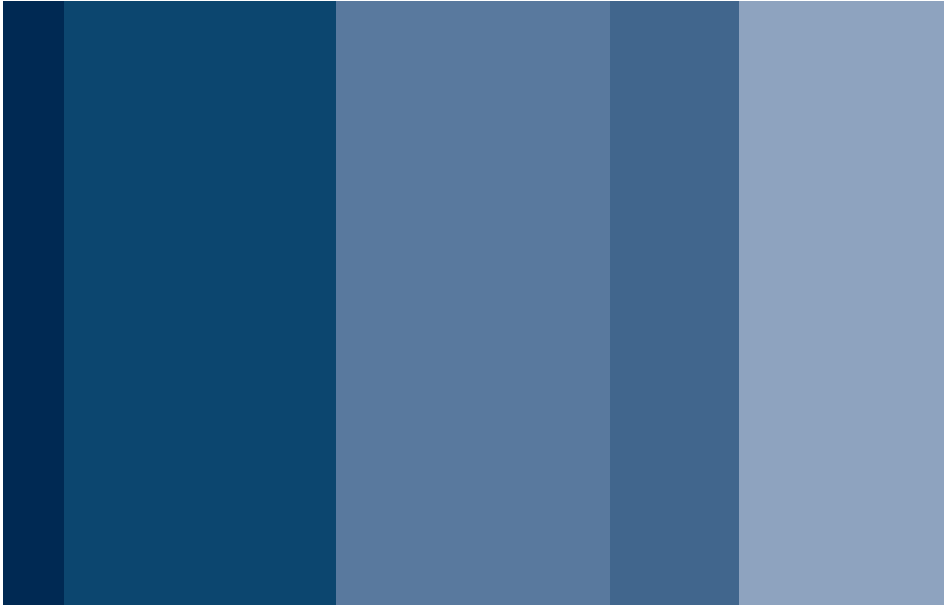


Rathbone Income Fund

Short report for the half year ended 15 April 2010



Manager's report for the half year ended 15 April 2010

Performance review

We can review a successful period for the Rathbone Income Fund. For the six months from 16th October 2009 through to the 15th April 2010, the fund achieved a total return of 12.72%. This compares to a return from the FTSE All-Share index of 13.79% (total return), and an average return of 10.06% (total return) from the IMA UK Equity Income sector. We are also paying an interim dividend of 9.10p, a 1.11% increase on last year.

Although we have lagged behind the wider market, we emphasise that our focus has been on process and valuation. Whilst this has meant that we have not ridden higher on some of the more momentum driven stocks and sectors, we are happy that we are shielding ourselves to a greater degree from any correction in the market, whilst preserving and growing our income. We restate our motto from our annual report, "slow and steady wins the race".

Investment review

This attention to valuation and risk is most certainly evidenced by our principal trading activity during the period. To recall, we pay specific regard to three types of risk: valuation, business, and financial. We have sold Reed Elsevier because we see business risk in their poor competitive position with their Lexus Nexus product in the US, and financial risk in their balance sheet structure. We see valuation risk in Aviva, based upon the complexity of their finances. Whilst this was a risk worth taking at 200p, it is no longer the case now that the shares have doubled. We also believed that it was prudent in valuation terms to sell some HSBC (although the actual sale happened slightly outside the period in question) and also to trim our very large holdings in Royal Dutch Shell and BP.

We have added to Imperial Tobacco and GlaxoSmithKline. Both reflect our cautious stance on equity markets, and we are happy to purchase secure dividend streams on lowly valuations. William Hill has a very strong, long-term business franchise in the UK which, in our opinion, is often not recognised in their market valuation. Tarsus is another strong small business, with a dominant market position and good emerging market exposure, and we have slowly increased our holding.

More controversial has been our additions to Man Group. With the market polarised as to the viability of its flagship product AHL, the shares have been pummelled, and there is certainly business risk here. However, we believe that Man Group is a strategically important company, and that the lowly valuation and high dividend yield are adequate compensation for this risk.

Outlook

We are right to focus on risk. The strong market rebound from March last year has been supported by economic fundamentals. Corporate data in general have been positive. However, we are concerned that there is a danger that investors become too complacent regarding the economic travails that might lie ahead. On the other hand, to stay in cash is an expensive option, because the returns are so low. Our solution is to seek out the quality opportunities, the strong businesses with healthy dividends. We do not know whether this strategy shall outperform in the short-term, but that is not our concern. Our ambition is to maximise long-term equity returns, and this risk-based approach remains fundamental to this aim.

Carl Stick

4 May 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> |
|-----------------|------------------------------|------------------------|-----------------------|---|
| 15 October 2007 | 1,053,314,027 | Income | 125,892,410 | 836.68 |
| 15 October 2007 | 230,036,913 | Accumulation | 25,084,907 | 917.03 |
| 15 October 2008 | 438,094,289 | Income | 91,100,477 | 480.89 |
| 15 October 2008 | 120,748,779 | Accumulation | 21,631,679 | 558.20 |
| 15 October 2009 | 377,648,445 | Income | 68,679,585 | 549.87 |
| 15 October 2009 | 110,300,189 | Accumulation | 16,947,046 | 650.85 |
| 15 April 2010 | 368,996,173 | Income | 60,619,625 | 608.71 |
| 15 April 2010 | 113,127,407 | Accumulation | 15,212,827 | 743.63 |

Income record

| <i>Year</i> | <i>Income Units Net income per unit (p)</i> | <i>Accumulation Units Net income per unit (p)</i> |
|-------------|---|---|
| 2005 | 22.82 | 17.07 |
| 2006 | 25.37 | 26.21 |
| 2007 | 28.66 | 30.57 |
| 2008 | 30.96 | 34.23 |
| 2009 | 26.71 | 31.40 |
| 2010* | 9.10 | 11.11 |

*To 15 April 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 9.10p will be paid to income unitholders on 15 June 2010. The total distribution for the period under review amounts to 9.10p per income unit compared to 9.00p per income unit in respect of 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

| <i>Expense type</i> | <i>15.04.10</i> | <i>15.10.09</i> |
|---------------------------|-----------------|-----------------|
| Manager's periodic charge | 1.50% | 1.50% |
| Other expenses | 0.06% | 0.06% |
| Total Expense Ratio (TER) | 1.56% | 1.56% |

Portfolio turnover rate

| <i>Date</i> | <i>Portfolio turnover rate (%)</i> | <i>Portfolio turnover rate (15.10.09) (%)</i> |
|---------------|------------------------------------|---|
| 15 April 2010 | 10.90 | 39.29 |

Risk profile

There is little exposure to credit or cash flow risk. There are no net borrowings and little exposure to liquidity risk because assets can 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.

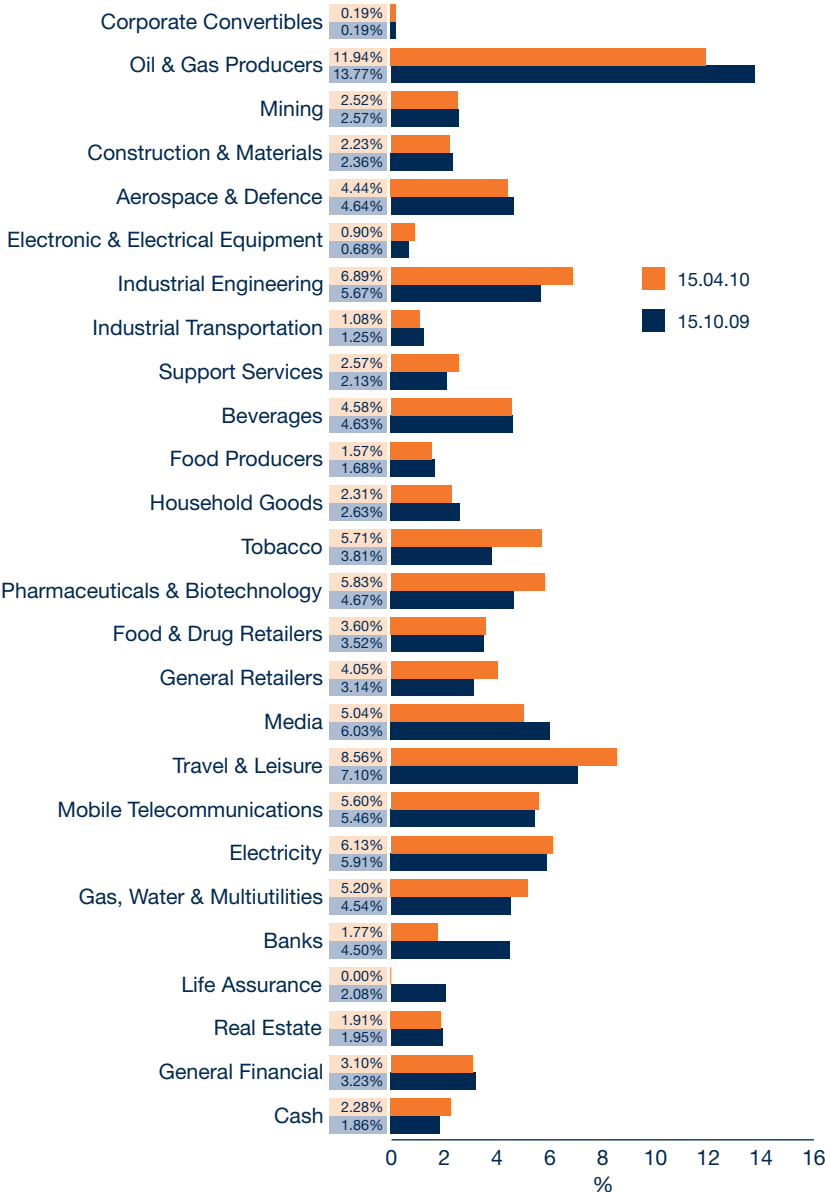
Top 10 largest holdings

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

| | <i>15.04.10</i> | | <i>15.10.09</i> |
|----------------------------|-----------------|----------------------------|-----------------|
| Vodafone | 5.60% | BP | 6.38% |
| Royal Dutch Shell 'B' | 5.57% | Royal Dutch Shell 'B' | 6.27% |
| BP | 5.07% | Vodafone | 5.46% |
| Diageo | 4.58% | Diageo | 4.63% |
| BAE Systems | 4.44% | Scottish & Southern Energy | 3.98% |
| National Grid | 4.07% | National Grid | 3.87% |
| Scottish & Southern Energy | 3.96% | BAE Systems | 3.60% |
| British American Tobacco | 3.86% | HSBC | 3.55% |
| GlaxoSmithKline | 3.85% | British American Tobacco | 3.35% |
| Halfords | 3.75% | Tesco | 3.27% |

Portfolio Information

Sector breakdown



General information

Authorised status

The Rathbone Income Fund is an authorised unit trust scheme, established by a Trust Deed dated 12 February 1971 and launched in February 1971.

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 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 geographical areas in which the fund may invest. However, investments will always be predominantly in the ordinary shares of UK companies.

To meet these objectives, 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.

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.

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

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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

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