LIONTRUST BALANCED FUND

Annual Report & Financial Statements

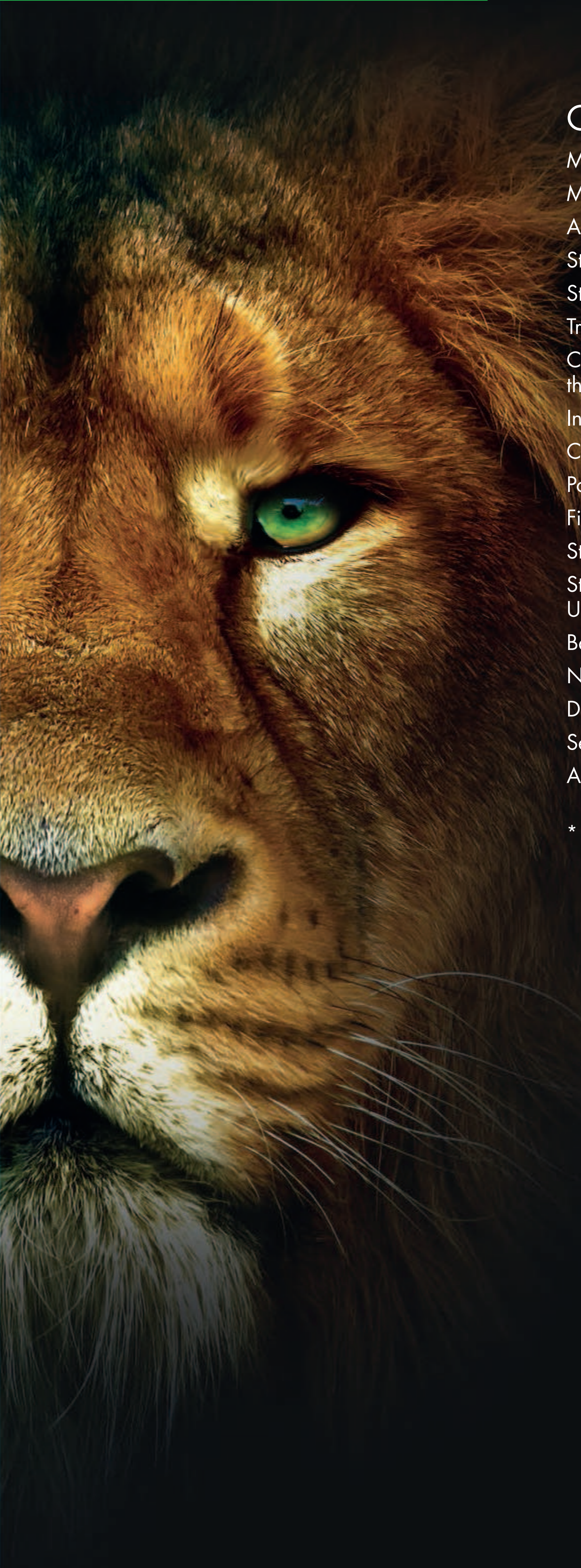
For the year:
1 January 2022
to
31 December 2022

Managed in accordance with
The Liontrust Global Equity Process

LIONTRUST INVESTMENT MANAGEMENT LIMITED

LIONTRUST

LIONTRUST BALANCED FUND



Contents

* Collectively, these comprise the Authorised Fund Manager's Report (from herein referred to as the Manager's Report).

Management and Administration

Authorised Fund Manager ("Manager")
Liontrust Fund Partners LLP
2 Savoy Court
London WC2R 0EZ

Administration and Dealing enquiries 0344 892 0349
Administration and Dealing facsimile 0207 964 2562
Email Liontrustadmin@bnymellon.com
Website www.liontrust.co.uk

The Manager of Liontrust Balanced Fund (the "Fund") is authorised and regulated by the Financial Conduct Authority ("FCA") and is a member of the Investment Association. The ultimate holding company of the Manager is Liontrust Asset Management PLC ("LAM", "Liontrust" or the "Group") which is incorporated in England.

Investment Adviser
Liontrust Investment Partners LLP
2 Savoy Court
London WC2R 0EZ

Authorised and regulated by the FCA.

Trustee
The Bank of New York Mellon (International) Limited
160 Queen Victoria Street
London EC4V 4LA

Authorised by Prudential Regulation Authority ("PRA") and regulated by the FCA and the PRA.

Independent Auditor
KPMG LLP
11th Floor
15 Canada Square
Canary Wharf
London
E14 5GL

Administrator and Registrar
The Bank of New York Mellon (International) Limited
160 Queen Victoria Street
London
EC4V 4LA

Authorised by PRA and regulated by the FCA and the PRA.

Liontrust Balanced Fund

Liontrust Asset Management PLC

Liontrust Asset Management PLC (Company) is a specialist fund management company with £32.6 billion in assets under management as at 31 December 2022 and that takes pride in having a distinct culture and approach to managing money. What makes Liontrust distinct?

- The Company launched in 1995 and was listed on the London Stock Exchange in 1999.
- We are an independent business with no corporate parent, our head office is on the Strand in London and we have offices in Edinburgh and Luxembourg.
- We believe in the benefits of active fund management over the long term and all our fund managers are truly active.
- We focus only on those areas of investment in which we have particular expertise. As of 8 February 2023, we have seven fund management teams investing in Global Equities, Global Fixed Income, Sustainable Investment and Multi-Asset portfolios and funds.
- Our fund managers are independent thinkers and have the courage of their convictions in making investment decisions.
- Our fund managers have the freedom to manage their portfolios according to their own investment processes and market views without being distracted by other day-to-day aspects of running a fund management company.
- Each fund management team applies distinct and rigorous investment processes to the management of funds and portfolios that ensure the way we manage money is predictable and repeatable.
- Staying true to their documented investment processes helps to create an in-built risk control for our fund managers, especially in more challenging environments, by preventing them from investing in companies and funds for the wrong reasons.
- We aim to treat investors, clients, members, employees, suppliers and other stakeholders fairly and with respect. We are committed to the Principles of Treating Customers Fairly (TCF) and they are central to how we conduct business across all our functions.

Liontrust Asset Management PLC is the parent company of Liontrust Investment Partners LLP, Liontrust Fund Partners LLP and Liontrust Portfolio Management Limited which are authorised and regulated by the Financial Conduct Authority. Liontrust Asset Management PLC is also the parent company of Liontrust International (Luxembourg) S.A. which is regulated by the Commission de Surveillance du Secteur Financier in Luxembourg. All members of the Liontrust Group sell only Liontrust Group products.

Russia's invasion of Ukraine, the sanctions imposed on Russia as a result and retaliatory action taken by Russia against foreign investors has caused significant volatility in certain financial markets, currency markets and commodities markets worldwide. Economic sanctions and the fallout from the conflict will likely impact companies worldwide operating in a wide variety of sectors, including energy, financial services and defence, amongst others. As a result, the performance of the Fund may also be negatively impacted even if they have no direct exposure to the regions involved in the conflict.

Manager's Investment Report

Investment Objective

The investment objective of the Fund is to generate long term (five years or more) capital growth with the potential for income.

Investment Policy

The Fund invests, directly or indirectly, in a mix of asset classes across the world including equity, fixed income and alternatives. There is no predetermined exposure to any asset class or region.

The Fund may also invest in other eligible asset classes such as collective investment schemes (which may include Liontrust managed funds), other transferable securities, cash or near cash, deposits and money market instruments.

Derivatives and forward transactions may be used by the Manager for efficient portfolio management.

It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash, and to use efficient portfolio management, should the Manager feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to qualify for, and to be included in, an Individual Savings Account.

Investment Strategy

The Fund invests in securities selected using a combination of top down and bottom up analysis while managing risk through asset allocation.

The Team

The Global Equity team headed by Robin Geffen manages 10 global income, regional and emerging markets funds. The team moved to Liontrust in October 2019 as part of the acquisition of Neptune Investment Management. Robin has more than 40 years of investment experience having previously worked at Charterhouse J Rothschild, Eagle Star, York Trust Plc, Scottish Equitable and Orbitex Investments. The other managers of the Global Equity funds were all previously part of the investment team at Neptune as well. They believe the key to generating outperformance is through high conviction, long-term, research-led company selection and then apply their own approach to managing funds within this overarching framework.

The Liontrust Global Equity team became part of the Liontrust Global Fundamental team on 8 February 2023. It was announced at the same time that Robin Geffen, Head of the Global Equity team, will be leaving Liontrust in due course and that Tom Record had replaced him as manager of this Fund from 8 February 2023.

The Process

The fund managers believe the key to generating outperformance is through high conviction, long-term, research-led company selection. There are four key elements to the investment process:

- Identifying long-term winners. The managers seek to invest in excellent companies that are positively exposed to powerful trends or have distinct and differentiated characteristics that will result in consistently above market returns over the long term.
- The portfolios are actively managed and only consist of stocks in which there is high conviction that they will be long-term winners. This typically leads to funds having a high tracking error and active share against their respective benchmarks.
- Constructing concentrated portfolios. This enables long-term winners to drive investment returns rather than the market and therefore each idea will have a material impact on fund performance.
- The portfolios are constructed so that they can generate returns which are not overly dependent on the success and failure of any one individual investment style, such as growth and value, or macro factors.

Manager's Investment Report (continued)

Performance of the Fund

In the year to 31 December 2022 an investment in the Fund returned -22.9% (C Accumulation) compared with a -10.0% return from the IA Mixed Investment 40-85% sector, the comparator benchmark.

From the Fund's launch on 31 December 1998 to 31 December 2022, an investment in the Fund rose by 814%, compared to a rise of 195% in the IA Mixed Investment 40-85% sector, the comparator benchmark.

Source: Financial Express, bid to bid basis, total return (net of fees, income reinvested) figures show performance up to 31 December 2022. Please note that total return has been calculated at midday whereas the financial statements are at close of business.

Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested.

Manager's Investment Report (continued)

Risk and Reward profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the risk and reward indicator.

Typically lower rewards, lower risk

Typically higher rewards, higher risk

1	2	3	4	5	6	7

- The Synthetic Risk and Reward Indicator (SRRI) is based upon historical data and may not be relied upon to gauge the future risk profile of the Fund.
- The SRRI shown is not guaranteed to remain the same and may shift over time.
- The lowest category (1) does not mean 'risk free'.
- The Fund's risk and reward category has been calculated using the methodology adopted by the Financial Conduct Authority. It is based upon the rate by which the Fund or a representative fund or Index's value has moved up and down in the past.
- The Fund is categorised 5 primarily for its exposure to global equities and bonds.
- The SRRI may not fully take into account the following risks:
  - that a company may fail thus reducing its value within the Fund;
  - overseas investments may carry a higher currency risk. They are valued by reference to their local currency which may move up or down when compared to the currency of the Fund;
  - Bonds are affected by changes in interest rates and their value and the income they generate can rise or fall as a result;
  - the creditworthiness of a bond issuer may also affect that bond's value. Bonds that produce a higher level of income usually also carry greater risk as such bond issuers may have difficulty in paying their debts. The value of a bond would be significantly affected if the issuer either refused to pay or was unable to pay.
- This Fund may have a concentrated portfolio, i.e. hold a limited number of investments or have significant sector or factor exposures. If one of these investments or sector/factor falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments across a more diversified portfolio.
- The Fund may, under certain circumstances, invest in derivatives, but it is not intended that their use will materially affect volatility. Derivatives are used to protect against currencies, credit and interest rate moves or for investment purposes. There is a risk that losses could be made on derivative positions or that the counterparties could fail to complete on transactions. The use of derivatives may create leverage or gearing resulting in potentially greater volatility or fluctuations in the net asset value of the Fund. A relatively small movement in the value of a derivative's underlying investment may have a larger impact, positive or negative, on the value of a fund than if the underlying investment was held instead. The use of derivative contracts may help us to control Fund volatility in both up and down markets by hedging against the general market.
- The Fund may encounter liquidity constraints from time to time. The spread between the price you buy and sell shares will reflect the less liquid nature of the underlying holdings.
- The Fund will invest in smaller companies and may invest a small proportion (less than 10%) of the Fund in unlisted securities. There

Manager's Investment Report (continued)

Risk and Reward profile (continued)

may be liquidity constraints in these securities from time to time, i.e. in certain circumstances, the Fund may not be able to sell a position for full value or at all in the short term. This may affect performance and could cause the Fund to defer or suspend redemptions of its shares.

- The Fund may have both Hedged and Unhedged share classes available. The Hedged share classes use forward foreign exchange contracts to protect returns in the base currency of the Fund.
- Outside of normal conditions, the Fund may hold higher levels of cash which may be deposited with several credit counterparties (e.g.international banks). A credit risk arises should one or more of these counterparties be unable to return the deposited cash.
- Counterparty risk: any derivative contract, including FX hedging, may be at risk if the counterparty fails.
- Environmental Social Governance (ESG) Risk: there may be limitations to the availability, completeness or accuracy of ESG information from third-party providers, or inconsistencies in the consideration of ESG factors across different third party data providers, given the evolving nature of ESG.

For full details of the Fund's risks, please see the prospectus which may be obtained from Liontrust (address on page 1) or online at www.liontrust.co.uk.

Manager's Investment Report (continued)

Fund Review

The Liontrust Balanced Fund returned -22.9% over the year, versus its average peer in the IA Mixed Investment 40-85% Sector, which returned -10.0%*.

The Liontrust Balanced Fund continues to invest in high quality growth stocks that we believe can future-proof an investor's portfolio using the five key drivers of Science, Intellectual Property, Deep Technology, Positive Change and Entrepreneurial Vision. We continue to believe that active and disciplined stock selection can deliver sustained outperformance, shown by the long-term performance of the Fund, which has returned 814% since its launch versus the average return from the IA peer group of 195%.

It has been a rough year for global markets. The first half of 2022 saw $13tn of equity value wiped out from MSCI World, with the S&P 500 Index suffering from its worst opening to the year since 1970, pressured by intertwining factors such as high inflation from years of loose monetary policy meeting the supply shock from Covid along with resurgent post-Covid demand. Additionally, the war in the Ukraine brought geopolitical uncertainty as well as adding scarcity to energy and key raw materials from trade sanctions with Russia. Harsh lockdowns in China has stalled economic growth in the world's second largest economy and impacted global markets as a key link in supply chains. Last, but by no means least, central bank tightening around the world to combat high inflation has negatively affected the performance of quality, high-growth companies we invest in.

Among the notable contributors for the period was UnitedHealth. When it comes to corporate healthcare insurance, UnitedHealth offers the best quality/price ratio in the business. For slightly above average cost of healthcare coverage, an employer can insure its workforce with comprehensive high-quality care.

The company is using its core healthcare insurance offering to fund its long-term AI aspirations via its Optum unit. Longer term, the opportunity for the company is to significantly lower healthcare costs in the expensive and inefficient US healthcare system. Almost 10 years ago, the company launched this initiative and has built an insurmountable industry position.

Arthur J. Gallagher, an American global insurance brokerage and provider of risk management services, performed strongly with positive earnings announcements throughout the year providing a boost to the company's share price. Most notably, Arthur J. Gallagher posted strong Q2 figures, reporting that its core brokerage and risk management segments combined to grow revenue by 22% , including nearly 11% organic expansion and approximately $240 million of acquired rollover revenues.

Payment companies Visa and Mastercard were also among the companies that yielded a positive return this year as travel continues to normalise post-Covid, seeing a return to form for their higher margin cross-border business. It is also worth noting, as payments platforms that benefit from increased utilisation of their payments rails, these companies offer a unique relative immunity to inflationary pressures, with the associated increase in volume from inflation helping to boost revenues in excess of its expenses. It's no surprise, therefore, that both these companies' stocks continue to perform well in this inflationary environment.

Turning towards the detractors, the Fund's government bond allocation was a significant drag on performance, with the majority of underperformance coming in the third quarter as the bond market sell-off saw yields rise across the board. The market action was particularly severe in the UK – where we retain our fixed income allocation – with gilts falling sharply following the UK Government's poorly received 'mini-budget' announcement. However, the Fund's low fixed income allocation relative to the sector allowed it to generate decent relative returns.

Moving on to the detractors in our equity portfolio, mega-cap technology stocks endured a tough final quarter, drawing a line under a difficult year for these giants, most notably Alphabet, Amazon and Apple – all holdings within the Balanced Fund. These companies have faced a range of headwinds and pressures – from slowing e-commerce, to difficulties in advertising post Identifier for Advertisers (IDFA) and a host of regulatory investigations and fines. We maintain the view, however, that they remain outright leaders in their respective fields (or range of fields!) with unique scale advantages and economic moats that make them incredibly profitable and resilient – even in the face of these pressures. Importantly, we continue to believe they still offer ample future return for patient investors.

Manager's Investment Report (continued)

Fund Review (continued)

Nvidia was also among the detractors due to the ongoing status of the "Semis Cycle". These cycles are a recurring theme for those in the semiconductors ecosystem, from equipment manufacturers to the end designers and distributors like Nvidia. In these cycles, spikes in demand (like the one triggered by Covid and people working from home) strain supply chains and inventories, driving up prices and capital investment. Unfortunately, due to the complexity of the supply chain and ecosystem, there is a long lead time, with this lag often leading to overinvestment and oversupply exacerbated by deliberate excess orders from end hardware manufacturers keen to secure orders ahead of the pinch. This period is often followed by excess and fast depreciating inventory, drops in pricing and margins and downwards earnings revisions.

Ever since the run up of demand and supply shortage during Covid, we have seen a huge amount of investment into new capacity. This has been followed by the early signs of an upcoming slowdown and consequent concern that we are reaching a situation of oversupply, leading to a possible drawdown in earnings and share price for companies in the semiconductor industry. There are, however, countervailing forces that look to hold up and propel the industry in the near future, such as the ongoing growth in demand for cloud computing which should lead to consistent data centre build out, increasing interest in artificial intelligence technology such as the recent ChatGPT3 and increasing IoT connected devices. As shorter-term supply/demand issues begin to settle, we should see more come out of this complex but incredibly lucrative industry.

While it is disappointing to underperform over the year, we believe the shorter-term performance of the Fund has not been caused by any fundamental changes to the stocks in our portfolio and we are still confident about the long-term outlook of these companies. The sell-off has presented us with a number of opportunities to invest in great companies now trading at attractive valuations.

Outlook

We continue to be positive on the outlook for quality growth stocks over the coming years. We are especially positive regarding the large and mega cap area of the market, which, in our opinion, continues to offer considerable scope for outperformance as the world recovers from the Covid-19 pandemic. Our emphasis on the drivers of Science, Intellectual Property, Deep Technology, Positive Change and Entrepreneurial Vision will, we believe, guide the Fund towards those companies that will change the world as we adapt going forward.

*Source: Financial Express, bid to bid basis, total return, net of fees, income reinvested, 31.12.22. Please note that total return has been calculated at midday whereas the financial statements are at close of business.

Robin Geffen

Fund Manager

January 2023

Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested.

Manager's Investment Report (continued)

Material portfolio changes by value

Purchases	Sales
Deere	Apple
United Kingdom Gilt Inflation Linked 0.625% 22/11/2042	ASML
United Kingdom Gilt Inflation Linked 0.125% 22/3/2046	PayPal
Sony	Microsoft
Intuitive Surgical	Pfizer
Brown-Forman 'B'	Salesforce.com
Arthur J Gallagher	Crowdstrike
	Square 'A'
	Okta
	ServiceNow

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 Conduct Authority's Collective Investment Schemes Sourcebook and is categorised as a UCITS scheme.

Statement of the Manager's Responsibilities

The Collective Investment Schemes sourcebook published by the FCA, ("the COLL Rules") 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 Fund and of the net revenue and net capital losses on the property of the Fund for the period.

In preparing the financial statements the Manager is responsible for:

- selecting suitable accounting policies and then apply them consistently;
- making judgements and estimates that are reasonable and prudent;
- following UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*;
- complying with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014;
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so;
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- taking reasonable steps for the prevention and detection of fraud and irregularities.

The Manager is responsible for the management of the Fund in accordance with its Trust Deed, the Prospectus and the COLL Rules.

The Manager is responsible for the maintenance and integrity of the corporate and financial information included on the Fund's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of the Trustee's Responsibilities in Respect of the Scheme and Report of the Trustee to the Unitholders of the Liontrust Balanced Fund (the 'Fund') for the Year Ended 31 December 2022

The Trustee in its capacity as Trustee of Liontrust Balanced Fund must ensure that the Fund is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Fund and its investors.

The Trustee is responsible for the safekeeping all of custodial assets and maintaining a record of all other assets of the Fund in accordance with the Regulations.

The Trustee must ensure that:

- the Fund's cash flows are properly monitored and that cash of the Fund is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Fund are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Fund's assets is remitted to the Fund within the usual time limits;
- the Fund's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Trustee also has a duty to take reasonable care to ensure that the Fund is managed in accordance with the Regulations and the Scheme documents of the Fund in relation to the investment and borrowing powers applicable to the Fund.

Having carried out such procedures as we considered necessary to discharge our responsibilities as Trustee of the Fund, it is our opinion, based on the information available to us and the explanations provided, that, in all material respects the Fund, acting through the AFM:

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Fund's units and the application of the Fund's income in accordance with the Regulations and the Scheme documents of the Fund; and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Fund in accordance with the Regulations and the Scheme documents of the Fund.

For and on behalf of

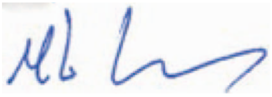
The Bank of New York Mellon (International) Limited

160 Queen Victoria Street
London EC4V 4LA

27 April 2023

Certification of Financial Statements by Partners of the Manager

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



Martin Kearney

Partner, Chief Compliance Officer

Antony Morrison

Partner, Head of Finance

Liontrust Fund Partners LLP
27 April 2023

Independent Auditor's Report to the Unitholders of Liontrust Balanced Fund (the "Fund")

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the Fund for the year ended 31 December 2022 which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the Related Notes and Distribution Tables for the Fund and the accounting polices set out on pages 30 to 32.

In our opinion, the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the financial position of the Fund as at 31 December 2022 and of the net revenue and the net capital losses on the property of the Fund for the year than ended; and
- have been properly prepared in accordance with the Trust Deed, the Statement of Recommended Practice relating to Authorised Funds, and the COLL Rules.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Fund in accordance with, UK ethical requirements including the FRC Ethical Standard.

We have received all the information and explanations which we consider necessary for the purposes of our audit and we believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going Concern

The Manager has prepared the financial statements on the going concern basis as they do not intend to liquidate the Fund or to cease their operations, and as they have concluded that the Fund's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Manager's conclusions, we considered the inherent risks to the Fund's business model and analysed how those risks might affect the Fund's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified, and concur with the Manager's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Fund will continue in operation.

Independent Auditor's Report to the Unitholders of Liontrust Balanced Fund (the "Fund") (continued)

Report on the audit of the financial statements (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Fund's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Assessing the segregation of duties in place between the Manager, the Trustee, the Administrator and the Investment Adviser; and
- Reading board minutes.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue is principally non-judgemental and based on publicly available information, with limited opportunity for manipulation. We did not identify any additional fraud risks.

We identified and selected a sample of journal entries made at the end of the reporting period and tested those substantively including all material post-closing entries. Based on the results of our risk assessment procedures and understanding of the process, including the segregation of duties between the Directors and the Administrator, no further high-risk journal entries or other adjustments were identified.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Manager and the Administrator (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Fund is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related authorised fund legislation maintained by the Financial Conduct Authority) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Fund is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: money laundering, data protection and bribery and corruption legislation recognising the Fund's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and the Administrator and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent Auditor's Report to the Unitholders of Liontrust Balanced Fund (the "Fund") (continued)

Report on the audit of the financial statements (continued)

Other information

The Manager is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in the Manager's Report 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 under the COLL Rules we are required to report to you if, in our opinion:

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

Manager's responsibilities

As explained more fully in their statement set out on page 10, the Manager is responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent Auditor's Report to the Unitholders of Liontrust Balanced Fund (the "Fund") (continued)

Report on the audit of the financial statements (continued)

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Fund's unitholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued by the Financial Conduct Authority under section 247 of the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the Fund's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's unitholders, as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Archer

Grant Archer

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

KPMG LLP
St Vincent Plaza
319 St Vincent Street
Glasgow
G2 5AS

27 April 2023

Comparative Tables

for the year ended 31 December 2022

A Accumulation Accounting year ended	31 December 2022 per unit (p)	31 December 2021 per unit (p)	31 December 2020 per unit (p)
Change in net assets per unit			
Opening net asset value per unit	1,093.85	951.86	798.37
Return before operating charges	(236.13)	158.44	167.86
Operating charges	(15.31)	(16.45)	(14.37)
Return after operating charges	(251.44)	141.99	153.49
Distributions	(8.70)	–	–
Retained distributions on accumulation units	8.70	–	–
Closing net asset value per unit	**842.41**	**1,093.85**	**951.86**
After direct transaction costs of*	(0.04)	(0.35)	(1.59)
Performance			
Return after charges	(22.99%)	14.92%	19.23%
Other information			
Closing net asset value (£'000)	67,616	192,000	193,455
Closing number of units	8,026,428	17,552,639	20,323,926
Operating charges**	1.64%	1.63%	1.66%
Direct transaction costs*	0.00%	0.03%	0.18%
Prices			
Highest unit price	1,099.44	1,126.45	968.50
Lowest unit price	832.67	908.93	712.90

* Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Unitholders should note that additionally there are other transaction costs such as a dilution adjustment and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the Fund and unit class returns before operating charges.

** The Operating Charges figure represents the annual operating expenses of the Fund expressed as a percentage of average net assets for the year - it does not include initial charges or performance fees. The Operating Charges figure includes the Manager's periodic charge and all charges which are deducted directly from the Fund. The Operating Charges figure is expressed as an annual percentage rate.

Comparative Tables (continued)

for the year ended 31 December 2022

A Income Accounting year ended	31 December 2022 per unit (p)	31 December 2021 per unit (p)	31 December 2020 per unit (p)
Change in net assets per unit			
Opening net asset value per unit	976.11	849.22	712.29
Return before operating charges	(210.42)	141.56	149.75
Operating charges	(13.62)	(14.67)	(12.82)
Return after operating charges	(224.04)	126.89	136.93
Distributions	(7.78)	–	–
Retained distributions on accumulation units	–	–	–
Closing net asset value per unit	**744.29**	**976.11**	**849.22**
After direct transaction costs of*	(0.03)	(0.31)	(1.42)
Performance			
Return after charges	(22.95%)	14.94%	19.22%
Other information			
Closing net asset value (£'000)	915	2,436	4,789
Closing number of units	123,006	249,598	563,952
Operating charges**	1.64%	1.63%	1.66%
Direct transaction costs*	0.00%	0.03%	0.18%
Prices			
Highest unit price	980.84	1,004.94	864.10
Lowest unit price	739.43	810.89	636.00

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Comparative Tables (continued)

for the year ended 31 December 2022

B Accumulation Accounting year ended	31 December 2022 per unit (p)	31 December 2021 per unit (p)+
Change in net assets per unit		
Opening net asset value per unit	112.99	100.00
Return before operating charges	(24.57)	14.06
Operating charges	(1.08)	(1.07)
Return after operating charges	(25.65)	12.99
Distributions	(1.42)	(0.24)
Retained distributions on accumulation units	1.42	0.24
Closing net asset value per unit	**87.34**	**112.99**
After direct transaction costs of*	0.00	(0.03)
Performance		
Return after charges	(22.70%)	12.99%
Other information		
Closing net asset value (£'000)	3,364	4,700
Closing number of units	3,851,679	4,158,948
Operating charges**	1.12%	1.12%
Direct transaction costs*	0.00%	0.03%
Prices		
Highest unit price	113.61	116.37
Lowest unit price	86.41	93.47

+ Launched on 3 February 2021.

* Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Unitholders should note that additionally there are other transaction costs such as a dilution adjustment and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the Fund and unit class returns before operating charges.

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Comparative Tables (continued)

for the year ended 31 December 2022

B Income Accounting year ended	31 December 2022 per unit (p)	31 December 2021 per unit (p)+
Change in net assets per unit		
Opening net asset value per unit	112.77	100.00
Return before operating charges	(24.48)	14.07
Operating charges	(1.08)	(1.07)
Return after operating charges	(25.56)	13.00
Distributions	(1.42)	(0.23)
Retained distributions on accumulation units	–	–
Closing net asset value per unit	**85.79**	**112.77**
After direct transaction costs of*	0.00	(0.03)
Performance		
Return after charges	(22.67%)	13.00%
Other information		
Closing net asset value (£'000)	1,983	2,645
Closing number of units	2,312,191	2,345,677
Operating charges**	1.12%	1.12%
Direct transaction costs*	0.00%	0.03%
Prices		
Highest unit price	113.38	116.29
Lowest unit price	85.58	93.47

\+ Launched on 3 February 2021.

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Comparative Tables (continued)

for the year ended 31 December 2022

C Accumulation Accounting year ended	31 December 2022 per unit (p)	31 December 2021 per unit (p)	31 December 2020 per unit (p)
Change in net assets per unit			
Opening net asset value per unit	249.86	215.74	179.51
Return before operating charges	(54.21)	36.05	37.91
Operating charges	(1.82)	(1.93)	(1.68)
Return after operating charges	(56.03)	34.12	36.23
Distributions	(3.72)	(1.02)	(0.21)
Retained distributions on accumulation units	3.72	1.02	0.21
Closing net asset value per unit	**193.83**	**249.86**	**215.74**
After direct transaction costs of*	(0.01)	(0.08)	(0.36)
Performance			
Return after charges	(22.42%)	15.82%	20.18%
Other information			
Closing net asset value (£'000)	317,734	356,100	275,140
Closing number of units	163,923,219	142,517,062	127,534,072
Operating charges**	0.85%	0.84%	0.86%
Direct transaction costs*	0.00%	0.03%	0.18%
Prices			
Highest unit price	251.18	257.21	219.50
Lowest unit price	191.74	206.31	160.60

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Comparative Tables (continued)

for the year ended 31 December 2022

C Income Accounting year ended	31 December 2022 per unit (p)	31 December 2021 per unit (p)	31 December 2020 per unit (p)
Change in net assets per unit			
Opening net asset value per unit	236.76	205.32	171.03
Return before operating charges	(51.28)	34.24	36.09
Operating charges	(1.72)	(1.83)	(1.60)
Return after operating charges	(53.00)	32.41	34.49
Distributions	(3.51)	(0.97)	(0.20)
Retained distributions on accumulation units	—	—	—
Closing net asset value per unit	**180.25**	**236.76**	**205.32**
After direct transaction costs of*	(0.01)	(0.08)	(0.34)
Performance			
Return after charges	(22.39%)	15.79%	20.17%
Other information			
Closing net asset value (£'000)	13,971	22,456	15,366
Closing number of units	7,750,708	9,484,504	7,484,195
Operating charges**	0.85%	0.84%	0.86%
Direct transaction costs*	0.00%	0.03%	0.18%
Prices			
Highest unit price	238.03	244.43	208.90
Lowest unit price	180.10	196.36	153.00

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Comparative Tables (continued)

for the year ended 31 December 2022

D Accumulation Accounting year ended	31 December 2022 per unit (p)	31 December 2021 per unit (p)	31 December 2020 per unit (p)
Change in net assets per unit			
Opening net asset value per unit	220.85	190.50	158.36
Return before operating charges	(47.93)	31.85	33.43
Operating charges	(1.42)	(1.50)	(1.29)
Return after operating charges	(49.35)	30.35	32.14
Distributions	(3.48)	(1.11)	(0.27)
Retained distributions on accumulation units	3.48	1.11	0.27
Closing net asset value per unit	**171.50**	**220.85**	**190.50**
After direct transaction costs of*	(0.01)	(0.07)	(0.32)
Performance			
Return after charges	(22.35%)	15.93%	20.30%
Other information			
Closing net asset value (£'000)	26,708	38,410	16,180
Closing number of units	15,573,554	17,392,167	8,493,411
Operating charges**	0.75%	0.74%	0.75%
Direct transaction costs*	0.00%	0.03%	0.18%
Prices			
Highest unit price	222.05	227.36	193.80
Lowest unit price	169.67	182.23	141.70

* Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Unitholders should note that additionally there are other transaction costs such as a dilution adjustment and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the Fund and unit class returns before operating charges.

** The Operating Charges figure represents the annual operating expenses of the Fund expressed as a percentage of average net assets for the year - it does not include initial charges or performance fees. The Operating Charges figure includes the Manager's periodic charge and all charges which are deducted directly from the Fund. The Operating Charges figure is expressed as an annual percentage rate.

Portfolio Statement

as at 31 December 2022

Holding/ Nominal value	Stock description	Market value (£'000)	Percentage of total net assets (%)
	EQUITIES (77.07%)	**336,235**	**77.78**
	UNITED STATES OF AMERICA (61.52%)	**263,610**	**60.98**
	Banks (0.47%)	**2,787**	**0.64**
25,000	JPMorgan Chase	2,787	0.64
	Beverages (1.37%)	**9,279**	**2.15**
170,000	Brown-Forman 'B'	9,279	2.15
	Commercial Services (3.70%)	**6,946**	**1.61**
30,000	Moody's	6,946	1.61
	Computers (6.33%)	**21,878**	**5.06**
180,000	Apple	19,440	4.50
60,000	Fortinet	2,438	0.56
	Diversified Financial Services (7.38%)	**44,966**	**10.40**
105,000	CME	14,676	3.39
48,000	Mastercard 'A'	13,876	3.21
95,000	Visa 'A'	16,414	3.80
	Healthcare Products (1.59%)	**8,819**	**2.04**
40,000	Intuitive Surgical	8,819	2.04
	Healthcare Services (2.40%)	**17,633**	**4.08**
40,000	UnitedHealth	17,633	4.08
	Insurance (1.96%)	**15,681**	**3.63**
100,000	Arthur J Gallagher	15,681	3.63
	Internet (13.69%)	**48,734**	**11.28**
300,000	Alphabet 'A'	22,002	5.09
250,000	Amazon.com	17,454	4.04
80,000	Palo Alto Networks	9,278	2.15
	Machinery Diversified (0.00%)	**1,426**	**0.33**
4,000	Deere	1,426	0.33

Portfolio Statement (continued)

as at 31 December 2022

Holding/ Nominal value	Stock description	Market value (£'000)	Percentage of total net assets (%)
	EQUITIES (continued)		
	UNITED STATES OF AMERICA (continued)		
	Media (1.44%)	**5,633**	**1.30**
78,000	Walt Disney	5,633	1.30
	Pharmaceuticals (3.95%)	**19,811**	**4.58**
465,000	Pfizer	19,811	4.58
	Semiconductors (4.21%)	**14,580**	**3.37**
120,000	NVIDIA	14,580	3.37
	Software (13.03%)	**45,437**	**10.51**
19,500	Adobe	5,455	1.26
20,000	ANSYS	4,015	0.93
26,000	Electronic Arts	2,640	0.61
20,000	Intuit	6,468	1.50
125,000	Microsoft	24,921	5.76
6,000	ServiceNow	1,938	0.45
	UNITED KINGDOM (6.23%)	**31,431**	**7.27**
	Beverages (1.17%)	**6,570**	**1.52**
180,000	Diageo	6,570	1.52
	Biotechnology (1.33%)	**2,456**	**0.57**
600,000	Oxford Nanopore Technologies	1,479	0.34
500,000	Vaccitech ADR	977	0.23
	Computers (0.30%)	**1,370**	**0.31**
2,880	Oxford Nanoimaging (Private Equity)~	267	0.06
833,334	Oxford Sciences Innovation (Private Equity)~	1,103	0.25
	Pharmaceuticals (1.73%)	**11,250**	**2.61**
50,000	AstraZeneca	5,609	1.30
4,519,774	Cambridge Innovation Capital (Private Equity)~	3,963	0.92
9,257	Oxford VR (Private Equity)~	225	0.05
1,176	Oxstem (Private Equity)~	0	0.00
20,875	Ultromics (Private Equity)~	1,453	0.34

Portfolio Statement (continued)

as at 31 December 2022

Holding/ Nominal value	Stock description	Market value (£'000)	Percentage of total net assets (%)
	EQUITIES (continued)		
	UNITED KINGDOM (continued)		
	Private Equity (1.64%)	**9,384**	**2.17**
700,000	3i	9,384	2.17
	Software (0.06%)	**401**	**0.09**
9,123	Navenio (Private Equity)~	401	0.09
810	Proxisense (Private Equity)~	0	0.00
	JAPAN (3.47%)	**15,502**	**3.59**
	Diversified Financial Services (0.47%)	**2,151**	**0.50**
180,000	Japan Exchange	2,151	0.50
	Home Furnishings (2.25%)	**10,111**	**2.34**
160,000	Sony	10,111	2.34
	Machinery Diversified (0.75%)	**3,240**	**0.75**
10,000	Keyence	3,240	0.75
	FRANCE (2.07%)	**12,668**	**2.93**
	Apparel (2.07%)	**12,668**	**2.93**
21,000	LVMH Moet Hennessy Louis Vuitton	12,668	2.93
	CANADA (1.77%)	**10,342**	**2.39**
	Software (1.77%)	**10,342**	**2.39**
8,000	Constellation Software	10,342	2.39
	NETHERLANDS (2.01%)	**2,682**	**0.62**
	Semiconductors (2.01%)	**2,682**	**0.62**
6,000	ASML	2,682	0.62
	BONDS (13.76%)	**61,256**	**14.17**
	UNITED KINGDOM GOVERNMENT BONDS (13.76%)	**61,256**	**14.17**
£ 3,200,000	United Kingdom Gilt Inflation Linked 2% 26/1/2035	7,696	1.78
£ 3,900,000	United Kingdom Gilt Inflation Linked 1.125% 22/11/2037	7,571	1.75

Portfolio Statement (continued)

as at 31 December 2022

Holding/ Nominal value	Stock description	Market value (£'000)	Percentage of total net assets (%)
	BONDS (continued)		
	UNITED KINGDOM GOVERNMENT BONDS (continued)		
£ 4,400,000	United Kingdom Gilt Inflation Linked 0.625% 22/3/2040	7,458	1.73
£ 6,000,000	United Kingdom Gilt Inflation Linked 0.625% 22/11/2042	10,381	2.40
£ 5,700,000	United Kingdom Gilt Inflation Linked 0.125% 22/3/2029	8,533	1.97
£ 5,000,000	United Kingdom Gilt Inflation Linked 0.75% 22/3/2034	8,064	1.87
£ 9,200,000	United Kingdom Gilt Inflation Linked 0.125% 22/3/2046	11,553	2.67
	COLLECTIVE INVESTMENT SCHEMES (7.33%)	**29,567**	**6.84**
	UNITED KINGDOM (7.33%)	**29,567**	**6.84**
5,700,000	Liontrust Investment Funds II - Global Smaller Companies Fund+	11,770	2.72
6,400,000	Liontrust Investment Funds IV - Global Technology Fund+	17,797	4.12
	Portfolio of investments	**427,058**	**98.79**
	Net other assets	**5,233**	**1.21**
	Total net assets	**432,291**	**100.00**

All securities are approved securities traded on eligible securities markets, as defined by the Collective Investment Scheme Sourcebook, unless otherwise stated.

All equity investments are in ordinary shares unless otherwise stated.

Comparative figures shown in brackets relate to 31 December 2021.

Stocks shown as ADRs represent American Depositary Receipts.

\+ Managed by Liontrust Fund Partners LLP.

~ Unquoted security.

Financial Statements

Statement of Total Return
for the year ended 31 December 2022

	Notes	(£'000)	1.1.2022 to 31.12.2022 (£'000)	(£'000)	1.1.2021 to 31.12.2021 (£'000)
Income					
Net capital (losses)/gains	2		(143,305)		79,928
Revenue	3	13,574		7,505	
Expenses	4	(5,459)		(6,184)	
Interest payable and similar charges	6	(1)		(3)	
Net revenue before taxation		8,114		1,318	
Taxation	5	(488)		(372)	
Net revenue after taxation			7,626		946
Total return before distributions			**(135,679)**		**80,874**
Distributions	7		(7,807)		(1,656)
Change in net assets attributable to unitholders from investment activities			**(143,486)**		**79,218**

Statement of Change in Net Assets Attributable to Unitholders
for the year ended 31 December 2022

	(£'000)	1.1.2022 to 31.12.2022 (£'000)	(£'000)	1.1.2021 to 31.12.2021 (£'000)
Opening net assets attributable to unitholders		**618,747**		**504,930**
Amounts received on issue of units	60,045		133,164	
Amounts paid on cancellation of units	(110,361)		(100,181)	
		(50,316)		32,983
Stamp duty reserve tax refund		2		–
Change in net assets attributable to unitholders from investment activities		(143,486)		79,218
Retained distributions on accumulation units		7,344		1,616
Closing net assets attributable to unitholders		**432,291**		**618,747**

Financial Statements (continued)

Balance Sheet

as at 31 December 2022

	Notes	31.12.2022 (£'000)	31.12.2021 (£'000)
Assets			
Fixed assets			
Investments		427,058	607,356
Current assets:			
Debtors	8	1,655	7,632
Cash and bank balances	9	5,510	8,967
Total assets		**434,223**	**623,955**
Liabilities			
Creditors:			
Distribution payable		(161)	(64)
Other creditors	10	(1,771)	(5,144)
Total liabilities		**(1,932)**	**(5,208)**
Net assets attributable to unitholders		**432,291**	**618,747**

Notes to the Financial Statements

for the year ended 31 December 2022

1 Accounting policies

a) Basis of accounting

The financial statements have been prepared on a going concern basis in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and the Statement of Recommended Practice "Financial Statements of UK Authorised Funds" issued by the Investment Association in May 2014 (the "SORP") and updated in June 2017, the COLL and the Fund's Trust Deed. In applying UK GAAP, the financial statements have been prepared in compliance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ("FRS 102").

The Manager has made an assessment of the Fund's ability to continue as a going concern and is satisfied it has the resources to continue in business for at least the next twelve months after the financial statements are signed and is not aware of any material uncertainties that may cast significant doubt on this assessment. This assessment considers liquidity, declines in global capital markets, known redemption levels, expense projections and key service provider's operational resilience.

b) Basis of valuation of investments

The valuation of the listed investments is based on the bid-market prices, excluding any accrued interest in the case of debt securities, at close of business on the last day of the accounting year, in accordance with the provisions of the Trust Deed. Unquoted securities are valued by the Manager on a fair value basis taking into account, where appropriate, latest dealing prices, valuations from reliable sources, financial performance and other relevant factors.

For Collective Investment Schemes managed by other management groups, investments are valued at the bid price for dual priced funds and at the single price for single priced funds. Valuations should take into account any agreed rate of redemption charge.

c) Revenue

Dividends on quoted ordinary shares and preference shares are recognised when the securities are quoted ex-dividend. Where such securities are not quoted, dividends are recognised when they are declared.

Revenue from collective investment schemes is recognised when the investment is quoted ex-distribution. Accumulation of revenue relating to accumulated shares or units held in collective investment schemes (CIS) is recognised as revenue and included in the amounts available for distribution. Equalisation received from distributions or accumulations is treated as capital by deducting from the cost of investments.

Interest on bank balances and deposits is recognised on an accruals basis.

Revenue arising on debt securities is accreted or amortised over the life of such securities and recognised at a consistent rate over the life of the instrument (effective yield basis). Future cash flow on all debt securities are considered when calculating revenue on an effective yield basis and where purchase costs are considered to reflect incurred credit losses, such losses are taken into account so that interest is recognised at a reasonably expected commercial rate.

Accrued interest purchased and sold on debt securities is excluded from the capital cost of these securities and dealt with as part of the revenue of the Fund.

All revenue is recognised at a gross amount that includes any withholding taxes but excludes any other taxes, such as attributable tax credits.

Revenue from securities lending is accounted for net of associated costs and is recognised on an accruals basis.

d) Rebates of Manager fees

Rebates of Manager fees are recognised on an accrual basis. These rebates are treated as revenue or capital based on the underlying fund's treatment of the Manager fees.

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

1 Accounting policies (continued)

e) Expenses

Expenses are recognised on an accruals basis.

f) Allocation of income and expenses to multiple unit classes

The allocation of income and expenses to each unit class is based on the proportion of the Fund's assets attributable to each unit class on the day the income is earned or the expense is incurred. The Manager's periodic charge is allocated at a fixed rate based on the net asset value of the respective unit class.

g) Taxation

Corporation tax is charged at 20% of the income liable to corporation tax, less expenses. Deferred tax is provided for at the rate at which taxation is likely to become payable in respect of all timing differences between the accounting and taxation treatment of items.

h) Foreign exchange

All transactions in foreign currencies are translated into Sterling at the rate of exchange ruling on the date of the transaction. Investments and other assets and liabilities denominated in foreign currencies are translated into Sterling at the exchange rates applicable at the end of the accounting period.

i) Financial instruments

Where appropriate, certain permitted financial instruments such as derivative contracts or forward exchange contracts are used for the purpose of efficient portfolio management. Where such financial instruments are used to protect or enhance revenue, the revenue and expenses derived therefrom are included in "Revenue" or "Expenses" in the Statement of Total Return. Where such financial instruments are used to protect or enhance capital, the returns derived therefrom are included in "Net capital (losses)/ gains on investments" in the Statement of Total Return. Any positions in respect of such instruments open at the year end are reflected in the portfolio statement at their market value. Where positions generate total returns, such returns are apportioned between capital and revenue to properly reflect the nature of the transaction. The amounts held at futures clearing houses in respect of these financial instruments are included in the cash and bank balances and detailed in the Notes to the Financial Statements. Transaction costs associated with derivatives are charged to revenue when incurred. All forward contracts outstanding at financial reporting dates are marked to market. The Fund may enter into permitted transactions such as derivative contracts or forward currency transactions as outlined in the relevant Investment Objective and Policy of the Fund.

Derivative financial instruments are initially recorded at transaction value on the date on which the derivative contract is entered into. All contracts outstanding at the financial reporting date are carried at a value provided by independent pricing providers. Any positions on such financial instruments open at the year end are reflected in the Balance Sheet at their marked-to-market value at close of business which is not materially different from IMA SORP defined fair value policy.

1.1 Distribution policies

j) Basis of distribution

The net revenue available for distribution at the end of each distribution period will be paid as a dividend distribution. Should the expenses of the Fund (including taxation) exceed the revenue of the Fund, there will be no distribution and the shortfall will be set against the capital of the Fund.

The operating expenses of the Fund are paid out of the General administration charges by the Manager.

Any revenue attributable to accumulation unitholders is retained within the Fund at the end of the distribution period and represents a reinvestment of income on behalf of the accumulation Unitholders.

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

1.1 Distribution policies (continued)

k) Equalisation

Equalisation on distributions from collective investment scheme is deducted from cost of investment and does not form part of the Fund's distribution.

l) Special dividends

The underlying circumstances behind special dividends are reviewed on a case by case basis in determining whether the amount is revenue or capital in nature. Amounts recognised as revenue will form part of the distribution. Any tax treatment will follow the accounting treatment of the principal amount.

m) Functional currency

The base currency of the Fund is Sterling and is taken to be the 'functional currency' of the Fund.

2 Net capital (losses)/gains

	1.1.2022 to 31.12.2022 (£'000)	1.1.2021 to 31.12.2021 (£'000)
The net capital (losses)/gains comprise:		
Non-derivative securities	(143,371)	81,293
Derivative contracts	–	(1,105)
Forward currency contracts	(1)	(78)
Foreign currency gains/(losses)	67	(182)
Net capital (losses)/gains	**(143,305)**	**79,928**

3 Revenue

	1.1.2022 to 31.12.2022 (£'000)	1.1.2021 to 31.12.2021 (£'000)
Bank interest	38	1
Equity distributions on CIS holdings	–	110
Interest from UK fixed income securities	9,071	3,734
Management fee rebates on CIS	262	334
Non-taxable overseas dividends	3,307	2,479
Stock lending income	8	6
UK dividends	888	841
Total revenue	**13,574**	**7,505**

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

4 Expenses

	1.1.2022 to 31.12.2022 (£'000)	1.1.2021 to 31.12.2021 (£'000)
Payable to the Manager or associates of the Manager:		
Manager's charge	5,032	5,799
General administration charges*	427	439
	5,459	**6,238**
Payable to the Trustee, associates of the Trustee, and agents of either of them:		
Trustee's fees	–	(2)
Safe custody fee	–	(21)
	–	**(23)**
Other expenses:		
Audit fee	–	4
Professional service fees	–	(12)
Registration fee	–	(16)
Other expenses	–	(7)
	–	**(31)**
Total expenses	**5,459**	**6,184**

* The audit fee for the year (borne out of the General administration charges), excluding VAT, was £17,050 (2021: £15,750). Where the fee exceeds the General administration charges, the shortfall will be met by the Manager.

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

5 Taxation

	1.1.2022 to 31.12.2022 (£'000)	1.1.2021 to 31.12.2021 (£'000)
a) Analysis of charge in year		
Overseas tax	488	372
Total tax charge [see note(b)]	**488**	**372**

b) Factors affecting tax charge for the year

The taxation assessed for the year is lower (2021: higher) than the standard rate of corporation tax in the UK for authorised Unit Trusts of 20% (2021: 20%). The differences are explained below:

	1.1.2022 to 31.12.2022 (£'000)	1.1.2021 to 31.12.2021 (£'000)
Net revenue before taxation	8,114	1,318
Corporation tax at 20% (2021 - 20%)	1,623	264
Effects of:		
Indexation allowance	(2,266)	(987)
Movement in unrecognised tax losses	1,666	1,409
Overseas tax	488	372
Prior year adjustment to unrecognised tax losses	(184)	-
Revenue not subject to tax	(839)	(686)
Total tax charge [see note(a)]	**488**	**372**

Authorised Unit Trusts are exempt from UK tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

c) Deferred tax

At the year end there is a potential deferred tax asset of £26,414,000 (2021: £24,748,000) due to tax losses of £132,072,000 (2021: £123,742,000). 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.

6 Interest payable and similar charges

	1.1.2022 to 31.12.2022 (£'000)	1.1.2021 to 31.12.2021 (£'000)
Overdraft interest	1	3
Total interest payable and similar charges	**1**	**3**

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

7 Distributions

	1.1.2022 to 31.12.2022 (£'000)	1.1.2021 to 31.12.2021 (£'000)
Interim distribution	3,708	563
Final distribution	3,965	1,141
	7,673	**1,704**
Amounts deducted on cancellation of units	247	37
Amounts received on issue of units	(113)	(85)
Distributions	**7,807**	**1,656**
The distributable amount has been calculated as follows:		
Net revenue after taxation	7,626	946
Add: Equalisation on conversions	181	2
Shortfall of income taken to capital	–	708
Distributions	**7,807**	**1,656**

The distribution per unit is set out in the tables on page 48.

8 Debtors

	31.12.2022 (£'000)	31.12.2021 (£'000)
Accrued management fee rebates on CIS	19	29
Accrued revenue	636	446
Amounts receivable for issue of units	179	3,279
Currency sales awaiting settlement	786	3,867
Overseas withholding tax	35	11
Total debtors	**1,655**	**7,632**

9 Cash and bank balances

	31.12.2022 (£'000)	31.12.2021 (£'000)
Cash and bank balances	5,510	8,967
Total cash and bank balances	**5,510**	**8,967**

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

10 Creditors

	31.12.2022 (£'000)	31.12.2021 (£'000)
Accrued expenses	34	42
Accrued Manager's charge	334	532
Amounts payable for cancellation of units	615	691
Currency purchases awaiting settlement	788	3,879
Total other creditors	**1,771**	**5,144**

11 Contingent liabilities

There were no contingent liabilities or outstanding commitments at the balance sheet date (2021: £Nil).

12 Related party transactions

The Manager, Liontrust Fund Partners LLP is a related party and is regarded as a controlling party by virtue of having the ability to act in respect of operation of the Fund.

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 charges paid to Liontrust Fund Partners LLP and its associates are shown in note 4. Details of units issued and cancelled by Liontrust Fund Partners LLP are shown in the Statement of Change in Net Assets Attributable to Unitholders and balances due to/from the Manager at the year end are included within Notes 8 and 10.

The balance due to Liontrust Fund Partners LLP and its associates in respect of expenses at the year end was £368,000 (2021: £575,000).

The total expense due to Liontrust Fund Partners LLP and its associates for the year was £5,459,000 (2021: £6,238,000).

The total rebate of expenses paid by Liontrust Fund Partners LLP and its associates for the year was £261,000 (2021: £334,000).

The total rebate of expenses balance due from Liontrust Fund Partners LLP and its associates at the year end was £19,000 (2021: £29,000).

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

13 Securities lending

The Fund engages in security lending activities which expose the Fund to counterparty credit risk. The maximum exposure to the Fund is equal to the value of the securities loaned.

Securities lending transactions entered into by the Fund are subject to a written legal agreement between the Fund and the Stock Lending Agent, The Bank of New York Mellon (London Branch), and separately between the Stock Lending Agent and the approved borrowing counterparty. Collateral received in exchange for securities lent is transferred under a title transfer arrangement and is delivered to and held in an account with a tri-party collateral manager in the name of the Trustee on behalf of the Fund. Collateral received is segregated from the assets belonging to the Fund's Trustee or the Stock Lending Agent. All operational costs are borne out of the Stock Lending Agent's share of income earned.

The total income earned from securities lending transactions is split between the relevant Fund and the Stock Lending Agent. The Fund receives 70% while the Stock Lending Agent receives 30% of such income, with all operational costs borne out of the Stock Lending Agent's share.

Return and cost

The table below shows the net income earned by the Fund from securities lending activity during the year to 31 December 2022.

	Collective Investment Undertaking (£'000)	Manager of Collective Investment Undertaking (£'000)	Third Parties (e.g. lending agent) (£'000)	Total (£'000)
Securities lending				
Gross return	8	–	3	11
% of total	70%	0%	30%	100%
Cost	–	–	–	–

The table below shows the net income earned by the Fund from securities lending activity during the year to 31 December 2021.

	Collective Investment Undertaking (£'000)	Manager of Collective Investment Undertaking (£'000)	Third Parties (e.g. lending agent) (£'000)	Total (£'000)
Securities lending				
Gross return	6	–	3	9
% of total	70%	0%	30%	100%
Cost	–	–	–	–

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

13 Securities lending (continued)

Securities on loan and collateral received

The following table details the value of securities on loan and associated collateral received, analysed by borrowing counterparty as at the Balance Sheet date.

		31 December 2022		31 December 2021	
Counterparty	Counterparty's country of establishment	Securities on loan (£'000)	Collateral received (£'000)	Securities on loan (£'000)	Collateral received (£'000)
Merrill Lynch International	UK	113	122	–	–
Total		**113**	**122**	**–**	**–**

Collateral accepted is non-cash in the form of sovereign debt rated AA or better from approved governments only, supranational debt obligations rated AAA or better listed on a recognised exchange.

Management of counterparty credit risk related to securities lending

To mitigate this risk, the Fund receives either cash or securities as collateral equal to a certain percentage in excess of the fair value of the securities loaned. The Investment Manager monitors the fair value of the securities loaned and additional collateral is obtained, if necessary. At the year end all non-cash collateral received consists of securities admitted to or dealt on a recognised exchange.

The Fund also benefits from a borrower default indemnity provided by The Bank of New York Mellon (London Branch). The indemnity allows for full replacement of securities lent. The Bank of New York Mellon (London Branch) bears the cost of indemnification against borrower default.

14 Risk management policies

In accordance with the investment objectives and policies the Fund can hold certain financial instruments as detailed in the Fund's prospectus. These can comprise of:

- equity, equity related and non-equity shares;
- Investment grade corporate bonds and government bonds (both sterling and non-sterling);
- Sub-investment grade bonds, covered bonds and preference shares;
- cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- short-term borrowings used to finance operational cash flows;
- units and shares in collective investment schemes;
- unitholders' funds, which represent investors' monies which are invested on their behalf from overseas investments held;
- derivative transactions for efficient portfolio management in accordance with the Fund's investment policies.

In accordance with the requirements of the rules in the Financial Conduct 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 market price (including "emerging markets price risk"), currency, interest rate, liquidity and counterparty credit risk. The Manager's policies for managing these risks are summarised below. The Fund, alongside an independent risk function, has used a combination of risk measurements and limits to measure and monitor portfolio risk. This is in line with the Liontrust Group's Risk Management Process.

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

14 Risk management policies (continued)

These policies have remained unchanged since the beginning of the year to which these financial statements relate and during the prior year.

Market price risk

Market price risk is the risk that the Fund might suffer potential loss through holding market positions in the face of price movements. It arises mainly due to uncertainty about future prices of financial instruments held. 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. Futures contracts may be used to hedge against market price risk where deemed appropriate for efficient portfolio management purposes.

The Fund's investment portfolio is monitored by the Manager in pursuance of its investment objective and policy as set out in the prospectus.

As at 31 December 2022 and 31 December 2021 the overall market exposure for the Fund was as shown in the Portfolio Statement, other than for derivatives where the exposure could be greater. The Fund is exposed to market price risk as the assets and liabilities of the Fund are listed on stock exchanges and their prices are subject to movements both up and down that would result in an appreciation or depreciation in the fair value of that asset. The sensitivity of the Fund to market price risk is estimated below which shows the expected change in the market value of the Fund when a representative market index changes by 10%. These percentage movements are based on the Manager's estimate of reasonably possible market movements over the course of a year and uses an industry standard measure (Beta) to estimate the amount a Fund has previously changed when that corresponding market index has moved taking into account the Fund's historic correlation to the representative index's movements over the last three years using monthly returns. This analysis assumes that the historic relationships between the portfolio's holdings and the representative index are a valid approximation of their future relationship and that the characteristics of the portfolio and the market have been broadly unchanged over the three years.

As at 31 December 2022, had the representative market index increased/decreased by 10.0% the resulting change in the value of the Net Asset Value is expected to have been an increase/a decrease of 9.0%.

As at 31 December 2021, had the representative market index increased/decreased by 10.0% the resulting change in the value of the Net Asset Value is expected to have been an increase/a decrease of 7.4%.

Some limitations of sensitivity analysis are;

- markets and levels of market liquidity in conditions of market stress may bear no relation to historical patterns;
- the market price risk information is a relative estimate of risk rather than a precise and accurate number;
- the market price information represents a hypothetical outcome and is not intended to be predictive; and
- future market conditions could vary significantly from those experienced in the past.

The Fund is required to calculate its exposure to derivatives on a daily basis using one of two alternate methods, the Commitment Approach or Value at Risk (VaR).

The calculation of conversion methods for the commitment approach for standard derivatives is taken from the conversion methodologies listed in the ESMA Guidelines on calculation of Global Exposure and Counterparty Risk. The commitment conversion methodology for standard derivatives is either the notional value or the market value of the equivalent position in the underlying asset. Please refer to the portfolio statement for the notional values of any forwards and futures contracts.

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

14 Risk management policies (continued)

Market price risk (continued)

VaR is a method of estimating potential loss due to market risk, rather than a statement of leverage, using a given confidence level, or probability, over a specific time period and assuming normal market conditions. VaR is calculated using a Historical Simulation model carried out in accordance with regulatory guidelines.

The Fund uses a combination of other risk measurements and limits. This is in line with the Liontrust Group's Risk Management Process.

The Fund did not materially use derivatives in the current or prior year and the level of leverage employed by the Fund during the current or prior year is not considered to be significant.

Currency risk

Currency risk is the risk that the revenue and net asset value of the Fund may be adversely affected by movements in foreign exchange rates. The revenue and capital value of the Fund's investments may be significantly affected by currency risk movements as some of the assets and income are denominated in currencies other than Sterling, which is the Fund's functional and reporting currency.

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

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

Currency exposure is monitored closely and is considered to be part of the overall investment process. Currency hedges via forward exchange contracts will only be used in the event of a specific unwanted currency risk being identified.

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. The Manager believes that the impact of such movements is not significant enough to warrant the cost incurred of eliminating them via hedging.

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.

At 31 December 2022 the Fund's currency exposure was as shown in the table below:

Currency Profile

	Net Foreign Currency Assets		
Currency	**Monetary Exposures (£'000)**	**Non-Monetary Exposures (£'000)**	**Total (£'000)**
Canadian Dollar	–	10,342	10,342
Euro	35	15,350	15,385
Japanese Yen	–	15,502	15,502
United States Dollar	5,440	264,588	270,028
	5,475	**305,782**	**311,257**

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

14 Risk management policies (continued)

Currency risk (continued)

At 31 December 2021 the Fund's currency exposure was as shown in the table below:

Currency Profile	Net Foreign Currency Assets		
Currency	Monetary Exposures (£'000)	Non-Monetary Exposures (£'000)	Total (£'000)
Canadian Dollar	–	10,952	10,952
Euro	7	25,269	25,276
Japanese Yen	–	21,459	21,459
United States Dollar	11,766	384,625	396,391
	11,773	**442,305**	**454,078**

If the exchange rate at 31 December 2022 between the functional currency and all other currencies had increased or decreased by 1% with all other variables held constant, this would have increased or decreased net assets attributable to holders of units of the Fund by approximately 0.72%/(0.72)% respectively.

If the exchange rate at 31 December 2021 between the functional currency and all other currencies had increased or decreased by 1% with all other variables held constant, this would have increased or decreased net assets attributable to holders of units of the Fund by approximately 0.73%/(0.73)% respectively.

Interest rate risk

Interest rate risk is the risk that the revenue cash flow or the fair value of investments may be adversely affected by movements in market interest rates.

Between 10% and 60% (typically 25%) of the Fund's financial assets will be in interest bearing financial assets and liabilities. As a result, the Fund is subject to the risk of potentially adverse movements in the prevailing level of market interest rates. The Manager may from time to time enter into contracts on behalf of the Fund that seeks to mitigate the effects of these movements.

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 in line with overnight bank rates.

The interest rate risk profile of financial assets and liabilities at 31 December 2022 was as follows:

	Floating Rate Investments (£'000)	Fixed Rate Investments (£'000)	Non-Interest Bearing Investments (£'000)	Total (£'000)
Investment assets	–	61,256	365,802	427,058
Investment liabilities	–	–	–	–

The interest rate risk profile of financial assets and liabilities at 31 December 2021 was as follows:

	Floating Rate Investments (£'000)	Fixed Rate Investments (£'000)	Non-Interest Bearing Investments (£'000)	Total (£'000)
Investment assets	–	85,138	522,218	607,356
Investment liabilities	–	–	–	–

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

14 Risk management policies (continued)

Interest rate risk (continued)

At 31 December 2022, if interest rates had strengthened/weakened by 1.00% with all other variables held constant this would have increased/decreased the net assets attributable to investors in the Fund by approximately 14.8%.

At 31 December 2021, if interest rates had strengthened/weakened by 1.00% with all other variables held constant this would have increased/decreased the net fixed income assets attributable to investors in the Fund by approximately 17.1%.

Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its obligations as they fall due. The Fund's assets comprise mainly of readily realisable securities which can be sold to meet liquidity requirements.

If a Fund is primarily exposed to smaller companies there may be liquidity constraints from time to time, i.e. in certain circumstances, the Fund may not be able to sell a position for full value or at all in the short-term. This may affect performance and could cause the Fund to defer or suspend redemptions of its units. In addition, the spread between the price you buy and sell units will reflect the less liquid nature of the underlying holdings. Any unquoted investments held by a Fund are by their nature much less liquid than those listed on an exchange. A Fund may not be able to sell a position for full value or at all in the short term.

The equity markets of emerging countries tend to be more volatile than the more developed markets of the world. Standards of disclosure and accounting regimes may not always fully comply with international criteria and can make it difficult to establish accurate estimates of fundamental value. The lack of accurate and meaningful information, and inefficiencies in its distribution, can leave emerging markets prone to sudden and unpredictable changes in sentiment. The resultant investment flows can trigger significant volatility in these relatively small and illiquid markets. At the same time, this lack of liquidity, together with low dealing volumes, can restrict the Manager's ability to execute substantial deals.

The main liquidity risk of the Fund is the redemption of any units that investors wish to sell, which are redeemable on demand under the Trust Deed. 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.

In accordance with the Manager's policy, the Manager monitors the Fund's liquidity on a daily basis.

Counterparty credit risk

Counterparty credit risk is the risk of suffering loss due to another party not meeting its financial obligation. Investments may be adversely affected if any of the institutions with which money is deposited or invested suffers insolvency or other financial difficulties or the credit rating of the bearers of the bonds held by the Fund are downgraded.

The table below summarises the credit quality of the Fund debt portfolio as at 31 December 2022 and 31 December 2021.

Summary of Credit ratings	31.12.2022 (£'000)	31.12.2021 (£'000)
Investment grade	61,256	85,138
Total	**61,256**	**85,138**

The Fund may enter into transactions in financial instruments (including derivatives) which exposes it to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Fund only buys and sells investments through brokers which have been approved by the Manager as an acceptable counterparty. This list is reviewed at least annually.

Notes to the Financial Statements (continued)
for the year ended 31 December 2022

14 Risk management policies (continued)

Counterparty credit risk (continued)
The Fund may enter into stock lending activities which exposes it to the risk that the counterparty will not deliver the stock or cash after the Fund has fulfilled its obligations. The Fund will only enter into stock lending activities with parties that have been approved as acceptable by the Manager and obtaining collateral from counterparties which has a fair value in excess of the related stock on loan.

At the balance sheet date, there were no counterparties to open derivative contracts. At the year-end collateral of £Nil (prior year: £Nil) was received; collateral pledged was £Nil (prior year: £Nil) and none (prior year: none) of the Fund's financial assets were past due or impaired.

The Trustee is responsible for the safe-keeping of assets and has appointed the Bank of New York Mellon, S.A./N.V., London Branch ("BNYMSA") as its global custodian. The long term credit rating of the parent company of the Trustee and Custodian, The Bank of New York Mellon Corporation, as at 31 December 2022 was A (Standard & Poor's rating).

BNYMSA, in the discharge of its delegated Trustee duties, holds in custody (i) all financial instruments that may be registered in a financial instruments account opened on the books of BNYMSA and (ii) all financial instruments that can be physically delivered to BNYMSA. BNYMSA ensures all financial instruments (held in a financial instruments account on the books of BNYMSA) are held in segregated accounts in the name of the Fund, clearly identifiable as belonging to the Fund, and distinct and separately from the proprietary assets of BNYMSA and BNYM.

In addition BNYMSA, as banker, holds cash of the Fund on deposit. Such cash is held on the balance sheet of BNYMSA. In the event of insolvency of BNYMSA, in accordance with standard banking practice, the Fund will rank as an unsecured creditor of BNYMSA in respect of any cash deposits.

Insolvency of BNYM and or one of its agents or affiliates may cause the Fund's rights with respect to its assets to be delayed or may result in the Fund not receiving the full value of its assets.

Maturity profile of financial liabilities
All financial liabilities of the Fund at the current and prior year-end are due to settle in one year or less, or on demand.

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.

Valuation of financial investments

31.12.2022	Assets (£'000)	Liabilities (£'000)
Level 1: Quoted prices	390,079	–
Level 2: Observable market data	29,567	–
Level 3: Unobservable data	7,412	–
	427,058	**–**

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

14 Risk management policies (continued)

Valuation of financial investments (continued)

31.12.2021	Assets (£'000)	Liabilities (£'000)
Level 1: Quoted prices	553,370	–
Level 2: Observable market data	45,374	–
Level 3: Unobservable data	8,612	–
	607,356	**–**

Level 1: Unadjusted quoted price in an active market for an identical instrument;
Level 2: Valuation techniques using observable inputs other than quoted prices within level 1;
Level 3: Valuation techniques using unobservable inputs.*

*Liontrust engage with Private Equity firms and market markers to ascertain the latest valuations and prices of the private equity assets held by the Fund that are included as level 3 assets.

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

15 Portfolio transaction costs

for the year ending 31 December 2022

Purchases (excluding derivatives)	Transaction Value (£'000)	Commissions (£'000)	%	Taxes (£'000)	%
Equity instruments (direct)	3,915	2	0.05	–	–
Debt instruments (direct)	2,641	–	–	–	–
Total purchases	**6,556**	**2**		**–**	
Total purchases including transaction costs	**6,558**				

Sales (excluding derivatives)	Transaction Value (£'000)	Commissions (£'000)	%	Taxes (£'000)	%
Equity instruments (direct)	50,150	18	0.04	1	–
Collective investment schemes	1,971	–	–	–	–
Total sales	**52,121**	**18**		**1**	
Total sales net of transaction costs	**52,102**				

Total transaction costs		**20**		**1**	
Total transaction costs as a % of average net assets		**-**		**-**	

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

15 Portfolio transaction costs (continued)

for the year ending 31 December 2021

Purchases (excluding derivatives)	Transaction Value (£'000)	Commissions (£'000)	%	Taxes (£'000)	%
Equity instruments (direct)	129,560	45	0.03	75	0.06
Debt instruments (direct)	13,989	–	–	–	–
Collective investment schemes	10,764	–	–	–	–
Total purchases	**154,313**	**45**		**75**	
Total purchases including transaction costs	**154,433**				

Sales (excluding derivatives)	Transaction Value (£'000)	Commissions (£'000)	%	Taxes (£'000)	%
Equity instruments (direct)	121,698	50	0.04	21	0.02
Collective investment schemes	10,310	–	–	–	–
Total sales	**132,008**	**50**		**21**	
Total sales net of transaction costs	**131,937**				
Total transaction costs		**95**		**96**	
Total transaction costs as a % of average net assets		**0.01%**		**0.02%**	

The above analysis covers any direct transaction costs suffered by the Fund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

Separately identifiable direct transaction costs (commissions & taxes etc.) are attributable to the Fund's purchase and sale of equity shares. Additionally, for equity shares there is a dealing spread cost (the difference between the buying and selling prices) which will be suffered on purchase and sale transactions.

For the Fund's investment transactions in debt and money market instruments any applicable transaction charges form part of the dealing spread for these instruments. Transactions in money market instruments to manage the Fund's daily liquidity position are excluded from the analysis.

During the year the Fund utilised derivative instruments including equity index options covering different underlying asset classes. The settlement values for opening and closing derivative positions are not comparable to principal values for transactions in direct holding investments and therefore purchase and sale amounts for derivative transactions are not quantified in the analysis above. Transaction costs for derivatives positions will be either suffered as direct costs or form part of the dealing spread for the instruments. Any direct costs are identified in the analysis above.

For the Fund's investment in collective investment scheme holdings there will potentially be dealing spread costs applicable to purchases and sales. However, additionally there are indirect transaction costs suffered in those underlying funds, throughout the holding period for the instruments, which are not separately identifiable and do not form part of the analysis above.

Dealing spread costs suffered by the Fund vary considerably for the different asset/instrument types depending on a number of factors including transaction value and market sentiment.

At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.07% (2021: 0.07%).

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

16 Unit classes

For the year ending 31 December 2022

	Opening units	Units issued	Units redeemed	Units converted	Closing units
A Accumulation	17,552,639	345,381	(2,283,153)	(7,588,439)	8,026,428
A Income	249,598	13,990	(36,284)	(104,298)	123,006
B Accumulation	4,158,948	172,149	(280,833)	(198,585)	3,851,679
B Income	2,345,677	29,016	(62,502)	—	2,312,191
C Accumulation	142,517,062	19,282,176	(30,848,973)	32,972,954	163,923,219
C Income	9,484,504	3,088,675	(5,295,492)	473,021	7,750,708
D Accumulation	17,392,167	4,016,254	(5,925,926)	91,059	15,573,554

17 Post balance sheet events

The Fund invests in a portfolio of assets, whose values have changed since the year-end, primarily due to market volatility. Since the year-end, the NAV per unit of the C Accumulation unit class has increased by 10.70% to 19 April 2023. The other unit classes in the Fund have moved by a similar magnitude.

Distribution Tables

for the year ended 31 December 2022

Interim distribution

Group 1 - Units purchased prior to 1 January 2022

Group 2 - Units purchased 1 January 2022 to 30 June 2022

	Net Revenue Pence per unit	Equalisation* Pence per unit	Distribution paid 31.8.2022 Pence per unit	Distribution paid 31.8.2021 Pence per unit
A Accumulation - Group 1	4.0636	–	4.0636	–
A Accumulation - Group 2	3.6904	0.3732	4.0636	–
A Income - Group 1	3.6552	–	3.6552	–
A Income - Group 2	2.3987	1.2565	3.6552	–
B Accumulation - Group 1	0.6880	–	0.6880	0.0782
B Accumulation - Group 2	0.6476	0.0404	0.6880	0.0782
B Income - Group 1	0.6873	–	0.6873	0.0773
B Income - Group 2	0.5682	0.1191	0.6873	0.0773
C Accumulation - Group 1	1.8113	–	1.8113	0.3559
C Accumulation - Group 2	1.3945	0.4168	1.8113	0.3559
C Income - Group 1	1.7176	–	1.7176	0.3349
C Income - Group 2	1.2911	0.4265	1.7176	0.3349
D Accumulation - Group 1	1.6992	–	1.6992	0.4114
D Accumulation - Group 2	1.2350	0.4642	1.6992	0.4114

Distribution Tables (continued)

for the year ended 31 December 2022

Final distribution

Group 1 - Units purchased prior to 1 July 2022

Group 2 - Units purchased 1 July 2022 to 31 December 2022

	Net Revenue Pence per unit	Equalisation* Pence per unit	Distribution paid 28.2.2023 Pence per unit	Distribution paid 28.2.2022 Pence per unit
A Accumulation - Group 1	4.6409	–	4.6409	–
A Accumulation - Group 2	4.3380	0.3029	4.6409	–
A Income - Group 1	4.1281	–	4.1281	–
A Income - Group 2	3.4840	0.6441	4.1281	–
B Accumulation - Group 1	0.7355	–	0.7355	0.1588
B Accumulation - Group 2	0.5460	0.1895	0.7355	0.1588
B Income - Group 1	0.7286	–	0.7286	0.1526
B Income - Group 2	0.5749	0.1537	0.7286	0.1526
C Accumulation - Group 1	1.9072	–	1.9072	0.6658
C Accumulation - Group 2	1.3696	0.5376	1.9072	0.6658
C Income - Group 1	1.7900	–	1.7900	0.6346
C Income - Group 2	1.2584	0.5316	1.7900	0.6346
D Accumulation - Group 1	1.7799	–	1.7799	0.6984
D Accumulation - Group 2	1.5233	0.2566	1.7799	0.6984

* Equalisation only applies to units purchased during the distribution period (Group 2 units). It is the average amount of revenue included in the purchase price of all Group 2 units and is refunded to holders of these units as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

Securities Financing Transactions (unaudited)

as at 31 December 2022

Securities Lending

Securities lending transactions entered into by the Fund are subject to a written legal agreement between the Fund and the Stock Lending Agent, The Bank of New York Mellon (London Branch), a related party to the Fund, and separately between the Stock Lending Agent and the approved borrowing counterparty. Collateral received in exchange for securities lent is transferred under a title transfer arrangement and is delivered to and held in an account with a tri-party collateral manager in the name of The Bank of New York Mellon (International) Limited ("the Trustee") on behalf of the Fund. Collateral received is segregated from the assets belonging to the Fund's Trustee or the Stock Lending Agent.

The total income earned from securities lending transactions is split between the relevant Fund and the Stock Lending Agent. The Fund receives 70% while the Stock Lending Agent receives 30% of such income, with all operational costs borne out of the Stock Lending Agent's share.

The following table details the value of securities on loan as a proportion of the Fund's total lendable assets and Net Asset Value (NAV) as at 31 December 2022. The income earned from securities lending are also shown for the period ended 31 December 2022. Total lendable assets represents the aggregate value of assets forming part of the Fund's securities lending programme. This excludes any assets held by the Fund that are not considered lendable due to any market, regulatory, investment or other restriction.

Securities on loan		
% of lendable assets	% of NAV	Income earned (£'000)
0.03	0.03	8

The following table details the value of securities on loan and associated collateral received, analysed by counterparty as at 31 December 2022.

		Securities Lending	
Counterparty	Counterparty's country of establishment	Amount on loan (£'000)	Collateral received (£'000)
Merrill Lynch International	UK	113	122
Total		**113**	**122**

All securities on loan have an open maturity tenor as they are recallable or terminable on a daily basis.

Collateral

The Fund engages in activities which may require collateral to be provided to a counterparty ("collateral posted") or may hold collateral received ("collateral received") from a counterparty.

Securities Financing Transactions (unaudited)(continued)

as at 31 December 2022

Collateral (continued)

The following table provides an analysis by currency of the underlying cash and non-cash collateral received / posted by way of title transfer collateral arrangement by the Fund, in respect of securities lending transactions, as at 31 December 2022.

Currency	Cash collateral received (£'000)	Cash collateral posted (£'000)	Non-cash collateral received (£'000)	Non-cash collateral posted (£'000)
Securities lending transactions				
AUD	-	-	31	-
CHF	-	-	3	-
EUR	-	-	3	-
GBP	-	-	4	-
HKD	-	-	76	-
NOK	-	-	2	-
USD	-	-	3	-
Total	**-**	**-**	**122**	**-**

Non-cash collateral received by way of title transfer collateral arrangement in relation to securities lending transactions cannot be sold, re-invested or pledged.

The following table provides an analysis of the type, quality and maturity tenor of non-cash collateral received / posted by the Fund by way of title transfer collateral arrangement in respect of securities lending transactions, as at 31 December 2022.

	Maturity Tenor						
Collateral type and quality	1 - 7 days (£'000)	8 - 30 days (£'000)	31 - 90 days (£'000)	91 - 365 days (£'000)	More than 365 days (£'000)	Open transactions (£'000)	Total (£'000)
Collateral received - securities lending							
Equities							
Recognised equity index	–	–	–	–	–	122	**122**
Total	**–**	**–**	**–**	**–**	**–**	**122**	**122**

Investment grade securities are those issued by an entity with a minimum investment grade credit rating from at least one globally recognised credit rating agency; Standard & Poor's, Moody's or Fitch.

A recognised equity index contains at least 20 equities where no single equity represents more than 20% of the total index and no five equities combined represent more than 60% of the total index.

The maturity tenor analysis for fixed income securities received as collateral is based on the respective contractual maturity date, while for equity securities and exchange traded funds (ETFs) received as collateral are presented as open transactions as they are not subject to a contractual maturity date.

As at 31 December 2022, all non-cash collateral received by the Fund in respect of securities lending transactions is held by the Funds' Trustee (or through its delegates).

Securities Financing Transactions (unaudited)(continued)

as at 31 December 2022

Collateral (continued)

The following table lists the top ten issuers (or all the issuers if less than ten) by value of non-cash collateral received by the Fund by way of the title transfer collateral arrangement across securities lending transactions as at 31 December 2022.

Issuer	Value (£'000)	% of the Sub-fund's NAV
Merrill Lynch International	122	0.03
Total	**122**	**0.03**

Additional Information (unaudited)

Trust Deed: The Fund was established by a Trust Deed made between the Manager and the Trustee dated 9 October 2002.

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 and accumulation units. 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 09.00 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.

The minimum initial lump sum investment in Class A and Class B Units of the Fund is £1,000, the minimum subsequent purchase or sale is £50, providing you maintain a balance of £1,000. The minimum initial lump sum investment in Class C Units of the Fund is £250,000, the minimum subsequent purchase or sale is £100, providing you maintain a balance of £250,000. The minimum initial lump sum investment in Class D Units of the Fund is £100,000,000, with no minimum subsequent purchase or sale, providing you maintain a balance of £100,000,000. 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 Fund Partners LLP at Liontrust Customer Services Team, PO Box 373, Darlington, DL1 9RQ. 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 Conduct Authority or other financial regulator.

Management charges and spreads: The initial charge and annual management fees per unit class are detailed below.

Initial charge	%	Ongoing charges figure*	%	Included within the OCF is the Annual Management Charge**	%
A Accumulation	Nil	A Accumulation	1.65	A Accumulation	1.60
A Income	Nil	A Income	1.65	A Income	1.60
B Accumulation	Nil	B Accumulation	1.14	B Accumulation	1.00
B Income	Nil	B Income	1.14	B Income	1.00
C Accumulation	Nil	C Accumulation	0.86	C Accumulation	0.75
C Income	Nil	C Income	0.86	C Income	0.75
D Accumulation	Nil	D Accumulation	0.76	D Accumulation	0.65

* The OCF covers all aspects of operating a Fund during the course of its financial year. These include the annual charge for managing the Fund, administration and independent oversight functions, such as trustee, custody, legal and audit fees. The OCF excludes portfolio transaction costs except for an entry/exit charge paid by the Fund when buying or selling units in another Fund.

** These are the annual costs of running and managing the Fund.

Additional Information (unaudited) (continued)

Publication of prices: The price of units in the Fund is quoted on our website, www.liontrust.co.uk and other industry websites such as www.trustnet.com. Daily and historic Fund prices are available from our Dealing and Administration team on 0344 892 0349.

Capital Gains Tax: As an authorised unit trust, any capital gains made within the Fund is exempt from UK Capital Gains Tax. An individual investor is subject to capital gains tax on gains made on their investment, however an individual's first £12,300 of net gains on disposals in the 2022-2023 tax year are exempt from tax (2021-2022: £12,300).

Income Tax: UK tax resident individuals are now entitled to a new tax-free dividend allowance in place of the dividend tax credit. Consequently, all income from dividend distributions is now regarded as gross 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 from the HM Revenue and Customs. In the case of a higher rate taxpayer, 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.

Remuneration: Following the implementation of UCITS V in the UK on 18 March 2016, all authorised UCITS Managers are required to comply with the UCITS V Remuneration Code from the start of their next accounting year. Under the UCITS V Directive (2014/91/EU), the Manager is required to disclose information relating to the remuneration paid to its staff for the financial year. The table below provides an overview of the following as at year ended 31 March 2022:

- Aggregate total remuneration paid by the Manager to its staff (employees and members)
- Aggregate total remuneration paid by the Manager to all relevant UCITS code staff

	Headcount	Total Remuneration (£'000)
Manager UK Staff[1]	**83**	**18,744**
of which		
Fixed remuneration	83	8,116
Variable remuneration	83	10,628
UCITS Remuneration Code Staff[1, 2]	**12**	**4,322**
of which		
Senior Management	2	88
Other control functions:		
Other code staff/risk takers	10	4,234

[1] The Manager's UK staff costs have been incurred by another Group entity and allocated to the Manager. The most appropriate measure of staff costs are those staff who are members of Liontrust Investment Partners LLP or Group staff who are employed by LAM but have their costs apportioned to the LLP. The information has been disclosed on an annualised basis.

[2] UCITS Aggregate Remuneration Code Staff applies only in respect of the provision of services to UCITS funds rather than their total remuneration in the year. For senior management and control function staff, remuneration is apportioned on the basis of assets under management for UCITS funds versus the total Group assets under management. For portfolio management staff remuneration is apportioned directly to the Fund.

Remuneration is made up of fixed pay (i.e. salary and benefits such as pension contributions) and variable pay (annual performance based or linked directly to investment management revenues). Annual incentives are designed to reward performance in line with the business strategy, objectives, values and long term interests of the Manager and LAM PLC Group. The annual incentive earned by an individual is dependent on the achievement of financial and non-financial objectives, including adherence to effective risk management practices. The Manager provides long-term incentives which are designed to link reward with long-term success and recognise the responsibility participants have in driving future success and delivering value. Long-term incentive awards are conditional on the satisfaction of corporate performance measures. The structure of remuneration packages is such that the fixed element is sufficiently large to enable a flexible incentive policy to be operated.

Additional Information (unaudited) (continued)

Staff are eligible for an annual incentive based on their individual performance, and depending on their role, the performance of their business unit and/or the group. These incentives are managed within a strict risk framework, and the Directors of LAM retain ultimate discretion to reduce annual incentive outcomes where appropriate.

The Manager actively manages risks associated with delivering and measuring performance. All our activities are carefully managed within our risk appetite, and individual incentive outcomes are reviewed and may be reduced in light of any associated risk management issues.

The Liontrust Group operates a Remuneration Committee (the "Committee"). The Committee reports to the Board. The Committee reviews risk and compliance issues in relation to the vesting of deferred awards for all employees and members. Compliance is monitored throughout the vesting period by the Committee.

These remuneration policies apply also to other entities in the Liontrust Group to which investment management of the Fund has been delegated, and those delegates are subject to contractual arrangements to ensure that policies which are regarded as equivalent are applied.

The Board adopts, and reviews annually, the general principles of the applicable remuneration policies, and the implementation of the remuneration policies is, at least annually, subject to central and independent internal review by the Committee for compliance with policies and procedures.

Assessment of Value: The regulator - the FCA - has asked every asset manager to assess the value of the funds they run. Assessing value goes beyond performance and costs and encompasses a minimum of seven criteria mandated by the FCA. The assessment of value of the Fund and the other UK-domiciled funds managed by Liontrust will be conducted as at 31 August each year. The assessment of value report can be viewed on the Liontrust website www.liontrust.co.uk/learning/assessment-of-value.

Significant Events after the year end: The Liontrust Global Equity team became part of the Liontrust Global Fundamental team on 8 February 2023. It was announced at the same time that Robin Geffen, Head of the Global Equity team, will be leaving Liontrust in due course and that Tom Record had replaced him as manager of this Fund from 8 February 2023.

Important information: Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested. 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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