



LIONTRUST

CHANGES TO THE REGULATIONS REGARDING ISAs AND PEPs

6th April 2008

HM Treasury have published their changes for Personal Equity Plan (PEP) and Individual Savings Account (ISA) investments, to come in to effect on 6th April 2008. The main changes are as follows:

- **ISAs ARE NOW A PERMANENT FEATURE.**

When ISAs were introduced by the government in 1999, their existence was guaranteed until 2009. The government have indicated that ISAs will now be available indefinitely.

- **THE ANNUAL SUBSCRIPTION LIMIT HAS INCREASED TO £7,200 (FROM £7,000).**

This means that investors making regular monthly contributions over 12 months can now invest up to £600 per month.

The maximum annual investment in a Cash ISA has gone up to £3,600.

- **ALL PEPs ARE BEING CONVERTED TO ISAs.**

PEPs will no longer exist as a separate classification. All former PEP investments will now be labelled as ISAs.

- **THE DISTINCTION BETWEEN MAXI AND MINI ISAs HAS BEEN ABOLISHED.**

- **ALL ISAs ARE NOW CLASSIFIED AS EITHER A STOCKS AND SHARES ISA OR A CASH ISA.**

These can be held with one single ISA provider, or each element can be held with a separate provider (subject to a maximum Cash ISA investment of £3,600, and combined maximum investment of £7,200).

- **CASH ISAs CAN NOW BE TRANSFERRED INTO STOCKS AND SHARES ISAs.**

You can convert your existing Cash ISAs into Stocks and Shares ISAs for investment in equities or ISA eligible equity funds.

However, Stocks and Shares ISAs cannot be transferred into Cash ISAs

These changes have necessitated some small alterations to the Terms and Conditions (T&Cs) for investment in the Liontrust ISA (including former Liontrust PEPs). The new T&Cs can be found overleaf.

If you are in any doubt as to the meaning or significance of these changes for your investments, you should contact your financial adviser.

FURTHER DETAILS ON THE CHANGES

ANNUAL SUBSCRIPTION LIMITS (TAX YEAR 2008-09)

ISA Component Type	Subscription Limit
Cash ISA*	Up to £3,600
Stocks and Shares ISA	Up to £7,200
Combined ISA (Components can be held with separate ISA providers)	Up to £3,600 in Cash* Balance up to £7,200

*Cash ISAs are not offered by Liontrust Investment Funds Limited, but can be held with another ISA provider in conjunction with a Liontrust Stocks and Shares ISA.

PRODUCT NAMES - CONVERSION OF PEPS AND MAXI & MINI ISAS

All investments in a Liontrust tax wrapper (a Liontrust PEP or a Liontrust Maxi or Mini ISA) will now be labelled as a "Liontrust Stocks & Shares ISA".

This is how your investments will be displayed in your ISA statement as at 5th October 2008.

TRANSFERRING CASH ISAS

Existing Cash ISAs (with other ISA providers) can now be transferred to Liontrust and converted to Stocks and Shares ISAs for investment in Liontrust's range of unit trusts.

- Investors can transfer all or some of the money that has been saved in Cash ISAs in previous tax years.
- Investors can also transfer all the money invested in their Cash ISA so far in the current tax year. Further payment can still be made in to the Cash ISA (as long as the total investment in the Cash ISA over the tax year does not exceed the annual limit, currently £3,600).

Investors can transfer money from a Cash ISA to a Stocks and Shares ISA in exactly the same way you would transfer your ISA to another provider.

Investors wishing to transfer their Cash ISA to Liontrust for conversion into a Liontrust Stocks and Shares ISA should fill in the Liontrust ISA Transfer Form, available from our website, www.liontrust.co.uk, or direct from Liontrust.

There is no requirement for ISA managers to report a conversion of a Cash ISA to a Stocks and Shares ISA to HMRC (Her Majesty's Revenue and Customs).

TAX TREATMENT

The tax treatment of ISAs is unchanged. Although contributions to an ISA come out of taxed earnings, all gains from any investments sold within an ISA are free of Capital Gains Tax. Distributions are paid net of basic rate income tax regardless of whether they are inside or outside an ISA (and this cannot be reclaimed). ISAs are still beneficial to higher rate taxpayers as there is no further income tax to pay. There is no need to declare your ISA on your tax return.

SUMMARY AND BENEFITS

- The structure of ISAs has been simplified to avoid confusion.
- Increased subscription limits mean you can now save more money into an ISA wrapper (protecting it from capital gains tax).
- You can now transfer Cash ISAs to Stocks & Shares ISAs for investment in equities or equity funds.

TERMS AND CONDITIONS FOR THE LIONTRUST INDIVIDUAL SAVINGS ACCOUNT

1. Definitions

In these Terms and Conditions the following words mean:

“Account”: your Individual Savings Account(s) with LIFL. (Any former Personal Equity Plan(s) and/or former Maxi or Mini ISAs you held with Liontrust have all been converted to a single category of investment, labelled “Liontrust Stocks & Shares ISA”.)

“Fund”: the Liontrust authorised unit trusts, which are managed by the Unit Trust Manager, available within the Liontrust ISA.

“FSA”: the Financial Services Authority.

“HMRC”: Her Majesty’s Revenue and Customs.

“ISA”: an Individual Savings Account invested in a stocks and shares component.

“Regulations”: The Individual Savings Account Regulations 1998 and any other applicable or successor regulations made by H M Treasury.

“You” and “Your”: an investor who applies to open an ISA or, in the case of an ISA Transfer, an investor who applies to transfer their ISA under these Terms and Conditions.

“LIFL”: Liontrust Investment Funds Limited, which is authorised and regulated by the Financial Services Authority and approved by HMRC as an Account Manager of Individual Savings Accounts.

“Unit Trust Manager”: Liontrust Investment Funds Limited, authorised and regulated by the Financial Services Authority, the unit trust manager of the Funds.

“Valuation Point”: The property of the Funds will normally be valued by the Unit Trust Manager on each day when the Unit Trust Manager of the Fund is open for business, at the normal valuation point for the Funds as stated in the Prospectus for the Funds, for the purpose of determining the issue and redemption prices of units in the Funds.

These Terms and Conditions are effective from 6th April 2008 and replace all previous Liontrust ISA Terms and Conditions.

References to any statute or regulation include any amendment or re-enactment. Headings and sub-headings are for guidance only and are not part of these Terms and Conditions.

2. Your Account

The Application/Transfer Form you use is part of these Terms and Conditions. Your Account will be opened upon receipt by LIFL of a duly completed Application Form together with your initial cash subscription or, in the case of a regular savings plan, a completed Direct Debit Mandate. Subject to the Regulations LIFL may open an Account provisionally where the information which you have supplied is insufficient. Where LIFL opens an Account provisionally you must supply the missing information within 30 days, otherwise the Account must be voided in accordance with HMRC requirements with the assets held in your name outside an ISA. Your ISA application covers the current tax year and each subsequent tax year until LIFL receives no cash subscription for a full tax year. You must inform LIFL immediately if you cease to be UK resident and ordinarily resident, or if being non-resident you cease to qualify as a Crown employee serving overseas or to be married to or the civil partner of a person who performs such duties.

3. Cancellation rights

If you have received advice from an authorised financial adviser you will automatically be offered cancellation rights, which enable you to cancel your investment within fourteen days of receiving from LIFL a notice of your right to cancel. If you exercise your right to cancel after the price of your investment has fallen, you will not receive full reimbursement; an amount equivalent to the fall in the price of the units will be deducted. If you exercise your right to cancel the purchase of units following the transfer to LIFL of an ISA, the proceeds will be paid direct to you and you will irrevocably lose any favourable tax treatment associated with an ISA holding.

4. Subscriptions

4.1 Cash subscriptions to your ISA: Investments may be made by lump sum or regular savings as follows:

- i Cash subscriptions may be made to your ISA subject to a minimum initial investment of £1,000 per Fund.
- ii Subscriptions may also be made on a monthly basis by Direct Debit subject to a minimum of £50 per month per Fund.
- iii In addition, both lump sum investors and regular savers are permitted to make occasional voluntary contributions subject to a minimum of £500 per subscription.

The total of all investments for your ISA investment in any one tax year, whether by lump sum investment, regular savings, or occasional voluntary contributions, must not exceed the maximum amount permitted within an ISA in the tax year in question.

4.2 Cash transfers to your ISA: ISA transfers to LIFL must be made in cash and are subject to a minimum initial investment of £1,000 per Fund.

4.3 Direct Debit Guarantee: Banks and building societies offer a guarantee on Direct Debits. They monitor the efficiency and security of the scheme. If the amount to be paid or the payment date changes you will be given fourteen days’ notice by LIFL so that you have time to query the amount if necessary. If an error is made by LIFL, your bank or your building society, you are guaranteed an immediate refund of the amount paid. You may cancel a Direct Debit Mandate at any time by writing to your bank or building society or to LIFL.

Subject to applicable client money rules cash subscriptions and other cash held in your Account pending investment or re-investment will be held in a non-interest bearing client money bank account in the name of LIFL.

5. Investment objectives

The investment objectives of the Funds are those described in the Funds’ Simplified Prospectus.

6. Investment

6.1 Funds: All cash received by LIFL for investment in your Account (including cash received from your previous ISA manager but excluding subscriptions collected by Direct Debit), will be applied to purchase units in the Fund(s) selected by you, at the ruling offer price at the next Valuation Point following receipt of a correctly completed Application Form or Transfer Form. All cash collected by Direct Debit will be applied to purchase units in the Fund(s) selected by you within five business days.

6.2 Switching: You may switch between any of the Funds in the Liontrust ISA range at any time by instructing LIFL in writing or by telephone. Switches will be effected at the next Valuation Point following receipt of instructions. Do not forget that there is a difference between the buying and selling price of each Fund (the “bid/offer spread”). A discount on the initial charge of the Fund(s) switched into may be available. Switches between Funds are subject to a minimum of £1,000 per Fund. Where applicable, commission is payable to intermediaries on switches.

6.3 General: You may amend monthly subscriptions to an ISA by advising LIFL in writing. Provided that LIFL receives at least five business days’ notice, it will normally be able to give effect to this instruction from the next collection date. Except as provided under condition 7 you are not permitted to hold cash within your Account, which must remain fully invested at all times. LIFL acts as principal in all transactions with you.

7. Income

You may elect to have any income in respect of your Account paid direct to your bank or building society account, though LIFL reserves the right to make such income payments by cheque drawn in your favour and posted to your permanent residential or other address. Income will be paid to you on or shortly after the pay date for the underlying Funds’ income distribution dates.

Unless you specifically elect to have income paid to you, this will be used to acquire further units in the underlying Funds which generated the income (or, in the case of Liontrust Distribution Fund, you will receive Accumulation units, where any income earned will be rolled up in the price of the units).

Units will be purchased at no initial charge at the Valuation Point on or shortly after the income distribution date for the underlying Fund(s).

Income will not be distributed to regular savers, instead any income will automatically be reinvested.

If you terminate, or transfer, your Account, any income accruing on your Account will be paid to you following receipt by LIFL. Where you transfer to LIFL an ISA, LIFL reserves the right to reject any income distributions or tax reclaims paid by your previous ISA manager after the date of transfer where these are less than £50. In these circumstances the value of the distribution will be withdrawn from your account and your previous ISA manager will pay this amount to you direct.

8. How investments are held

All assets held within your Account will be, and must at all times remain, in your beneficial ownership, and must not be used as security for a loan. None of the assets may be lent to or deposited by way of collateral with any third party, nor may you create any charge or security over any assets. LIFL may not lend any of your assets to a third party, nor may it borrow against its security. Investments are non-certificated and may be registered in the name of LIFL’s chosen nominee company or jointly in the name of such nominee and your own name. The entry in the register is conclusive evidence of legal title.

9. Documents you receive:

LIFL will acknowledge in writing, where applicable, a completed Application Form to open an Account or, as the case may be, your request to transfer an ISA to LIFL. If you have sent cash for subscription to your Account, then we will also send you a contract note. When you make an ad hoc cash subscription to your Account, or in the case of the purchase of units following the transfer to LIFL of your ISA, we will send you a contract note. When you close your account, or make an ad hoc withdrawal from your Account, or in the case of the redemption of units following the transfer from LIFL of your ISA, you will be sent a contract note.

You will also receive a half yearly statement prepared as at 5th April and 5th October each year. This will show details of all transactions effected during the previous six months, and include a valuation of your Account. The statement will be prepared in accordance with the rules of the FSA and HMRC, as appropriate, and will be issued within 25 business days of these two dates. LIFL may produce a consolidated statement covering all ISAs that you hold. If requested in writing by you, LIFL will make arrangements to enable you to attend any meetings of investors in any Fund in which you are invested, to vote at such meetings and to receive the reports and accounts and any other documentation issued to investors in such Funds.

10. Withdrawal

You may make a withdrawal from your Account at any time by providing LIFL with written instructions requesting a minimum withdrawal of £500, subject to leaving a minimum balance of £500. Units will be sold at the next Valuation Point following receipt of instructions. Settlement will be made in accordance with the timescales applicable to direct holdings in the Fund(s) in question.

11. Transfer to another ISA manager

Subject to the Regulations, you have the right at any time to transfer your ISA to another ISA manager. To effect a transfer you must submit to LIFL a written instruction via your new ISA manager. Subject to its absolute discretion, LIFL will transfer your ISA to other ISA managers in cash following the redemption of units held within your Account or “in-specie” in stock. Where the transfer is in cash, proceeds will be paid net of any charges due on your Account. Where the transfer is “in-specie”, LIFL will redeem sufficient units from your Account to pay any charges due on your Account.

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In accordance with the Regulations, if you wish to transfer an ISA for the current tax year, the transfer must be effected in respect of all the subscriptions made that tax year. However in relation to ISAs opened in respect of previous tax years, you may effect a transfer of your Account either in whole or in part.

12. Termination

You have the right to terminate your Account at any time by notice in writing to LIFL. LIFL may terminate your Account at any time by giving you one month's notice in writing, effective upon the expiry of the notice period. Once termination is effective, LIFL will normally sell all your units at the next Valuation Point following expiry of the notice period or on receipt of your instruction and transfer the net cash proceeds to you. LIFL also reserves the right to terminate your Account should the value of your Account fall below £500.

Your Account will be managed in accordance with the Regulations, which take precedence over these Terms and Conditions. LIFL will notify you if, by reason of any failure to satisfy the provisions of the Regulations, your ISA has or will become no longer exempt from tax by virtue of the Regulations. When an ISA is voided, LIFL will sell the investments and pay you the proceeds together with any cash balance held in the ISA. LIFL may deduct any charges or other amounts due to it, any tax liabilities under the ISA, and any additional expenses incurred in terminating the ISA.

13. Death

In the event of your death, your Account will be converted to a plain unit trust investment (i.e. no longer wrapped up within an ISA). Any interest, dividends or gains which arise after your death will be paid into your Account but will cease to be exempt from tax, and the assets will be held by LIFL awaiting instructions from your personal representatives, who may direct that the units be sold or that the units be registered in their names or those of the appropriate beneficiaries, subject to any restrictions relating to minimum holdings.

14. Manager's charges

The fees and charges payable by you are set out in the Funds' Simplified Prospectus and these Terms and Conditions. However, LIFL reserves the right to introduce any additional charges in the future to cover any additional expenses incurred as a result of regulatory or other changes. In any event no such charge will be introduced without giving you written notice.

Purchases of units are subject to an initial charge (where appropriate), which is included in the offer price. An annual management fee is also levied which is paid by all unitholders in the Funds. Both the initial charge and the annual management fee may be increased up to the maximum specified in the prospectus for each Fund, subject to notice being served to unitholders following the amendment of the prospectus for the Funds.

Purchases of units in the Liontrust Top 100 Fund are subject to an ISA initial administration fee of 0.50% (plus VAT if applicable). This is deducted from the amount subscribed prior to the purchase of units. Thus, to invest your full ISA allowance, you need to increase your investment amount by 0.5%. For example, for the maximum permitted £7,200 in an ISA in tax year 2008-9, you should send a cheque for £7,236.

All transfers to other ISA managers, partial withdrawals from, or termination of, your ISA are subject to a fee of £20.

Entirely at its own discretion, LIFL reserves the right to discount or waive any charge in whole or in part.

15. Records of your Account

LIFL will (i) maintain all such records relating to your Account, (ii) make such returns to the HMRC for the purposes of taxation, and (iii) provide all taxation details to you, as may be required under the Regulations.

16. Delegation of functions

LIFL may appoint a third party to act in respect of any function relevant to the administration of your Account, though it must satisfy itself that any such third party is competent to carry out those functions or responsibilities.

17. Assignment

LIFL may appoint another company to be the manager of your Account under these Terms and Conditions on giving you one month's notice. The new manager must have been approved to act as an ISA manager by the Commissioners of HMRC and have appropriate permission from its regulator.

18. Complaints

Any complaint should be addressed to the Compliance Officer, Liontrust Investment Funds Limited, 2 Savoy Court, London WC2R 0EZ in the first instance. If you are not satisfied with the manner in which the matter is addressed you can refer complaints relating to the administration of your Account to the Financial Ombudsman Scheme at South Quay Plaza, 183 Marsh Wall, London E14 9SR. If LIFL cannot meet its financial obligations to you, you may be entitled to compensation under the Financial Services' Compensation Scheme. Details of your rights under this scheme are available from LIFL on request, and further information is available from the Financial Services Authority and the Financial Services' Compensation Scheme, Lloyd's Chambers, 7th Floor, 1 Portsoken Street, London E1 8BN.

19. Commission

If you open an Account or transfer to LIFL an ISA through an authorised independent financial adviser, LIFL will usually pay commission, which will be detailed in confirmation letters. You should inform LIFL in writing of any change in your financial adviser.

20. Data Protection Act 1998 - Use of Information

LIFL is a data controller within the meaning of the Data Protection Act 1998. LIFL may make your name and address available to other companies within the Liontrust Asset Management Group of companies to enable information about other investment products and services to be sent to you, by letter, telephone or other reasonable means of communication. These will not apply if you inform LIFL that you do not wish to receive this information. LIFL may use the personal information supplied to provide the service applied for, confirm/update customer records and establish your identity. You have the right of access to your personal data held by LIFL, at any time, by contacting us in writing and upon payment of a fee.

21. Money laundering

LIFL is required to make various checks on transactions to comply with requirements of the Proceeds of Crime Act 2002 and statutory regulations in relation to money laundering made thereunder and the Money Laundering Sourcebook of the FSA. These checks involve the need to obtain independent documentary evidence of the identity and permanent address of the person(s) applying to open an Account and may be completed by verifying the details you supply against those held on any databases to which Experian, the Credit Reference Agency, has access. This includes information from the Electoral Register and fraud prevention agencies. We will use scoring methods to verify your identity. A record of this search will be kept by Experian and may be used to help other companies to verify your identity. This information may also be used by financial and other organisations involved in fraud prevention to protect ourselves and our customers from theft and fraud. If you give us false or inaccurate information and we suspect fraud, we will record this and may share it with other organisations. Completion of the Application Form represents permission from you to access this information in accordance with the Data Protection Act 1998. Until LIFL receives satisfactory evidence, it may need to delay

processing your instruction and/or withhold any payments due to you in respect of your investment. It would assist with this process and help LIFL to complete its verification checks if you could pay for any investment you make by a cheque drawn on your (or joint) personal bank account. LIFL reserves the right to refuse any application to subscribe, or transfer, to an ISA without giving a reason for so doing.

22. Other methods of dealing

LIFL reserves the right to introduce a facility for telephone and/or internet dealing in respect of your Account. In the event that such facilities are introduced, LIFL reserves the right not to accept any dealing instruction unless it is satisfied that all information which it requires at the time of dealing has been accurately provided.

23. Liability

LIFL gives no warranty as to the performance or profitability of the investments held within your Account. You are aware that the price of units, and the income from them, can fall as well as rise and that there is a degree of risk attached to stock market investments. The tax regime applicable to ISAs may change.

You agree to indemnify LIFL against all liabilities incurred by LIFL in connection with your ISA, other than liabilities caused as a direct result of LIFL's negligence, knowing default, or breach of the Regulations or of these Terms and Conditions.

LIFL (and associate group companies, including nominees) accepts no responsibility for your ISA (or for an ISA transferred to LIFL) until cleared funds are received, nor for any loss or delay caused in the payment or transfer of funds to LIFL. LIFL shall be entitled to cancel any transaction for the purchase of units in the Funds if cleared funds are not received by LIFL within seven days of accepting your instructions (regardless of the method of payment), and you agree to indemnify LIFL against any resulting liabilities incurred by LIFL. In the case of the transfer you must ensure that the existing manager complies with the transfer instructions given by LIFL.

24. Amendment

LIFL may from time to time change these Terms and Conditions by giving reasonable written notice of any change. The imposition of new Terms and Conditions shall take effect upon LIFL's posting notice thereof. New Terms and Conditions shall automatically supersede all previous Terms and Conditions and, for the avoidance of doubt, the provisions of new Terms and Conditions shall take precedence over all previous editions of Terms and Conditions. Although investors will be sent new Terms and Conditions by LIFL, it is incumbent upon them to inform themselves of any new Terms and Conditions which may subsequently alter the operation of their ISA.

25. Communication

All notices or other documents to be sent by an investor to LIFL shall be sent to Liontrust Customer Services Team, PO Box 23850, Edinburgh EH7 5FY or such other address as LIFL may specify in writing from time to time.

All statements, notices and other documents to be sent by LIFL to an investor shall be sent by post (or in the case of suspension of postal services by press advertisement) to the investor at the investor's permanent address stated on the original Application/Transfer Form, or such other address in the United Kingdom as the Investor may subsequently specify by notice in writing to LIFL.

26. Governing law

These Terms and Conditions are governed by English Law.

March 2008.



LIONTRUST

LIONTRUST CUSTOMER SERVICES TEAM

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