the Fund's managers invest and their construction of the portfolio.

Liontrust Asset Management PLC

Liontrust Asset Management PLC is the holding company of a specialist equities fund management group providing process driven portfolio management services to a range of funds which are targeted primarily at professional investors and advisers. The Group currently manages approximately £1.2 billion in segregated institutional accounts, pooled pension funds, unit trusts, offshore funds, an absolute return fund, personal equity plans and individual savings accounts on behalf of 12,000 investors.

Performance of the Fund

Between 1st May 2009 and 31st October 2009 an investment in the Fund rose by 20.9%. This compares with a rise of 20.7% in the FTSE All-World Developed Europe (Ex UK) Index, the benchmark index.

From the Fund's launch on 15th November 2006 to 31st October 2009, an investment in the Fund rose by 9.0%, compared to a rise of 0.4% by the FTSE All-World Developed Europe (ex UK) Index.

Source: Financial Express, bid to bid basis, total return. Past performance is not a guide to future performance.

Fund review

The Fund made a strong gain in the six months to 31 October returning +20.9%. This was slightly better than the FTSE All-World Developed Europe Index (ex-UK), the Fund's benchmark, which returned +20.7%, although slightly worse than the +21.5% returned by the peer group. The third year anniversary of the Fund was reached on 15 November 2009. This report relates to the six months ending 31 October 2009 and at that point, since inception in November 2006, the Fund had returned +9.0%, the Index +0.4% and the peer group -2.3%. Therefore, since inception the Fund is 11.3% ahead of the peer group and 8.6% ahead of the Index, placing it in the top decile of funds in the IMA Europe (excluding UK) sector. The good return has been achieved steadily over the course of the past three years with strong relative returns in the year to 31 October 2007 and in the year to end October 2009 whilst flat against the peer group and Index in the year to 31 October 2008.

The dominant feature of the period under review has been the sharp recovery in markets as investors responded to growing optimism that economic collapse had been averted and recovery was underway. The very wide valuation dispersion evident in the market in March contracted significantly over the course of the six months under review. A high level of valuation dispersion in the market is normally a signal that markets are poised to favour value stocks. There is a simple logic to this – greater dispersion indicates more widespread opportunities to find mispriced stocks. 2009 proved no exception to this general rule.

LIONTRUST CONTINENTAL EUROPE FUND

MANAGER'S INVESTMENT REPORT

Since March, returns to value based strategies have been staggering. From the market lows established in March, European markets have risen 57%. Bernstein Research calculate that the return to stocks they define as 'low quality' value have outperformed the market by 37%. In other words a portfolio exclusively comprised of these types of stocks has nearly doubled. At the same time, the market has shunned growth strategies, and in particular those growth strategies focused on trend-following for example. Companies with both the highest upgrades to analysts' 2009 earnings forecasts and with the best historic twelve month price performance (a well known trend-following growth strategy combining earnings revisions and price momentum) underperformed the rising market by 20% from the March lows. This extreme divergence in the fortunes of two widely followed investment strategies has presented particular risks for active fund managers. So far this year there has been plenty of opportunity to transform longer-term performance records for better or worse.

So how has *The Liontrust Cashflow Solution* process used to run the Fund coped in this environment? Investors familiar with our process will know that we carry out detailed research into a company's report and accounts to identify conservatively run, cash-generative businesses with low analyst and investor expectations. When we find these companies we buy them for the portfolio adopting an equally-weighted approach (in contrast to a weighting scheme based on the size of a company that gives more emphasis in the portfolio to bigger companies). We believe that, so far this year, our process has coped very well in a difficult environment. Since the beginning of the year, the Fund is up 40.4% against an Index (FTSE All-World developed Europe (ex UK)) return of 29.6% and the universe of our peers, up 33.4%. All of the outperformance generated this year accrued in the first quarter of the year, before the recovery. As markets have recovered, the Fund has slightly lagged the market. Why? Because whilst returns have benefited from exposure to cheap stocks measured by our yardstick of value - cash flow yield - the stocks you own are not the kind of cheap stocks that Bernstein define as 'low quality' that have been the predominant driving force of the market recovery. 'Low quality' stocks have typically poor cash flow and are heavily indebted; the companies you own by contrast have good cash flows and often have no debt.

Changes to the portfolio

In our annual review we reported to you a number of changes to your portfolio that occurred as a consequence of our analysis of annual report and accounts. We commented that the Fund had become more concentrated and turnover had reduced relative to our experience in 2008. Subsequent to the end of April we made some further modest changes to the portfolio. We sold *Wincor Nixdorf*, *Lufthansa*, *Outotec*, *EADS*, *Oesterreich Post* and *Konecranes*. These stocks failed to qualify for inclusion in the portfolio based upon our analysis of their cash flow characteristics. At the same time we purchased four new stocks: *Gamesa*, *MTU Aero Engines*, *Sodexo* and *Eramet*.

Gamesa is the third largest wind turbine manufacturer in the world. Demand for the group's product has suffered this year from a combination of customer caution - against a backdrop of economic recession - and the lack of credit availability. We were attracted to *Gamesa*, however, on the basis of its strong cash generation and the clear focus on cash flow demonstrated by the company managers. *MTU* develops and manufactures engines and offers commercial engine services and support. Apart from the obvious attraction of buying a company on a cash flow yield of 18%, like *Gamesa*, we found that the company managers of *MTU* were focused on working capital control and cash generation. Indeed the remuneration of the company managers of *MTU* is partially dependent upon cash flow targets being met. This gave us reassurance that the company managers would do their best to sustain the strong cash flow record of the group.

We have invested in *Sodexo* in the past and were pleased to see the company score in the best quintile of our measures this year. *Sodexo* is structurally highly cash generative, owing in part to their service and gift voucher business that requires customers to provide cash up front for services yet to be provided. *Eramet* is a mining and metallurgical group with the main focus of the group on the mining of nickel and manganese. The company is approximately one third family owned and has historically generated significant cash flows resulting in 20% of group net assets in cash. Unlike some of their counterparts, *Eramet's* capital spending programme appears well controlled and the group have expressed a determination to fund future internal investments entirely from their own resources.

LIONTRUST CONTINENTAL EUROPE FUND

MANAGER'S INVESTMENT REPORT

Outlook

With the vast bulk of annual results behind us we are unlikely to change the portfolio very much until next year's annual review. We commented in our last review that the portfolio had shifted from a growth to a value style and this shift has undoubtedly helped performance of the Fund in 2009. The equally weighted structure of the Fund has also helped. Valuation dispersions have now contracted in the market from an extreme position but remain high. This should mean that value styles continue to perform well. However, it is also likely that we will see a return to success of the trend-following strategies that have fared so poorly so far this year. Why? Because investor expectations for many stocks have risen significantly from the market lows reached in early Spring. Whether a company achieved earnings expectations mattered less in the early stages of stock market recovery. However, with the markets almost 60% higher, it is likely to become much more important for companies to justify higher investor expectations by meeting their profit expectations. The objective of *The Liontrust Cashflow Solution* is to identify the hidden clues in cash flow to predict unexpected changes in company profits. We believe the process is well positioned to do well in a market where investors become more discerning.

James Inglis-Jones & Gary West
Directors, Liontrust European Investment Services Limited

December 2009

Manager's Report

The manager's investment report, together with information on the authorised status of the Fund, the objectives and policy of the Fund and the information on page 1, comprise the Manager's Report.

LIONTRUST CONTINENTAL EUROPE FUND

NET ASSET VALUE PER UNIT AND COMPARATIVE TABLE

Net Asset Values and Total Expense Ratios

The table below shows the number of income units in issue, the total net asset value of the property of the Fund, the net asset value per unit and the total expense ratio:

Date	Units in issue	Net asset value of Fund	Net asset value per unit	Total expense ratio *
30th April 2008	43,292,000	£48,302,239	111.57 pence	1.59%
30th April 2009	43,159,170	£35,392,193	82.00 pence	1.62%
31st October 2009	42,147,360	£41,789,629	99.15 pence	1.62%

The calculation of the net asset value for the current period uses bid prices in line with the requirements of the Statement of Recommended Practice (SORP) for Authorised Funds issued by the IMA in November 2008.

* The Total Expense Ratio ('TER') is the total expenses paid by the Fund in the period annualised against its average net asset value.

The Portfolio Turnover Rate (PTR) for the period is 32.47% (30th April 2009: 57.35%).

The PTR is a ratio that reflects the volume of trading within the Fund during the period. The PTR is the sum of all transactions in securities less the sum of all transactions in the Fund's units against the Fund's average net asset value.

The total purchases of the period are £7,254,622 (30th April 2009: £27,190,400). The total sales of the period are £9,825,017 (30th April 2009: £26,903,626).

Year	Highest offer (buying) price	Lowest bid (selling) price	Net income per unit	Net income per £1,000 invested at 15 November 2006
2006 (from 15.11)	105.80 pence	92.68 pence	-	-
2007	128.95 pence	99.50 pence	-	-
2008	123.29 pence	66.86 pence	3.19 pence	£31.90
2009 (to 31.10)	114.22 pence	67.39 pence	1.74 pence	£17.40

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.

LIONTRUST CONTINENTAL EUROPE FUND

UNITHOLDER NOTICE

Investment & Borrowing Powers - Investment in other Collective Investment Schemes


Paragraph 13 (e) of the Funds' Prospectus sets out the limitations for the Fund investing in other Collective Investment Schemes. We have amended the rule references in this clause of the Prospectus so that they reflect the COLL regulations of the FSA Handbook, which replaced the CIS regulations, as previously noted within this clause. Whilst this has the potential to widen the universe of available collective investment schemes available, it is not intended that this will affect the way the funds are currently invested. The investment limits have not changed.

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 Services Authority's Collective Investment Schemes Sourcebook and is categorised as a UCITS scheme.

CERTIFICATION OF THE ACCOUNTS BY THE MANAGER

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



Nigel Richard Legge

Managing Director



Vinay Abrol

Director

Liontrust Investment Funds Limited.

xx December 2009

LIONTRUST CONTINENTAL EUROPE FUND

PORTFOLIO STATEMENT

as at 31st October 2009 (Ordinary shares except where otherwise stated)

	Holding	Market Value £'000	Percentage of total net assets %
Listed Securites			
AUSTRIA			
(30/04/09: 2.22%)			
BELGIUM			
(30/04/09: 10.27%)			
Colruyt	10,125	1,454	3.48
CFE	27,957	1,006	2.41
Mobistar	35,821	1,543	3.69
		4,003	9.58
DENMARK			
(30/04/09: 3.64%)			
Topdanmark	16,044	1,426	3.41
		1,426	3.41
FINLAND			
(30/04/09: 7.21%)			
Tekla	200,656	1,189	2.85
		1,189	2.85
FRANCE			
(30/04/09: 15.59%)			
Alstom	34,943	1,518	3.63
Eramet	6,644	1,340	3.21
Publicis Groupe	69,077	1,637	3.92
Sodexo	39,122	1,406	3.36
Technip	48,382	1,915	4.58
Total	31,939	1,190	2.85
Vallourec	15,918	1,591	3.81
		10,597	25.36
GERMANY			
(30/04/09: 13.83%)			
MTU Aero Engines	47,150	1,375	3.29
Muenchener Rueckversicherungs	14,500	1,422	3.40
Wacker Chemie	20,044	1,813	4.34
		4,610	11.03

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PORTFOLIO STATEMENT

as at 31st October 2009 (Ordinary shares except where otherwise stated)

	Holding	Market Value £'000	Percentage of total net assets %
IRELAND			
(30/04/09: 4.04%)			
Paddy Power	103,963	2,028	4.85
Cash Deposits			
SSgA Cash Management Fund (£)*	110,850	111	0.27
SSgA Cash Management Fund (€)*	818,709	734	1.76
		<u>2,873</u>	<u>6.88</u>
NETHERLANDS			
(30/04/09: 7.62%)			
KAS Bank	72,621	885	2.12
Royal Dutch Shell	71,425	1,320	3.16
		<u>2,205</u>	<u>5.28</u>
NORWAY			
(30/04/09: 8.31%)			
Ekornes	183,008	2,036	4.87
Tandberg	87,376	1,421	3.40
		<u>3,457</u>	<u>8.27</u>
SPAIN			
(30/04/09: 4.39%)			
Bolsas y Mercados	81,497	1,700	4.07
Gamesa Corp Tecnologica	102,842	1,172	2.80
		<u>2,872</u>	<u>6.87</u>
SWEDEN			
(30/04/09: 7.07%)			
AstraZeneca	63,443	1,740	4.16
		<u>1,740</u>	<u>4.16</u>

LIONTRUST CONTINENTAL EUROPE FUND

PORTFOLIO STATEMENT

as at 31st October 2009 (Ordinary shares except where otherwise stated)

	Holding	Market Value £'000	Percentage of total net assets %
SWITZERLAND			
(30/04/09: 13.52%)			
Adecco	47,390	1,326	3.17
Interroll	6,518	1,119	2.68
Kuoni Reisen	4,918	1,016	2.43
Zurich Financial Services	13,409	1,903	4.55
		<u>5,364</u>	<u>12.83</u>
Portfolio of investments		40,336	96.52
Net other assets		<u>1,454</u>	<u>3.48</u>
Total net assets		<u><u>41,790</u></u>	<u><u>100.00</u></u>

All securities are approved securities traded on eligible securities markets, as defined by the Collective Investment Scheme sourcebook, unless otherwise stated.

* In order to maintain appropriate levels of interest received on any large cash balances held by the Fund, cash balances are reviewed on a daily basis and any excess cash is transferred into the SSgA Cash Management Fund. The units in the SSgA Cash Management Fund are readily transferable back into cash at any time as required for the operation of the Fund. This investment is a related party.

LIONTRUST CONTINENTAL EUROPE FUND

STATEMENT OF TOTAL RETURN

for the period ended 31st October 2009 (unaudited):

	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Income:				
Net capital gains/(losses)		6,883		(16,636)
Revenue	751		669	
Expenses	(314)		(343)	
Finance costs: Interest	-		(1)	
	<u>437</u>		<u>325</u>	
Net revenue before taxation				
Taxation	<u>(98)</u>		<u>(60)</u>	
Net revenue after taxation		<u>339</u>		<u>265</u>
Total return before equalisation		7,222		(16,371)
Finance costs: Equalisation		(7)		33
		<u>7,215</u>		<u>33</u>
Change in net assets attributable to unitholders from investment activities		<u><u>7,215</u></u>		<u><u>(16,338)</u></u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the period ended 31st October 2009 (unaudited):

	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Opening net assets attributable to unitholders		35,392		48,302
Amounts receivable on issue of units	1,867		13,107	
Amounts payable on cancellation of units	<u>(2,683)</u>		<u>(11,265)</u>	
		(816)		1,842
Stamp duty reserve tax		(1)		-
Change in net assets attributable to unitholders from investment activities		7,215		(16,338)
		<u>41,790</u>		<u>33,806</u>
Closing net assets attributable to unitholders		<u><u>41,790</u></u>		<u><u>33,806</u></u>

LIONTRUST CONTINENTAL EUROPE FUND

BALANCE SHEET

as at 31st October 2009 (unaudited):

	£'000	2009 £'000	£'000	2009* £'000
Assets				
Investment assets		40,336		34,582
Debtors	1,995		860	
Cash and bank balances	323		1,079	
Total other assets		<u>2,318</u>		<u>1,939</u>
Total assets		42,654		36,521
Liabilities				
Creditors	864		376	
Distribution payable on income units	-		753	
Total liabilities		864		1,129
Net assets attributable to unitholders		<u>41,790</u>		<u>35,392</u>

*Comparative figures are as at 30th April 2009.

LIONTRUST CONTINENTAL EUROPE FUND

ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for Financial Statements of Authorised Funds issued by the IMA in November 2008.

The presentation of these Financial Statements has been changed from the previous period to comply with the requirements of the IMA SORP (2008).

Changes from the SORP for Authorised Funds issued by the IMA in December 2005 include:

- Investments are reflected in the financial statements at the funds valuation point rather than requiring a revaluation based on a close of business value;
- Income from capital property is disclosed as net capital gains/(losses) and income from income property is disclosed as revenue;
- Summary of material portfolio changes are no longer required. The requirement to show changes in the composition of the portfolio during the period will be satisfied by the inclusion of portfolio statement comparatives, total purchases and sales, a portfolio turnover rate and a description of material changes in the portfolio composition as part of the review of investment activities by the manager;
- The portfolio statement no longer forms part of the audited financial statements. For this reason the portfolio statement has been moved to before the Statement of Total Return;
- Interim financial statements are a condensed version of the annual financial statements and no longer require notes to the financial statements.

Comparative figures have been restated where required in line with the new presentation requirements. There is no impact on the total return or the total assets of the Fund for either the current or prior period.

LIONTRUST CONTINENTAL EUROPE FUND

ADDITIONAL INFORMATION

Trust Deed: The Fund was established by a Trust Deed made between the Manager and the Trustee dated 6th September 2006.

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 income units only. 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 Investment Funds Limited may be carried out between 0830 and 1700 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 at all times. 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 1200 hours on each business day) following receipt of instructions. Instructions received before 1200 hours will be priced at 1200 hours that day, whilst those deals taken later in the day will receive the next dealing price which is fixed at 1200 hours on the following business day.

In the case of large deals of £15,000 and over, the Manager has the discretion to quote a special price within limits laid down under the Regulations.

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 immediately. Unit certificates will not be issued. Instructions to sell your units may be required to be given in writing to Liontrust Customer Services Team, PO Box 23850, Edinburgh EH7 5FY. A contract note confirming the instruction to sell will be issued immediately. Following receipt of a correctly completed Form of Renunciation, a cheque in settlement will be sent directly to you or your bank/building society in four business days. Liontrust does not make or accept payments to or from third parties unauthorised by the Financial Services Authority.

Management charges, spreads and yields: The initial charge of the Fund is 5% and the annual management fee is 1.5%. The Trust Deed permits these to be increased to a maximum of 7% and 2% respectively, with any proposed increases subject to three months' notice to unitholders. The difference between the bid and the offer prices is currently 6% which includes the initial charge.

The net estimated yield is currently 2.0%. This yield is calculated and published daily.

Certain other expenses are met by the Fund, all of which are detailed in the Prospectus.

Commission: Commission is payable to authorised intermediaries on purchases of units in the Fund at a rate of up to 3%. A discount is available when switching between Liontrust's range of unit trusts.

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, and the website of the Investment Management Association (the industry trade body), www.investmentuk.org. Daily and historic Fund prices are available from our Dealing and Administration team on 0844 892 1007.

Stamp Duty Reserve Tax: Stamp Duty Reserve Tax ("SDRT") is a 0.5% tax that is payable by the Trustee of a unit trust when unitholders sell their units in that unit trust. This may have an affect on you as the unitholder depending on how the unit trust manager treats this particular charge. Any SDRT liability incurred by the Trustee on Liontrust Continental Europe Fund is charged to the Fund, which could mean that less of your money will be invested for potential capital and income growth.

LIONTRUST CONTINENTAL EUROPE FUND

ADDITIONAL INFORMATION

Capital Gains Tax: As an authorised unit trust, the Fund is exempt from UK Capital Gains Tax. An individual's first £10,100 of net gains on disposals in the 2009-2010 tax year are exempt from tax.

Income Tax: UK tax resident individuals are entitled to tax credits in respect of dividend distributions received and are subject to income tax on the aggregate of the distribution and the tax credit. In the case of a distribution the current value of the tax credit is equal to one ninth of the net dividend received and the distribution plus tax credits are treated as the top slice of an individual's 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 to 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.

Corporate Unitholders: Ordinary dividends distributed by the Fund to corporate unitholders will be treated as part-franked investment income and part unfranked investment income, in the corporate unitholders' hands. The precise split will be calculated by the Manager and will be detailed on the distribution vouchers accompanying the distribution.

For unitholders chargeable to UK corporation tax, income allocations representing the UK dividends received by the Fund will not be subject to corporation tax in the unitholders' hands. Income allocations representing other types of income received by the Fund will be taxable as if they were annual payments received after the deduction of tax at the rate of 20 per cent of the gross distribution.

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. The annual management fee of the Fund is deducted from capital. Whilst this results in the dividend paid to investors being higher than would be the case were the annual management fee charged to income, the potential for capital growth may be reduced.



LIONTRUST

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