

Rathbone Recovery Fund

Manager: Rathbone Unit Trust Management Limited **Trustee:** Royal Bank of Scotland plc

| Size of fund | Offer value: | £59.89m | (£57.78m mid-market value) | |
|-------------------------|----------------------|----------------|----------------------------|--------------------------------------|
| Unit prices (30.06.10): | | <i>Selling</i> | <i>Buying</i> | <i>Historical Distribution Yield</i> |
| | <i>Income:</i> | 244.47p | 260.07p | 1.71% |
| | <i>Accumulation:</i> | 260.00p | 276.59p | 1.68% |

Julian Chillingworth – Chief Investment Officer



(Large Cap)

Julian joined Rathbones in July 2001 as Deputy Chief Investment Director. He was appointed as a Board Director of Rathbone Unit Trust Management Limited in October 2001, and then Chief Investment Officer in August 2002.

Julian is responsible for managing the Rathbone Blue Chip Income and Growth Fund (formerly Rathbone Income and Growth Fund), and is also co-manager of the Rathbone Recovery Fund (along with Marina Bond) and the Rathbone Ethical Bond Fund (with Bryn Jones). As Chief Investment Officer, he plays a key role in the ongoing development of Rathbone's investment process.

Marina Bond – Investment Manager



(Mid and Small Cap)

Marina joined Rathbones in February 2000 after graduating from Durham University with first class BSc Honours in Natural Sciences (Philosophy and Archaeology).

Marina is jointly responsible for the management of the Rathbone Recovery Fund, (relaunched after a merger between the Rathbone Special Situations Fund and the Rathbone Smaller Companies Fund) along with Julian Chillingworth, and Assistant Fund Manager, Alan Dobbie. Previously, Marina managed the Rathbone Smaller Companies Fund.

Alan Dobbie – Assistant Fund Manager



(Europe)

Alan joined Rathbones in October 2005 after graduating from the University of Strathclyde Business School with an MSc in Finance (Distinction). He also holds a BAcc in Accounting and Finance (University of Glasgow), and a BSc in Chemical Sciences (University of Edinburgh).

Principally, Alan assists in the management of the Rathbone Recovery Fund with Julian Chillingworth and Marina Bond, but is also responsible for stock and sector analysis with respect to European equity exposure on all other funds.

Important note

The next quarterly investment review for this fund will be available this month. Subsequent updates will follow in October, January and April. The reports will be available on request by e-mailing rutm@rathbones.com and in future can be found online at www.rutm.com. Please advise us if you would like to receive it by email on a regular basis by calling 020 7399 0399.

We shall continue to develop and deliver timely fund information, including more informative reviews of our funds and various other reports, which will be available on our website.

Investment objective

The objective is to achieve capital growth by buying shares in companies whose recovery potential is not appreciated by the market and to sell them when this potential is recognised. The nature of unrecognised recovery potential may be based on macro economic, industry, sector specific or stock specific issues. Stock selection will involve the identification of a catalyst capable of triggering and sustaining a recovery in each specific stock selection. The fund has the flexibility to invest in companies of all sizes and to hold up to 20% in European shares; it will be benchmarked against the FTSE All-Share index.

Investment style

Selecting a recovery play requires identifying a reason for the share price weakness and a trigger for recovery. We ask why the shares have fallen (macro, industry/sector-specific or stock-specific issues). We then look for a catalyst for change and a rise in the share price (macro recovery; collapse of competition; management change; return of confidence). We use both qualitative and quantitative screens. We use standard qualitative analysis (looking at balance sheet strength, quality of the management and product, competitive advantage and barriers to entry), and more quantitative analysis to determine the value we will attribute to the business. To this extent, we use certain value ratios and look at the assumptions upon which those valuations are based. Finally, risk assessment remains a vital part of our process, and our bets are not at the expense of the overall balance of the fund.

The Rathbone Recovery Fund is in our opinion a vehicle for all stages of the economic cycle.

Investment prospects

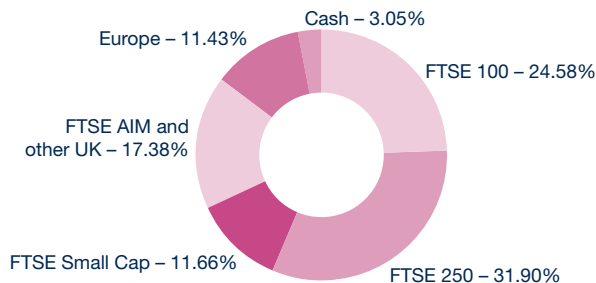
There is no question that we are facing uncertain times in the UK, with public finances in poor shape; the formation of a new Government and now debt problems mounting in Europe. However, with regard to the latter, it is interesting to see that Gilts have retained their safe haven status. This suggests that perception of the UK economy has been overly-negative relative to other G7 nations, where growth is also likely to be lacklustre. We have seen some significant upgrades to company earnings, following an encouraging reporting season, and industry data appear to indicate a much more positive outlook. While the media focuses on the potentially drastic public sector cuts, businesses in the private sector – the life blood of an economy – are quietly exploiting their relative strengths. Those that have survived the recession have come out stronger, and will form a stabilising base beneath future reductions in the public sector.

| | |
|---|-----------|
| Total no. of holdings at 30.06.10: | 79 |
|---|-----------|

| | |
|---|----------|
| 10 largest holdings at 30.06.10: | % |
|---|----------|

| | |
|---------------------|------|
| BG | 3.93 |
| Synergy Health | 3.02 |
| Booker | 2.87 |
| Unilever | 2.85 |
| Anglo Pacific | 2.75 |
| Tullow Oil | 2.69 |
| International Power | 2.64 |
| Volex | 2.63 |
| WPP | 2.57 |
| Man | 2.38 |

| | |
|--|----------|
| Capitalisation split at 30.06.10: | % |
|--|----------|



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|--------------------------------------|----------|
| Sector breakdown at 30.06.10: | % |
|--------------------------------------|----------|

| | |
|--------------------|-------|
| Oil & Gas | 13.97 |
| Basic Materials | 3.88 |
| Industrials | 18.85 |
| Consumer Goods | 7.88 |
| Health Care | 8.54 |
| Consumer Services | 14.83 |
| Telecommunications | 3.33 |
| Utilities | 3.80 |
| Financials | 14.86 |
| Technology | 7.01 |
| Cash | 3.05 |

| Latest distributions (year paid): | 2009 | 2010 |
|-----------------------------------|-----------|-------------|
| Interim | – | 2.00p |
| Final | 1.89p | |
| Distribution dates: Ex div | Payment | |
| Interim | 1 April | 31 May |
| Final | 1 October | 30 November |

Dealing

Forward daily: 9.00am–5.00pm Dealing: 0845 300 2101
 Valuation point: 12:00 midday Information line: 020 7399 0399
 ISIN (Inc): GB0005062293 Valuations: 0845 300 2101
 ISIN (Acc): GB0030430804
 Sedol No. (Inc): 0506229
 Sedol No. (Acc): 3043080

The minimum initial investment is units to the value of £1000. Thereafter, additional investments are subject to a minimum of £500.

Availability – Unit trust and ISA, lump sum and savings plan.

Charges

An initial charge of 5.5% is included in the offer price. An Annual Management Charge (AMC) of 1.5% of the mid-market value (between bid and offer price values) of the fund is also charged.

The Manager's annual fee is taken from capital. This will mean that capital may be eroded or growth restricted to the extent of the charge and that, while there may as a result be a reduction in liability for Capital Gains Tax, there will be some increase in Income Tax liability for tax paying unitholders.

Further information

Copies of the Prospectus, Simplified Prospectus (incorporating Key Features) and application forms may be obtained, free of charge, from Rathbone Unit Trust Management Limited.

Emerging markets are volatile and may suffer from liquidity problems. Changes in rates of exchange between currencies may cause the value of investments to decrease or increase.

Details of tax levels and reliefs may change in the future. The value of any tax relief depends on individual circumstances. If you have doubts about your tax position, or the suitability of this product, you should seek professional advice.

In July 2009, the Rathbone Special Situations Fund (launched June 1964) and the Rathbone Smaller Companies Fund (launched September 1993) merged and were relaunched as the Rathbone Recovery Fund.

Rathbone Unit Trust Management Limited

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★ Overall Morningstar Rating™

Authorised and regulated by the Financial Services Authority
 A member of the Investment Management Association
 A member of the Rathbone Group
 Registered No. 2376568