




LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

**Manager's Long Final Report and Financial Statements
for the year ended 30th September 2011**



Managed by Gary West &
James Inglis-Jones in accordance with
[The Liontrust Cashflow Solution](#)

LIONTRUST FUND PARTNERS LLP

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

MANAGER

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Authorised and regulated by the Financial Services Authority.

INVESTMENT ADVISER

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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 EUROPEAN ABSOLUTE RETURN FUND

INVESTMENT PROFILE

This unit trust aims to produce a positive absolute return for investors through a portfolio of investments primarily in equities and equity-related securities (including derivatives for investment purposes) of European companies. It is expected that a positive absolute return is capable of being generated under all market conditions. The Fund will not be benchmarked against any European equity index.

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 and equity-related securities (including derivatives) in companies incorporated in any European Economic Area (“EEA”) Member State, together with Switzerland, which are listed on a recognised stock exchange of an EEA Member State or Switzerland. The Fund will not be restricted in choice of investment by either size or sector. The Fund may invest in transferable securities, money market instruments, cash and near cash, deposits and units or shares in collective investment schemes.

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LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

MANAGER'S INVESTMENT REPORT

Investment objective and policy

The investment objective of Liontrust European Absolute Return Fund is to achieve a positive absolute return for investors through a portfolio of investments primarily in equities and equity-related securities (including derivatives for investment purposes) of European companies. It is expected that a positive absolute return is capable of being generated under all market conditions. The Fund will not be benchmarked against any European equity index.

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 and equity-related securities (including derivatives) in companies incorporated in any European Economic Area ("EEA") Member State, together with Switzerland, which are listed on a recognised stock exchange of an EEA Member State or Switzerland. The Fund will not be restricted in choice of investment by either size or sector. The Fund may invest in transferable securities, money market instruments, warrants, cash and near cash and deposits. The Fund may invest up to 10% of its property in units or shares in collective investment schemes. The Fund is permitted to use derivatives for the purposes of efficient portfolio management and for investment purposes.

Liontrust Asset Management PLC

Liontrust provides portfolio management services in UK and European equities and in fixed income securities. These are managed on a long-only, long/short and absolute return basis through unit trusts, individual savings accounts (ISAs), offshore funds, pooled pension funds and segregated institutional accounts. The Group currently manages £1.345 billion (as at 10th November 2011).

We market our investment products to professional investors, predominantly in the UK and Continental Europe. These include pension funds and other institutional investors, family offices, private banks, private client managers, multi-managers, stockbrokers and financial advisers. Some private clients, to whom no advice has been given, have chosen independently to invest with us.

Liontrust Asset Management PLC is the parent company of Liontrust Fund Partners LLP, Liontrust Investment Partners LLP and Liontrust European Investment Services Limited, all of which are authorised and regulated by the Financial Services Authority. All members of the Liontrust Group sell only Liontrust Group products.

Performance of the Fund

In the year to 30th September 2011 an investment in the Fund rose by 9.7%. This compares with a rise of 0.2% in the IMA Absolute Return Sector, the Fund's sector.

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

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

MANAGER'S INVESTMENT REPORT

Fund Review

The Fund's financial year to the end of September 2011 proved to be a difficult environment for investors. In the first quarter of the Fund's financial year (the calendar fourth quarter of 2010) continued evidence of global economic recovery pushed markets higher. However, in the New Year the sense of optimism gave way to a more sober appraisal of the economic outlook as the political turmoil in the Middle East, the Japanese earthquake and further signs of stress in peripheral Europe's sovereign debt undermined the prevailing positive sentiment. Leading indicators of growth began to weaken and in August the market suffered a sharp sell-off in response to a dramatic increase in risk aversion relating to fears of an economic slowdown, compounded by renewed European sovereign debt contagion issues surrounding the potential default for Greece. Risks of a Japanese-style 'lost decade' or even a second Great Depression loomed large in investor's minds. Dismay over the seeming inability of Europe's politicians to grasp the severity of the situation and the need for decisive action raised the very real possibility of an unmanaged default in Greece sending a cascade of shocks through the European banking system, resulting in widespread insolvencies. Valuation dispersion across the market, which at the beginning of the year had been at average historic levels, widened dramatically as financial and cyclical stocks were sold aggressively.

Overall the European market returned -11.3% over the course of the year, with the bulk of the poor returns concentrated in August. It is particularly pleasing in light of the disappointing returns of the Fund after it was launched in 2009, that the Fund did a good job insulating investors from this poor outcome, returning +9.7%, significantly better than the IMA Absolute Return universe of funds which returned +0.2%. Since the Fund was launched in 2009 it has returned +5.9% against a peer group that has returned 9.0%.

The Fund had a difficult start as it was launched at a temporary peak in the performance cycle of our *Cashflow Solution* process. Investors will recall that the Fund was launched on the back of the strong performance record of our offshore hedge fund. We wrote in our report a year ago that we felt the environment for our process had improved from the difficult conditions we tend to encounter in sharp stock market recoveries and we are pleased that investors have been rewarded for their continued loyalty.

The good recent returns highlight one of the most significant benefits we believe the process brings to investors, namely low correlation with both the peer group and the market. The process generated outstanding returns in our hedge fund during the market turmoil that surrounded the subprime crisis in 2007 and 2008. Whilst performance of the process over the course of the last year has been less explosive it is clear, however, that it has again proved its mettle as a valuable diversification for investors in difficult market conditions.

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

MANAGER'S INVESTMENT REPORT

Performance

There is no doubt that the marginally more defensive orientation of the portfolio in 2011 aided returns particularly in the second half of the Fund's financial year as markets deteriorated. In addition, the interim results season favoured the portfolio with a number of positive results in the long book, as well as some badly received profits warnings from some of our short positions. On a stock level the most notable positive contributors to the Fund's performance were *Lundin Petroleum* (+111.0%), *Tate & Lyle* (+40.2%) and *Stagecoach* (+39.3%).

Lundin Petroleum has been an outstanding performer in our portfolios that we first purchased in 2010, attracted by its cash flows and the clear commitment by the owner managers to careful investment and prudent management. *Lundin's* main geographical sphere of operations is the North Sea and the share price benefited from an oil find last year. Since that date the company managers have increased their assessment of the size of the find on a number of occasions, pushing the share price successively higher. Indeed the find seems to be so significant that it may well prove to be the largest in the North Sea since the 1980s.

Tate & Lyle was sold from the portfolio in June as it failed to generate the cash flow required to qualify for the portfolio in its 2010 results published this year. However over the course of the Fund's financial year the holding made a significant contribution to performance as investors and analysts applauded the new direction of the group under the management of Javed Ahmed. Ahmed refocused the group prioritising cash flow generation and return on capital, tightening working capital control in the process and making significant asset disposals - the most notable of which was the disposal of its 150 year old sugar operations in Europe to American Sugar Refining for £211m in July 2010. Analysts and investors were slow to realise the benefits of these steps resulting in sequential earnings upgrades from brokers following the stock, driving the share price higher in the process.

Stagecoach performed well due to a number of items of good news from the group. In October last year the results of a government budget review were not as bad as feared. This was followed by a series of solid trading statements, strong final results and the well-received announcement by the group this year of a £340m cash return to shareholders.

The stocks that had the most significant negative impact on the portfolio's return were the short position in *Autonomy* (+40.7%) and two of our long positions: *Wacker Chemie* (-49.3%) and *Clariant* (-41.9%).

In August *Autonomy* received a bid from Hewlett Packard at an 80% premium. Despite the dismay of shareholders in Hewlett Packard, whose board reacted by appointing a new chief executive, the bid went ahead and proved costly to the Fund's performance.

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MANAGER'S INVESTMENT REPORT

Wacker Chemie performed poorly principally as a result of deterioration in the economic environment. Interim results published in August this year were seen as slightly disappointing by investors despite the company retaining guidance for the year. A particular concern appeared to be contract risk in their polysilicon division and general downgrades to semiconductor related industries, with obvious implications for *Wacker*.

Finally, *Clariant* performed poorly due to a disappointing set of first half results that were impacted heavily by the strength of the Swiss Franc. The Swiss National Bank's determination to announce unlimited intervention to hold back the value of their currency offered the stock some respite; however, as a cyclical chemicals business, analysts and investors perceived risk to company profits in the deteriorating economic environment and this had an impact on the share price.

Portfolio Activity

In June we made significant changes to the portfolio to reflect the outcome of our research into company report and accounts. Investor's familiar with our process will recall that the vast bulk of trading in the portfolio occurs at the beginning of summer due to the fact that most European companies have December year ends. We base our stock decisions on the evidence of cash generation presented in the audited annual accounts and this gives rise to a significant seasonality in trading activity.

The number of investments in the portfolio fell from 46 holdings to 34. This stood in contrast with the number of short positions which increased from 59 to 78. We retained 17 long positions in the portfolio from last year owing to evidence of continued strength in their cash flows. In the short book we held on to 20 positions and added a further 58 stocks to the portfolio. Greater diversification in the short book reflected a lack of the kind of obvious opportunities that were available in 2007. Most of the financial excesses since the unfolding of the financial crisis four years ago have been purged and our response to this on a stock level was to avoid the pitfalls of concentrating the portfolio too heavily on a handful of stocks with weakly poor cash flow signals. By contrast, our analysis of companies with the best cash flows in the market revealed a number of very high quality businesses with strong cash flow signals giving us greater confidence to introduce more portfolio concentration.

On a portfolio level the most notable development was a shift from cyclicity to a more defensively-biased portfolio. This was due to deterioration in the cash flows of cyclical businesses, most of whom had to reinvest in their working capital over the course of 2010 to support higher levels of turnover. The reinvestment of cash into working capital acted as a drain on cash flow with the consequence that it was only higher quality businesses, capable of generating strong cash flows over the course of the economic cycle, which managed to score highly on our cash flow ratios in 2011. By contrast, some of the weaker cyclical businesses found themselves drifting to the bottom of our cash flow screen. This development was best observed in a comparison of risk reports before and after we implemented the changes in June. This analysis showed a significant increase in the portfolios bias to high return on equity companies – a good proxy for quality – whilst the negative bias to price to book and price to sales (through the cycle measures of value that tend to favour cyclical businesses) increased markedly.

Our sector and country positions appeared more balanced than last year; however, our sector positions reflected a more defensive bias. For example, the -11% short position in healthcare stocks was closed to a small positive bet in the sector of +1.5%. The net positive exposure to industrial stocks of +5.5% became a small short position in the sector of -2.5%. On a country level the most important development was a significant reduction in the net long position of +27% in the UK to +12.7% whilst our net long position in Sweden became notable, increasing from +0.1% to +9.2%.

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MANAGER'S INVESTMENT REPORT

Top 10 Equity Exposures

Long Positions

30th September 2011	% NAV	30th September 2010	% NAV
Lundin Petroleum	3.30	Lundin Petroleum	2.87
Next	2.95	Burberry Group	2.50
Paddy Power	2.85	Cargotec	2.49
Imperial Tobacco	2.66	Ashmore Group	2.24
Shire	2.66	Tullett Prebon	2.15
Stagecoach	2.62	Metso	2.15
Reckitt Benckiser	2.44	Wacker Chemie	2.14
Schindler	2.36	Schindler Holdings	2.12
Sodexo	2.35	Petrofac	2.10
Astrazeneca	2.32	Umicore	2.05
Total	<u>26.51</u>	Total	<u>22.81</u>

Short Positions

30th September 2011	% NAV	30th September 2010	% NAV
Hakon Invest	-1.57	Hexagon	-1.64
Grifols	-1.38	Talvivaara Mining	-1.56
International Power	-1.37	Nokian Renkaat	-1.49
Alpiq	-1.35	Mercials	-1.44
Swiss Re	-1.35	Grifols	-1.41
Construcc Y Aux De Ferrocarr	-1.31	Klepierre	-1.41
Christian Hansen	-1.31	Vienna Insurance Group	-1.40
G4S	-1.28	TalkTalk Telecom Group	-1.39
Autonomy	-1.26	Fraport	-1.39
Randgold Resources	-1.26	Ferrovial	-1.39
Total	<u>-13.44</u>	Total	<u>-14.52</u>

The above table represents the top 10 underlying long and short equity positions in the Fund as can be found in the Supplementary Portfolio Statement on page 30. The Portfolio Statement on page 15 shows the actual instruments that the Fund uses to achieve its investment objectives.

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

MANAGER'S INVESTMENT REPORT

Outlook

What is concerning about the current investment environment is that never before in the recordable history of financial markets have so many countries had so much debt. If history is any guide to the future this debt load is very troubling for the US and other western developed economies, implying a painful deleveraging episode lasting six to seven years on average. The work of Kenneth Rogoff and Carmen Reinhart has shown that the impact on economic growth can be significant for governments with public debt to GDP in excess of 90% and there are many countries that are fast approaching these levels, some that have even exceeded this threshold. Policy makers appear to have little flexibility to respond to the weak economic outlook. Fiscal stimulus is problematic given the obvious requirement for austerity measures to restore government balance sheets. Interest rates are at record lows. One of the few remaining avenues for stimulus is quantitative easing and exchange rate depreciation. However these policy initiatives raise the risk of a spill over into uncontrollable inflation and the prospect of a round of destructive competitive devaluations. What is surprising in this environment is that many asset classes remain so expensive. Equities, bonds and commodities have rarely been this expensive in aggregate. Despite the recent falls in European equity markets, highlighting a seductive relative valuation advantage, in absolute terms valuations in Europe could not be described as compelling. Most asset classes are, therefore, vulnerable.

We believe the prevailing economic conditions and our assessment that asset valuations are, on the whole, expensive has obvious relevance for this Fund. Constructed to be non-directional, with the sizeable short book that this requires, provides the potential for protection against further deterioration in markets. Over the past five years our cash flow process applied within a hedge fund structure has proved to be an invaluable diversification in difficult market conditions – an apparently scarce commodity given that most hedge funds have generated negative returns in this time period. We believe that our process has the potential in this portfolio to provide better than equity market returns over the long term with significantly less risk. It is the combination of this return potential and the potential for a continuation of low correlation with equity markets that causes us to continue to commit significant sums of our own capital to this Fund.

James Inglis-Jones & Gary West
Fund Managers

November 2011

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 EUROPEAN ABSOLUTE RETURN 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 for each of the unit types:

Date	Units in issue	Net asset value of Fund	Net asset value per unit	Total expense ratio *
Retail units				
30th September 2010	30,969,598	£28,571,783	92.26 pence	2.17%
30th September 2011	29,473,529	£29,837,412	101.23 pence	3.03%
Institutional units‡				
30th September 2011	5,004,649	£5,059,950	101.10 pence	4.50%

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 October 2010.

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

Included in the total expense figure used in the calculation of the TER is an amount relating to performance fees (see note 1C). The element of the calculated TER that can be directly attributed to performance fees for each class of unit are shown below.

Retail units 0.99%

Institutional units‡ 2.86%

‡ The Institutional unit class was launched on the 1st November 2010.

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

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 since launch.

Retail units

Year	Highest offer (buying) price	Lowest bid (selling) price	Net income per unit	Net income per £1,000 invested at 2nd January
2010	101.65 pence	86.55 pence	-	£0.00
2011 (to 30.09)	107.77 pence	91.13 pence	-	£0.00

Institutional units‡

Year	Highest offer (buying) price	Lowest bid (selling) price	Net income per unit	Net income per £1,000 invested at 1st November
2010	96.29 pence	92.93 pence	-	£0.00
2011 (to 30.09)	102.71 pence	91.30 pence	-	£0.00

The Fund accumulates income once per annum, on 30th November. The ex-dividend date is 1st October each year.

‡ The Institutional unit class was launched on the 1st November 2010.

LIONTRUST EUROPEAN ABSOLUTE RETURN 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 October 2010;
- 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 European Absolute Return 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

30 November 2011

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

CHARGES, FEES AND EXPENSES

Change to Registration Fees

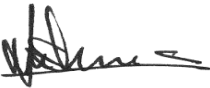
The cost of the maintenance of the register and the sub-register fees for ISA unitholders is paid out of the property of each Fund and for all funds was levied at 0.0720% per annum of the value of each Fund. Following a review of the level of this fee, with effect from 1 July 2011, the fee levied has increased to 0.0800% per annum, an increase of 0.008%, which is less than 1% of the Total Expense Ratio.

CHANGE OF INVESTMENT ADVISER

On 1st July 2011, Liontrust Investment Partners LLP replaced Liontrust European Investment Services Limited as investment adviser to Liontrust European Absolute Return Fund.

CERTIFICATION OF ACCOUNTS BY DIRECTORS OF THE MANAGER

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



John Ions
Chief Executive



Antony Morrison
Partner, Head of Finance

Liontrust Fund Partners LLP.

30 November 2011

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

INDEPENDENT AUDITORS' REPORT

to the unitholders of the Liontrust European Absolute Return Fund ("the Fund")

We have audited the financial statements of the Liontrust European Absolute Return Fund for the year ended 30th September 2011 which comprise the Statement Of Total Return, the Statement Of Change In Net Assets Attributable To Unitholders, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

Respective responsibilities of the Manager and Auditors

As explained more fully in the Statement of the Manager's Responsibilities, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Trust's unitholders 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 these opinions, 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.

Scope of the audit and the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Manager; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Liontrust European Absolute Return Fund Long Final Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Trust at 30th September 2011 and of the net expense and the net gains of the property of the Trust for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes Sourcebook and the Trust Deed.

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

INDEPENDENT AUDITORS' REPORT

Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Authorised Fund Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the Trust have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Edinburgh

28 November 2011

- (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 EUROPEAN ABSOLUTE RETURN FUND

PORTFOLIO STATEMENT

	Holding or Nominal	Market Value £'000	% of total net assets
EQUITIES		2,397	6.87
(30.09.10: 1.78%)			
Spain			
Bolsas y Mercados Espanole	48,549	836	2.40
		836	2.40
United Kingdom			
British Land*	152,358	737	2.11
SSE	64,342	824	2.36
		1,561	4.47
FIXED INCOME		5,733	16.42
(30.09.10: 25.25%)			
British Government Bonds			
UK Treasury 3.25% 07/12/2011	£1,000,000	1,005	2.88
UK Treasury 0% 07/11/2011	£3,000,000	2,999	8.59
		4,004	11.47
Italian Government Bonds			
Italy Buoni Ordinari del Tesoro BOT 0% 31/10/2011	€2,000,000	1,729	4.95
		1,729	4.95
SHORT TERM DEPOSITS		17,660	50.61
(30.09.10: 50.34%)			
Danish Krone Deposits			
Close Brothers 0.55% DKK Deposit	DKK9,400,000	1,093	3.13
		1,093	3.13
Euro Deposits			
Close Brothers 1.25% Euro Deposit	€1,137,229	984	2.82
		984	2.82
Sterling Deposits			
Close Brothers 1% Sterling Deposit	£3,668,045	3,668	10.51
RBS 0.5% 7 Day Sterling Deposit	£1,506,875	1,507	4.32
RBS 0.6% 14 Day Sterling Deposit	£2,505,252	2,505	7.18
Santander 0.5% Instant Sterling Deposit	£2,613,345	2,613	7.49
Santander 0.8% 15 Day Sterling Deposit	£1,866,513	1,867	5.35
SSgA Cash Management Fund**	3,422,860	3,423	9.81
		15,583	44.66

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

PORTFOLIO STATEMENT

	Holding or Nominal	Market Value £'000	% of total net assets
DERIVATIVES		-	-
(30.09.10: 1.50%)			
Equity Swaps			
CHF Equity SWAP 30/06/2014	CHF1,000,000	(29)	(0.08)
DKK Equity SWAP 30/06/2014	DKK1,000,000	47	0.13
EUR Equity SWAP 14/07/2014	€1,000,000	(176)	(0.50)
GBP Equity SWAP 30/06/2014	£1,000,000	(82)	(0.23)
NOK Equity SWAP 30/06/2014	NOK1,000,000	(27)	(0.08)
SEK Equity SWAP 30/06/2014	SEK1,000,000	205	0.59
		<u>(62)</u>	<u>(0.17)</u>
Forwards			
Sold SEK28,000,000 for £2,654,831 Settlement 12 October 2011		40	0.11
Sold NOK9,300,000 for £1,040,245 Settlement 12 October 2011		22	0.06
		<u>62</u>	<u>0.17</u>
Portfolio of investments		25,790	73.90
Net other assets		<u>9,107</u>	<u>26.10</u>
Total net assets		<u><u>34,897</u></u>	<u><u>100.00</u></u>

Derivative contracts are Over the Counter (OTC) derivatives.

* Real Estate Investment Trust (REIT)

** 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 EUROPEAN ABSOLUTE RETURN FUND

STATEMENT OF TOTAL RETURN

for the year ended 30th September 2011

	Note	2011 £'000	2011 £'000	2010* £'000	2010* £'000
Income:					
Net capital gains/(losses)	4		3,044		(246)
Revenue	5	164		136	
Expenses	6	(899)		(579)	
Finance costs: Interest	8	-		-	
Net expense before taxation		(735)		(443)	
Taxation	7	(8)		(8)	
Net expense after taxation			(743)		(451)
Total return before distribution			2,301		(697)
Finance costs: Distributions	8		-		-
Change in net assets attributable to unitholders from investment activities			2,301		(697)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 30th September 2011

	2011 £'000	2011 £'000	2010* £'000	2010* £'000
Opening net assets attributable to unitholders		28,572		-
Amounts receivable on issue of units	17,109		40,287	
Amounts payable on cancellation of units	(13,084)		(11,018)	
		4,025		29,269
Stamp duty reserve tax		(1)		-
Change in net assets attributable to unitholders from investment activities		2,301		(697)
Closing net assets attributable to unitholders		34,897		28,572

* for the period 8 July 2009 to 30 September 2010.

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

BALANCE SHEET

as at 30th September 2011

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Assets					
Investment assets			26,104		22,538
Debtors	9	972		77	
Cash and bank balances		<u>8,532</u>		<u>7,745</u>	
Total other assets			<u>9,504</u>		<u>7,822</u>
Total assets			35,608		30,360
Liabilities					
Derivative liabilities		314		4	
Creditors	11	<u>397</u>		<u>1,784</u>	
Total liabilities			711		1,788
Net assets attributable to unitholders			<u><u>34,897</u></u>		<u><u>28,572</u></u>

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting and 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 October 2010.

B Recognition of revenue

- (i) UK dividends classified as franked investment income are shown net of attributable tax credits when the securities are quoted ex-dividend.
- (ii) Bank interest is 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.
- (v) Accrued interest purchased and sold on interest-bearing securities is excluded from the capital cost of these securities and dealt with as part of the income of the Fund.
- (vi) Swap income is transferred to and from the fund between the counterparty Credit Suisse on a monthly basis.
- vii) Dividends received from UK REITs are split into PID (Property Income Distributions) and Non-PID components for tax purposes. Revenue arising from UK REITs tax-exempt rental business is colloquially known as PID revenue and is taxable in the hands of the Fund. A UK REIT may also carry out other activities that give rise to taxable profits and gains, it is from these that the REIT will make a Non-PID distribution, these are treated for tax purposes in the same way as dividends from normal UK companies.

C Expenses

For Liontrust European Absolute Return Fund, the Investment Adviser will receive a performance fee which is based on the appreciation in the Net Asset Value per unit, and accordingly the performance fee will increase with regard to unrealised appreciation, as well as realised gains.

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

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 reinvested in the Fund.

E Basis of valuation of investments

All investments have been valued at 12 midday, on 30th September 2011. Listed investments have been valued at bid-market value, net of any accrued income.

Unquoted investments are valued based on the Manager's opinion of fair value, the intention of which is to estimate market value.

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

2 Risk Management Policies

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

- equity shares, fixed interest securities and units in SSgA Cash Management Fund;
- cash and short-term debtors and creditors that arise directly from its operations;
- derivatives; 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 derivative risk, 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.

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS

Derivative Risk

The Manager entered into derivative contracts on behalf of the Fund in accordance with the Fund's investment objectives.

For Liontrust European Absolute Return Fund, the use of futures, options, warrants, forwards or swaps involves increased risk. The Fund's ability to use such instruments successfully depends on the Investment Adviser's ability to accurately predict movements in stock prices, interest rates, currency exchange rates or other economic factors and the availability of liquid markets. If the Investment Adviser's predictions are wrong, or if the derivatives do not work as anticipated, the Fund could suffer greater loss than if the Fund had not used derivatives.

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 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.

Foreign currency risk

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

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

The Fund may be subject to short-term exposure to exchange rate movements, for instance where there is a difference between the date an investment purchase or sale is entered into and the date when settlement of the proceeds occurs. When the Fund enters into such a transaction which will involve the buying or selling of foreign currency in order to complete, a foreign exchange contract is entered into as soon as possible after the initial transaction in order to minimise exchange rate risk.

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.

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS

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 Unit Classes

The Fund has two unit classes in issue. The original retail unit class and the institutional unit class launched on 1st November 2010.

The net asset value of each unit class, the net asset value per unit and the number of units in each class are given in the Net Asset Value Per Unit and Comparative Table on page 9.

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS

4 Net capital gains/(losses)

	2011	2010*
	£'000	£'000
Non-derivative securities	(578)	212
Forward foreign exchange currency contracts	534	-
Swap contracts	3,155	(557)
Currency (losses)/gains	(67)	100
Transaction charges	-	(1)
Net capital gains/(losses)	3,044	(246)

5 Revenue

	2011	2010*
	£'000	£'000
Bank interest	39	-
Derivative income	(87)	(48)
Fixed interest income	41	28
Interest on cash deposits	83	100
Overseas dividends	56	56
PID Income received from UK REITs	7	-
UK dividends	25	-
	164	136

6 Expenses

	2011	2010*
	£'000	£'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge	440	408
Registration fees	22	17
Performance fee	298	-
	760	425
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Safe custody fees	1	1
Trustee's fees	11	10
Wire charges	1	1
	13	12
Other expenses		
Administration	11	-
Audit fee	15	14
FSA fee	-	1
Legal fee	2	26
OTC derivatives set-up fee	90	97
Non audit fees payable to PricewaterhouseCoopers LLP†	6	-
Publishing fee	2	4
	126	142
Total expenses	899	579

† Relates to interim procedures performed over performance fees.

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS

7 Taxation

	2011 £'000	2010* £'000
(i) Analysis of charge for the year :		
Irrecoverable overseas tax	8	8
(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% (2010: 20%). The differences are explained below:		
Net revenue before taxation	(735)	(443)
Corporation tax at 20%	(147)	(89)
Effects of:		
Non taxable foreign dividends	(16)	(11)
Movement in excess management expenses	163	100
Irrecoverable overseas tax	8	8
	155	97
Current tax charge for the year (see note 7(i))	8	8

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 £263,063 (30th September 2010: £99,849) 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 EUROPEAN ABSOLUTE RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS

8 Finance costs

Distribution and interest

The distribution takes account of income received on the creation of units and income deducted on the cancellation of units, and comprises:

	2011 £'000	2010* £'000
Final	-	-
Amounts deducted on cancellation of units	-	-
Amounts received on issue of units	-	-
Net distribution for the year	<u>-</u>	<u>-</u>
Finance costs: Interest	-	-
Total finance costs	<u>-</u>	<u>-</u>

Reconciliation of net revenue after taxation to distribution:

Net revenue after taxation	(743)	(451)
Shortfall funded from capital	445	452
Performance fees in capital	298	-
Net distribution for the year	<u>-</u>	<u>1</u>

* for the period 8 July 2009 to 30 September 2010.

9 Debtors

	2011 £'000	2010 £'000
Accrued revenue	31	69
Amounts receivable on creation of units	937	6
Overseas tax recoverable	4	2
	<u>972</u>	<u>77</u>

10 Cash & Bank Balances

	2011 £'000	2010 £'000
Cash at bank	5,245	5,605
Amounts held as swaps cash collateral	3,287	2,140
	<u>8,532</u>	<u>7,745</u>

11 Creditors

	2011 £'000	2010 £'000
Accrued expenses	397	70
Purchases awaiting settlement	-	1,714
	<u>397</u>	<u>1,784</u>

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS

12 Commitments, contingent liabilities and contingent assets

On 30th September 2011, the Fund had no capital commitments (30th September 2010: £nil) and no contingent liabilities (30th September 2010: £nil).

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 30th September 2011 on the SSgA Cash Fund Deposit was £nil (30th September 2010: £1,168).

The Fund received interest on deposits held with the Trustee during the year as disclosed in note 5 on page 23 of which £13,758 was outstanding at 30th September 2011 (30th September 2010: £9,974). At 30th September 2011 the Fund held cash balances with the Trustee as disclosed in the Balance Sheet on page 18.

The charges made by the Manager, Trustee and the Registrar during the period are disclosed in note 6. At 30th September 2011 £335,361, £947 and £2,106 were due to the Manager, Trustee and Registrar respectively (30th September 2010: £34,434, £1,580 & £1,653). These amounts are included under 'Accrued expenses' in note 11.

At 30th September 2011 there were creation monies due from the Manager of £937,439 (30th September 2010: £5,357). There were cancellation monies due to the Manager of £nil at 30th September 2011 (30th September 2010: £nil).

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.

The Fund currently holds swap contracts, the counterparty for these being Credit Suisse Securities (Europe) Limited. As part of this relationship the Fund currently has a cash collateral position of £3,286,558 (30th September 2010: £2,140,372) on deposit.

LIONTRUST EUROPEAN ABSOLUTE RETURN 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 30th September 2011 was:

Currency	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Financial liabilities not carrying interest	Total financial assets
30.09.11	£'000	£'000	£'000	£'000	£'000
Danish Krone	1,099	-	48	-	1,147
Euro	2,738	1,729	845	(180)	5,132
Norwegian Krone	-	-	-	(1,045)	(1,045)
Swedish Krona	-	-	205	(2,615)	(2,410)
Swiss Franc	488	-	-	(29)	459
UK Sterling	18,444	4,004	9,648	(482)	31,614
Total	22,769	5,733	10,746	(4,351)	34,897

Currency	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Financial liabilities not carrying interest	Total financial assets
30.09.10	£'000	£'000	£'000	£'000	£'000
Danish Krone	-	-	10	-	10
Euro	4,826	1,715	821	(1,715)	5,647
Norwegian Krone	-	-	-	(2)	(2)
Swedish Krona	-	-	37	-	37
Swiss Franc	2,370	-	82	-	2,452
US Dollar	-	-	4	-	4
UK Sterling	12,089	8,340	65	(70)	20,424
Total	19,285	10,055	1,019	(1,787)	28,572

The prior year figures have been restated.

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS

Foreign currency risk

The Portfolio Statement on pages 15 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 30th September 2011			Net foreign currency assets 30th September 2010		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Danish Krone	1,147	-	1,147	10	-	10
Euro	2,567	2,565	5,132	3,424	2,223	5,647
Norwegian Krone	(1,045)	-	(1,045)	(2)	-	(2)
Swedish Krona	(2,410)	-	(2,410)	37	-	37
Swiss Franc	459	-	459	2,452	-	2,452
US Dollar	-	-	-	4	-	4
	<u>718</u>	<u>2,565</u>	<u>3,283</u>	<u>5,925</u>	<u>2,223</u>	<u>8,148</u>

The prior year figures have been restated.

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.

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS

16 Purchases, sales and transaction costs

	2011 £'000	2011 £'000	2010* £'000	2010* £'000
Non-derivative securities		24,039		74,949
Swap contracts		8,676		2,754
Commissions	5		1	
Taxes	9		-	
	<u> </u>		<u> </u>	
Total purchase transaction costs		14		1
Purchases including transaction costs		<u><u>32,715</u></u>		<u><u>77,704</u></u>
	2011 £'000	2011 £'000	2010* £'000	2010* £'000
Non-derivative securities		23,484		55,530
Swap contracts		6,082		2,754
Commissions	-		(1)	
Taxes	-		-	
	<u> </u>		<u> </u>	
Total sales transaction costs		-		(1)
Sales net of transaction costs		<u><u>29,566</u></u>		<u><u>58,285</u></u>

* For the period 8th July 2009 to 30th September 2010.

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

ADDITIONAL INFORMATION

Supplementary Portfolio Statement as at 30th September 2011

This supplementary portfolio statement is provided to give more information on the underlying equity exposures, also known as reference assets, entered into by the Trust as a result of its holdings in total return equity swaps (see Portfolio Statement on page 15).

The notional holdings shown above are used to quantify the underlying equity exposure to each reference asset as agreed by the counterparties to the swaps. It is not therefore possible to reconcile these positions back to those shown in the Portfolio Statement.

	Notional Holding	Market Value £'000	Percentage of total net assets %
LONG POSITIONS			
Basic Material			
Boliden	76,106	507	1.00
Clariant	66,173	396	0.78
Rio Tinto	21,606	625	1.24
Wacker Chemie	6,602	393	0.78
		1,921	3.80
Consumer Goods			
Imperial Tobacco	42,142	927	1.84
Reckitt Benckiser	26,472	851	1.69
Valeo	23,350	644	1.28
		2,422	4.80
Consumer Services			
Next	40,415	1,031	2.04
Paddy Power	30,137	995	1.97
Publicis	27,178	745	1.48
Sodexo	19,293	819	1.62
Stagecoach	375,048	915	1.81
		4,505	8.93
Financials			
Ashmore	237,808	783	1.55
Castellum	93,886	751	1.49
		1,534	3.04
Health Care			
Astrazeneca	28,314	810	1.60
Shire	46,766	927	1.84
		1,737	3.44

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

ADDITIONAL INFORMATION

Supplementary Portfolio Statement as at 30th September 2011

	Notional Holding	Market Value £'000	Percentage of total net assets %
Industrials			
Aggreko	46,577	761	1.51
Andritz	14,333	779	1.54
Assa Abloy	53,846	730	1.45
Bucher Industries	5,742	582	1.15
Diasorin	29,540	696	1.38
IMI	87,858	620	1.23
Jeronimo Martins	76,297	777	1.54
Kongsberg	52,922	596	1.18
NCC	53,050	563	1.12
Scania	61,840	579	1.15
Schindler	11,744	823	1.63
SMA Solar Technology	13,600	468	0.93
Wartsila	42,471	667	1.32
		8,641	17.12
Oil & Gas			
Fred Olsen Energy	38,583	718	1.42
Lundin Petroleum	107,193	1,153	2.28
		1,871	3.71
Technology			
Wincor Nixdorf	18,078	523	1.04
		523	1.04
Telecommunications			
Mobistar	19,864	733	1.45
		733	1.45
Utilities			
Red Electrica	24,901	734	1.45
		734	1.45
Total long positions		24,621	48.77

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

ADDITIONAL INFORMATION

Supplementary Portfolio Statement as at 30th September 2011

	Notional Holding	Market Value £'000	Percentage of total net assets %
SHORT POSITIONS			
Basic Material			
Givaudan	(717)	(358)	(0.71)
Holmen	(24,193)	(388)	(0.77)
Kemira	(44,611)	(325)	(0.64)
Kloeckner & Co	(27,543)	(225)	(0.45)
Lanxess	(9,704)	(305)	(0.60)
Mayr-Melnhof Karton	(7,263)	(417)	(0.83)
Norsk Hydro	(102,483)	(304)	(0.60)
Randgold Resources	(7,189)	(439)	(0.87)
Talvivaara Mining	(106,144)	(276)	(0.55)
UPM Kymmene	(43,621)	(323)	(0.64)
		(3,360)	(6.66)
Consumer Goods			
Amer Sports	(51,639)	(428)	(0.85)
CSM	(23,091)	(297)	(0.59)
Eirringklinger	(23,699)	(362)	(0.72)
Michelin	(8,844)	(344)	(0.68)
Rheinmetall	(9,396)	(285)	(0.57)
		(1,716)	(3.40)
Consumer Services			
Barry Callebaut	(761)	(404)	(0.80)
Informa	(114,858)	(371)	(0.74)
International Consolidated Airlines	(212,867)	(329)	(0.65)
Mercialys	(19,004)	(437)	(0.87)
Ocado	(217,504)	(207)	(0.41)
Sanoma	(25,916)	(199)	(0.39)
Thomas Cook	(206,633)	(82)	(0.16)
		(2,029)	(4.02)
Financials			
Aareal Bank	(23,066)	(235)	(0.47)
Bank Sarasin & Cie	(16,940)	(332)	(0.66)
Christian Hansen	(34,675)	(457)	(0.90)
Deutsche Euroshop	(19,364)	(423)	(0.84)
Hakon Invest	(61,738)	(548)	(1.09)
Julius Baer	(18,474)	(408)	(0.81)

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

ADDITIONAL INFORMATION

Supplementary Portfolio Statement as at 30th September 2011

	Notional Holding	Market Value £'000	Percentage of total net assets %
Financials (continued)			
Jupiter Fund Management	(176,150)	(349)	(0.69)
Klepierre	(18,962)	(346)	(0.69)
Old Mutual	(378,859)	(392)	(0.78)
Silic	(5,488)	(344)	(0.68)
Skandinaviska Enskilda Banken	(92,307)	(325)	(0.64)
Swiss Re	(15,558)	(471)	(0.93)
Unipol Gruppo Finanziario	(754,931)	(203)	(0.40)
Wereldhave	(8,417)	(386)	(0.77)
		(5,219)	(10.34)
Health Care			
Grifols	(39,727)	(482)	(0.96)
Orpea	(16,402)	(429)	(0.85)
Qiagen	(41,216)	(375)	(0.74)
		(1,286)	(2.55)
Industrials			
ADP	(8,358)	(407)	(0.81)
BAE Systems	(148,812)	(391)	(0.77)
Bekaert	(7,829)	(211)	(0.42)
Construcc Y Aux De Ferroca	(1,400)	(458)	(0.91)
Cookson	(73,060)	(309)	(0.61)
Deutsche Post	(43,618)	(363)	(0.72)
Eiffage	(11,779)	(234)	(0.46)
G4S	(168,416)	(446)	(0.88)
GEA	(23,963)	(362)	(0.72)
Gemalto	(12,105)	(365)	(0.72)
Groupe Eurotunnel	(74,616)	(415)	(0.82)
Georg Fischer	(1,266)	(290)	(0.57)
Hexagon	(31,082)	(266)	(0.53)
Imtech	(21,347)	(391)	(0.77)
Koninklijke BAM	(119,051)	(310)	(0.61)
Koninklijke Philips	(29,910)	(344)	(0.68)
Krones	(10,215)	(343)	(0.68)
Leoni	(14,524)	(307)	(0.61)
NKT	(11,984)	(280)	(0.56)
Peab	(113,083)	(360)	(0.71)
Sulzer	(4,161)	(284)	(0.56)

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

ADDITIONAL INFORMATION

Supplementary Portfolio Statement as at 30th September 2011

	Notional Holding	Market Value £'000	Percentage of total net assets %
Industrials (continued)			
Trelleborg	(71,349)	(302)	(0.60)
Vestas Wind Systems	(26,654)	(290)	(0.57)
Wienerberger	(42,704)	(333)	(0.66)
YIT	(31,605)	(312)	(0.62)
		<u>(8,373)</u>	<u>(16.59)</u>
Oil & Gas			
Cie Generale De Geophysique	(21,968)	(258)	(0.51)
Enquest	(367,756)	(320)	(0.63)
Hunting	(65,501)	(384)	(0.76)
SOCO International	(91,813)	(300)	(0.60)
		<u>(1,262)</u>	<u>(2.50)</u>
Technology			
Atos	(14,118)	(396)	(0.78)
Autonomy	(17,306)	(440)	(0.87)
Cap Gemini	(14,223)	(308)	(0.61)
GN Store Nord	(79,077)	(317)	(0.63)
		<u>(1,461)</u>	<u>(2.89)</u>
Telecommunications			
Jazztel	(120,314)	(380)	(0.75)
		<u>(380)</u>	<u>(0.75)</u>
Utilities			
Alpiq	(3,339)	(472)	(0.94)
Enel Green Power	(287,079)	(423)	(0.84)
GDF Suez	(22,368)	(438)	(0.87)
International Power	(154,228)	(479)	(0.95)
		<u>(1,812)</u>	<u>(3.59)</u>
Total short positions		<u>(26,898)</u>	<u>(53.28)</u>
Net investment exposure		<u>(2,277)</u>	<u>(4.51)</u>

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

ADDITIONAL INFORMATION

Trust Deed: The Fund was established by a Trust Deed made between the Manager and the Trustee dated 3rd July 2009.

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 Fund Partners LLP 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 for initial purchases, but can deal over the telephone thereafter. 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 £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 the day following the dealing date. Unit certificates will not be issued. Instructions to sell your units may be required to be given by telephone and then confirmed in writing to Liontrust Customer Services Team, PO Box 23850, Edinburgh EH7 5FY. A contract note confirming the instruction to sell will be issued the day following the dealing day. Following receipt of a correctly completed Form of Renunciation, a cheque in settlement will be sent directly to you or your bank/building society, if proof of ownership of the account has been received by us, 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 and annual management fees per unit class are detailed below. The difference between the bid and the offer prices is currently 6% which includes the initial charge.

Initial Charge	%	Annual Management Charge	%
Retail class	5.00	Retail class	1.50
		Institutional class	0.75

The net estimated yields on the classes are shown below, these are calculated and published daily.

Yield	%	%	
Retail class	0.00	Institutional class	0.00

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.

LIONTRUST EUROPEAN ABSOLUTE RETURN FUND

ADDITIONAL INFORMATION

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 effect on you as the unitholder depending on how the unit trust manager treats this particular charge. Any SDRT liability incurred by the Trustee on (Add in fund name) 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 £10,600 of net gains on disposals in the 2011-2012 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.



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Liontrust Fund Partners LLP is authorised and regulated by the Financial Services Authority.