

Stock Exchange Announcement
LIONTRUST ASSET MANAGEMENT PLC
Proposed Acquisition of Alliance Trust Investments Limited

Introduction

Liontrust Asset Management Plc ("**Liontrust**" or the "**Company**"), the specialist independent fund management group, today announces that it has entered into a conditional share purchase agreement (the "**SPA**") with Alliance Trust Plc ("**Alliance Trust**") to purchase (the "**Proposed Acquisition**") the entire issued share capital of Alliance Trust Investments Limited ("**ATI**") for a total consideration of up to £30 million (inclusive of the net asset value of ATI) (the "**Consideration**").

The Proposed Acquisition includes the highly rated fund management team at ATI (the "**ATI Investment Team**") headed by Peter Michaelis. The team has vast experience of and a long-term pedigree in sustainable investment.

On completion of the Proposed Acquisition ("**Completion**"), the ATI Investment Team will continue to manage the sub-funds of the Alliance Trust Sustainable Future ICVC (the SF Absolute Growth Fund, SF Cautious Managed Fund, SF Corporate Bond Fund, SF Defensive Managed Fund, SF European Growth Fund, SF Global Growth Fund, SF Managed Fund, UK Ethical Fund and SF UK Growth Fund), the sub-fund of the Alliance Trust Investment Funds ICVC (Monthly Income Bond Fund), the SF Pan-European Equity (a sub-fund of Luxcellence SICAV) (the "**Funds**") and one Institutional segregated account.

Highlights of the Proposed Acquisition include:

- The acquisition of ATI is expected to increase Liontrust's assets under management ("**AuM**") by approximately £2.3 billion to more than £8 billion.
- This is a highly complementary acquisition that enhances Liontrust's fund management capability and remains true to the Company's ethos of developing highly skilled teams with excellent investment processes to satisfy client demand.
- ATI provides Liontrust with a distinct approach to investing in equities and fixed income and an experienced and highly respected fund management team.
- Over five years, ATI's nine equity and fixed income funds are in the first or second quartile of their respective sectors.
- The acquisition broadens distribution opportunities and will expand Liontrust's client base further in both the UK and internationally by adding a team focused on sustainable investment through active management.
- The Consideration will be satisfied by £17 million of new ordinary shares ("**Ordinary Shares**") of 1 pence each in the capital of the Company (the "**Consideration Shares**"), up to £3 million in cash, dependent on the future level of AuM managed by the ATI Investment Team, and up to £10 million for the net asset value of ATI. Further particulars of the Consideration are set out in the paragraph headed "Details of the Proposed Acquisition" below. All shares issued to Alliance Trust will be subject to a 12 month lock up commencing from the date of issue.

Information on ATI

ATI's AuM relating to the Funds and the segregated account as at close of business on 30 November 2016 (being the latest practicable date prior to the date of this announcement) was £2,343 million, broken down as follows:

Fund/Account name	UK Retail AuM (£m)	Institutional AuM (£m)	Offshore AuM (£m)	Total AuM (£m)
SF Absolute Growth Fund	122	-	-	122
SF Cautious Managed Fund	17	-	-	17
SF Corporate Bond Fund	340	-	-	340
SF Defensive Managed Fund	19	-	-	19
SF European Growth Fund	152	-	-	152
SF Global Growth Fund	157	-	-	157
SF Managed Fund	568	-	-	568
UK Ethical Fund	314	-	-	314
SF UK Growth Fund	233	-	-	233
Monthly Income Bond Fund	234	-	-	234
SF Pan-European Equity Fund	-	-	142	142
Segregated Account	-	45	-	45
Total	2,156	45	142	2,343

Source: ATI (includes £90 million of Alliance Trust seed money, but excludes £54 million of internal fund of fund money).

The Funds' historic performance is as follows:

	% Return/ Quartile ranking – since launch	% Return/ Quartile ranking - 5 year	% Return/ Quartile ranking - 3 year	% Return/ Quartile ranking - 1 year	Launch date
SF Absolute Growth Fund	74.9% / 4	84.9% / 1	27.8% / 1	12.8% / 2	19/02/2001
SF Cautious Managed Fund	19.1% / 2	-	-	6.9% / 4	23/07/2014
SF Corporate Bond Fund	98.2% / 3	43.3% / 1	18.3% / 2	6.7% / 2	19/02/2001
SF Defensive Managed Fund	17.4% / 1	-	-	6.6% / 3	23/07/2014
SF European Growth Fund	145.3% / 2	86.4% / 2	22.5% / 2	11.9% / 2	19/02/2001
SF Global Growth Fund	66.4% / 4	92.8% / 2	34.0% / 3	14.8% / 4	19/02/2001
SF Managed Fund	95.7% / 4	73.2% / 1	25.1% / 1	9.0% / 3	19/02/2001
UK Ethical Fund	177.1% / 2	82.2% / 2	17.2% / 2	-0.1% / 4	10/05/1999
SF UK Growth Fund	118.4% / 3	85.7% / 1	21.5% / 1	4.8% / 3	19/02/2001
Monthly Income Bond Fund	38.3% / 4	42.1% / 2	12.4% / 4	5.3% / 4	14/06/2010
SF Pan-European Equity Fund	105.1% / 2	65.1% / 2	12.4% / 3	-12.5% / 4	19/02/2004

Source: Financial Express, to 30 November 2016 unless otherwise stated. The above funds are all sub-funds of two UK authorised open-ended investment companies with the exception of the SF Pan-European Equity Fund which is a sub-fund of a Luxembourg domiciled SICAV. Past performance is not a guide to the future; the value of investments and the income from them can fall as well as rise. Investors may not get back the amount originally subscribed.

Background to and reasons for the Proposed Acquisition

The acquisition of ATI, including 11 sustainable investment funds managed by the ATI Investment Team, is attractive to Liontrust for a number of reasons.

It continues the expansion of our fund management capability through the addition of a talented team running money in a style where we have identified strong current and future demand.

The ATI Investment Team, which complements our existing seven fund management teams and is headed by Peter Michaelis, is very experienced and has an excellent long-term track record. The team has a clear and distinct investment process in managing equity and fixed income funds that is proven through different economic and market environments. The team will continue to manage the funds using the same investment process after joining Liontrust.

The Proposed Acquisition provides Liontrust with a strong proposition in sustainable investment. The ATI investment Team has demonstrated that sustainable investment and the funds they manage can outperform conventional funds over the long term. It is a good time for Liontrust to diversify into this investment style because of the opportunities that the UK retail, institutional and European markets offer sustainable investment funds.

John Ions, Chief Executive of Liontrust, said: “We have been very impressed by Peter Michaelis and the team at ATI. They will be an excellent addition to our seven teams as they are very experienced, have a clear and robust investment process and have shown that sustainable investment can provide strong investment returns as well as meeting investors’ values.

“The team brings with it a broad range of existing equity and fixed income funds and a long-term track record: Peter was at Aviva Investors, including as Head of Sustainable and Responsible Investment, for 11 years before moving to ATI in August 2012.

“There is strong demand for sustainable investment in the UK and internationally. Increasingly, consumers expect the companies they use to be socially responsible and the demand for sustainable investment will only grow with the rise of millennials. The acquisition of ATI puts us in a very strong position to meet this demand and we look forward to promoting the team and their funds in the UK and across continental Europe.”

Peter Michaelis said: “We have been attracted to Liontrust by the culture of the company and the environment provided for fund managers. We will continue to focus on running money according to our own investment process, in which we look for well managed companies that have good business fundamentals and which we believe the market undervalues.

“Liontrust will provide the team and investors with long-term stability. We have also been impressed by the strength of Liontrust’s brand profile and its distribution capability. This is a very important consideration for us as we look to raise the profile of the team and build on our impressive long-term investment performance.”

Details of the Acquisition

The principal agreement governing the Proposed Acquisition is the SPA. Under the terms of the SPA, the Company has conditionally agreed to acquire the entire issued share capital of ATI for the following Consideration:

- £13.6 million being 4,060,792 new Ordinary Shares¹ (being the Consideration Shares), to be allotted and issued to Alliance Trust at Completion;
- £3.4 million being 1,015,198 new Ordinary Shares¹ (being the Consideration Shares), to be allotted and issued to Alliance Trust within ten business days of the first anniversary of Completion;
- £3 million in cash within ten business days of the second anniversary of Completion, subject to the average AuM managed by the ATI Investment team for the three month-ends prior to the second anniversary of Completion being at least £3 billion; and
- an amount equal to the net asset value of ATI as at Completion (on a pound-for-pound basis, subject to a cap of £10 million).

All shares issued to Alliance Trust will be subject to a 12 month lock up commencing from the date of issue. The Consideration Shares represent approximately 10 per cent. of the issued share capital of Liontrust following the issue of such Consideration Shares and ignoring any dilutive effect of subsequent issues (e.g. pursuant to the exercise of share options).

Completion is conditional upon, amongst other things, obtaining applicable regulatory approvals and to the SPA in respect of the Proposed Acquisition becoming unconditional in all respects and not having been terminated in accordance with its terms prior to Completion. Completion is expected to take place in early April 2017.

Implementation of the Proposed Acquisition is not conditional on the approval of Alliance Trust shareholders at the Alliance Trust General Meeting regarding the change in Alliance Trust's investment mandate.

Notes:

¹ Based on the average closing price of Ordinary Shares over the 30 trading days prior to the day before announcement of the Proposed Acquisition.

Financial effects

The value of the gross assets being acquired by Liontrust is £17.542 million (as at 31 December 2015). The loss before tax for ATI for the year ended 31 December 2015 was £2.053 million. Currently ATI is trading profitably on a run-rate basis (before exceptional items).

The integration of ATI will require the Company to incur aggregate re-organisation and transaction costs of approximately £4 million which will be treated as an exceptional item to be incurred in the period ended 31 March 2017 and 31 March 2018. Following completion of the integration process we would anticipate ATI will achieve operating margins broadly in line with the existing Liontrust business. Accordingly we expect the Proposed Acquisition to be earnings enhancing with regards to our adjusted diluted earnings per share with effect from the financial year ending 31 March 2018.

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Background on Peter Michaelis

Peter has worked in investment management since 2000. Before joining ATI in August 2012, Peter spent 11 years at Aviva Investors where, from 2005, he was Head of Sustainable and Responsible Investment. Since 2005, he has overseen the consistent growth of the Sustainable Future Fund range and the strong performance it has delivered. Peter became head of Investments at ATI in October 2014 and Executive Director of ATI in February 2016. Peter holds an MA in Physics from Oxford University, an MSc in Energy & Environmental Engineering and a PhD in Environmental Economics. In addition, he holds the CFA Society of the UK Investment Management Certificate.

Forward Looking Statements

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and businesses and plans of Liontrust and its subsidiaries (the “Group”). These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that have not yet occurred. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. As a result, the Group’s actual future financial condition, results of operations and business and plans may differ materially from the plans, goals and expectations expressed or implied by these forward-looking statements. Liontrust undertakes no obligation publicly to update or revise forward-looking statements, except as may be required by applicable law and regulation (including the Listing Rules of the Financial Conduct Authority). Nothing in this announcement should be construed as a profit forecast or be relied upon as a guide to future performance.

Other information

The release, publication, transmission or distribution of this announcement in, into or from jurisdictions other than the United Kingdom may be restricted by law and therefore persons in such jurisdictions into which this announcement is released, published, transmitted or distributed should inform themselves about and observe such restrictions. In particular (but without limitation) this announcement is not for release, publication or distribution, directly or indirectly, to US persons, or into the United States, or into or from Canada or any other jurisdiction in which the same would be unlawful. Any failure to comply with the restrictions may constitute a violation of the securities laws of any such jurisdiction.

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