



RATHBONE UNIT TRUST MANAGEMENT  
FUND MANAGEMENT FOR YOUR INVESTMENT NEEDS

# RATHBONE BLUE CHIP INCOME AND GROWTH FUND

SHORT REPORT FOR THE YEAR ENDED 30 JUNE 2011



# Manager's report for the year ended 30 June 2011

During the 12 months to 30 June 2011, the Rathbone Blue Chip Income and Growth Fund returned 23.07%, versus a total return on the FTSE All-Share index of 25.63%, and an outperformance against the IMA UK Equity Income sector of 22.11%.

Over the period in question, the portfolio was fairly well positioned to take advantage of a rising market and an improving economic backdrop. Broadly speaking, positive contributors included utilities and mining. The retail space, however, negatively impacted performance as the consumer came under increasing pressure.

## Trades

We initiated a holding in Capital Shopping Centres, which owns shopping malls throughout the UK and enjoys a low level of empty spaces. The stock has been trading on a discount to Net Asset Value, and we believe it is a low risk way to play the pick-up in the retail space. We sold and then bought back Vodafone on valuation grounds. Amlin, a Lloyd's underwriter, was another new holding, which we bought earlier this year, as premiums looked set to increase. We added to National Grid and Home Retail on weakness.

On the sell-side, we exited Cable & Wireless on concerns about cash-flow generation and valuation. We also exited HSBC and Rio Tinto, as part of our rotation out of risk, as we anticipate a volatile summer. We took profits from Telit Communication, which has been a top performer over the period.

## Outlook

At the time of writing, markets are recovering somewhat on stronger economic data from the US. However, peripheral yields are soaring, as bond investors are making it clear that decisive action is needed sooner rather than later. Any resolution so far has been somewhere between a fudge and a farce, but the painful fact is that until a definite resolution is reached, Europe will continue to hold market sentiment to ransom. In the UK, the economy looks lacklustre as job cuts bite and the consumer is under increasing pressure. We believe that the FTSE 100 Index will range-trade (between 5500 and 6100) until we get more direction about growth from leading indicators in the weeks ahead. The market looks cheap on an historic basis, but careful stockpicking will be important as more volatility is likely. A quick scan reveals some high quality companies with exposure to the developing world story and US dollar earnings. Expect a choppy summer and further risk-aversion.

**Julian Chillingworth**

*19 July 2011*

# Net asset value per unit and comparative tables

## Fund size

Date	Net Asset Value £	Attributable to	Units in issue	Net Asset Value (pence per unit)
30 June 2009 <sup>+</sup>	25,876,242	Income	27,616,470	93.70
30 June 2009 <sup>+</sup>	6,977,180	Accumulation	6,402,259	108.98
30 June 2010	32,054,862	Income	31,323,968	102.33
30 June 2010	10,578,293	Accumulation	8,491,165	124.58
30 June 2011	37,249,803	Income	30,543,414	121.96
30 June 2011	24,845,520	Accumulation	16,081,267	154.50

## Income record

Year	Income Units Net income per unit (p)	Accumulation Units Net income per unit (p)
2006	4.17	4.20
2007	4.44	4.61
2008	4.94	5.13
2009 <sup>+</sup>	4.67	5.31
2010	4.85	5.69
2011 <sup>*</sup>	4.96	6.08

\* To 31 August 2011

<sup>+</sup> Rathbone High Income Fund merged into the Rathbone Blue Chip Income and Growth Fund on 10 July 2009

The annual management fee is taken from the capital of the fund. This will enhance income but will restrict capital growth.

## Distributions

A distribution of 3.36p will be paid to income unitholders on 31 August 2011. The total distribution for the period under review amounts to 4.96p per income unit with 4.85p per income unit for the same period last year.

## Risk factors

An investment in a unit trust should be regarded as a medium to long term investment. Investors should be aware that the price of units and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance should not be seen as an indication of future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

## Total expense ratios

Expense type	30.06.11	30.06.10
Manager's periodic charge	1.50%	1.50%
Other expenses	0.11%	0.13%
Total Expense Ratio (TER)	1.61%	1.63%

## Net asset value per unit and comparative tables *(continued)*

### Risk profile

There is little exposure to credit and cash flow risk. There are no net borrowings and usually little exposure to liquidity risk because assets can, in normal market conditions, be readily realised to meet redemptions. The main risks arising from the financial instruments are foreign currency, interest rate, market price and counterparty. The fund may invest up to 10% of its net asset in securities for which there is no ready market.

The investment portfolio is exposed to market price fluctuations which are monitored by the Manager in pursuance of the investment objective and policy set out in the Prospectus.

Adherence to investment guidelines and to investment and borrowing powers set out in the Trust Deed and the Prospectus and the rules of the Financial Services Authority's Collective Investment Scheme Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

### Top 10 largest holdings

The top 10 holdings at the end of the previous year and at the end of the current year are shown below.

	<b>30.06.11</b>		<b>30.06.10</b>
Vodafone	5.46%	Vodafone	5.55%
National Grid	5.03%	Imperial Tobacco	5.40%
Imperial Tobacco	5.00%	Man Group	5.24%
Unilever	4.84%	Halfords	4.59%
United Utilities	4.82%	Diageo	4.35%
Man Group	4.58%	Severn Trent	4.33%
Royal Dutch Shell 'B'	4.47%	HSBC	4.33%
Telit Communications	4.25%	Unilever	4.22%
Halfords	4.18%	Rio Tinto	4.18%
Centrica	4.16%	Associated British Foods	3.89%

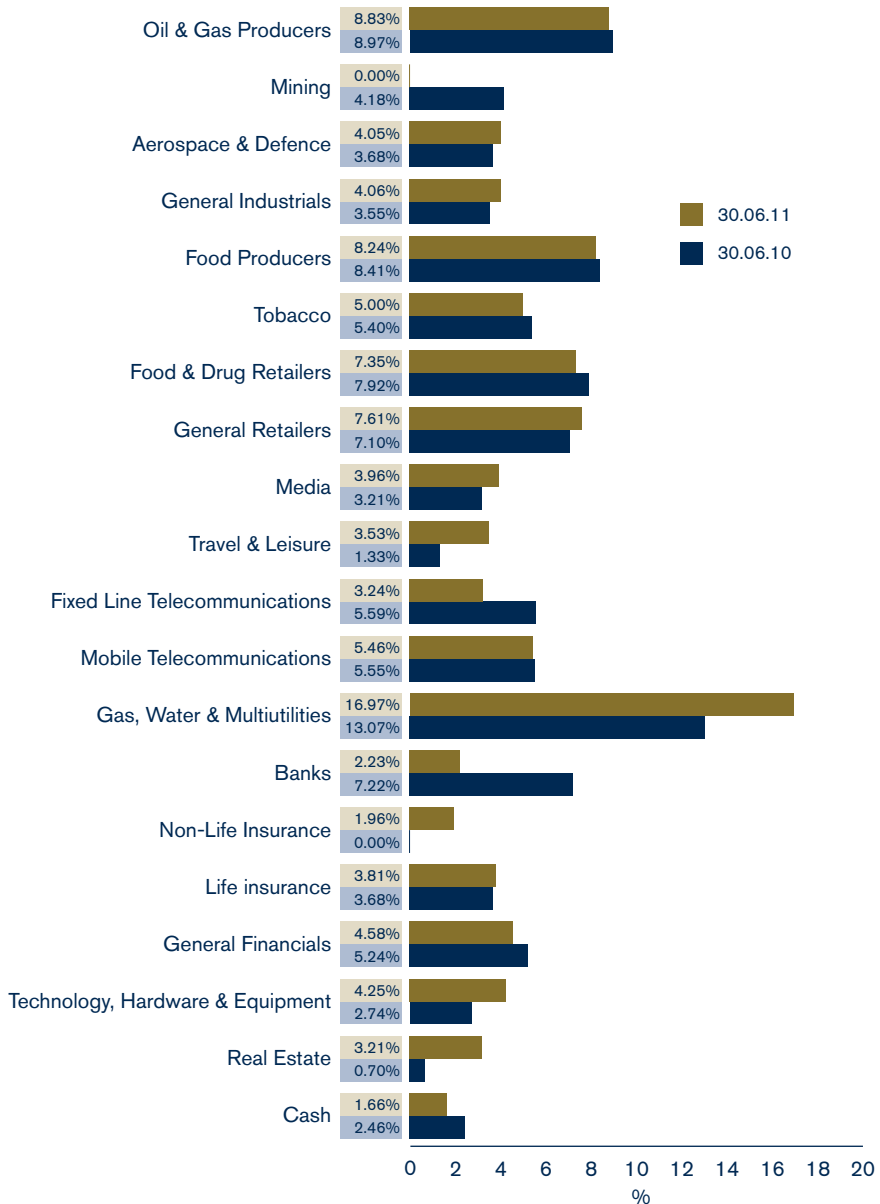
### Discrete year performance ending 30 June

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Rathbone Blue Chip					
Income and Growth Fund	16.92%	-15.40%	-16.22%	13.03%	23.07%
IMA UK Equity					
Income Sector	16.48%	-18.35%	-16.76%	18.57%	22.11%

Source performance data Financial Express, bid to bid, net income re-invested.

# Portfolio information

## Sector breakdown



## General information

### Authorised status

The Rathbone Blue Chip Income and Growth Fund is an authorised unit trust scheme, established by a Trust Deed dated 17 October 1989 and launched in October 1989.

It is a 'UCITS Scheme' authorised under Section 243 of the Financial Services and Markets Act 2000, and the currency of the fund is Pounds Sterling.

### Investment objective, policy and strategy

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. 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.

To meet the objective the fund may also invest at the Manager's discretion in 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.

### Valuation of the fund

The fund is valued on each business day at 12 noon for the purpose of determining prices at which units in the fund may be bought or sold. Valuations may be made at other times on business days with the Trustee's approval.

### Stewardship code

Rathbone Unit Trust Management Limited fully supports the UK Stewardship Code sponsored by the Financial Reporting Council. Our statement on complying with the Code can be found on our website [www.rutm.com](http://www.rutm.com)

### ISA eligibility

The fund has been managed throughout the year to ensure that it is eligible to qualify and be included in an Individual Savings Account (ISA). The fund will at all times be invested in such a way that the units will constitute "Qualifying Investments" for the purposes of the Individual Savings Account (ISA) Regulations 1998, as amended from time to time.

### Long report

The full report and accounts are available free of charge upon written request from:

Client Services Department  
Rathbone Unit Trust Management Limited  
159 New Bond Street  
London W1S 2UD

### Further details

Should you require further details of this fund or any of the other funds managed by Rathbone Unit Trust Management Limited, a Prospectus, a Simplified Prospectus (incorporating Key Features) (all literature is available free of charge), please write to:

Client Services Department  
Rathbone Unit Trust Management Limited  
159 New Bond Street  
London W1S 2UD

Information is also available on our website: [www.rutm.com](http://www.rutm.com)

**Dealing Office**

PO Box 9948  
Chelmsford  
CM99 2AG  
Telephone 0845 300 2101  
Facsimile 0870 887 0180

**Registrar**

International Financial Data Services (UK) Limited  
PO Box 9948  
Chelmsford CM99 2AG  
Telephone 0845 300 2101  
Facsimile 0870 887 0180  
**Authorised and regulated by the  
Financial Services Authority**

---

**Rathbone Unit Trust Management Limited**

1 Curzon Street London W1J 5FB  
Information line: 020 7399 0399  
Telephone: 020 7399 0000 | Facsimile: 020 7399 0057  
rutm@rathbones.com | www.rutm.com

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

**RATHBONES**  
Established 1742