

LIONTRUST FIRST INCOME FUND



Fact Sheet for first quarter 2001.

INVESTMENT COMMENTARY

In the last six months we have managed to more than make up for last year's relative underperformance of the UK stock market. Over the last six months the Fund has returned a little over 8% while the FTSE All-Share Index has lost value. In addition, we have been able to deliver a higher dividend payment once again.

I have run the Liontrust First Income Fund for the last four years. For much of this time income investing has been hard work. Finding shares with good yields and sustainable profits to back them up has been difficult. I have spent much of this time dodging profits warnings and avoiding too many big losers rather than getting excited about high yielding stocks that are likely to go up a lot.

I have managed to keep the capital value of the Fund moving up by augmenting the relatively few genuinely attractive high yielding stocks with stocks with little or no yield, but with good growth prospects and prospects of beating market expectations (the types of stocks that I look for in the other unit trust that I manage, Liontrust First Growth Fund).

Recently, however, the environment for income investing has improved as a result of two factors. First, there are a lot more stocks selling on very high yields. Second, the yields on long dated Gilts and Index Linked Gilts are now quite low.

There are three types of stocks that I try to own in the Fund. First, if they are available, I want to own stocks that have gross dividend yields comfortably above long dated Gilts (preferably at least 2% more) and with dividends that are unlikely to fall. Currently long dated Gilts yield around 4.5%; so boring, but relatively safe, stocks must have a gross dividend yield above 6.5%. Until recently there were few stocks on high enough yields where their dividends appeared safe. There now appear to be quite a few.

In addition, I want to own stocks that can grow their dividends faster than inflation and have gross dividend yields comfortably ahead of long dated Index Linked Gilts. Again until recently it was difficult to find stocks with reasonable dividend growth prospects and yields well above Index Linked. There are now quite a few.

Finally, when there are not enough of the first two types of shares I tend to buy stocks with good dividend growth prospects and a good chance of beating the market's growth forecasts, regardless of how low their dividend yields are (as long as the overall dividend yield of the Fund stays comfortably above that of the FTSE All-Share Index). Four years ago the Fund had quite a high

proportion of this third type of stock. Their representation has become progressively smaller, and in the last six months it has vanished completely. I am now in the happy position of believing that I can find enough genuinely interesting higher yielding stocks to build an income fund that can offer a good and growing yield without having to resort to low yielding growth stocks.

Jeremy Lang, Joint Investment Director, Liontrust Investment Services Limited - January 2001.

INVESTMENT OBJECTIVE

Liontrust First Income Fund aims to provide a high level of income, with capital values keeping pace with inflation.

ESSENTIAL FUND FACTS

Total size	: £15.4 million	Number of holdings	: 50
Initial offer price	: 50 pence	Launch date	: 2 July 1990
Initial charge	: 5.0%	Estimated net annual yield	: 3.06%
Annual management fee	: 1.5%	Payment dates	: End February 31 August
Bid/offer spread	: 6.0%	Unit type	: Income units only (<i>Investors may reinvest income at creation price.</i>)
Minimum investment	: £2,500		

THE FUND'S CALENDAR

Accounting dates:	Interim: 31 December.	Final: 30 June.
Manager's Report posted:	Interim: end February.	Final: 31 August.
Ex-dividend date:	Interim: 1 January.	Final 1 July
Payment date:	Interim: end February.	Final: 31 August.

PERFORMANCE RECORD

Source: Lipper, bid to bid basis, net income reinvested at ex-dividend date. Figures to 30.01.01

	One Year	Three Years	Since 1.8.96*	Five Years	Since Launch (2.7.90)
Liontrust First Income Fund	+21.3%	+36.5%	+102.9%	+94.1%	+261.5%
FTSE All-Share Index	+4.1%	+28.3%	+83.4%	+87.8%	+259.7%
UK equity income sector average	+13.5%	+26.3%	+78.5%	+80.7%	+221.8%
Sector quartile ranking	1st	1st	1st	2nd	1st

(*Jeremy Lang assumed management of the Fund on this date).

INCOME DISTRIBUTION HISTORY

Accounting period	: 1995	1996	1997	1998	1999	2000
Net income per unit (pence)	: 2.12	1.873	3.483	3.832	3.948	4.001
Net income per £1,000 invested on 1.1.95	: £35.27	£31.16	£57.95	£63.76	£65.59	£66.46

TOP TWENTY HOLDINGS (representing 54.6% of the portfolio)

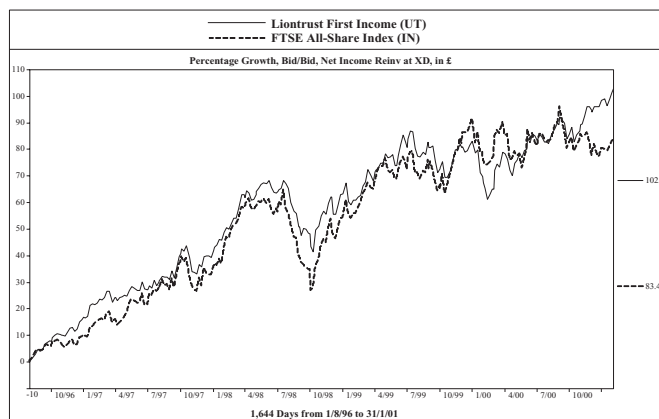
1. BP Amoco (7.0%)	8. Boots (2.7%)	15. Fairey Group (2.2%)
2. Man Group (3.8%)	9. Garban Intercapital (2.5%)	16. Debenhams (2.1%)
3. GlaxosmithKline (3.4%)	10. Laird Group (2.4%)	17. Oasis Stores (2.0%)
4. Royal Bank of Scotland (3.3%)	11. Shell Transport & Trading (2.4%)	18. Northern Foods (1.9%)
5. Abbey National (2.9%)	12. Uniq (2.2%)	19. Abbot Group (1.9%)
6. Lloyds TSB Group (2.8%)	13. Rotork (2.2%)	20. Imperial Tobacco (1.9%)
7. Sainsbury (2.8%)	14. Carpetright (2.2%)	

SECTOR ALLOCATION

Resources	: 13%	Non-Cyclical Services	: 3%
Basic Industries	: 8%	Utilities	: 3%
General Industrials	: 15%	Information Technology	: 2%
Cyclical Consumer Goods	: 0%	Financials	: 18%
Non-Cyclical Consumer Goods	: 15%	Cash	: 2%
Cyclical Services	: 21%		

LIONTRUST FIRST INCOME FUND

Since Jeremy Lang assumed management of the Fund on 1st August 1996.



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The value of investments can fall as well as rise. Past Performance is no guarantee of future performance

KEY FEATURES

ITS AIMS

The objective of Liontrust First Income Fund is to provide a high level of income, with capital values keeping pace with inflation.

YOUR INVESTMENT

Investment in this Fund is by lump sum only. The minimum initial investment is £2,500 whilst the minimum additional investment is £1,000. You may sell your units back to us at any time. If you wish to sell part of your investment the minimum is £500 provided you maintain a balance of £2,500. You may add to your investment at any time.

At its absolute discretion, Liontrust Investment Funds Limited may vary the minimum investment levels.

Until their abolition on 6 April 1999, the Fund was eligible for inclusion within the Liontrust Unit Trust Personal Equity Plan ("Liontrust PEP"). From 6 April 1999 PEPs were replaced by Individual Savings Accounts ("ISAs"). PEPs can continue to be held with the same tax advantages as ISAs but no new or additional subscriptions are permitted. Investors can transfer existing General PEPs in cash into the Fund within the Liontrust PEP, however. The Fund is eligible for inclusion in an ISA.

RISK FACTORS

Investors should be aware of the following risks involved when investing in this Fund:

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.

The past performance of the Fund should not be considered a guide to future performance.

The Fund deducts its annual management fee from capital. This results in the income paid by the Fund being higher than would be the case were the annual management fee deducted from income. As a result the capital growth of the Fund will be constrained by the same amount as the annual management fee. A higher level of income may also increase your tax liability.

Changes in the rate of exchange of currencies, particularly where overseas securities are held, may also affect the value of your investment.

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.

You may qualify for cancellation rights, if you have received advice through an authorised financial adviser, which enables you to cancel your investment within fourteen days. You should be aware, however, that under this method your monies are invested immediately and if the value of the investment has fallen due to a downward movement in the stockmarket, you will receive back the amount originally invested less an amount commensurate with the fall in the Fund.

The levels and bases of, and reliefs from, taxation can change under future legislation and the value of such relief depends upon the individual circumstances of the investor.

QUESTIONS AND ANSWERS

How do I invest ?

You can invest through an independent financial adviser or alternatively you can invest with Liontrust direct by sending us a cheque and accompanying instruction of how you would like to register your investment. An application form is available upon request.

If you wish to invest in the Fund by transferring existing General PEPs in cash into the Fund within the Liontrust PEP you should complete the Transfer Form.

What information will I receive after I invest ?

Once you have invested you will be sent a contract note which will contain details of the number of units you have purchased, the price you have paid for them and a form requesting your registration and bank details (if income is to be paid out). Within the next fourteen days of receiving your payment and registration details you will be sent a Confirmation of Ownership together with a Form of Renunciation which should be completed when you wish to dispose of your investment. We do not issue certificates. Every six months you will be sent a copy of the Fund's Manager's Report and Financial Statements. This gives you full information about the Fund's portfolio, how we have managed the Fund and our market outlook.

If you have invested in the Fund through the Liontrust PEP you will be sent a statement of the valuation of your investment as at 5 April and 5 October within twenty five working days of these two dates. You will also receive the Fund's Manager's Report and Financial Statements every six months.

How will my holdings be registered?

Units purchased in the Fund will be registered in your own name. Investments held in the Liontrust PEP are registered in the name of Henderson PEP Nominees Limited.

How do I monitor my investment ?

We publish the prices and movements of all our unit trusts in *The Financial Times* and *The Daily Telegraph* every business day. You can also telephone our Client Investment Services Department on 020-7412 1766 if you wish to find out further information.

If you have any queries about your Liontrust PEP investment you can telephone our PEP Investor Services Department on 020-7452 1372.

Can I reinvest any income from my investment ?

If you wish you can choose to reinvest any income rather than have it paid out to you. If you reinvest income you will simply purchase extra units which will be notified to you at the distribution date which is twice per annum, at the end of February and on 31 August. Simply let us know at the time you initially invest. You are free to change your mind and elect to have income reinvested or paid out at any time.

The estimated net distribution yield on the Fund at the date of issue of these Key Features was 3.06%. This figure is after the deduction of our annual management fee but net of UK income tax.

If you have invested in the Fund through the Liontrust PEP, income can be automatically reinvested to purchase additional units to add to your holding, or

distributed to you half-yearly on or before 10 January and 10 July in respect of the half-year ended at the end of the previous month.

Income released from the Fund into the Liontrust PEP pending distribution or reinvestment will be held on deposit, earning interest, which will be paid to you.

Can I switch between this Fund and Liontrust's other unit trusts?

You can switch between our range of unit trusts at any time by telephoning or writing to us. A discount of 4% is generally available on the offer price of the Fund switched into. You should be aware that a switch constitutes a disposal for Capital Gains Tax purposes.

What are my tax liabilities ?

Investment in the Unit Trust.

These depend on your personal circumstances and the nature of the distributions paid by the unit trust. Liontrust First Income Fund distributes dividend distributions:

Dividend distributions

Dividend distributions received by you, or reinvested on your behalf, will be subject to income tax on the aggregate of the distribution and associated tax credit. The current value of the tax credit is equal to one ninth of the dividend receipt and the aggregate of the dividend receipt plus tax credit will form part of your investment income, which will be treated as the top slice of your total income for UK tax purposes.

If you are a UK resident individual who is not liable to tax, you are no longer able to reclaim the tax credits from the Inland Revenue. If you are a UK tax resident individual, liable to tax at the Starting or Basic rates of tax only, you will have no additional tax liability as the tax credit will satisfy your UK income tax liability. If you are a Higher rate taxpayer you will have an additional tax liability to pay.

If you are a non-UK tax resident individual you may be entitled to reclaim part of the tax credit in certain circumstances.

Capital Gains

The investments within a unit trust are exempt from UK Capital Gains Tax. You may, however, be liable for Capital Gains Tax when you sell your units if your gains exceed the tax year's Capital Gains Tax exemption limit.

Stamp Duty Reserve Tax

Stamp Duty Reserve Tax ("SDRT") is a 0.5% tax that is payable to a 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 will be treating this particular charge. Any SDRT liability incurred on Liontrust First Income Fund will be charged to the Fund, which could mean that less of your money will be invested for potential capital growth.

Investment using a PEP.

If you have invested in the Fund through the Liontrust PEP, income distributions are not liable for income tax and any future capital growth is not liable for Capital Gains Tax. Unfranked income accruing within the Fund is liable for Corporation Tax. This income has suffered a tax charge which is claimed back on your behalf by Liontrust Investment Services Limited, the PEP Manager.

Dividend distributions

Dividend distributions received by you, or reinvested on your behalf, will not be subject to income tax.

If you have chosen to receive, or reinvest, PEP distributions, you will continue to be entitled to repayment of the tax credit until 5 April 2004. We will recover these credits from the Inland Revenue on your behalf. When these have been received, and you have chosen to reinvest, they will be added to your holding to purchase additional units at the same price as that prevailing on the distribution date.

No tax credit will apply, however, on the equalisation element of the first income distribution which you receive after purchasing units. 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. Therefore since no income tax is deducted, no tax credit will apply.

Can I change my mind after I have invested ?

If you have received financial advice from an authorised financial adviser you will receive a notice of your right to cancel your investment within fourteen days following receipt of our acknowledgement of your investment. If the value of the investment has fallen because of a movement in the stockmarket, you will receive back the amount commensurate with the fall in the price of the units.

HOW WILL CHARGES AND EXPENSES AFFECT MY INVESTMENT?

An 'offer' price (the price at which you buy units in the Fund and being the higher) and a 'bid' price (the price at which you sell units and being the lower) are always quoted for the Fund. The difference between these two prices is known as the 'spread'. The offer price includes the Manager's initial charge which is 5%. At the date of issue of these Key Features the spread of the Fund was 6.0%.

The annual management fee is 1.5%. There are also other expenses which include fees to Custodians (0.0075% per annum), Trustees (0.04% plus VAT per annum), registrars (£9.60 plus VAT registration fee per annum), auditors and regulators (both have fixed costs which will therefore have a proportionately smaller impact per individual investment as the Fund grows in size). At the date of issue of these Key Features, all these charges combined have the effect of increasing the total annual management fee to 1.65%. This is deducted from capital.

The Fund's Trust Deed permits the initial charge and annual management fee to be increased to a maximum of 7% and 2% respectively, with any proposed increases subject to three months' notice to unitholders. There are currently no plans to increase these charges.

For investors invested in the Fund through the Liontrust PEP there are no additional charges except for a £30 fee (plus VAT if applicable) for partial withdrawals, transfer to another PEP Plan Manager or termination by the Investor. There is also a £100 fee (plus VAT if applicable) for the cancellation of a duplicate or void plan.

The basis of the calculations

The calculations are based on our minimum investment of £2,500 in the unit trust and £3,000 in the Liontrust PEP. First we deducted our initial charge, which is the difference between the buying (offer) price of units and the price you would get if you sold immediately. Second, we assumed that the unit trust investment grows at 6% per year and the Liontrust PEP investment grows at 7% per year. These are standard growth rates used by all investment companies to allow you to compare their charges. We also made allowance for the annual charges that are deducted from the capital of the Fund. The income column shows how much would be paid out. For the purposes of the tables the income is based on the yield at the time this Key Features Document was produced. A standard yield assumption makes no allowance for growth of income over time. The figures do not allow for any discount that you may receive when you invest.

The effect on an investment of £2,500 assuming a growth rate of 6% per year is set out below. The figures are not guaranteed and are used only for the purposes of demonstrating the effect of charges on an investment of £2,500.

At end of year	Investment to date (£)	Effect of the deductions to date (£)	Income to date (£)	What you might get back at 6% p.a. (£)
1	2,500	199	90	2,359
3	“	307	272	2,378
5	“	429	455	2,397
10	“	807	918	2,444

The last line in the table shows that over ten years the effect of total charges and expenses could amount to £807.

Putting it another way, if the growth rate were to be 6%, which is in no way guaranteed, this would have the effect of reducing it to 3.64% a year.

The effect on an investment of £3,000 assuming a growth rate of 7% per year is set out below. The figures are not guaranteed and are used only for the purposes of demonstrating the effect of charges and expenses on an investment of £3,000.

At end of year	Investment to date (£)	Effect of the deductions to date (£)	Income to date (£)	What you might get back at 7% p.a. (£)
1	3,000	241	109	2,858
3	“	379	331	2,935
5	“	540	560	3,014
10	“	1,064	1,158	3,222

The last line in the table shows that over ten years the effect of total charges and expenses could amount to £1,064.

Putting it another way, if the growth rate were to be 7%, which is in no way guaranteed, this would have the effect of reducing it to 4.50% a year.

HOW MUCH WILL ANY ADVICE COST ?

If you purchase units in the Fund through a financial adviser we will pay commission to him for introducing this investment to us. This rate will normally be up to a maximum of 4%. This commission will normally be paid for out of the charges.

Renewal commission of 0.5% will be paid to authorised intermediaries. This will be paid twice yearly, reflecting balances as at the end of June and end of December. Commission will be paid within four weeks of these dates.

If you transfer existing PEP proceeds and purchase the Fund through the Liontrust PEP through a financial adviser we will pay commission to him for introducing the investment to us. This commission will be up to 4% on initial subscriptions and renewal commission of 0.5% per annum of the value of the PEP. The renewal commission will be payable from the annual management fee of the underlying Fund.

No advice will be provided by Liontrust in respect of this Fund.

FURTHER INFORMATION

How to deal in the Fund

You may buy or sell units in the Fund on any business day between 0900 and 1730. Prices are always 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 1400 hours on each business day) following the purchase or sale of units. All deals made during the day up to this valuation point will be dealt at this forward price whilst those deals taken later in the day will receive the next dealing price which is fixed at 1400 hours on the following business day.

Prices of units in the Fund and the latest estimated net distribution yield are calculated and published daily in *The Financial Times*. The Fund's prices are also listed in *The Daily Telegraph*.

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

When you sell your units a contract note confirming the instruction to sell will be issued immediately. Following receipt of correctly completed Form of Renunciation, a cheque in settlement will be sent direct to you or your bank/building society within four business days.

Instructions to buy and sell units may be given by professional investors and advisers via telephone whilst private investors are required to instruct us in writing at all times.

All instructions to buy and sell units held within the Liontrust PEP must be given in writing to our PEP Investor Services Department. Dealing in units takes place once a week, normally on a Wednesday, or the next business day if this is a public holiday.

Authorisation

The Fund is an authorised unit trust scheme within the meaning of the Financial Services Act, 1986. It is a Securities Fund under the Financial Services (Regulated Schemes) Regulations 1991.

Scheme Particulars

Copies of the Fund's Scheme Particulars are available free of charge upon request from the Manager.

Manager

Liontrust Investment Funds Limited, 2 Savoy Court, London WC2R 0EZ. Regulated in the conduct of investment business by the Investment Management Regulatory Organisation Limited and the Personal Investment Authority Limited. Member of the Association of Unit Trusts and Investment Funds.

Investment Adviser

Liontrust Investment Services Limited, 2 Savoy Court, London WC2R 0EZ. Regulated in the conduct of investment business by the Investment Management Regulatory Organisation Limited.

Trustee

Bankers Trustee Company Limited, Great Winchester House, 1 Great Winchester Street, London EC2N 2DB. Regulated in the conduct of investment business by the Investment Management Regulatory Organisation Limited.

Registrar

Liontrust Investment Funds Limited, 2 Savoy Court, London WC2R 0EZ. Regulated in the conduct of investment business by the Investment Management Regulatory Organisation Limited and the Personal Investment Authority Limited. Member of the Association of Unit Trusts and Investment Funds.

Auditors

PricewaterhouseCoopers, P.O. Box 90, Erskine House, 68-73 Queen Street, Edinburgh EH2 4NH.

Custodian

Bankers Trust Company Limited, Great Winchester House, 1 Great Winchester Street, London EC2N 2DB. Regulated in the conduct of investment business by the Investment Management Regulatory Organisation Limited.

PEP Manager

Liontrust Investment Services Limited, 2 Savoy Court, London WC2R 0EZ. Regulated in the conduct of investment business by the Investment Management Regulatory Organisation Limited.

Your right of complaint

If you are dissatisfied with your investment at any time you have the right to complain and we have established a procedure for the effective investigation of complaints. Initially you should complain in writing to the Compliance Officer, Liontrust Investment Funds Limited, 2 Savoy Court, London WC2R 0EZ. You also have the right to complain direct to the Office of the Investment Ombudsman, 183 Marshall Wall, London E14 9SR. (Telephone: 020-7796 3065).

Compensation

The Manager and the Investment Adviser are members of the Investors Compensation Scheme, Gavrelle House, 2-14 Bunhill Row, London EC1Y 8RA (Telephone: 020-7638 1240).

Data Protection Act

We will not disclose your details outside the Liontrust Asset Management Group, its associated companies and sub-contractors or agents acting on our behalf. Those details may be added to a mailing list to enable you to receive details of the Group's products. If you prefer not to receive such details, please write to us.

Telephone calls

For your protection telephone calls may be recorded.

Money Laundering

We need, in certain circumstances, to investigate the identity of prospective investors.

The Fund's calendar

Launch date:	2 July 1990.	
Accounting dates:	Interim: 31 December.	Final: 30 June.
Manager's Report posted:	Interim: end February.	Final: 31 August.
Ex-dividend dates:	Interim: 1 January	Final: 1 July.
Payment dates:	Interim: end February	Final: 31 August.

Further Information

For further information about this, or any of our other funds please write to :

Client Investment Services Department
Liontrust Investment Funds Limited,
2 Savoy Court
London WC2R 0EZ

Telephone: 020-7412 1766

Facsimile: 020-7412 1779

Issued by Liontrust Investment Funds Limited, regulated by IMRO and the PIA.

February 2001.



LIONTRUST ASSET MANAGEMENT PLC

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

CONTACT ADDRESS & TELEPHONE NUMBERS

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