

# Proposed fund mergers in preparation for recovery

## Subject to FSA and unitholder approval we propose to arrange the following:

- To rationalise the number of small retail funds by means of fund reconstructions.
- To present a new product, the Rathbone Recovery Fund to retain existing investors and attract new business.
- To offer a tax efficient and attractive alternative in the merger documents for investors in Rathbone Special Situations Fund and Rathbone Smaller Companies Fund.

## How are we to achieve this?

- The Rathbone High Income Fund will merge into the Rathbone Blue Chip Income and Growth Fund, (formerly known as Rathbone Income and Growth Fund).
- The Rathbone Special Situations Fund will merge into the Rathbone Smaller Companies Fund which in turn will revise its objective and be relaunched as the Rathbone Recovery Fund.

In the interest of treating our customers fairly, we propose to offer unitholders in both the Rathbone Special Situations Fund and the Rathbone Smaller Companies (Recovery) Fund the option of receiving units in the Rathbone Blue Chip Income and Growth Fund, for those seeking income and prospects for capital growth.

The revised objective of the Rathbone Recovery Fund is to create a portfolio by selecting companies spanning the whole of the UK market and possibly Europe. These are companies whose recovery potential is not appreciated and they will be sold when this potential is recognised by the market. These companies may have macro; industry; sector; or stock specific issues, and the stock selection process will involve the identification of a catalyst to drive that recovery in each case.

A detailed circular to unitholders and advisers will be prepared and distributed in the coming weeks.

**Subject to clearance from HM Revenue and Customs, none of the above changes will trigger a liability to capital gains tax for unitholders.**

## Why are we doing this?

Market conditions have prompted us to review and streamline our range of products and launch a new initiative appropriate for business conditions and in anticipation of future demand.

## Who is affected by this in our investment team?

Our funds and managers are listed below.

- Marina Bond, will be the Co-manager of the new Rathbone Recovery Fund (with Julian Chillingworth). This combines the industry experience of Julian and Marina, both of whom have success in managing their respective funds (Rathbone Blue Chip Income and Growth Fund and Rathbone Smaller Companies Fund) and represents a blend of large/mid-cap experience with experience of small cap and AIM. Alan Dobbie (Assistant Fund Manager) will assist Julian and Marina. He recently passed his level three CFA exams and has been part of the team successfully running a European mandate for a Canadian client.
- Julian Chillingworth, with around 30 years of industry experience, will continue to manage the Rathbone Blue Chip Income and Growth Fund which usually invests at least 75% in the stocks of the FTSE 100 index.
- As demand for high-yielding products continues to rise, Carl Stick will concentrate his efforts on the management of our largest fund, the Rathbone Income Fund. The team continues to receive the support of Elizabeth Davis (Quantitative and Investment Analyst), Alan Dobbie (Assistant Fund Manager), George Viney and Alexandra Jackson (both Trainee Fund Managers).

## Summary of investment team responsibilities:

Fund name	Lead fund manager(s)	Supported by
<b>Rathbone Ethical Bond Fund</b> (UK Corporate Bond sector)	<b>Bryn Jones</b>	Julian Chillingworth
<b>Rathbone Income Fund</b> (UK Equity Income sector)	<b>Carl Stick</b>	George Viney, Elizabeth Davis, Alan Dobbie
<b>Rathbone Recovery Fund</b> (sector to be determined)	<b>Marina Bond, Julian Chillingworth</b>	Alan Dobbie
<b>Rathbone Blue Chip Income and Growth Fund</b> (UK Equity Income and Growth sector)	<b>Julian Chillingworth</b>	George Viney
<b>Rathbone Global Opportunities Fund</b> (Global Growth sector)	<b>James Thomson</b>	Alexandra Jackson

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