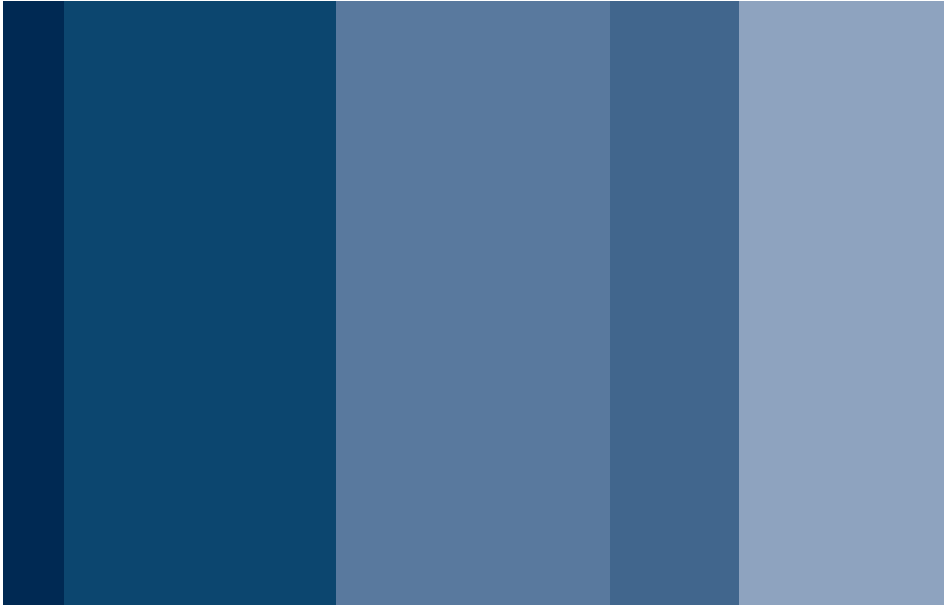


Rathbone Blue Chip Income and Growth Fund

Short report for the half year ended 31 December 2009



Rathbone Blue Chip Income and Growth Fund

Manager

Rathbone Unit Trust Management Limited
159 New Bond Street
London W1S 2UD
Telephone 020 7399 0399
Facsimile 020 7399 0057

**A member of the Rathbone Group
Authorised and regulated by the Financial Services
Authority and member of the Investment
Management Association**

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**

Auditor

Grant Thornton UK LLP
Chartered Accountants and Registered Auditor
30 Finsbury Square
London EC2P 2YU

Directors

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

Administrator

HSBC Securities Services
1-2 Lochside Way
Edinburgh Park
Edinburgh EH12 9DT
**Authorised and regulated by the
Financial Services Authority**

Trustee

Royal Bank of Scotland plc
Trustee and Depositary Services
The Broadstone, 50 South Gyle Crescent
Edinburgh EH12 9UZ
**Authorised and regulated by the
Financial Services Authority**

Manager's Report for the half year ended 31 December 2009

During the period, the offer price of income units of the Rathbone Blue Chip Income and Growth Fund rose from 101.02p to 115.51p, or 14.3%. This is versus a rise of 26.68% in the FTSE All-Share Index. We concede that performance was poor, relative to the benchmark; however, this owed much to the outperformance of high beta cyclical stocks in the third quarter, which the fund does not hold on valuation grounds, as well as a lack of yield. Over the year to period-end, the fund rose 22.28% against an IMA UK Equity Income & Growth sector average of 21.27%.

Backdrop

2009 was year marked by both despair and delight; a year that confounded expectations, and where risk was the name of the game. The post-March rally continued well into the second half of the year, driving risks assets higher across the board. In particular, commodity stocks, emerging markets and credit markets put in some stellar performances. As a result, the more defensive nature of your fund led to its relative underperformance; however, we are not disheartened. At best, investors have been backing optimistic forecasts of economic growth; at worst, there has been speculative buying of fundamentally unsound businesses. We believe that the resilience of earnings' forecasts will be tested in what could prove to be an equally volatile 12 months for markets.

Trades

We initiated several holdings during this time. On debt worries, Imperial Tobacco was an unloved stock, following its 2008 acquisition of Altadis, the Franco-Spanish cigarette maker. However, we believe these worries are overplayed as the business demonstrates good cash-flow and a global reach, giving us exposure to non-Sterling earnings. RSA Insurance is a well-managed

insurance composite which gives us exposure to a sector that has been depressed by the pressure on premiums. We bought shares in William Hill on a compelling yield, and were attracted to it, amongst other things, by the online offering which comprises around one-fifth of the business. UK Gilts were bought as a cash proxy. On the sell-side, we exited Venture Production following its takeover by Centrica. We took profits from Diageo. Severfield-Rowen was a holding that we inherited during the amalgamation of the Rathbone High Income Fund, and which we have now successfully exited. We also exited Aggreko and ATH Resources on concerns about valuation and debt levels respectively.

Outlook

Investors are now taking the view that some cyclical stocks may have risen too far, too soon, and that the outlook for G7 nations is for trend to sub-trend growth in 2010. In the UK, a looming election and high debt levels are troubling both equity and government bond markets. More than likely, we will see fiscal tightening, although monetary tightening is likely to remain low on the agenda whilst other factors prove a drag on growth. Against this backdrop, Sterling will remain weak versus other major currencies. Therefore, we continue to favour companies with strong balance sheets, low levels of debt that can grow their top line and, crucially, have a high proportion of sales outside of the UK. Our research also suggests that less expensive, defensive growth areas of the market should fare well in 2010. Your fund is well positioned for this eventuality.

Julian Chillingworth

19 January 2010

Net asset value per unit and comparative tables

Fund size

<i>Date</i>	<i>Net Asset Value £</i>	<i>Attributable to</i>	<i>Units in issue</i>	<i>Net Asset Value (pence per unit)</i>
30 June 2007	51,917,334	Income	36,210,610	143.38
30 June 2007	7,392,075	Accumulation	4,836,153	152.85
30 June 2008	37,960,566	Income	31,757,602	119.53
30 June 2008	8,326,729	Accumulation	6,290,274	132.37
30 June 2009	25,876,242	Income	27,616,470	93.70
30 June 2009	6,977,180	Accumulation	6,402,259	108.98
31 December 2009*	37,829,865	Income	34,997,591	108.09
31 December 2009*	12,003,546	Accumulation	9,410,727	127.55

*Rathbone High Income Fund merged into the Rathbone Blue Chip Income and Growth on 10 July 2009.

Income record

<i>Year</i>	<i>Income Units Net income per unit p</i>	<i>Accumulation Units Net income per unit p</i>
2005	4.05	–
2006	4.17	4.20
2007	4.44	4.61
2008	4.79	5.13
2009	4.67	5.22
2010*	1.60	1.86

*To 28 February 2010.

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 1.60p will be paid to income unitholders on 28 February 2010. The total distribution for the period under review amount to 1.60p per income unit with 1.60p per income unit for the same period last year.

Performance record

<i>Performance to 31.12.09</i>	<i>6 months</i>	<i>1 year</i>	<i>3 years</i>	<i>5 years</i>	
Rathbone Blue Chip Income and Growth Fund	15.29%	22.28%	-12.82%	22.24%	
IMA UK Equity Income & Growth sector	22.69%	21.27%	-8.07%	31.11%	
<i>Discrete year performance ending 31 December</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Rathbone Blue Chip Income and Growth Fund	19.22%	17.61%	0.99%	-29.41%	22.28%
IMA UK Equity Income & Growth sector	20.07%	18.78%	1.94%	-25.63%	21.27%

Performance data source: Financial Express, bid to bid, net income re-invested.

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

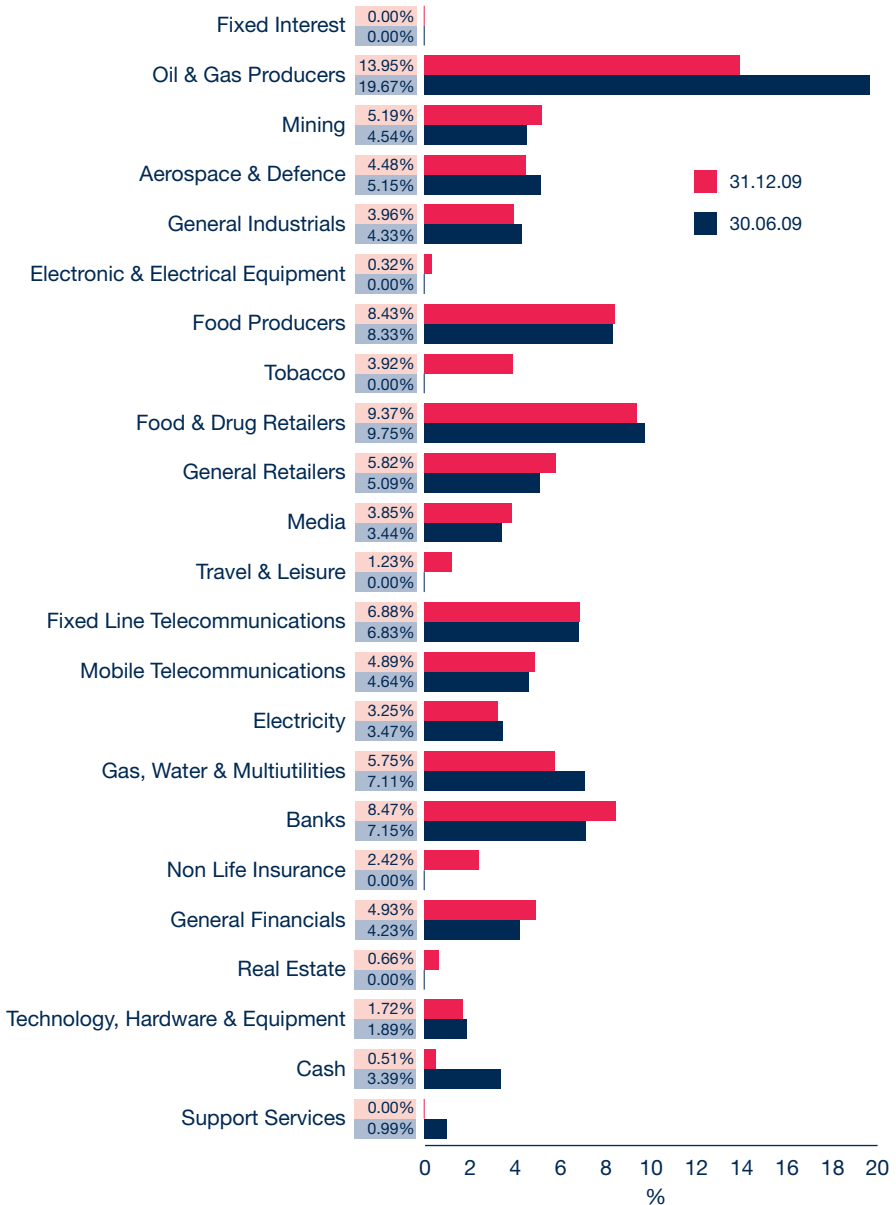
<i>Expense type</i>	<i>31.12.09</i>	<i>30.06.09</i>
Manager's periodic charge	1.50%	1.50%
Other expenses	0.12%	0.16%
Total Expense Ratio (TER)	1.62%	1.66%

Portfolio turnover rate

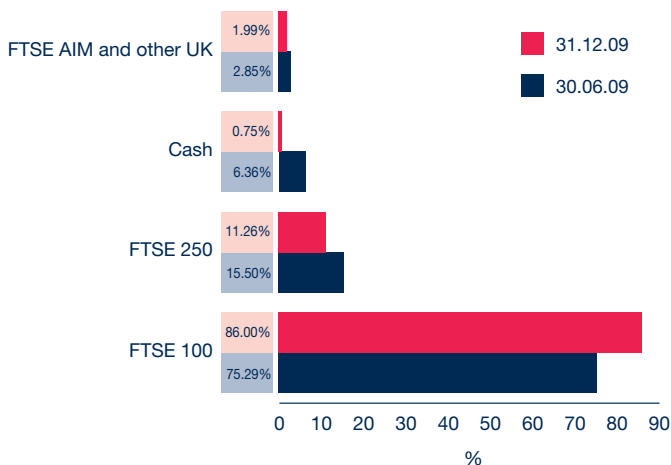
<i>Date</i>	<i>Portfolio turnover rate (%)</i>	<i>Portfolio turnover rate (%) (31.12.08)</i>
31 December 2009	4.72	18.50

Portfolio Information

Sector breakdown



Capitalisation split



Top 10 largest holdings

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

	31.12.09		30.06.09
Halfords	5.82%	Tesco	5.38%
BP	5.66%	BAE Systems	5.15%
Unilever	5.59%	Venture Production	5.14%
Tesco	5.57%	BP	5.09%
HSBC Holdings (London listed)	5.34%	Halfords	5.09%
Rio Tinto	5.19%	Premier Oil	4.80%
Royal Dutch Shell 'B' Shares	5.09%	Royal Dutch Shell 'B' Shares	4.64%
Man	4.93%	Vodafone	4.64%
Vodafone	4.89%	Diageo	4.37%
BAE Systems	4.48%	Unilever	4.34%

Risk profile

There is significant 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.

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.

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 and policy

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.

Fund composition

The performance data and cash figures quoted in the Manager's commentary and market capitalisation splits have been based on mid-day market prices ruling on the markets on which the stocks are quoted, on the last business day of the accounting period. All other data has been based on investments valued at the closing bid-market prices on the last business day.

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

Rathbone Unit Trust Management Limited

159 New Bond Street, London, W1S 2UD

Information Line: 020 7399 0399

Telephone: 020 7399 0000

Facsimile: 020 7399 0057

Website: www.rutm.com

Email: rutm@rathbones.com

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