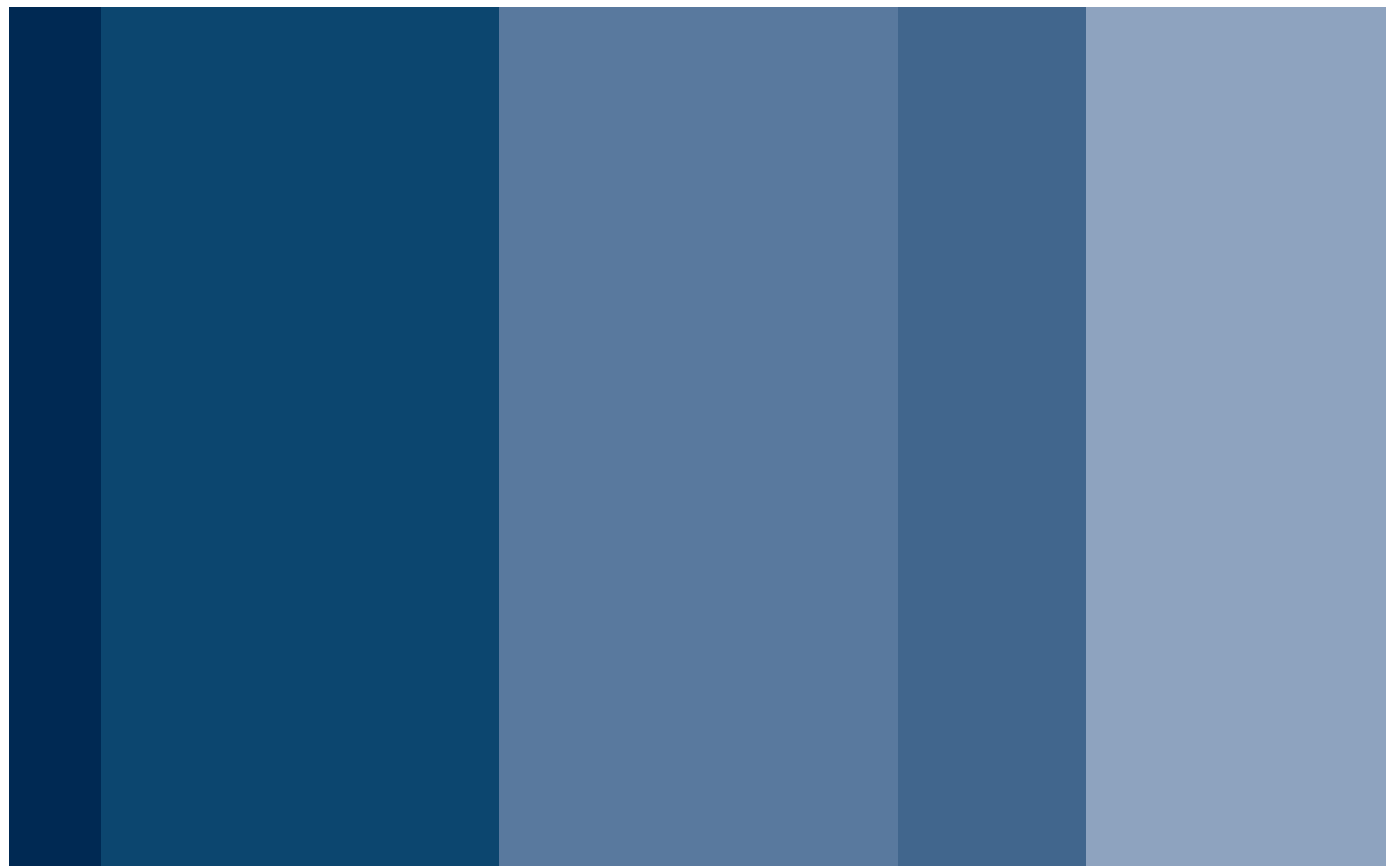


# Your Questions Answered

Fund Mergers July 2009



## Pre merger

### 1. What are you proposing to do, which funds will be affected and what are my various options?

We are proposing to merge the Rathbone High Income Fund into the Rathbone Blue Chip Income and Growth Fund; merge the Rathbone Special Situations Fund into the Rathbone Smaller Companies Fund and in turn rename and relaunch it as the Rathbone Recovery Fund.

Rathbone Special Situations Fund and Rathbone Smaller Companies Fund unitholders can also receive units in the Rathbone Blue Chip Income and Growth Fund in exchange for all or part of their current holding.

### 2. Why are you taking these steps?

We have decided to take these steps to close funds which are either too small or that conditions have changed and we need to introduce products which better represent opportunities going forward. Consolidations and a change of objective of one of our funds will help to achieve this goal.

### 3. Why hold a meeting and ask for a vote?

We are obliged to gain the acceptance of the proposals from our clients and we require them to express a preference where necessary, as to their future holdings requirements based on the options given.

### 4. How will this benefit unitholders in the funds affected?

These measures will give unitholders products which are better positioned to perform well and meet their needs in the future. For example, Rathbone High Income Fund unitholders will have a chance to be part of a larger and growing income fund with a long history of delivering performance and income for our clients.

### 5. What will the effect of these mergers be on Rathbone Unit Trust Management's range of funds?

The range will reduce to five highly focussed funds, each of which will benefit from our stock-picking skill and will feature our income expertise within the core products.

### 6. As an investor in Rathbone Unit Trust Management's funds, are these mergers something I should be concerned about?

Not at all. We have considered the rapidly changing market environment and acted quickly and decisively to provide you with products best suited to what we believe will be the conditions in the future.

### 7. What will be the effect on my holding of Rathbone Smaller Companies Fund of merging the poor performing Rathbone Special Situations Fund into it?

Both funds continue to be managed to the best of our abilities. Part of an ongoing program, regardless of the potential merger process, is to improve the quality and liquidity in the Rathbone Special Situations Fund. Should the merger take place, the Rathbone Smaller Companies Fund will benefit from this work.

### 8. If the proposals are accepted, when will the mergers take place and the Rathbone Recovery Fund be available for new investment?

The Extraordinary General Meetings (EGM) will be held from 10.00am onwards on the Wednesday 8 July. If the vote is successful, then the mergers will take place on Friday 10 July. Your holdings and the funds (including the newly renamed and relaunched Rathbone Recovery Fund) will be available for dealing on Monday 13 July 2009.

## The process and practicalities

### 1. I have your detailed circular(s) and attached voting form(s), what action do I need to take?

Please read through the circular(s). If you haven't received a circular, you are not eligible to vote. We ask you to vote 'for' the merger proposals by placing a cross in the appropriate box on the proxy voting form. For Rathbone Special Situations Fund and Rathbone Smaller Companies Fund holders, we also ask you to select which funds and in what percentages you would like to hold in future. Please then return the form to us in the pre-paid envelope provided to arrive no later than exactly 48 hours before the appropriate meeting is due to begin.

### 2. What is a 'Scheme of Arrangement'?

It is a legal framework within which we can deliver you new holdings free of the normal charges and taxation implications involved with switches and transfers.

### 3. What is the 'Form of Proxy' and 'Form of Election'?

The form of proxy allows you to vote 'for' or 'against' a proposal by post without having to attend a formal meeting. The form of election tells us about your funds choices and what combinations, subject to available options, you would like to have.

### 4. Can I attend the EGM to vote in person, what are the details?

Yes, you can return the forms and/or also attend the meetings in person as long as you invested in the applicable funds before 10 June 2009. All meetings are on the 8 July 2009 and will be held at 159 New Bond Street, Floor 2. The EGM for the Rathbone High Income Fund is at 10.00am followed at 10.30am and 11.00am by meetings applicable to Rathbone Special Situations Fund and Rathbone Smaller Companies Fund respectively.

### 5. I hold units in the Rathbone Special Situations Fund/Rathbone Smaller Companies Fund/Rathbone High Income Fund: what happens to my investments if I choose to do nothing?

If you do nothing, Rathbone Special Situations Fund and Rathbone Smaller Companies Fund unitholders will automatically receive units in the Rathbone Recovery Fund (the default option) and we will notify you in due course of your new holding. Rathbone High Income Fund unitholders will automatically receive units in the Rathbone Blue Chip Income and Growth Fund as long as the merger is approved (there is no alternative option).

### 6. I invest into these funds through a regular savings scheme; do I need to alter any of my standing order arrangements?

No, we have your details, no changes are required – we will simply note and carry out your instructions and continue to invest your subscription accordingly.

### 7. I hold units in the affected funds within an ISA: do these proposed mergers have any tax implications?

None. Your investment will continue to receive the taxation advantages of an ISA wrapper.

### 8. If I decide to redeem my units in these funds, what charges will I face?

If you redeem your holdings, this action will fall outside the scope of the Scheme of arrangement and therefore will be at the quoted bid price and with the normal taxation implications (please see our Simplified Prospectus at [www.rutn.com](http://www.rutn.com) for details). If you decide that you wish to split your holding between a fund within the scope of the Scheme of Arrangement, (i.e. Rathbone Blue Chip Income and Growth Fund) and a fund outside it (i.e. the Rathbone Income Fund), then you must effect a switch out of the former into the latter. This will be subject to the usual charges and taxation implications. We advise that you contact your investment adviser.

### 9. How long will it take for the mergers to complete?

If the proposals are accepted on the 8 July 2009, the fund mergers will take place on the 10 July and the remaining funds affected by the process will be available for sale and/or purchase on Monday 13 July 2009.

### 10. What happens to my holdings in the funds during this process – do I need to do anything?

You need do nothing other than follow the voting instructions – we will do the rest for you.

### 11. I hold income units, will my holding in the successor trust be in income units?

Post merger, you will receive exactly the same unit type in the successor fund that you had before i.e. if you held income units, you will receive income units. If you held income and accumulation units then you will receive income and accumulation units in exactly the same proportion as before.

**12. My holding is partly in an ISA and partly outside an ISA. Will my new holding reflect that arrangement exactly?**

If you hold the Rathbone High Income Fund in more than one product type, i.e. via an ISA and via a unit trust holding (outside an ISA), then your new holding in the Rathbone Blue Chip Income and Growth Fund will mirror that existing arrangement.

If you hold the Rathbone Special Situations Fund and/or the Rathbone Smaller Companies Fund, then your existing product (ISA/outside ISA) holding arrangements will be reflected in your new arrangements, subject only to your election as to which fund(s) you wish to hold, the Rathbone Recovery Fund and/or Rathbone Blue Chip Income and Growth Fund and in which proportions.

Product arrangements for holdings in Rathbone Blue Chip Income and Growth Fund remain unchanged.

**13. Please explain exactly how the number of units in the new fund will be arrived at in relation to my current holding.**

A merger factor number will be calculated over the weekend or the 11/12 July and will then be applied to the current holdings in order to calculate the new holdings for unitholders. Further details will be published after the merger weekend on our website and notification of your entitlements will be confirmed to you in writing within a few days of the merger date.

**14. Can I deal on my holdings during this period and what if I invest before the meeting, what rights of choice do I have?**

You can continue to deal in your funds during the normal business hours (9.00am to 5.00pm). However, if there is a successful vote on the 8 July, you will not be able to deal in the funds between 12.00pm on Thursday 9 July and 8.30am Monday 13 July 2009. During this period, your funds will be merged and units will be allocated according to your instructions or according to the default option.

If you have invested before the 10 June 2009, you will have a right to vote. New investors after that date who invest up to the 8 July do not have a right to vote and, subject to a successful vote, will automatically receive units in the Rathbone Blue Chip Income and Growth Fund if they invested in the Rathbone High Income Fund; and/or units in the Rathbone Recovery Fund if they invested in either or both of the Rathbone Special Situations Fund and the Rathbone Smaller Companies Fund.

**15. Who pays for the cost of this process and will there be any increase in charges?**

The costs are material but will be borne by us, not the funds. The fund charges will remain the same as before for the Rathbone Blue Chip Income and Growth Fund and the charges for the Rathbone Recovery Fund will be in line with those of the Rathbone Smaller Companies Fund.

**16. Will I lose money on this process?**

No. We cannot say what will happen to the markets as the process is implemented, but you will not lose money because of the process itself.

**17. What happens if these mergers do not receive sufficient unitholder approval?**

A majority of not less than 75% of the number of votes cast is required to pass the proposals.

If, within half an hour from the appointed time for the Meeting, a quorum is not present, then the Meeting will be adjourned to a date not less than seven days following the date for which the Meeting was originally convened. Forms of Proxy completed for use at the original meeting will remain valid for any adjourned meeting.

To avoid the expense and inconvenience of calling an adjourned meeting, unitholders are asked to complete the forms. If these meeting criteria are not met, the proposals will not be passed and the funds will continue as before.

**18. What is the objective of the soon-to-be re-launched Rathbone Recovery Fund?**

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.

To meet the objective the fund may also invest, at the Manager's discretion, in other transferable securities, money market instruments, warrants, cash and near cash, deposits and units in collective investment schemes. Use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted by the FSA Rules.

**19. I hold units in the Rathbone Smaller Companies Fund: the Rathbone Recovery Fund seems to have a different objective. Should I consider selling my holdings?**

We believe that the restructured product will be better positioned to perform well in the markets going forward. We have offered the additional option, within the Scheme of Arrangement, of a switch into the Rathbone Blue Chip Income and Growth Fund in full or in part if you consider that this fund better suits your needs. We cannot advise you but we do recommend that if you have any doubts that you contact an investment adviser.

**20. Why are you offering the option for Rathbone Smaller Companies Fund and Rathbone Special Situations Fund unitholders to switch into Rathbone Blue Chip Income and Growth Fund?**

We are offering the option of investing in these funds to provide an additional amount of choice within the taxation advantages of the Scheme of Arrangement, particularly at a time when income returns from banks and building societies are relatively low.

**21. I hold the Rathbone High Income Fund, why is my only option to receive units in the Rathbone Blue Chip Income and Growth Fund?**

The latter fund is a larger but similar fund with a much longer track record of capital performance and rising income payouts. It is our most appropriate match (from within our range) to your existing fund in terms of structure and objective.

**22. Can I elect to have a combination of funds?**

Yes, if you hold the Rathbone Special Situations Fund and/or the Rathbone Smaller Companies Fund you can elect to hold the Rathbone Recovery Fund and/or the Rathbone Blue Chip Income and Growth Fund in whatever whole number percentage you choose up to a total of 100% of the value of your current total holding in both of these current funds.

**23. Who should I contact if I would like any further advice?**

We can keep you up to date with the progress of the process via our website or our administration line on 0845 300 2101. For financial advice, you must speak to an investment adviser. If you do not have one, a good place to start is [www.searchIFA.co.uk](http://www.searchIFA.co.uk)

**24. What is the latest date for posting my voting forms?**

The forms must reach us no later than exactly 48 hours before the appropriate meeting on the 8 July 2009 is due to begin. For example, the voting form for the meeting for Rathbone High Income Fund unitholders should reach us by 10.00am on the 6 July 2009.

**25. What happens to the income distributions/accumulations from the Rathbone High Income Fund and Rathbone Special Situations Fund (the discontinuing fund)?**

Any income accrued in respect of the period commencing 1 December 2008 (Rathbone High Income Fund) and 1 November (Rathbone Special Situations Fund) to the 'effective date' (or the date the mergers take place) will be distributed to unitholders in the discontinuing Fund within two months of that date.

A tax voucher will be despatched to all unitholders in the discontinuing fund in relation to this final period.

Please note that whereas the Rathbone High Income Fund has four income allocation dates (31 January, 30 July, 30 April and 31 October) the Rathbone Blue Chip Income and Growth Fund has only two income allocation dates (28 February and 31 August). The Rathbone Recovery Fund will have two income allocation dates, 1 May and 30 November.

**26. What communications will I be sent before, during and after the process is complete?**

After you have received the circulars and voting forms, there will be no more communications until (if the merger vote was successful) we notify you that the mergers have completed and if applicable, notify you of your new unitholding. Otherwise, if the mergers do not complete as planned, the next communication you will receive will be your scheduled bi-annual statement mailing in July 2009.

## Post merger

### 1. Under what Investment Management Association (IMA) sectors will the newly merged funds be listed?

The Rathbone Blue Chip Income and Growth Fund will continue (same objective) to be listed in the IMA UK Equity Income and Growth sector and the Rathbone Recovery Fund (revised objective from the Rathbone Smaller Companies Fund) will be listed in the IMA UK All Companies sector.

### 2. Who are the managers of the remaining and merged funds?

Julian Chillingworth (Chief Investment Officer), with continue to manage the Rathbone Blue Chip Income and Growth Fund. The Rathbone Recovery Fund will be managed by Julian Chillingworth and Marina Bond (Investment Manager) with the assistance of Alan Dobbie (Assistant Fund Manager). Details of these managers can be found on our website, [www.rutm.com](http://www.rutm.com)

### 3. What support will they receive?

As has always been the case, we operate a close-knit, team approach and these managers will continue to receive the support of the rest of the investment team.

### 4. How will these funds fit with the overall range of unit trusts offered by the company?

The only new fund will be the Rathbone Recovery Fund. A stock-picking fund, it benefits from our specific abilities and strengths.

### 5. What will be the size will the new funds?

The Rathbone Special Situations Fund is £47m and the Rathbone Smaller Companies Fund is £26m. Depending on the amount of switching out that will take place from these funds into the Rathbone Blue Chip Income and Growth Fund, the Rathbone Recovery Fund could be around £60m to £70m in size. The Rathbone High Income Fund and Rathbone Blue Chip Income and Growth Fund are £14m and £36m respectively, so depending on the above choices made, the merged fund could be around £50m.

Fund sizes at 01.06.09.

### 6. What effect will the change of management have on the funds?

We think that the changes will have a very positive effect – the combination of expertise we have chosen is a very strong one.

### 7. Are you considering any other fund mergers or changes to the remaining funds?

None.

### 8. Where can I get up-to-date information before, during and after the merger process?

You can call 0845 300 2101, visit [www.rutm.com](http://www.rutm.com), or contact your investment adviser.

### 9. What is your recommendation?

We recommend that you vote in favour of the proposals but please do consult your investment adviser (who would have been informed of the plans) if you have any doubts or questions.

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Authorised and regulated by the Financial Services Authority  
A member of the Investment Management Association  
A member of the Rathbone Group  
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The value of investments and the income from them may go down as well as up and you may not get back your original investment. Past performance should not be seen as an indication of future performance. The Prospectus, Simplified Prospectus (incorporating Key Features) and application forms may be obtained from Rathbone Unit Trust Management Limited or visit [www.rutm.com](http://www.rutm.com)