LIONTRUST

LIONTRUST UK GROWTH FUND

MANAGER'S SHORT INTERIM REPORT
FOR THE PERIOD ENDED 30TH JUNE 2011

Managed by Anthony Cross & Julian Fosh in accordance with **The Liontrust Economic Advantage**

THE LIONTRUST ECONOMIC ADVANTAGE

LIONTRUST UK GROWTH FUND IS MANAGED BY **ANTHONY CROSS** AND **JULIAN FOSH** IN ACCORDANCE WITH THEIR INVESTMENT PROCESS FOR UK EQUITY PORTFOLIOS, **THE LIONTRUST ECONOMIC ADVANTAGE**.

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.

MARKET REVIEW

Market Review

Equity markets enjoyed a subdued return over the 6 months ending 30th June 2011, due to some formidable headwinds. The FTSE All-Share Index rose 3.0% over the period. Stocks started 2011 strongly, as successful European bond auctions allayed sovereign debt fears and economic data (excepting the UK Q4 GDP release) proved generally positive. Inflationary pressures due to soaring commodity prices became evident, however, and towards the end of January the first stirrings of what would become known as the 'Arab spring' unnerved markets. Although macroeconomic data continued to be positive, in March the Japanese earthquake and tsunami provided a further source of concern. In April ratings agency S&P issued a warning regarding the potential for a negative change in US debt rating. Although this caused a mid-month drop in the market, optimism over the return of Chinese growth enabled the market to shrug this issue off - for the moment. Towards the end of the period the increasing possibility of Greek default began to weigh heavily on share prices, and economic data (notably housing and industrial production statistics) disappointed. Falling commodity prices warned of slowing economic growth. In general, companies, particularly those with strong export markets, delivered robust earnings. There were, however, pockets of weakness, notably in firms exposed to cuts in UK public expenditure.

Fund Review

Against this difficult background the Fund performed well versus its benchmark, FTSE All-Share Index and competitor funds, returning +8.3%. The investment process continues to deliver a portfolio of companies that have built barriers to competition through their intangible assets. All companies must possess Intellectual Property (IP), a strong distribution network or high recurring income. These assets are particularly difficult for competitors to replicate and therefore operate to sustain pricing power.

We expect our companies to deliver strong financial returns as validation of their barriers to competition, using return on capital employed as a key metric. The Fund is predominantly invested in large and mid-cap companies, but will hold up to 10% of its assets in smaller (sub-FTSE 350 Index) companies. To include such companies, we require (in addition to the criteria outlined above) that management owns at least 3% of the listed equity. We believe that the 'owner-manager' culture that such ownership creates is an important driver of long-term shareholder returns. We also like the conservative attitude that such management tends to take towards debt and acquisitions.

MARKET REVIEW CONTINUED

The top performer over the period was *Rightmove*, which rose 54.5% as it continues to prosper despite the subdued UK housing market. *Paypoint* (+47.9%) was dramatically re-rated following the announcement of the National Lottery Commission's decision to reject Camelot's plan to offer competing services through its National Lottery terminals. *Renishaw* (+43.4%) benefited from resurgent Far Eastern demand for its specialist measurement equipment, and small wealth manager *Brooks Macdonald* (+35.6%) continued to grow apace. *Aggreko* (+31.3%), *Fidessa* (+30.0%) and *RWS* (+27.5%) also performed strongly.

Important as picking winners is, it is vital in a relatively concentrated portfolio to avoid losers too. The worst performer over the period was *Domino's Pizza* (-25.8%), where a slowdown in growth prompted a correction on valuation grounds. Nothing has changed fundamentally in the business, so we retain it in the portfolio. *Carpetright* (-17.5%) suffered a string of profits warnings as the UK housing market remained anaemic: the company has a huge market share and experienced management and will consequently benefit relatively from the difficulties of competitors and again we retain our (small) position. Our only other double-digit loser was performance measurement company *StatPro* (-10.4%) where slow adoption of new product Revolution is obscuring the underlying strengths of the business.

Outlook

However difficult the macroeconomic environment is, or appears to be, there are always some companies who, because of their intrinsic strengths, are able to buck the prevailing trend and thrive. The Fund aims to continue to find and exploit such companies, wherever they may be. Whilst we continue to experience good results from our international businesses, it is noteworthy that three of the top four performers during the period under review operate predominantly in the UK.

On the global stage excess levels of sovereign debt (notably in the US and the Eurozone) dominate the headlines and commentaries. Concerns over the implications of this have driven indices down to new lows for the year. This creates opportunity, as not all shares are equal.

Our process takes a long-term view, and this is reflected in low levels of stock turnover. We do not take macroeconomic bets but instead focus on the underlying strengths of each business. The companies have defendable barriers to competition and are frequently exposed to fast-growing markets and/or are cash generative. The pricing power that our companies generally enjoy is proving to be very important in such trying times.

Since inception the investment process has delivered strong absolute performance which has translated into attractive annualized returns. We look forward to maintaining this record.

Anthony Cross & Julian Fosh
Partners, Liontrust Investment Partners LLP
August 2011

FUND PROFILE

Investment Objective and Policy

The investment objective of Liontrust UK Growth 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. The Fund may also invest in transferable securities, money market instruments, warrants, cash and near cash and deposits. The Fund may also 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.

Investment Approach

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.

Risk Profile

The Fund is invested exclusively in UK equities. It is invested in stocks throughout the FTSE All-Share Index, with no sector bias. The principal risks are those associated with stock market investments.

Total Expense Ratio (%)

	30th June 2011	31st December 2010
Class R income units	1.64	1.62
Class I income units*	0.90	0.87

Fund Calendar

Ex-dividend date	1st January
Income payment date	End of February
Accounting period ends	31st December

* Launched 1st November 2010.

PERFORMANCE

Net Asset Values *pence per unit*	30th June 2011	31st December 2010	% Change
Class R income units	243.48	224.76	+8.33
Class I income units*	245.14	224.77	+9.06

Distributions *pence per unit*	31st December 2010	31st December 2009
Class R income units	2.64	3.18
Class I income units*	2.86	–

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.

Total Return (%)	6 months to 30.06.11	1 year to 30.06.11	3 years to 30.06.11	5 years to 30.06.11	Since manager inception to 30.06.11**
Liontrust UK Growth Fund	8.3	31.9	12.5	45.2	84.5
FTSE All-Share Index	3.0	25.6	21.0	24.6	69.7
Quartile Ranking	1	1	4	1	1

Discrete Years' Performance (%) To previous quarter, 12 months ending:	June '07	June '08	June '09	June '10	June '11
Liontrust UK Growth Fund	24.0	4.0	-33.5	28.2	31.9
FTSE All-Share Index	18.4	-13.0	-20.5	21.1	25.6

* Launched 1st November 2010.

** Anthony Cross and Julian Fosh took over management of the Fund on 25th March 2009.

Up-to-date past performance information may be obtained from the Fund's most recent fact sheet, available on our website (**www.liontrust.co.uk**) or by calling our Administration & Dealing team on **0844 892 1007**.

Performance data source: Financial Express, total return, bid-to-bid basis. Past performance is not a guide to future performance. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally subscribed. The issue of units in the Fund may be subject to an initial charge, which is likely to have an impact on the realisable value of the investment, particularly in the short term. Equity investment should always be considered as long term.

PORTFOLIO

Top 10 Holdings

As at 30th June 2011	%	As at 31st December 2010	%
Royal Dutch Shell 'B' Shares	6.21	Royal Dutch Shell 'B' Shares	6.57
GlaxoSmithKline	4.97	GlaxoSmithKline	5.07
AstraZeneca	3.86	BP	4.15
BG	3.85	AstraZeneca	4.02
BP	3.74	BG	3.84
British American Tobacco	3.69	British American Tobacco	3.66
Spectris	3.09	Unilever	3.20
Unilever	2.99	Diageo	2.89
Diageo	2.83	Reckitt Benckiser	2.86
Halma	2.75	Petrofac	2.78
Total	**37.98**	**Total**	**39.04**

Sector Weightings

	FTSE All-Share Index	Liontrust UK Growth Fund	
	30th June 2011 %	30th June 2011 %	31st December 2010 %
Basic Materials	13.25	–	–
Consumer Goods	11.77	12.03	12.61
Consumer Services	9.58	13.91	13.86
Financials	22.14	6.94	6.71
Healthcare	7.26	11.12	11.07
Industrials	7.57	29.08	24.38
Oil & Gas	17.04	17.45	20.09
Technology	1.75	5.84	6.61
Telecommunications	5.85	–	–
Utilities	3.79	–	–
		96.37	**95.33**
Cash (including SSgA* cash deposits)		**3.63**	**4.67**
		100.00	**100.00**

* State Street Global Advisors

FURTHER INFORMATION

UNITHOLDER NOTICE:

Investment & Borrowing Powers – Investment in other Collective Investment Schemes

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

Liontrust Asset Management Plc

Liontrust provides portfolio management services in UK and European equities. 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 £1.3 billion (as at 14th June 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.

Further Information, Report & Financial Statements

Further information on the Fund and its portfolio, the Manager's Long Final and Interim Reports & Financial Statements and the Prospectus and Simplified Prospectus are available free of charge from the Manager upon request, and from www.liontrust.co.uk.

The Manager

Liontrust Fund Partners LLP, 2 Savoy Court, London WC2R 0EZ.

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Authorised and regulated by the Financial Services Authority.

NOTES

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