

**LIONTRUST FIRST GROWTH FUND**

**Manager's Long Final Report and Financial Statements  
for the year ended 31st December 2009**



**LIONTRUST**  
INVESTMENT FUNDS LIMITED

# LIONTRUST FIRST GROWTH FUND

## MANAGER

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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 30th August 2009

\*\* Resigned as director 31st October 2009

## INVESTMENT ADVISER

Liontrust 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 (International) 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 FIRST GROWTH FUND

## INVESTMENT PROFILE

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.

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# LIONTRUST FIRST GROWTH FUND

## MANAGER'S INVESTMENT REPORT

### Investment Objective & Policy

The investment objective of the 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.

### Liontrust Asset Management PLC

Liontrust Asset Management PLC is the holding company of a specialist equities fund management group. It provides 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. Its management covers segregated and pooled institutional fund accounts, unit trusts, offshore funds, absolute return funds and individual savings accounts on behalf of over 12,000 investors.

### Performance of the Fund

In the year to 31<sup>st</sup> December 2009 an investment in the Fund rose by 26.9%. This compares with a rise of 30.1% in the FTSE All-Share Index, the Fund's benchmark, and a rise of 30.1% in the average UK All Companies sector unit trust.

*Source: Financial Express, bid-to-bid basis, total return. Periods to 31.12.09. Past performance is not a guide to future performance.*

A dividend of 3.18 pence per unit will be distributed to unitholders at the end of February 2010.

### Investment Review

It is pleasing to report that the Fund performed strongly over the final quarter of 2009. Its return of 6.1% was 2.9% ahead of that of the average IMA UK All Companies fund, and placed it 16th out of 358 funds in the sector. The FTSE All-Share Index returned 5.5%, with much of the rise achieved during the final few days of the year. Despite this traditional 'Santa rally' (on typically low volumes), in general the quarter was characterised by a move away from riskier assets (even before events in Dubai). Big was beautiful again, with the FTSE 100 (+5.4%) trouncing the FTSE Mid 250 (+2.3%) and FTSE Small Cap. (down 7.7%).

This is, of course, in sharp contrast to the year as a whole, which saw the FTSE All-Share rise 30.1%, powered by particularly strong small and mid cap. performance (the FTSE Fledgling Index was up almost 80%, the FTSE Small Cap. rose by 57.7% and the Mid 250 was up 50.6%). The FTSE 100 rose by a *relatively* pedestrian 27.3%. The reason for such exuberance was the rising tide of expectation and realisation that economic recovery would finally get underway in 2009, which lifted all boats. The Fund's change of investment process from pure earnings revisions – and attendant extreme defensive positioning – to our current *Economic Advantage* process occurred within three weeks of (what turned out to be) the market low for 2009 in March. Whilst we moved to reposition the Fund to a less defensive stance, we did not, with the benefit of hindsight, do so quickly enough or to the fullest extent necessary to keep pace with the ferocious rally that ensued in Q2 and Q3. In consequence, Q4's outperformance was not quite enough to compensate for this, and for the year as a whole the Fund returned 26.9%, some 3.2% behind the All-Share Index, placing it 211th out of 340 peer group funds.

### Fund Activity

The basis of our investment process, *The Liontrust Economic Advantage*, is that all companies are not equal. Some companies, by virtue of intangible assets which competitors are either unaware of or are unable to replicate, enjoy unique barriers to competition, which translate into superior profitability and, ultimately, share price outperformance.

# LIONTRUST FIRST GROWTH FUND

## MANAGER'S INVESTMENT REPORT

We identify three specific 'must have' intangible assets ('Tier 1' Economic Advantage), of which a prospective investment must have at least one to qualify for inclusion in the portfolio. These are intellectual property, a high degree of recurring revenue, and distribution networks, either tangible or intangible. In addition, there are other intangible assets that we look for; these include licenses and franchises, brand, customer databases and relationships, procedures and formats and culture. Such companies are found in defensive industries, in cyclical industries (where our expectation is that higher cyclical peaks will be reached in due course), and in growth industries. The aim of the Fund is to hold a diversified, balanced basket of the best such (predominantly larger) companies quoted on the UK stockmarket, suitable for a variety of economic conditions, constructed to outperform our benchmark index over a three year rolling period.

Our most important task during 2009 was to optimise this balance, and in particular to increase the growth/cyclical component at the expense of the defensive. This was achieved during the second and third quarters by adding holdings including *Fidessa*, *Rightmove*, *Michael Page*, *Hargreaves Lansdown*, *Carpetright* and *Renishaw*, and smaller companies *Next Fifteen*, *RWS*, *Brooks McDonald*, *System C Healthcare* and *Statpro*. These were the right stocks to buy, and have all added value.

We financed this with sales of inherited companies either with no Economic Advantage, companies which had it but were too expensive or less preferred, or companies in which we simply had too big positions, notably big oil, pharmaceutical or tobacco companies. We retained an overall tilt towards defensive/late cycle stocks, which stood us in good stead in Q4.

Over the year as a whole, the Fund had several super-achievers. *Petrofac* returned over 200%. Four stocks – *Tullett Prebon*, *Aggreko*, *Spirent* and *Fidessa* – returned over 100%. Seven stocks – *Brooks MacDonald*, *Domino's Pizza*, *Amec*, *Carpetright*, *Michael Page*, *Next Fifteen* and *Rightmove* – returned over 50%. By contrast, we had no outright disasters; our worst individual performer was *Paypoint*, down just 12% over the year. We also had a number of big, dull performers (*Capita*, *BAe Systems*, *Wm Morrisons*, *Diageo* and the oil and pharmaceutical majors).

### Outlook

After the fear, the market travelled through much of 2009 in hope, and now arrives at 2010 with a consensus 20% plus earnings growth to deliver this year, against a consensus GDP expectation of 1.3%. (This is up from the forecast 1.1% at the start of Q4 2009, but there has been a corresponding reduction in expectations in Q4 for 2009's eventual GDP from -4.3% to -4.5%.)

Given the fiscal outlook, burgeoning public and private sector debt and a continuing lack of sales growth from the corporate sector, this will be challenging. Of course, overseas economies offer higher growth rates, and many companies we own have substantial overseas earnings. However, Eurozone economies are forecast to do little better, and even the US is expected to grow by only 2.7% (a far cry from the 4% plus rate being touted around earlier last year as justifying a level on the S&P 500 considerably lower than that at which it stands today). Even if expected earnings growth is delivered, perhaps with help from the East, other risks remain, most notably that of derating as the tightening cycle continues in China (to moderate its credit expansion) and in the West (to roll back the 'great experiment' of quantitative easing).

To re-iterate: every stock in the portfolio must possess 'tier 1' Economic Advantage. In addition, we use three quantitative screens to gauge market sentiment and valuation levels:

- Positive revisions to earnings forecasts;
- Undervalued (high) return on capital; and,
- Cyclically-adjusted price to earnings ("PE") ratios.

We rank all our Economic Advantage companies on these measures, and invest only in those with the greatest unrealised potential for share price growth. Back testing demonstrates that each screen used in isolation adds value relative to Index performance. By focusing on stocks with Economic Advantage that also score well on these three measures, we are ensuring that:

# LIONTRUST FIRST GROWTH FUND

## MANAGER'S INVESTMENT REPORT

- We only own stocks that are successfully exploiting their competitive edge to their financial advantage (earnings revision stocks).
- We don't overpay for growth (undervalued return on capital).
- We capitalise on underestimated cyclical recovery or growth (cyclically-adjusted PE ratios).

Changes in the range and extent of each screen (when looking at the whole market) give us strong clues regarding the state of the market and the current stage of the stock market cycle, and we can orientate the portfolio accordingly.

So where are we now? There are many more stocks experiencing positive earnings revisions than was the case a year ago, as one would expect; and positive revisions are also more likely to be rewarded by the market this year (as they were definitively not last year). Both these trends are reflected in the portfolio today, with 25 stocks (accounting for 56% by value) undergoing positive revisions, including *Spectris*, *Aggreko*, *Rightmove*, *Domino's Pizza*, *Tullet Prebon*, *Pearson*, *Carpetright* & *Michael Page*. The last two rank amongst the stocks with the highest positive earnings revisions in the entire portfolio, but, of course, are cyclicals. We bought them last year when revisions were anything but positive. They were attractive to buy then because the strength and depth of their Economic Advantage gave us confidence that they would recover and move on to greater heights in due course. That they have progressed so far already to appear at the top of this earnings revision screen is a rewarding vindication of our confidence, built upon the competitive strengths of all our investments as identified by our Economic Advantage investment process. Turning to our second screen, undervalued return on capital; we find several attractive companies rich in Economic Advantage currently sitting at attractive valuations, including *Royal Dutch Shell*, *Unilever*, *BG*, *BAe*, and *AstraZeneca*. In total we hold ten stocks accounting for 30% of the portfolio by value.

Conversely, the view on our cyclically-adjusted PE ratio screen is not so attractive. Of the three, this screen offers the least added value on a long-term basis, but is there primarily to aid stockpicking during those (generally short) periods where explosive market performance discounts recovery before it is evident in company profitability – periods just like 2009. As such it is yesterday's story, and we currently have no holdings on the strength of this measure. This does not mean, of course, that we don't own any cyclical stocks, rather that those companies that we hold which are characteristically highly cyclical or late cycle appear in the positive earnings revisions section of the portfolio.

Comparing the current results on our latest screens with the results from several months ago, over half of the portfolio has experienced a clear improvement (typically an acceleration in the rate of earnings upgrade or improvement in the upgrade/downgrade ratio, or improvement in the valuation ratio, or all three). Only five stocks have worsened, typically due to volatile quarterly earnings (for example *Royal Dutch Shell*) or continuing earnings downgrades (for example *Petrofac* and *Rightmove*, albeit at slightly lower rates than their spectacular levels of downgrades earlier last year). With a diverse portfolio of financially strong, competitive growth companies, we are confident that our Economic Advantage investment process has built a Fund that is well placed for the many uncertainties that lie ahead and can continue to deliver strong performance.

### **Julian Fosh & Anthony Cross**

Liontrust Investment Services Limited

February 2010

### **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 FIRST GROWTH 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 *
31st December 2007	200,834,000	£437,058,238	217.62 pence	1.56%
31st December 2008	221,074,192	£316,115,547	142.99 pence	1.58%
31st December 2009	85,262,350	£153,135,855	179.61 pence	1.59%

The calculation of the net asset value for the current year 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 year against its average net asset value.

The Portfolio Turnover Rate (PTR) for the year is 61.70% (31st December 2008: 70.72%).

The PTR is a ratio that reflects the volume of trading within the Fund during the year. 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 year are £59,310,463 (2008: £313,603,279). The total sales of the year are £244,921,451 (2008: £261,442,360).

### Capital (unit prices) and income (net distribution per unit)

The table below shows the highest buying price, the lowest selling price of units and the net income distributions made by the Fund for the last five years.

Year	Highest offer (buying) price	Lowest bid (selling) price	Net income per unit	Net income per £1,000 invested at 4th January 2005
2005	177.32 pence	144.63 pence	2.02 pence	£13.87
2006	215.05 pence	164.50 pence	1.78 pence	£12.22
2007	215.24 pence	194.95 pence	1.63 pence	£11.19
2008	252.14 pence	126.85 pence	2.12 pence	£14.55
2009	194.65 pence	127.99 pence	3.18 pence	£21.83

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.

# **LIONTRUST FIRST GROWTH FUND**

## **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.

## **STATEMENT OF THE MANAGER’S RESPONSIBILITIES**

### **in respect of the Report and Accounts of the Scheme:**

The Financial Services Authority’s Collective Investment Scheme Sourcebook (‘the Regulations’) require the Manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Scheme and of its net income/expenses and the net gains/losses on the property of the Scheme for the period. In preparing the financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in November 2008;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enable it to demonstrate that the financial statements, as prepared, comply with the above requirements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Scheme will continue in operation.

The Manager is responsible for the management of the Scheme in accordance with its Trust Deed, Prospectus and the Regulations, and has taken all reasonable steps for the prevention and detection of fraud and other irregularities.

## **STATEMENT OF THE TRUSTEE’S RESPONSIBILITIES**

The Trustee is under a duty of care to take into its custody or under its control all of the property of the Scheme and to hold it in trust for the holders of units. Under the rules in the Financial Services Authority’s Collective Investment Schemes Sourcebook relating to Reports it is also the duty of the Trustee to enquire into the conduct of the Manager in the management of the Scheme in each annual accounting period and report thereon to unitholders in a report which shall contain the matters prescribed by the rules.

The Trustee’s report is included below.

## **TRUSTEE’S REPORT**

### **to the unitholders of the Liontrust First Growth Fund (“the Fund”)**

Having carried out such procedures as we considered necessary to discharge our responsibilities as Trustees of the Scheme it is our opinion, based on the information available to us and the explanations provided, that the Manager has in all material respects managed the Scheme during the period in accordance with the investment and borrowing powers and restrictions applicable to the Scheme, and otherwise in accordance with the provisions of the Trust Deed and the rules in the Financial Services Authority’s Collective Investment Schemes Sourcebook.

### **State Street Trustees Limited**

20 Churchill Place  
London E14 5HJ

26 February 2010

# LIONTRUST FIRST GROWTH FUND

## CERTIFICATION OF THE FINAL REPORT AND 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.

26 February 2010

# **LIONTRUST FIRST GROWTH FUND**

## **INDEPENDENT AUDITORS' REPORT**

### **to the unitholders of the Liontrust First Growth Fund (“the Fund”)**

We have audited the financial statements of the Liontrust First Growth Fund for the year ended 31st December 2009 which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the related notes and the Distribution Table. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of the Manager and Auditors**

The Manager’s responsibilities for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of the Manager’s responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK & Ireland) and the requirements of the Collective Investment Schemes Sourcebook. This report, including the opinion, has been prepared for, and only for, the unitholders of the Fund as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes Sourcebook and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the IMA in November 2008, the Collective Investment Schemes Sourcebook and the Trust Deed. We also report to you whether, in our opinion, proper accounting records for the Fund have not been kept, or whether the financial statements are not in agreement with those records, and whether the information given in the Manager’s Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Manager's Report and the other items set out on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# LIONTRUST FIRST GROWTH FUND

## INDEPENDENT AUDITORS' REPORT

### Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial position of the Fund at 31st December 2009 and of the net revenue and the net gains of the property of the Fund for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the IMA in November 2008, the Collective Investment Schemes Sourcebook and the Trust Deed.

We have obtained all the information and explanations we consider necessary for the purposes of the audit.

In our opinion the information given in the Manager's Report is consistent with the financial statements.

PricewaterhouseCoopers LLP  
Chartered Accountants & Statutory Auditors  
Edinburgh

26 February 2010

- (a) The maintenance and integrity of the Liontrust website is the responsibility of the Manager; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# LIONTRUST FIRST GROWTH FUND

## PORTFOLIO STATEMENT

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

	Holding	Market Value £'000	Percentage of total net assets %
<b>Listed Securites</b>			
<b>UNITED KINGDOM</b>			
(31.12.08: 97.93%)			
<b>Basic Materials</b>			
(31.12.08: 7.17%)			
<b>Consumer Goods</b>			
(31.12.08: 10.57%)			
British American Tobacco	261,277	5,254	3.43
Diageo	462,542	5,005	3.27
Reckitt Benckiser	146,340	4,902	3.20
Unilever	308,582	6,119	4.00
		<b>21,280</b>	<b>13.90</b>
<b>Consumer Services</b>			
(31.12.08: 13.09%)			
Aegis	959,309	1,117	0.73
Carpwright	127,157	1,197	0.78
Compass	1,133,279	5,094	3.33
Domino's Pizza	1,145,901	3,406	2.22
Next Fifteen Communications	3,595,986	2,158	1.41
Pearson	188,835	1,688	1.10
Reed Elsevier	557,134	2,802	1.83
WH Smith	628,184	3,194	2.09
WM Morrison Supermarkets	1,232,876	3,404	2.22
		<b>24,060</b>	<b>15.71</b>
<b>Financials</b>			
(31.12.08: 3.31%)			
Brooks MacDonald	597,988	3,092	2.02
Hargreaves Lansdown	578,287	1,698	1.11
Savills	344,845	1,089	0.71
Tullett Prebon	736,598	2,071	1.35
		<b>7,950</b>	<b>5.19</b>

# LIONTRUST FIRST GROWTH FUND

## PORTFOLIO STATEMENT

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

	Holding	Market Value £'000	Percentage of total net assets %
<b>Health Care</b>			
(31.12.08: 5.44%)			
AstraZeneca	264,181	7,697	5.03
GlaxoSmithKline	734,942	9,690	6.33
Shire	243,356	2,945	1.92
		<b>20,332</b>	<b>13.28</b>
<b>Industrials</b>			
(31.12.08: 27.54%)			
Aggreko	435,295	4,042	2.64
BAE Systems	1,114,817	4,002	2.61
Capita	185,930	1,389	0.91
Chloride	1,559,123	2,797	1.83
Halma	1,375,401	3,356	2.19
Hamworthy	1,213,425	3,216	2.10
Intertek	59,139	740	0.48
Michael Page International	542,754	2,066	1.35
PayPoint	356,948	1,567	1.02
Renishaw	125,089	686	0.45
Rotork	273,193	3,262	2.13
RWS	243,151	754	0.49
Spectris	487,858	3,561	2.33
Spirax-Sarco Engineering	303,051	3,743	2.44
Ultra Electronics	168,544	2,339	1.53
		<b>37,520</b>	<b>24.50</b>
<b>Oil &amp; Gas</b>			
(31.12.08: 27.28%)			
AMEC	483,067	3,821	2.50
BG	486,338	5,474	3.57
BP	730,306	4,388	2.87
Petrofac	467,410	4,856	3.17
Royal Dutch Shell 'B' Shares	640,630	11,599	7.57
		<b>30,138</b>	<b>19.68</b>

# LIONTRUST FIRST GROWTH FUND

## PORTFOLIO STATEMENT

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

	Holding	Market Value £'000	Percentage of total net assets %
<b>Technology</b>			
(31.12.08: 3.53%)			
Fidessa	52,830	622	0.40
Rightmove	301,145	1,510	0.99
Spirent Communications	4,760,830	4,856	3.17
Statpro	1,925,371	1,925	1.26
System C Healthcare	2,796,597	1,398	0.91
		<b>10,311</b>	<b>6.73</b>
<b>IRELAND</b>			
(31.12.08: 3.45%)			
<b>Cash Deposits</b>			
(31.12.08 3.45%)			
SSgA Cash Management Fund*	4,443,656	4,444	2.90
		<b>4,444</b>	<b>2.90</b>
<b>Portfolio of investments</b>		<b>156,035</b>	<b>101.89</b>
<b>Net other assets</b>		<b>(2,899)</b>	<b>(1.89)</b>
<b>Total net assets</b>		<b>153,136</b>	<b>100.00</b>

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, as disclosed in note 14.

# LIONTRUST FIRST GROWTH FUND

## STATEMENT OF TOTAL RETURN

for the year ended 31st December 2009

	Note	2009 £'000	2009 £'000	2008 £'000	2008 £'000
<b>Income:</b>					
Net capital gains/(losses)	4		27,642		(160,803)
Revenue	5	6,732		11,581	
Expenses	6	(2,863)		(6,835)	
Finance costs: Interest	8	(2)		(5)	
		<u>3,867</u>		<u>4,741</u>	
Net revenue before taxation		3,867		4,741	
Taxation	7	<u>-</u>		<u>(14)</u>	
Net revenue after taxation			<u>3,867</u>		<u>4,727</u>
<b>Total return before distribution</b>			31,509		(156,076)
Finance costs: Distributions	8		(3,873)		(4,720)
<b>Change in net assets attributable to unitholders from investment activities</b>			<u><u>27,636</u></u>		<u><u>(160,796)</u></u>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31st December 2009

	2009 £'000	2009 £'000	2008 £'000	2008 £'000
<b>Opening net assets attributable to unitholders</b>		316,116		437,058
Amounts receivable on issue of units	2,324		156,598	
Amounts payable on cancellation of units	<u>(192,847)</u>		<u>(116,175)</u>	
		(190,523)		40,423
Stamp duty reserve tax		(94)		(570)
Unclaimed distributions		1		1
Change in net assets attributable to unitholders from investment activities		27,636		(160,796)
<b>Closing net assets attributable to unitholders</b>		<u><u>153,136</u></u>		<u><u>316,116</u></u>

# LIONTRUST FIRST GROWTH FUND

## BALANCE SHEET

as at 31st December 2009

	Note	2009	2008
		£'000	£'000
<b>Assets</b>			
Investment assets		156,035	320,474
Debtors	9	211	694
Cash and bank balances		<u>114</u>	<u>280</u>
Total other assets		<u>325</u>	<u>974</u>
Total assets		156,360	321,448
<b>Liabilities</b>			
Creditors	10	513	645
Distribution payable on income units		<u>2,711</u>	<u>4,687</u>
Total liabilities		3,224	5,332
<b>Net assets attributable to unitholders</b>		<u><u>153,136</u></u>	<u><u>316,116</u></u>

# LIONTRUST FIRST GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting & distribution policies

#### A Basis of preparation

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 fund's 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 met 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 before the Statement of Total Return.
- Portfolio Turnover Rate has been added to the Net Asset Value and Comparative Table disclosure.

Comparative figures have been stated 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 year except for the change in valuation as noted in note E below.

#### B Recognition of revenue

- (i) UK dividends and non-taxable foreign dividends classified as franked investment income are shown net of attributable tax credits when the securities are quoted ex-dividend.
- (ii) Bank interest and stock lending income are recognised on an accruals basis.
- (iii) Overseas revenue that is received after the deduction of withholding tax is shown gross of taxation.
- (iv) Nominal interest on interest-bearing securities is recognised on an accruals basis.

#### C Expenses

Dealing charges and stamp duty reserve tax are deducted from capital. All other expenses are charged against income. All expenses are accounted for on an accruals basis.

# LIONTRUST FIRST GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS

### **D Distribution**

Income produced by the Fund's investments accumulates during each accounting period. If at the end of the accounting period income exceeds expenses, the net income of the Fund is available to be distributed to unitholders. The Manager will seek to distribute this income in a manner that will maximise the total returns to holders of the majority of units.

### **E Basis of valuation of investments**

All investments have been valued at 12 midday, on 31st December 2009 (31st December 2008: close of business). Listed investments have been valued at bid-market value net of any accrued income.

### **F Taxation**

Provision is made for taxation at current rates on the excess of investment income over expenses, with relief taken for overseas taxation where appropriate.

### **G Deferred taxation**

Deferred tax is provided for in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax is not recognised on permanent differences.

Deferred tax assets are recognised only to the extent that it is more likely than not that there will be taxable profits from which the future reversal of the underlying timing differences can be deducted.

### **H Foreign exchange**

All transactions in foreign currencies are translated into sterling at the rate of exchange ruling on the date of such transactions. Foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rates applicable at the end of the accounting period at the appropriate valuation point, 12 midday.

### **I Equalisation**

Equalisation is the accrued income included in the price of units purchased during the distribution period (Group 2 Units) which is refunded as a part of a unitholder's first distribution, so as to provide the same distribution for all units of the same type. As a repayment of capital it is not liable to Income Tax and should be deducted from the cost of units for Capital Gains Tax purposes.

# LIONTRUST FIRST GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS

### 2 Risk Management Policies

In accordance with the investment objectives and policies the Fund holds certain financial instruments. These comprise:

- equity shares;
- cash and short-term debtors and creditors that arise directly from its operations;
- units in SSgA Management Fund; and
- unitholders' funds which represent investors' monies which are invested on their behalf.

In accordance with the requirements of the rules in the Financial Services Authority's Collective Investment Schemes Sourcebook, the Fund is not permitted to trade in other financial instruments. The Fund's use of financial instruments during the year satisfies these regulatory requirements.

The main risks arising from the Fund's financial instruments are market price risk, interest rate risk, foreign currency risk, liquidity risk and credit and counter-party risk. The Manager's policies for managing these risks are summarised below. These policies have remained unchanged since the beginning of the year to which these financial statements relate and during the prior year.

#### Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Manager reviews the portfolio in order to consider the asset allocation implications and to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the Fund's investment objective. An individual fund manager has responsibility for monitoring the existing portfolio, in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk reward profile.

#### Interest rate risk

Interest receivable on bank deposits and short term deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. The interest rates earned on sterling deposits are earned at a rate linked to LIBOR.

The majority of the Fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. The floating rate financial assets and liabilities comprise sterling denominated bank balances and overdrafts that bear interest based on LIBOR.

The floating rate financial assets and liabilities comprise bank balances and overdrafts that bear interest based on LIBOR (sterling denominated) .

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

# LIONTRUST FIRST GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS

### Foreign currency risk

The Manager has identified two principle areas where foreign currency risk could impact the Fund

- Movements in exchange rates affect short term timing differences; and,
- Movements in exchange rates affect the income received.

The Fund may receive income in currencies other than sterling and the sterling values of this income can be affected by movements in exchange rates. The Fund converts all receipts of income into sterling on or near the date of receipt; it does not, however, hedge or otherwise seek to avoid exchange rate risk on income accrued but not received.

However, in line with the Fund's objectives of investing primarily in the UK and Ireland, the Fund is expected to have only minimal foreign currency exposures.

### Liquidity risk

The Fund's assets mainly comprise securities that can be readily sold. The main liability of the Fund is the redemption of any units that investors wish to sell.

In general, the Investment Adviser manages the Fund's cash to ensure it can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the fund may borrow up to 10% of its value to ensure settlement.

### Credit and counter-party risk

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment (purchase) or cash (sale) after the Fund has fulfilled its responsibilities.

The Fund only buys and sells investments through brokers which have been approved by the Manager as an acceptable counter-party. This list is reviewed annually.

### 3 Units in issue

There were 85,262,350 income units in issue at 31st December 2009 (221,074,192 at 31st December 2008).

### 4 Net capital gains/(losses)

	2009	2008
	£'000	£'000
Non-derivative securities	27,649	(160,793)
Transaction charges	(7)	(10)
<b>Net capital gains/(losses)</b>	<b>27,642</b>	<b>(160,803)</b>

# LIONTRUST FIRST GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS

### 5 Revenue

	2009	2008
	£'000	£'000
UK dividends	6,551	10,379
Overseas dividends	85	467
Non taxable overseas dividends	3	-
Bank interest	4	275
Offshore investment revenue*	48	414
Stocklending revenue	41	46
	<u>6,732</u>	<u>11,581</u>

\*This is revenue received from investment in the SSgA Cash Management Fund as disclosed in note 14.

### 6 Expenses

	2009	2008
	£'000	£'000
<b>Payable to the Manager, associates of the Manager and agents of either of them:</b>		
Manager's periodic charge	2,693	6,516
Registration fees	93	151
VAT recoverable on registration fees written off	-	18
	<u>2,786</u>	<u>6,685</u>
<b>Payable to the Trustee, associates of the Trustee and agents of either of them:</b>		
Trustee's fees	52	114
Wire charges	3	1
Safe custody fees	8	21
	<u>63</u>	<u>136</u>
<b>Other expenses</b>		
Printing fee	3	6
Audit fee	11	8
	<u>14</u>	<u>14</u>
<b>Total expenses</b>	<u>2,863</u>	<u>6,835</u>

# LIONTRUST FIRST GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS

### 7 Taxation

	2009 £'000	2008 £'000
(i) Analysis of charge for the year :		
Irrecoverable overseas tax	-	14
Current tax charge for the period (see note 7(ii))	-	14
	<u>-</u>	<u>14</u>
(ii) Factors affecting current tax charge for the year :		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK for authorised unit trusts of 20% (2008: 20%). The differences are explained below:		
Net revenue before taxation	3,867	4,741
	<u>3,867</u>	<u>4,741</u>
Corporation tax at 20%	773	949
	<u>773</u>	<u>949</u>
Effects of:		
UK dividends*	(1,310)	(2,076)
Non taxable overseas dividends**	(1)	-
Movement in excess management expenses	538	1,127
Irrecoverable overseas tax	-	14
	<u>(773)</u>	<u>(935)</u>
	<u>(773)</u>	<u>(935)</u>
<b>Current tax charge for the year (see note 7(i))</b>	<u>-</u>	<u>14</u>

\* As an authorised Unit Trust, these items are not subject to corporation tax.

\*\* Overseas dividends received after the 1st July 2009 are not subject to corporation tax due to changes enacted in the Finance Act 2009.

Authorised Unit Trusts are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

#### (iii) Deferred tax

At the year end, there is a potential deferred tax asset of £8,639,671 (31st December 2008: £7,606,017) in relation to excess management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the year or the prior year.

# LIONTRUST FIRST GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS

### 8 Finance costs

#### Distribution and interest

The distributions take account of income received on the creation of units and income deducted on the cancellation of units, and comprise:

	2009 £'000	2008 £'000
Final	2,711	4,687
Amounts deducted on cancellation of units	1,185	695
Amounts received on issue of units	(23)	(662)
<b>Net distribution for the year</b>	<u>3,873</u>	<u>4,720</u>
Finance costs: Interest	2	5
Total finance costs	<u><u>3,875</u></u>	<u><u>4,725</u></u>

#### Reconciliation of net revenue after taxation to distribution:

Net revenue after taxation	3,867	4,727
Add: Income brought forward from previous year	11	4
Less: Income carried forward	(5)	(11)
Net distribution for the year	<u><u>3,873</u></u>	<u><u>4,720</u></u>

Details of the distribution per unit are set out in the table on page 26.

### 9 Debtors

	2009 £'000	2008 £'000
Accrued revenue	159	468
Amounts receivable on creation of units	24	190
Accrued stock lending revenue	-	6
Overseas tax recoverable	28	30
	<u>211</u>	<u>694</u>

### 10 Creditors

	2009 £'000	2008 £'000
Accrued expenses	232	476
Purchases awaiting settlement	-	3
Amounts payable on cancellation of units	281	166
	<u>513</u>	<u>645</u>

# LIONTRUST FIRST GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS

### 11 Commitments, contingent liabilities and contingent assets

On 31st December 2009, the Fund had no capital commitments (31st December 2008: £nil) and no contingent liabilities (31st December 2008: £nil).

### 12 Securities on loan

The aggregate value of securities on loan at 31st December 2009 is £7,758,855 (31st December 2008: £20,596,192). Securities on loan are included in the Portfolio Statement and no account is taken of any collateral held. The aggregate value of collateral held at 31st December 2009 is £8,202,608 (31st December 2008: £21,621,229). This collateral is in the form of bonds (£187,124), equities (£6,796,995) and cash (£1,218,489) (31 December 2008: bonds, equities and cash).

The gross earnings and fees paid for the year are £69,063 (31st December 2008: £81,030) and £27,630 (31 December 2008: £35,500).

The stock lending is done by SSgA which is a related party.

### 13 Post balance sheet events

There are no post balance sheet events which have a bearing on the interpretation of the financial statements.

### 14 Related parties

The Fund Manager and Trustee are related to the Fund as defined by Financial Reporting Standard 8, Related Party Disclosures, and are named on page 1.

SSgA (State Street Global Advisors) are the investment management arm of State Street Corporation. The SSgA Cash Management Fund, an investment company with variable capital incorporated with limited liability in Ireland, listed on the Dublin stock exchange, invests in at least A-rated sterling denominated securities. The investment strategy of the fund is primarily capital preservation and liquidity while maximising current income.

The income outstanding at 31st December 2009 on the SSgA Cash Fund Deposit was £1,692 (31st December 2008: £27,001).

The Fund received interest on deposits held with the Trustee during the year as disclosed in note 5 of which £20 was outstanding at 31st December 2009 (31st December 2008: £804). At 31st December 2009 the Fund held cash balances with the Trustee as disclosed in the Balance Sheet on page 15.

The charges made by the Manager, Trustee and the Registrar during the period are disclosed in note 6. At 31st December 2009 £198,273, £5,053 and £7,468 were due to the Manager, Trustee and Registrar respectively (31st December 2008: £398,909, £11,940 & £10,914).

At 31st December 2009 there were creation monies due from the Manager of £24,623 (31st December 2008: £189,905). There were cancellation monies due to the Manager of £280,830 at 31st December 2009 (31st December 2008: £167,015).

By virtue of the Regulations governing authorised unit trusts, the Manager is party to every transaction in respect of units of the Fund, which are summarised in the Statement of Change in Net Assets Attributable to Unitholders.

# LIONTRUST FIRST GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS

### 15 Risk disclosures

The policies applied in the management of financial instruments are set out in note 2.

#### Interest rate risk

The interest rate risk profile of the Fund's financial assets and liabilities at 31st December 2009 was:

Currency	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Financial liabilities not carrying interest	Total financial assets
31.12.09	£'000	£'000	£'000	£'000	£'000
US Dollar	-	-	28	-	28
UK Sterling	4,558	-	151,774	(3,224)	153,108
<b>Total</b>	<b>4,558</b>	<b>-</b>	<b>151,802</b>	<b>(3,224)</b>	<b>153,136</b>

Currency	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Financial liabilities not carrying interest	Total financial assets
31.12.08	£'000	£'000	£'000	£'000	£'000
US Dollar	-	-	77	-	77
UK Sterling	11,201	-	310,170	(5,332)	316,039
<b>Total</b>	<b>11,201</b>	<b>-</b>	<b>310,247</b>	<b>(5,332)</b>	<b>316,116</b>

#### Foreign currency risk

The Portfolio Statement on pages 11 to 13 shows the countries in which the Fund is invested. The securities in the portfolio are priced in local currency. An analysis of monetary assets and liabilities in foreign currencies at the period end (including cash and outstanding income) is shown below.

Currency	Net foreign currency assets 31st December 2009			Net foreign currency assets 31st December 2008		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
US dollar	28	-	28	77	-	77
	<b>28</b>	<b>-</b>	<b>28</b>	<b>77</b>	<b>-</b>	<b>77</b>

# LIONTRUST FIRST GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS

### Maturity profile of financial liabilities

All financial liabilities of the Fund at the year end are due to settle in one year or less, or on demand.

### Short-term debtors and creditors

Other short-term debtors and creditors have been excluded from disclosures of financial instruments.

### Fair value of financial assets and liabilities

Securities held by the Fund are valued at bid-price. The difference between this value and the fair value of the securities is immaterial. There is also no material difference between the value of other financial assets and liabilities of the Fund included in the Balance Sheet and their fair value.

Securities are valued at bid and offer prices for calculating the cancellation and creation prices at the Fund's daily valuation point.

<b>16 Purchases, sales and transaction costs</b>	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Purchases excluding transaction costs		58,960		311,657
Commissions	80		441	
Taxes	270		1,505	
Total purchase transaction costs		350		1,946
<b>Purchases including transaction costs</b>		<b>59,310</b>		<b>313,603</b>
	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Sales excluding transaction costs		245,317		261,814
Commissions	(395)		(372)	
Taxes	(1)		-	
Total sales transaction costs		(396)		(372)
<b>Sales net of transaction costs</b>		<b>244,921</b>		<b>261,442</b>

# LIONTRUST FIRST GROWTH FUND

## DISTRIBUTION TABLE

for the year ended 31st December 2009:

Group 1: Units purchased prior to 1st January 2009

Group 2: Units purchased on or after 1st January 2009

	Net income 2009	Equalisation 2009	Distribution payable 2009	Distribution payable 2008
Income units	Pence per unit	Pence per unit	Pence per unit	Pence per unit
Group 1	3.18	-	3.18	2.12
Group 2	1.69	1.49	3.18	2.12

### Information for Corporate Unitholders

For corporate unitholders, of the distribution payable on 28th February 2010

97.40% of the total income distribution together with the tax credit is received as franked investment income.

This includes both UK dividends and foreign dividends received after 1st July 2009.

2.60% of the income distribution is received as an annual payment received after the deduction of income tax at the lower rate and is liable to corporation tax. It is unfranked investment income.

The Fund's net liability to corporation tax is £nil.

# LIONTRUST FIRST GROWTH FUND

## ADDITIONAL INFORMATION

Trust Deed: The Fund was established by a Trust Deed made between the Manager and the Trustee dated 6th July 1995 and amended by Supplemental Trust Deeds dated 1st July 1999, 9th July 1999, 19th July 2002, 14th February 2003 and 19th August 2005.

**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](http://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 08.30 and 17.00 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 12.00 hours on each business day) following receipt of instructions. Instructions received before 12.00 hours will be priced at 12.00 hours that day, whilst those deals taken later in the day will receive the next dealing price which is fixed at 12.00 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 £2,500, 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 as at year-end is 6% which includes the initial charge.

The net estimated yield is 1.77% at the time of signing. 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](http://www.liontrust.co.uk), other industry websites such as [www.trustnet.com](http://www.trustnet.com), and the website of the Investment Management Association (the industry trade body), [www.investmentuk.org](http://www.investmentuk.org). Daily and historic Fund prices are available from our Dealing and Administration team on 0844 892 1007.

# LIONTRUST FIRST GROWTH FUND

## ADDITIONAL INFORMATION

**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 First Growth Fund is charged to the Fund, which could mean that less of your money will be invested for potential capital and income growth.

**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.



# LIONTRUST

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Liontrust Investment Funds Limited is authorised and regulated by the Financial Services Authority.