

LIONTRUST UK MICRO CAP FUND ("the Fund")

Taskforce for Climate-Related Financial Disclosures (TCFD) Product Report

Covering 1 January 2024 to 31 December 2024

Purpose of this report

Under the rules of the Financial Conduct Authority (FCA), Liontrust is required to publish information annually on product level (fund) TCFD disclosures so that investors may have a better understanding of the climate-related risks and opportunities associated with this fund and its underlying holdings. This report is published in line with the requirements of the FCA and TCFD. To understand the governance, strategy and risk management that Liontrust has in place to manage the risks and opportunities related to climate change, please refer to the Liontrust Entity TCFD report found at: www.liontrust.com/TCFD/entity-report. Where there are any material deviations in this report from the TCFD recommendations, they shall be clearly explained in the entity report.

The following report has been prepared using data from MSCI. In order to ensure that the data provided is representative of the Fund, Liontrust has only reported on data points where there is a minimum data coverage of 60%. Liontrust will review this minimum threshold and will look to increase its disclosures as MSCI data coverage levels improve.

Key Information

Fund Name	Fund Management Team	ISIN	Fund Size*	Fund Base Currency	Benchmark
Liontrust UK Micro Cap Fund	Economic Advantage ("the Team")	GB00BDFYHP14	101,484,646	GBP	FTSE Small Cap ex ITs & FTSE AIM All-Share

*as at 31 December 2024

Objective & Policy

- To deliver capital growth over the long term (5 years or more).
- The Fund invests in UK equities. At least 75% of companies will have a market cap of <175m at the time of purchase. Companies that grow above a market cap of £275m will be held until suitable replacement investments are found or if in best interests of shareholders, disposed of. The Fund may also invest in other eligible asset classes as detailed within the prospectus.
- The Fund is considered to be actively managed in reference to the benchmark(s) detailed above by virtue of the fact that it uses the benchmark(s) for performance comparison purposes. The benchmark(s) are not used to define the portfolio composition of the Fund and the Fund may be wholly invested in securities which are not constituents of the benchmark.
- 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. 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.

Investment Process

The process seeks to identify companies that possess intangible assets which produce barriers to competition and provide a durable competitive advantage that allows the companies to defy industry competition and sustain a higher than average level of profitability for longer than expected.

In the fund managers' experience, the hardest characteristics for competitors to replicate are three classes of intangible asset: intellectual property, strong distributions channels and significant recurring business. Other less powerful but nonetheless important intangible strengths include franchises and licenses; good customer databases and relationships; effective procedures and formats; strong brands and company culture.

These tangible assets produce barriers to competition, protect margins and are capable, in the opinion of the fund managers, of reaping a financial advantage in the form of cash flow returns in excess of the cost of capital. A company that consistently generates excess cash flow returns will benefit from compounding as it reinvests this excess return into the business.

Fund Information

Climate-related commitments

The Fund has not made any climate-related commitments.

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Governance of climate-related risks and opportunities

- Stewardship, engagement and governance activities are overseen by a stewardship and governance team. This includes funds' net zero commitments (where applicable), stewardship and engagement activities, and ESG-related regulatory reporting. For more information, please refer to the dedicated TCFD section on Liontrust's website (www.liontrust.com/TCFD/entity-report).
- A Board Committee, the Sustainability Committee, leads Liontrust's approach to meeting its wider corporate ESG responsibilities and reporting.
- Each of Liontrust's investment teams follows its own, well-documented investment process; each is overseen by the Portfolio Risk Committee (PRC) and is required to demonstrate how it is adhering to its processes. The PRC is responsible for monitoring portfolio risk for each of Liontrust's funds.

Strategy for managing climate-related risks and opportunities

The Team's strategy as outlined above is to seek out intangible assets. It does not have a climate specific strategy (outside of the ESG risk score) and as such differs from Liontrust at an entity level.

Management of climate-related risks and opportunities

The Team uses an ESG risk score which is based on MSCI ESG ratings at the holding level. The Team retains discretion to override a risk score where it is inconsistent with its knowledge of the company. Where the MSCI ESG rating takes into account climate-related risks and opportunities, this will be reflected in the Team's ESG risk score. For companies that do not fall within the MSCI universe the Team will determine whether the company should have a risk score for ESG. The Team also engages with its largest emitting companies on a regular basis. This includes discussion of their net zero commitments and the progress in the renewables part of the businesses.

Climate Metrics

Data coverage from MSCI for the required data points is below Liontrust's 60% minimum threshold. Climate metrics data has therefore not been disclosed for this fund

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Climate Metrics (continued)

Exposure to carbon intensive sectors

The Fund is not determined to have high exposure to carbon intensive sectors.

Liontrust defines having ‘high exposures to carbon intensive sectors’ as those funds which have greater than 60% of investments, by portfolio weight, in the following sectors*: Agriculture, Forestry and Fishing; Mining and Quarrying; Manufacturing; Electricity, Gas, Steam and Air Conditioning Supply; Water Supply; Sewerage, Waste Management and Remediation Activities; Construction; Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles; Transportation and Storage; and Real Estate Activities.

Climate Scenarios

Data coverage from MSCI for the required data points is below Liontrust’s 60% minimum threshold. Climate scenario data has therefore not been disclosed for this fund.

Implied Temperature Rise (“ITR”)

Data coverage from MSCI for ITR is below Liontrust’s 60% minimum threshold. ITR data has therefore not been disclosed for this fund

*NACE codes are one of the commonly used classification systems to categorise the economic activities of firms and have been used to determine whether a holding within the portfolio falls within one of the 'carbon intensive' sectors noted above.

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Past performance does not predict future returns. You may get back less than you originally invested.

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Important information

This document provides information about the Fund and Liontrust Fund Partners. Liontrust Fund Partners LLP (2 Savoy Court, London WC2R 0EZ) is authorised and regulated in the UK by the Financial Conduct Authority (FRN 518165) to undertake regulated investment business. Liontrust Fund Partners does not give financial or investment advice. This document does not constitute or form part of, and should not be construed as, an invitation to buy or sell units and neither this document nor anything contained or referred to in it shall form the basis of, or be relied on in connection with, any offer or commitment whatsoever. The value of units and the income generated from them can fall as well as rise and are not guaranteed; investors may not get back the amount originally subscribed. Investors should not purchase the Fund referred to in this document except on the basis of information contained in the Fund’s Prospectus. We recommend that investors who are not professional investors should contact their professional adviser. The Fund’s Prospectus and Key Investor Information Document (KIID) are available from www.liontrust.com or direct from Liontrust.