

Simplified Prospectus



Essential leaflets

What you need to know when investing with RUTM:

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Section 2: Investing in a RUTM unit trust

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What can you tell me about the Simplified Prospectus and Rathbones?

What is the Simplified Prospectus?

The Simplified Prospectus (*see glossary of terms*) is a document offered to all investors in European Union-marketed funds before the point of purchasing our products. The information included is vital to your understanding of the commitment that you will be undertaking. This document formally sets out details of the fund including its investment policy, charges and distribution dates. To help you understand the technical terms, there is a glossary in Section 2 (Investing in a RUTM unit trust).

How should I use the Simplified Prospectus?

We recommend that you consult an investment adviser. The document should be used to help you to decide on which of our products is most appropriate investment for your needs. The document aims to give you a full picture of the charges and risks associated with the products and to guide you through the application process and the options available to you. It will also give you points of contact should you require more information or to check if information you have is the most up-to-date.

To invest in our products, you should use the application form(s) in conjunction with the 'Investing in a RUTM unit trust' booklet (Section 2, for reference) whilst also noting the 'Charges and expenses for RUTM unit trusts' (Section 3) illustrations. You should read the document carefully so that you understand what you are buying and then keep it safe for future reference.

Additional supplementary material is included for those wishing to invest in an ISA product.

How is the Simplified Prospectus a benefit to me as an investor or potential investor?

The benefit of using the Simplified Prospectus is that it is designed to give you an unbiased and industry-standardised overview of our products, exploring product risk and charges as well as the application procedure that is quite separate from the allure of a sales brochure. This will enable you to make direct comparisons between our products and help you to decide the product most appropriate to you needs.

How can I check if there is more up-to-date information available than that in my edition of the Simplified Prospectus?

Please go to www.rutm.com, email rutm@rathbones.com or call our team on 020 7399 0399.

Where do I go if further advice is required?

Whilst Rathbone Unit Trust Management personnel can give information on its products, they are not authorised to give financial advice. If you have any questions or doubts about the appropriateness of these products for you, please contact an investment adviser. If you do not have an investment adviser, a good place to search for one is at www.searchIFA.co.uk

Who is the Manager?

Rathbone Unit Trust Management Limited (RUTM)

Rathbone Unit Trust Management Limited, which is authorised and regulated by the Financial Services Authority¹ (FSA) and a member of the Investment Management Association (IMA) (*see glossary of terms*), is the unit trust management arm of Rathbone Brothers Plc, the listed investment management and private banking group. RUTM (*see glossary of terms*) is entered on the FSA Register under registration number 144266.

The history and tradition behind Rathbone Brothers Plc

Established in Liverpool in 1742 by William Rathbone II, the original Rathbones business was in timber and shipbuilding. This evolved into shipowning and general merchanting and importing, principally trading with North and South America. In the nineteenth century, the business further developed into finance and banking. The present business was formed in 1988 by an amalgamation of the investment management and banking business carried on in Liverpool with a tax and investment business in London. Further expansion came with the acquisition in 1995 of Laurence Keen, the well known city based investment managers; and in 1996 with the acquisition of Neilson Cobbold, the Liverpool based firm with offices in the South of England, the North West and Scotland.

Today Rathbone Brothers Plc, through its subsidiaries, is an independent provider of investment and wealth management services for private investors, charities and trustees, including discretionary asset management, tax planning, trust and company management, pensions advisory and banking services. It is a FTSE 250 listed company.

The group has over £13 billion² assets under discretionary management.

Registered Office:
159 New Bond Street
London W1S 2UD
Information line: 020 7399 0399
Telephone: 020 7399 0000
Facsimile: 020 7399 0057
Website: www.rutm.com

¹ The FSA is a competent authority which has authorised and registered the RUTM unit trusts. Contact: 25 The North Colonnade, Canary Wharf, London, E14 5HS. Consumer Helpline 0300 500 5000. Main Switchboard 020 7066 1000.

² The latest published figure as at 30 June 2010. The figure published on our website (www.rutm.com) may be more up-to-date.

Tell me about the other companies working to provide my RUTM unit trust product(s)?

Who are the directors of the Manager?

GM Powell – *Chairman*
PG Pearson Lund – *Chief Executive Officer*
JR Chillingworth – *Chief Investment Officer*
JM Ardouin – *Finance Director*
CRC Hexton
RP Lanyon
RE Loader FCA
CP Mason – *Compliance Director*
AD Pomfret
CR Stick
JG Thomson

Who is the Auditor?

(see glossary of terms)

Grant Thornton UK LLP

30 Finsbury Square
London EC2P 2YU

Who is the Trustee?

The Royal Bank of Scotland plc Trustee & Depositary Services

Registered Office: 36 St Andrew Square, Edinburgh, EH2 2YB
Registered in Scotland No. 90312

Authorised and Regulated by the Financial Services Authority (FSA). The FSA Register number is 121882.

The Trustee is The Royal Bank of Scotland plc who holds the title to the funds' investments on behalf of the unitholders.

It was incorporated in Scotland as a public limited company on 31 October 1984.

Its ultimate holding company is The Royal Bank of Scotland Group plc which is incorporated in Scotland. Its head office is at Gogarburn, PO Box 1000 EH12 1HQ. Its registered office is at 36 St Andrew Square, Edinburgh, EH2 2YB.

The main business activity of The Royal Bank of Scotland plc is banking.

Who should receive completed application forms?

IFDS (UK) Limited

See Registrar and Dealing Office for details.

Who is the Registrar and where is the dealing office (for applications)?

(see glossary of terms)

Registrar: **International Financial Data Services Ltd**

Dealing: **International Financial Data Services (UK) Ltd**

Rathbone Unit Trust Management Limited
PO Box 9948, Chelmsford CM99 2AG

Dealing and Valuation Line: 0845 300 2101

Dealing facsimile: 0870 887 0180

Authorised and Regulated by the Financial Services Authority (FSA).
The FSA Register number is 161227.

Investing in a RUTM unit trust

Please see 'Additional information for the RUTM ISA' leaflet for ISA details

Part 1: You and the benefits of investing

Who is a typical investor in a RUTM unit trust?

A "typical investor" in one-or-more of the RUTM range of unit trusts (*see glossary of terms*) is an investor looking for medium to long term opportunities for a growing income, potential capital growth or a balance of the two. Investment diversification (*see glossary of terms*) in a pooled fund managed by a professional firm would be an attraction, rather than investing in a personal portfolio of individual stocks and shares. Investors have differing levels of investment risk with which they feel comfortable, and the relative risks of each of the funds in our unit trust range are set out in this document.

All of the funds in this document are suitable if you are considering unit trusts as appropriate medium-to-long term investments. The funds are not suitable if you do not want to take any risk with your money or you are likely to need to sell your investment in the short term.

What are the benefits of investing in a unit trust?

- You obtain a wide diversification of risk as your money is pooled with that of other investors to purchase a portfolio much larger than would otherwise be possible for the same size of investment.
- Your money is managed by a professional fund manager who has access to a wide range of research and resources enabling investments to be chosen that are appropriate to meet the objectives of the fund.
- Units (*see glossary of terms*) can be bought or sold simply by giving instructions to the Manager by phone, fax or by letter.
- There is no minimum investment period and no penalty for encashment. However, they should not be regarded as short-term investments.
- The value of your holding can easily be monitored as the fund's most recent unit price is published in leading national newspapers, or on our website at www.rutm.com.
- The fund is exempt from tax on gains made on internal transactions. This provides the potential for the fund to grow at a faster rate. You may have a liability for tax when units not held within an ISA are sold.
- An independent trustee (*see glossary of terms*) holds all underlying assets on your behalf.
- Monthly savings plans are available for all funds.

Part 2: What funds are available and what are the risks involved?

What are the general risk factors relating to unit trust investment?

Please remember that past performance should not be seen as an indication of future performance and that the value of units and the income from them can go down as well as up and you may not get back your original investment. The value of units depends on both the fluctuations in the financial markets which are outside RUTM's control and on the specific objectives of each unit trust. No warranty is given by us as to the performance or profitability of the investment(s). Tax levels and reliefs depend on individual circumstances and may be subject to future changes.

Changes in exchange rates will affect the value of your investments. For example, if Sterling strengthens against the currency in which your investments are made, the value of your investments will reduce and vice versa.

During periods of high inflation, the real value of your investment may be diminished.

Quoted yields (*see glossary of terms*) in this document are for illustrative purposes only and are not guaranteed.

For funds that invest in emerging markets, the arrangements in relation to regulation, dealing (*see glossary of terms*), liquidity and custody may be less secure than in the UK.

Where the periodic charge is wholly or partly taken out of the fund's capital, distributable income will be increased at the expense of capital which will either be eroded or future growth constrained.

If you exercise cancellation rights, you may not get a full refund as an adjustment may be made for a fall in the value of the investment before notice of cancellation is given.

Units in the funds are not marketed outside the UK.

Part 2 continued

Bond funds only

Interest rate fluctuations are likely to affect the capital value of investments within bond funds. When long term interest rates rise the capital value of units is likely to fall and vice versa. The effect will be more apparent on funds that invest significantly in long-dated securities (*see glossary of terms*). The value of capital and income will fluctuate as interest rates and credit ratings of the issuing companies change.

Further information about risk factors is contained in the Prospectus (*see glossary of terms*), which is available on request, free of charge, from the Manager.

Some funds carry additional fund-specific risks to those stated above. Please see the details below about our fund range, their objectives and risk categories.

What is the fund range available and what are the aims of the RUTM unit trusts?

Different types of fund are designed to meet different needs, each offering a spread of risk, specialist investment management and tax efficiency.

The Rathbone Blue Chip Income and Growth Fund

The objective of the fund is to achieve an above average and steadily increasing income return coupled with capital growth from a portfolio of transferable securities (*see glossary of terms*). The Manager's present intention is that not less than 75% will be invested in transferable securities issued by UK companies. There will be no specialisation in any other geographic area or in any industrial or economic sector.

Authorised by the FSA (*see glossary of terms*) on 3 October 1989 and launched in October 1989.

Prior to 1 March 2009, the fund was known as the Rathbone Income and Growth Fund.

Risk rating 2

The Rathbone Ethical Bond Fund

The objective of the fund is to provide a regular, above average income through investing in a range of bonds and bond market instruments that meet strict criteria ethically and financially.

Authorised by the FSA on 29 October 2001 and launched in May 2002.

For more information on our ethical screening processes and criteria specifically applied to this fund, please go to www.rutm.com or call 020 7399 0399.

Risk rating 2

The Rathbone Global Opportunities Fund

The objective of the fund is to provide above average long term capital growth from a global portfolio. The fund will be able to invest in any transferable security in all recognised world financial markets. The income yield will be at best minimal.

Authorised by the FSA on 22 March 2001 and launched in May 2001.

Risk rating 3

The Rathbone Income Fund

The objective of the fund is to achieve above average and maintainable income but without neglecting capital security and growth. The Manager intends to achieve the objective primarily through the purchase of ordinary shares with an above average yield. There is no restriction on the economic sectors or geographic areas in which the fund may invest. However, investments will always be predominantly in the ordinary shares of UK companies.

Authorised by the FSA on 12 February 1971 and launched in February 1971.

Risk rating 2

The Rathbone Recovery Fund

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.

Authorised by the FSA on 25 August 1993 and launched in September 1993.

The Rathbone Recovery Fund was formed from a merger of the Rathbone Special Situations Fund into the Rathbone Smaller Companies Fund which was renamed and relaunched in July 2009.

Risk rating 3

Common to the entire range of funds

To meet these objectives, the funds 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.

Full details of the aims and objectives of each fund can be found in the Prospectus which is available from the Manager. All funds are FSA authorised unit trust schemes and have Sterling as a base currency.

All funds are managed so as to qualify for inclusion in Individual Savings Accounts (ISAs).

How do the funds compare in terms of relative risks?

The aim of the risk index is to set out RUTM's definition of risk for each fund. The ratings are determined by the objectives and investment styles of the funds, and market volatilities. Each fund has been risk-graded on the basis that 1 is lower risk and 4 is higher risk.

We must stress that the grading refers to a scale applied to our range of funds only. For information on how this risk index compares to products outside our range, please consult an investment adviser.

1 Lower Risk

This category would include funds predominantly invested in cash and UK Government securities. These investments are likely to be less volatile than corporate bonds and equities, and would have a lower risk/reward profile.

2 Average Risk

This category would include funds investing in UK and global corporate bonds and equities, including those in currencies other than Sterling. The spread of investments across these markets is likely to reduce the risk and volatility (*see glossary of terms*) of the fund as a whole. If securities are in a currency other than Sterling, the returns on them will be subject to fluctuations in exchange rates.

3 Above Average Risk

This category would include funds investing in specialised areas; either those that historically have a higher volatility, or securities in specific market sectors which are likely to be more volatile than the underlying market.

4 Higher Risk

This category would include funds that invest in highly volatile countries and/or sectors, where the risk/reward profiles are high.

These risk rating definitions and their application to each of the funds are reviewed on a regular basis to ensure that they are representative of market conditions and long-term market trends.

Part 3: Making your investments

What happens to your investment?

Your investment will buy you units in one or more RUTM unit trusts. The number and type of units and the unit price are detailed on the contract note, regular statement or allocation letter.

The cost and subsequent value of the units held by investors is directly related to the current value of the fund's underlying securities.

There will be no further commitment to make a payment beyond the amount due as indicated on your contract note or other document issued in respect of your investment.

Interest will not be credited in respect of cash held pending investment, settlement (*see glossary of terms*) or distribution.

What is the minimum that you need to invest in a RUTM unit trust?

	Minimum initial lump sum investment	Minimum additional lump sum investment	Minimum Savings Plan
Rathbone Blue Chip Income and Growth Fund	£1,000	£500	£100
Rathbone Ethical Bond Fund	£1,000	£500	£100
Rathbone Global Opportunities Fund	£1,000	£500	£100
Rathbone Income Fund	£1,000 ¹	£500	£100
Rathbone Recovery Fund ²	£1,000	£500	£100

The minimum additional investment does not apply to monthly savers.

¹ For the Rathbone Income Fund the minimum investment of £1,000 or more does not apply to a unitholder registered before 1 November 1999, where the requirement was £500.

² The Rathbone Recovery Fund was formed from a merger of the Rathbone Special Situations Fund into the Rathbone Smaller Companies Fund which was renamed and relaunched in July 2009.

How can units in RUTM unit trusts be bought?

Units may be bought by providing the Manager's dealing office with instructions in writing, by completing the application form enclosed, or through the dealing line on 0845 300 2101. Orders are transacted at the buying price calculated at the next valuation point.

Payment must be sent with your application or, in the case of orders made by telephone, upon receipt of the contract note (unless otherwise agreed). Settlement is required immediately and in any event no later than the 4th business day following the valuation date.

Also see note 1 (*Buying unit trusts*).

Can you make regular contributions to your unit trust?

A savings plan is available on all the RUTM unit trusts shown in the table on page 3, allowing you to make monthly payments and accumulate your unit holding over a period of time. By making regular contributions you will benefit from 'pound cost averaging'; buying more units when prices are low and fewer units when prices are high. Over time the average cost of your units may be lower than the actual average of dealing prices, which helps you build a substantial investment. On opening a savings plan, the Manager requires your first contribution to be made by cheque. Subsequent savings plan contributions will be collected by direct debit on the first business day of each month. Each monthly contribution buys units for you in your chosen fund(s) at the offer price ruling on the first business day of each month. There is no extra charge for the monthly savings plan.

Also see note 2 (*Regular contributions*).

For ISA investment limits, please see our 'Additional information' leaflet for the RUTM ISA.

How do you start a RUTM unit trust savings plan?

Simply complete the application form and Direct Debit Instructions and send it, together with your first contribution by cheque, to our administration address (see unit trust application form).

Can you start a RUTM unit trust investment for a child?

You can open an account for the benefit of a child. Please tick the 'benefit of a child' box and insert the child's initial(s) within the 'Applicant Details' of the application form. Not applicable for ISA investments.

When are RUTM unit trusts valued, what prices are available and when can buying/selling take place?

Each fund is valued on a normal business day at midday in order to determine the buying and selling prices of the units.

Each fund is 'dual priced' and units have a buying (offer) price and a selling (bid) price. The difference, which is called the 'spread', reflects underlying dealing expenses and the initial charge (*see glossary of terms*). Units in the funds can be bought and sold at these prices which are based on the total assets of the fund minus its liabilities.

The Manager will accept orders at the Manager's dealing office for purchase and sale of units on normal business days between 9.00am and 5.00pm. All orders placed prior to the valuation point will be executed at prices determined by the next valuation.

Also see note 3 (Unit trust pricing).

Part 4: Selling and switching your investments

How can RUTM unit trusts be sold?

You can sell units by telephone, fax or letter. Telephone or fax instructions must be subsequently confirmed in writing. Written instructions including your name, address and account number, must be given for units held within the savings plan. Sale proceeds will be sent no later than four business days after receipt of the correctly renounced documentation or the sale date, whichever is the later.

Also see note 4 (Selling unit trusts).

How can you switch between RUTM unit trusts?

You may choose at any time to switch from one RUTM unit trust to another by sending written instructions explaining to us which RUTM unit trusts you would like to switch. We will make any necessary sales and purchases as soon as practicable after the next valuation point following receipt of your instructions. We will make the switches between the unit trusts at discounted terms details of which are available from us or your authorised intermediary. You should be aware that a switch is treated as a disposal and may give rise to a Capital Gains Tax liability.

Switching is allowed between RUTM funds and involves selling your holding(s) at the current selling price and using the proceeds to buy new units in your chosen RUTM fund(s) at what is known as 'creation' price (i.e. the current buying price with no initial charge) plus 1%.

You can switch between unit types (income and accumulation) of the same unit trust at no cost.

Part 5: Getting an income from you investments

How do we treat income from RUTM unit trusts?

Receiving income

To receive income payments, where applicable, select distribution 'A' units. Income will be paid into your chosen bank account or by cheque on the dates shown in the table above (please complete the income payment mandate on the application form). The Rathbone Global Opportunities Fund does not offer distribution 'A' units.

Units that will not pay income

Alternatively, you may select accumulation 'B' units which are offered by all of the funds. For the Rathbone Ethical Bond Fund, tax credits will be reinvested to purchase further units at the offer price prevailing at the valuation point, within seven business days of receipt by us of such amounts from the Inland Revenue.

For savings plan investments, accumulation units are issued when available.

Part 6: Information available to you

Where can you find the latest RUTM unit trust prices?

The most recent buying and selling prices, the net distribution yield for equity funds and the estimated gross redemption yield after charges for bond funds are published in The Financial Times Authorised Unit Trusts section, under 'Rathbone Unit Trust Management Limited' (Rathbones) and in The Daily Telegraph, or at www.rutm.com.

Will you receive certificates for your RUTM unit trust(s)?

With the agreement of the Trustee, and in line with many other Managers, from 1 July 2000 we ceased to issue unit certificates. When units are sold back to the Manager, certificates will no longer be accepted as a form of renunciation (*see glossary of terms*) document. A Form of Renunciation will be sent to you with your repurchase contract note. The Form of Renunciation will need to be signed and returned to our administration office, unless we have received clear written instructions, signed by all registered holders.

What statements will you receive?

A distribution statement will be sent half yearly on the respective distribution dates of each fund shown in the table on the next page. The statement will show the number of units bought over the previous six months, the total number of units in your holding and their current value.

At the same time, we will send a Short Report(s) giving information on aspects such as fund performance, top ten largest holdings, fund structure and a commentary from the manager of the fund. Long Reports for each fund are available on request, free of charge, from the Manager.

After the 30 June and 31 December each year, unitholders will receive a consolidated statement showing, where applicable, their total unit trust and ISA unitholdings for each fund held; the number of units bought since the previous statement, and the total current value of their holdings.

When will you receive a report on your investment?

	Quarterly (no report)	Half yearly	Annual
Rathbone Blue Chip Income and Growth Fund	–	28 February	31 August
Rathbone Ethical Bond Fund	30 September/31 March ¹	31 December	30 June
Rathbone Global Opportunities Fund	–	30 September	31 March
Rathbone Income Fund	–	15 June	15 December
Rathbone Recovery Fund ²	–	31 May	30 November

¹ The Rathbone Ethical Bond Fund has extra quarterly distributions for which no Manager's report is published.

² The Rathbone Recovery Fund was formed from a merger of the Rathbone Special Situations Fund into the Rathbone Smaller Companies Fund which was renamed and relaunched in July 2009.



Part 7: Taxation and your investments

How are your units taxed?

Dividend income whether paid or reinvested is treated as the 'top slice' of an individual's income. Dividend distributions (*see glossary of terms*) carry a tax credit of 10%.

For UK resident individual unitholders subject to lower and basic rate tax, the tax credit is deemed to cover the liability and no further tax is payable. Non-taxpayers cannot recover the tax credit. Higher rate tax payers liable to Income Tax at 40% on other income have a liability to pay tax at 32.5% on gross dividend distributions.

Thus a higher rate unitholder who receives a dividend from the fund of £90 (gross equivalent £100) will have an income tax liability of £32.50 of which £10 will be treated as having been discharged by the tax credit leaving the unitholder with a liability of £22.50 still to pay.

Distributions for the Rathbone Ethical Bond Fund are paid net of 20% Income Tax to UK resident individuals.

How do we treat Stamp Duty Reserve Tax (SDRT)?

The Trustee of an authorised unit trust is liable to pay Stamp Duty Reserve Tax (SDRT) (*see glossary of terms*) at the rate of 0.5% of the value of units which are either purchased from or surrendered to the Manager or to the Trustee, and on certain other transfers of units of a unit trust.

The amount of SDRT for which the Trustee is liable may be reduced depending on the number of units issued and units surrendered in the week the surrender occurs and in the following week. It can also be reduced if the unit trust holds exempt assets such as foreign securities, UK gilts or UK bonds.

Also see note 5 (Stamp Duty Reserve Tax treatment).

Part 8: Your rights and our obligations

What are your cancellation rights?

Cancellation rights may be available to investors who purchase units as a result of specific advice or recommendation received from an authorised intermediary. You may cancel such a contract by returning the cancellation notice within 14 days of receipt. You would receive back money subscribed, less a deduction of the amount (if any) by which the buying price of your investment has fallen at the relevant valuation point.

No more than the money subscribed will be returned on cancellation.

When can RUTM amend the terms and conditions?

We will have the right to amend any of the terms and conditions contained herein upon 14 days' notice to you in writing.

What is required to comply with money laundering rules?

To comply with money laundering (*see glossary of terms*) regulations, by law we are required to undertake various checks on certain sales and purchases valued at over 15,000 Euros or a Sterling equivalent determined by us. We reserve the right to refuse any application to invest in units without providing a reason for doing so to you.

What is the governing law for RUTM unit trusts?

This agreement will be governed by and construed in accordance with English Law. All written communications with you will be in English.

Are telephone calls recorded?

In order to ensure high quality customer service and for your protection, your telephone calls may be recorded and also randomly monitored.



Part 8 continued

What are the rules on data protection?

Any personal information obtained by us will be processed in accordance with the Data Protection Act 1998. If you do not wish to receive information on other products and services offered by Rathbone Brothers Plc, please write to the Data Protection Officer, Rathbone Unit Trust Management Limited, 159 New Bond Street, London W1S 2UD.

In order to administer your investments we may share your information with our agents and service providers, including those having access to your personal data from countries outside the UK which do not provide the same level of data protection as in the UK. We will take appropriate steps to protect your data.

What can you do if you have a complaint?

If you have any queries or complaints about the operation of a RUTM fund (or RUTM ISA), please address them in the first instance to the Compliance Officer, Rathbone Unit Trust Management Limited, 159 New Bond Street, London W1S 2UD. Any complaints received will be handled in accordance with our internal complaint procedures.

Also see note 6 (Complaints procedures).

What compensation schemes are available?

We are a participant in the UK Financial Services Compensation Scheme which provides a measure of protection when an investment firm is unable to meet its obligations to its clients. Further information on the scheme and your eligibility is available on request from RUTM or from the UK Financial Services Compensation Scheme (details can be found at www.fscs.org.uk).

Supplementary Notes:

To help declutter the document and to aid readability we have put some of the fine detail in this additional notes section. These notes are referenced from within the text in the document.

Note 1: Buying unit trusts

For amounts in excess of £100,000, settlement must be made by electronic bank transfer to HSBC Bank plc, 2nd Floor, 62/76 Park Street, London SE1 9DZ, Sort Code 40-02-50, Account No. 91270362, Account name: Rathbone Unit Trust Management Limited. All other investors, (making smaller investments), can use this facility if they wish. Otherwise, please forward a cheque for the net amount, made payable to Rathbone Unit Trust Management Limited, to our administration address (see application form). Savings plan purchases by direct debit will be made at the next valuation point on the first business day of each month.

No interest will be paid prior to investment. Should the Manager receive payment two days or more before the valuation of your chosen fund then monies will be paid into a non-interest bearing client money account.

Investors in our funds will be treated as “retail clients” for the purpose of dealing in units either when buying units from us or selling them back to us. You will enjoy all the protections provided to retail clients by the regulations.

Note 2: Regular contributions

Investments made via the savings plan will be acknowledged in writing but no contract notes (*see glossary of terms*) will be issued. There is no minimum term for savings plan participation and contributions may be suspended or stopped by giving written instructions to the Manager. Regular subscriptions will be collected until you notify us otherwise.

Note 3: Unit trust pricing

If at a valuation point, we ‘the Manager’ believe that no reliable price exists for a company held in a fund or that the most recent price available does not reflect the Manager’s best estimate of the price, then we may value the holding at a price which we believe fair and reasonable. This flexibility in pricing allows a more accurate assessment of the value of the holdings of each fund.

Note 4: Selling unit trusts

Sales constituting a ‘large deal’ of £50,000 or more may receive a lower price than the published selling (bid) price.

The Manager reserves the right to close the holding if the remaining value falls below the current applicable minimum.

The Manager’s policy is to pay the proceeds of settlement for redemption or cancellation of units, regardless of size, by cash only and not by ‘in specie’ transfers. For re-registration, stock transfer forms are accepted for unit trust transfers. RUTM reserves the right to vary any charge without prior notice.

The issue and redemption of units will not take place if dealing in the units is suspended by operation of law or any statute at the time being in force.

Note 5: Stamp Duty Reserve Tax treatment

The Manager is empowered to charge SDRT according to one of the following methods:

1. The Manager may make an SDRT provision against the tax by directly charging incoming or outgoing investors. Such amounts, known as entry or exit charges, would be paid to the Trustee and form part of the assets of the unit trust out of which SDRT would be paid according to the regulations. This method would have the effect of increasing the cost of units to a purchasing investor and reducing the proceeds of units to an investor selling their units back to the Manager.
2. The Manager may treat SDRT as an additional dealing expense to be charged against the funds assets.

At present, the Manager has decided, in accordance with the Collective Investment Schemes Sourcebook, not to make an SDRT provision but to treat SDRT as an additional expense. Consequently, any SDRT payable will be paid out of the capital of the unit trust and will not be charged to unitholders buying or selling units.

If, in the future, the Manager decides to make an SDRT provision, a notification to unitholders would be required.

The Manager does not intend to make any special arrangements for SDRT on large transactions except in the case of non-exempt transfers between unitholders where the Manager reserves the right to charge SDRT to the transferee. In the interests of equity and fairness to all unitholders, transfers in excess of £50,000 may be subject to this charge.

Note 6: Complaints procedures

A copy of these are available from the Compliance Officer. If you have occasion to complain, and in the unlikely event that you do not receive a satisfactory response, you may direct your complaint to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

Glossary of terms

Alternative Investment Market (AIM)

The AIM (Alternative Investment Market) is the London Stock Exchange's international market for smaller sized companies. Businesses range from venture capital-backed start-ups to mature organisations looking to expand. The objective of this FTSE sector is to offer smaller companies, from any country and any sector, the chance to raise capital on a public market. The nature of these companies means that their shares are likely to be more volatile.

Annual Management Charge (AMC)

The AMC is a fee paid to the fund manager once a year which includes service and administration fees. It is calculated daily at the point of valuation. The AMC forms part of the total expense ratio (TER) of a fund.

Auditor

Auditors are required to certify that the fund accounts produced by their client companies have been prepared in accordance with normal accounting standards and represent a true and fair view of the fund.

Beneficial owner

The beneficial owner of an asset is the person for whose benefit it is being held.

Commission (initial and renewal)

Commission is a percentage of the investment paid to an investment adviser on completion of the investment (initial) for advice given and for ongoing (renewal) service.

Contract notes

On completion of the investment in the fund, our dealing office despatches a contract note which contains the details of the transaction.

Custody/Custodian

Usually a major banking group, the custodian is appointed by the fund's trustee to safeguard the fund's assets on behalf of the investors.

Dealing

Dealing is the process of buying and selling investments – shares, units in a unit trust, bonds etc.

Distributions

Distributions are paid out (if the units in your chosen unit trusts are income-paying) quarterly or half-yearly depending on the trust and represent a dividend based on the amount of income that has been accumulated from the unit trust's underlying investments.

Diversification

Diversification means owning a variety of investments that typically perform differently from one another. This helps to reduce the risk, or volatility, of the overall collection of investments.

Effect of charges/deductions

The effect of charges/deductions figures indicate how charges deducted from within the fund can affect what you might get back. They are designed to help you compare funds to other comparable within the industry with regards to charges, expenses and overall investment performance. An assumption is made that the underlying investments grow by 6% (unit trust) or 7% (ISA or 'wrapped' products) which are quoted guideline yield figures set by the industry. Allowance is made for the annual management charges and other expenses borne by the fund, which include trustee fees and expenses, registrar fees, audit fees and FSA fees. Dealing costs are not included.

Financial Services Authority (FSA)

The FSA is the Government body that regulates all aspects of the financial services industry in the UK.

Form of Renunciation

In order to sell unit trust holdings, the investor must 'renounce' the units held by completing and signing a form of renunciation. Where part of a holding is being sold, the number or the value of the units to be sold must be entered on the form of renunciation.

Initial Charge

The Initial Charge on a unit trust is made when the units are sold to the investor. The charge is a percentage of the selling (bid) price, and covers the managers' start up costs including commission.

Investment Management Association (IMA)

The IMA is a trade body for the UK investment management industry. Its members provide UK investment management services to institutions (e.g. life insurers, pension funds, etc.) and to private investors through individual fund management and pooled products such as authorised investment funds.

Key features

The key features is a document which must be offered to investors before or at the point of purchase. It summarises key information about the fund and provides details on risk and an illustration of the effects of charges both to the investor and the fund.

Long-dated securities

Long-dated securities are a class of income-generating assets where the revenue stream is generated over a long period of time.

Money Laundering

Money laundering is the process of passing money gained illegally through the financial system to convert into legitimate funds. Since 1994, when the government introduced the Money Laundering Regulations, financial services firms have been required to have procedures in place to prevent money laundering.

Ordinary shares

Ordinary shares are also known as equity shares and they are the most common form of share in the UK. An ordinary share gives the right to its owner to share in the profits of the company (dividends) and to vote at general meetings of the company.

Portfolio Turnover Rate (PTR)

PTR is a measure of how frequently assets within a fund are bought and sold by the managers. It is the percentage of a fund's holdings that have been 'turned over' or replaced with other holdings in a given year.

Prospectus (the)

The Prospectus contains all material information which investors and their investment advisers might reasonably require and reasonably expect to find for the purpose of making an informed judgement about the merits of participating in a scheme and the extent of the risks accepted by so participating.

Registrar

The registrar is responsible for maintaining the register of unitholders in the fund. Registration fees cover staff costs and overheads for the maintenance of the register and payment of income distributions.

RUTM

RUTM is an acronym that stands for Rathbone Unit Trust Management Limited, the name of the Manager of the unit trust products.

Settlement

Unit trust purchases have to be paid for. Once units have been bought on your behalf, you have an obligation to pay for the investment prior to the settlement date (a number, usually 4, working days after the transaction has taken place). Most companies will accept cheques, direct bank transfers, and debit cards.

Simplified Prospectus (the)

The Simplified Prospectus is offered to all investors in European Union-marketed funds before the point of purchasing units/shares. This document formally sets out details of the fund including its investment policy, charges and distribution dates.

Stamp Duty Reserve Tax (SDRT)

Stamp Duty Reserve Tax (a charge to the fund, not directly to you), is levied on stock purchases and sales made in the course of managing the fund. It is becoming more frequently levied as a result of the increasing proportion of trading which takes place through online brokerages. Currently, SDRT is set at a flat rate of 0.5%. However, the amount that is paid is not relative to the value of the shares but rather is calculated as a proportion of what was paid for them. For example, if £100 was paid for some shares then the SDRT required would be 50p, even if the shares were actually worth £500.

Total Expense Ratio (TER)

The TER is a calculation of costs and charges expressed as a percentage of the fund value. TERs provide investors with a clearer picture of the total annual costs for running a unit trust. It consists principally of the manager's annual charge, but also includes the costs for other services paid for by the fund, such as the fees paid to the trustee/depositary, custodian, auditors and registrar.

Transferable securities

Transferable securities are those classes of investments which are negotiable on the capital market such as shares in companies and other investments equivalent to shares in companies, partnerships or other entities or capital return and interest investments known as bonds.

Trustee

The Trustee is responsible for overseeing the fund manager's activities in relation to a unit trust. Usually a large bank, the trustee must be independent of the Manager where the fund is authorised by the Financial Services Authority. It acts in the interests of the investors, owning the investments in the fund on their behalf. It also ensures the fund is invested according to its investment objectives and that the manager complies with the regulations.

UCITS

UCITS stands for 'Undertakings for Collective Investments in Transferable Securities' and is a European Directive which has been adopted in the UK which prescribes rules allowing funds or unit trusts to be marketed in all countries in the European Union.

Unit trusts

Unit trusts are open-ended funds where private investors pool their money to be invested in a portfolio of securities. Unit trusts issue units to investors. Unit trusts issue units in response to demand. Being open-ended, unit price is closely aligned to the net asset value (NAV) of the fund.

Units

A unit is a proportion of the fund for which a buying and selling price will be quoted. Your investment amount divided by the price will give the number of units that you will be allocated. These can be income-paying units (income units) or income reinvesting units (accumulation units).

Volatility

Volatility is a measure of risk. It shows the variability of returns over a period. The higher the volatility, the more uncertainty there is in the returns and the greater the risk implicit in the portfolio.

Yield

The yield is the amount of income generated (as defined by the most recent annual record) by a fund's investments in relation to the quoted price.

Different quoted bond fund yields

A redemption yield applies to a fund holding fixed interest securities. The running yield on a unit trust gives an indication of the current level of income. The redemption yield is the running yield adjusted for any capital profit or loss if the stock is held to maturity. In practice, the stock will not usually be held to maturity as the fund manager seeks to reduce any loss by active fund management.

Charges and expenses for RUTM unit trusts

The tables on the following pages show charges relevant to each fund, what is meant by a Total Expense Ratio (TER) (*see glossary of terms*), and the effect of these charges on your investment(s).

What are the charges and expenses on your RUTM unit trust investment(s)?

The charges for each fund are:	Manager's charges		Other approximate charges	Total Expense Ratio (TER)
	Initial	Annual		
Rathbone Blue Chip Income and Growth Fund	5.50%	1.50% ¹	0.12%	1.62%
Rathbone Ethical Bond Fund	4.00%	1.25% ¹	0.17%	1.42%
Rathbone Global Opportunities Fund	5.50%	1.50%	0.09%	1.59%
Rathbone Income Fund	5.50%	1.50% ¹	0.06%	1.56%
Rathbone Recovery Fund ²	5.50%	1.50% ¹	0.16%	1.66%

¹ For the Rathbone Blue Chip Income and Growth Fund, the Rathbone Ethical Bond Fund, the Rathbone Income Fund and the Rathbone Recovery Fund, the Manager's annual charge is taken from capital. This is due to the fact that these funds' investment objectives place an emphasis on the generation of income for unitholders, and making the charge in this way enables the Manager to address these objectives more easily. However, unitholders should be aware that this will mean that capital may be eroded or growth restricted to the extent of the charge. 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.

² The Rathbone Recovery Fund was formed from a merger of the Rathbone Special Situations Fund into the Rathbone Smaller Companies Fund which was renamed and relaunched.

The Collective Investment Schemes Sourcebook, issued by our regulator – the Financial Services Authority – permits (effective from 1 February 2007) the printing and publication costs applicable to the production of the Manager's half-yearly reports to be borne by the unit trust to which the reports relate.

What is the Total Expense Ratio (TER) and how is it calculated?

The TER represents the reduction in fund performance caused by all annual operating costs (including administration, trustee and audit fees), not just the basic Annual Management Charge (AMC) (*see glossary of terms*). It does not include the initial charge, which is shown separately, or transaction expenses.

The formula used to calculate the TER highlights that it is calculated as a proportion of the same net assets as the AMC.

The TER (%) is defined as:
$$\frac{\text{Total Net Operating Expenses (£) + AMC paid (£)}}{\text{Fund Value (£)}} \times 100$$

Below is a worked example using the Rathbone Income Fund. The figures used are from the latest available (at time of print) audited annual accounts, dated 15 April 2010.

A worked example: The Rathbone Income Fund

Annual Management Charge* £7.4 million

Trustee fees	£112,362
Safe custody	£38,078
FSA fees	£313 +
Auditor fees	£9,127
Registration fees	£103,983
Printing & publication costs	£15,025

Total net operating expenses £278,888 or £0.3 million
£7.7 million

TER 1.56% = $\frac{\text{£7.7 million}}{\text{£495.8 million}} \times 100$

* AMC paid is 1.5% of the fund value. The fund value is calculated as an average of daily fund values over the year to 15 April 2010.

What is the effect of charges on your RUTM unit trust investment?

There is an initial charge based on the creation price of units which is included in the buying price. There is also an Annual Management Charge (AMC) which is accrued on a daily basis along with other expenses such as the Auditor's fee, Registrar's fee and Trustee's fee. These expenses are deducted from the income of each fund, with the exception of the AMC in the case of the funds indicated in the charges table overleaf.

The effect of charges (*see glossary of terms*) on an investment of £1,000, assuming growth of 6% per year over 10 years, is set out on the following pages. Please note that:

- These figures are only examples and are not guaranteed – they are not minimum or maximum amounts. Your return depends on how your investments grow, meaning that you could get back more or less than the amount stated.
- All investment managers use the same rates of growth for illustrations, but their charges vary.
- Inflation would reduce what you could buy in the future with the amounts shown.
- The investment return could be affected by fluctuations in exchange rates.

All dual priced unit trusts have a buying price (offer price) which is higher than the selling price (bid price). The difference is known as the 'spread' and it includes the fund's initial charge and the costs involved in buying and selling the underlying shares for you. The tables do not take account of any discounts you may receive when purchasing units.

The income shown in the next tables is based on the yield at 30 June 2010. For more up-to-date yield figures, please see the Rathbone Unit Trust Managers Limited prices entry in the Authorised Unit Trusts section of the Financial Times.

The actual income paid may be more or less than the amount shown in the tables.

Rathbone Blue Chip Income and Growth Fund

Spread 6%, Annual and Administrative Charge 1.62%, Net Distribution Yield 4.40%

At end of year	Investment to date £	If income distributed		What you might get back £	If income reinvested	
		Effect of deductions to date £	Income to date £		Effect of deductions to date £	What you might get back £
1	1000	79	36	944	80	980
3		122	108	952	125	1066
5		170	181	960	178	1160
10		320	367	981	359	1431

The last line in the table shows that over 10 years the effect of total charges and expenses could amount to £320 if income is distributed and £359 if income is reinvested. Putting it another way, this would have the same effect as bringing investment growth from 6.00% a year to 3.53% a year if income is distributed and to 3.65% if income is reinvested. The Annual Management Charge is paid out of capital, and other expenses are paid out of income.

Prior to 1 March 2009, the Rathbone Blue Chip Income and Growth Fund was called the Rathbone Income and Growth Fund.

Rathbone Ethical Bond Fund

Spread 4%, Annual and Administrative Charge 1.42%, Net Distribution Yield 7.40%

At end of year	Investment to date £	If income distributed		What you might get back £	If income reinvested	
		Effect of deductions to date £	Income to date £		Effect of deductions to date £	What you might get back £
1	1000	56	67	935	57	1003
3		91	196	888	95	1096
5		129	318	842	142	1197
10		238	596	739	299	1492

The last line in the table shows that over 10 years the effect of total charges and expenses could amount to £238 if income is distributed and £299 if income is reinvested. Putting it another way, this would have the same effect as bringing investment growth from 6.00% a year to 3.92% a year if income is distributed and to 4.08% if income is reinvested. The Annual Management Charge is paid out of capital, and other expenses are paid out of income.

Rathbone Global Opportunities Fund

Spread 6%, Annual and Administrative Charge 1.59%, Net Distribution Yield 0.00%

At end of year	Investment to date £	If income distributed		What you might get back £	If income reinvested	
		Effect of deductions to date £	Income to date £		Effect of deductions to date £	What you might get back £
1	1000				79	981
3					124	1067
5					176	1162
10					355	1436

The last line in the table shows that over 10 years the effect of total charges and expenses could amount to £355. Putting it another way, this would have the same effect as bringing investment growth from 6.00% a year to 3.68%. All charges and expenses are paid out of income (capital may be used where there is insufficient income).

Rathbone Income Fund

Spread 6%, Annual and Administrative Charge 1.56%, Net Distribution Yield 4.86%

At end of year	Investment to date £	If income distributed		What you might get back £	If income reinvested	
		Effect of deductions to date £	Income to date £		Effect of deductions to date £	What you might get back £
1	1000	79	40	941	79	981
3		120	119	942	123	1068
5		167	199	944	175	1163
10		309	399	948	351	1440

The last line in the table shows that over 10 years the effect of total charges and expenses could amount to £309 if income is distributed and £351 if income is reinvested. Putting it another way, this would have the same effect as bringing investment growth from 6.00% a year to 3.58% a year if income is distributed and to 3.71% if income is reinvested. The Annual Management Charge is paid out of capital, and other expenses are paid out of income.

Rathbone Recovery Fund

Spread 6%, Annual and Administrative Charge 1.66%, Net Distribution Yield 1.71%

At end of year	Investment to date £	If income distributed		What you might get back £	If income reinvested	
		Effect of deductions to date £	Income to date £		Effect of deductions to date £	What you might get back £
1	1000	80	14	966	80	980
3		125	43	1019	126	1065
5		177	74	1076	181	1158
10		349	159	1232	365	1426

The last line in the table shows that over 10 years the effect of total charges and expenses could amount to £349 if income is distributed and £365 if income is reinvested. Putting it another way, this would have the same effect as bringing investment growth from 6.00% a year to 3.57% a year if income is distributed and to 3.61% if income is reinvested. The Annual Management Charge is paid out of capital, and other expenses are paid out of income.

The Rathbone Recovery Fund was formed from a merger of the Rathbone Special Situations Fund into the Rathbone Smaller Companies Fund which was renamed and relaunched in July 2009.



How much might we pay authorised intermediaries?

If you seek advice, your authorised intermediary will give you details about the cost. This amount will depend upon the size of your investment and, in the case of regular savings, the period for which you make them. **It will be paid for out of the charges.** The Manager will normally pay authorised intermediaries initial commission (*see glossary of terms*) of up to 3% of the value of your investment which will be detailed on the contract note. For example, £30 will be paid out of the charges if you invest £1,000.

In addition to the initial commission, we may pay renewal commission at a rate of 0.5% (50 basis points) per annum of the value of your investment to authorised intermediaries. This arrangement will continue annually whilst you remain a unitholder.

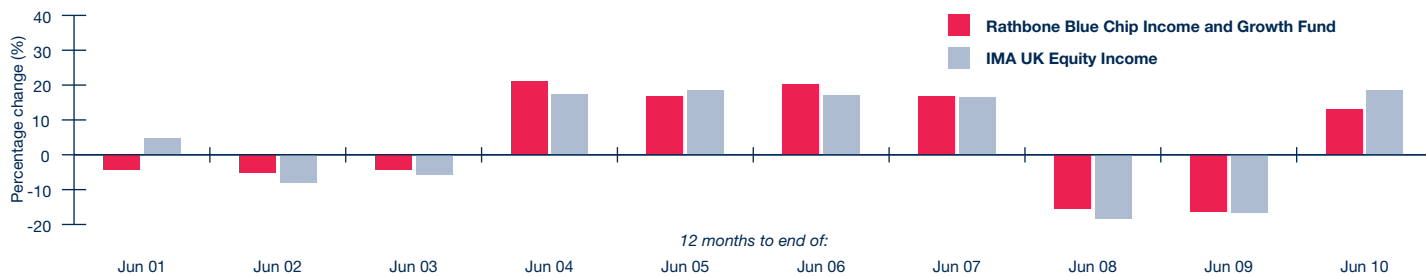
At the Manager's discretion, renewal commission may be paid on application following the transfer of business from one authorised intermediary to another. In such circumstances the Manager will require a written request for transfer signed by the unitholder(s) in question.

Historic TER (Total Expense Ratio) figures are available on request, free of charge, from the Manager.

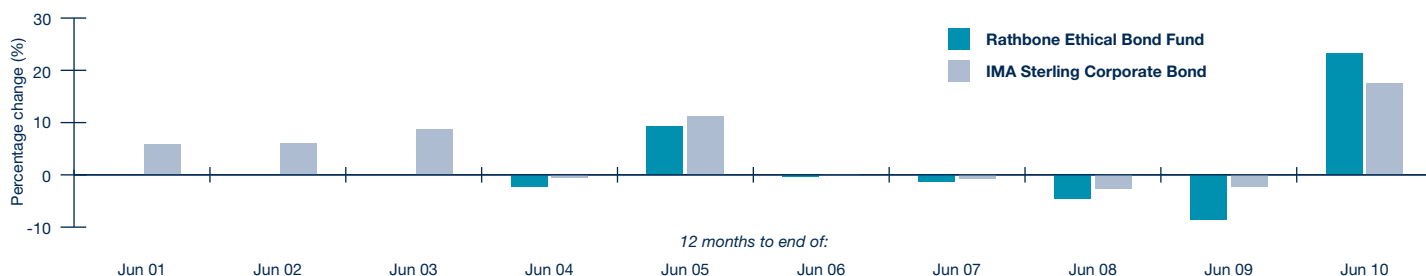
Annual Performance (to calendar quarter end)

Please note these charts are designed to provide a comparison of the respective fund's performance over a 10 year period. Different funds should not be directly compared as the values of each chart do vary in size.

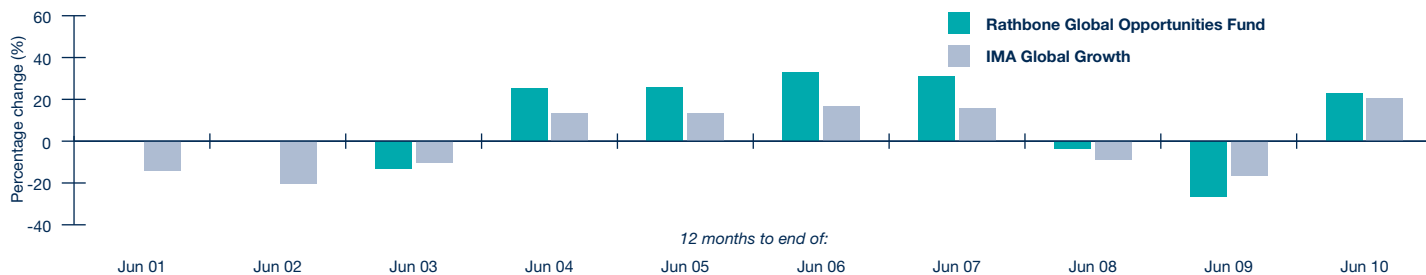
Rathbone Blue Chip Income and Growth Fund



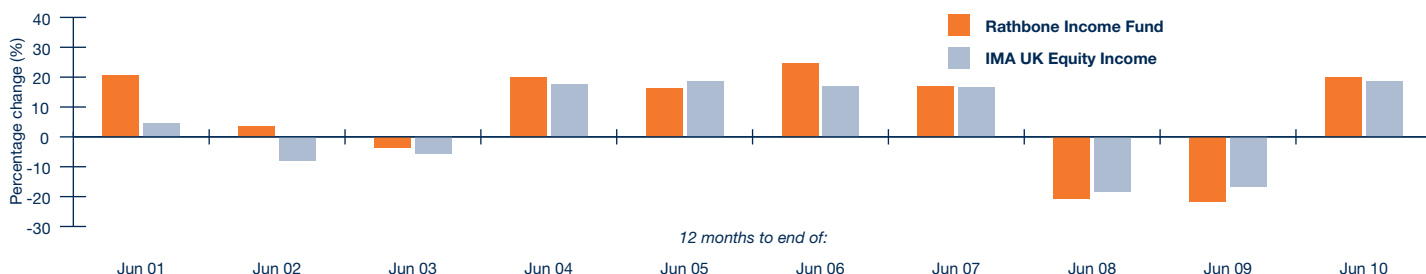
Rathbone Ethical Bond Fund



Rathbone Global Opportunities Fund



Rathbone Income Fund



Rathbone Recovery Fund

The Rathbone Recovery Fund comparison benchmark is the IMA UK All Companies sector. The fund has no annual performance data to illustrate.

Portfolio Turnover Rate (PTR)

Given that each trade (a purchase or a sale) carries a transaction cost to the fund, it is important to monitor the rate at which stocks are bought and sold in a period (the PTR). The PTR equals the value of purchases or sales of a portfolio's stocks, whichever is less, divided by the average value of the portfolio's stocks. A 100% portfolio turnover rate occurs if all stocks, on average, are replaced once during the period (*see glossary of terms*).

Fund:	Portfolio Turnover Rate (PTR)	
	Month of June 2010	Year to end June 2010
Rathbone Blue Chip Income and Growth Fund	1.01%	43.05%
Rathbone Ethical Bond Fund	9.81%	223.04%
Rathbone Global Opportunities Fund	7.26%	81.02%
Rathbone Income Fund	5.72%	34.34%
Rathbone Recovery Fund ¹	1.04%	53.74%

¹ The Rathbone Recovery Fund was formed from a merger of the Rathbone Special Situations Fund into the Rathbone Smaller Companies Fund which was renamed and relaunched in July 2009. Please note that these figures are for the predecessor fund, the Rathbone Smaller Companies Fund. Therefore, these figures are for illustrative purposes only.

The annual PTR has been calculated according to the following formula:

$$\frac{(\text{Stock purchases} + \text{stock sales}) - (\text{unit creations} + \text{unit cancellations})}{(\text{Average fund value over 12 months})} \times 100$$

Annual PTR Figures are available from our website www.rutm.com

Fund and sector performance – Source – Financial Express bid to bid, net income re-invested.

Past performance should not be seen as an indication of future performance. 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.

Rathbone Unit Trust Management Limited

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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
Registered No. 2376568

Copies of the Prospectus, the latest Manager's report and the Trust Deed in respect of each fund are available on request, free of charge, from the Manager.

RATHBONES
Established 1742