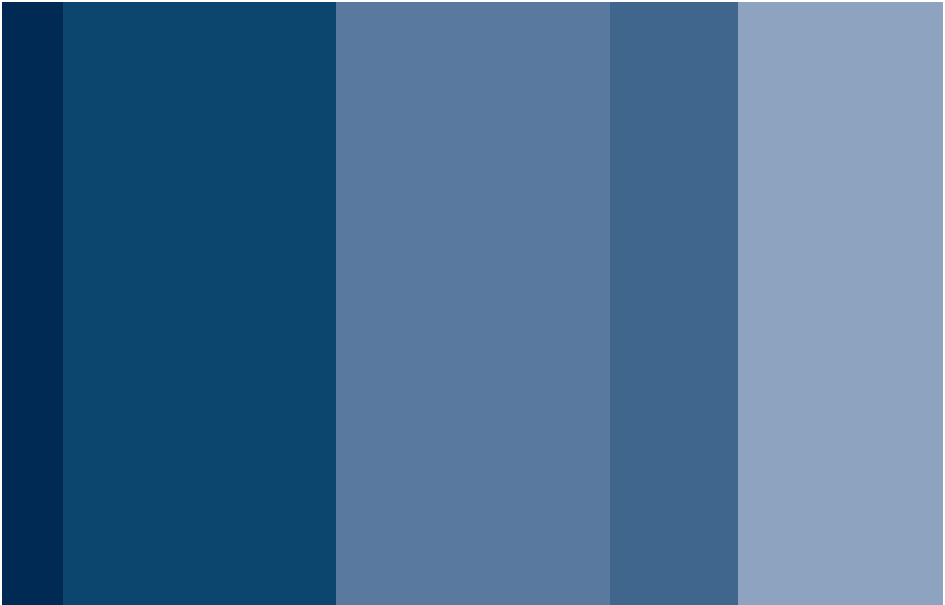


Rathbone Special Situations Fund

Short report for the half year to 30 April 2008



Rathbone Special Situations Fund

Manager

Rathbone Unit Trust Management Limited
159 New Bond Street
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Telephone 020 7399 0399
Facsimile 020 7399 0057

A member of the Rathbone Group

**Authorised and regulated by the Financial Services
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Telephone 0845 300 2101
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Registrar

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Financial Services Authority**

Auditor

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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
CRC Hexton
RP Lanyon
RE Loader FCA
CP Mason – Compliance Director
AD Pomfret
CR Stick
JG Thomson
SD Woodford – Finance Director

Administrator

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Trustee

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Trustee and Depositary Services
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Financial Services Authority**

Manager's report for the half year to 30 April 2008

During the six months to 30 April 2008, the fund lost 24.9%, versus falls of 10.2%, 22.9% and 15.0% in the FTSE All-Share, FTSE Small Cap (ex-ITS) and AIM indices, respectively.

This performance demands explanation and context. During the past 12 months, performances of both the FTSE All-Share and FTSE AIM have been dominated by the overwhelming strength of the natural resources, commodities and energy sectors. The extraordinary gains made by so many commodity plays, stretching from the smallest speculative enterprises through to global titans such as Rio Tinto and BHP Billiton, have disguised the extent of the weakness elsewhere in the market.

Ongoing liquidity constraints have exacerbated falls in many of the smaller businesses in which we hold large stakes. Shares in businesses that are operating well have seen substantial weakness on profit-taking; if a company underachieves, the reaction to the stock price is ruthless. We have made our share of mistakes, but the overriding impact on performance has been the lack of liquidity.

So where are we now? At the start of 2008, we emphasised four key initiatives: increased liquidity; heightened focus; reinforced sell discipline; and overlying all of these, the dominance of value. We have been successful in implementing all of these, and we are beginning to see the fruit of our labours. This narrative is our opportunity to explain where we intend to position the fund for the future, whilst maintaining the 'special situations' philosophy.

The fund will have more focus. Expect to see the number of holdings continue to decrease. In the past, we have held more than 200 stocks on the list, but a commitment to focus means that these will be reduced to about 60. These 60 stocks will be businesses that hold market-dominant positions within their industries, and through this dominance, can exercise long-term pricing

power. The fund will continue to exploit themes, but only if these trends support the long-term earnings argument. By definition, there can only be a limited number of these companies, so our discipline will focus on selling those stocks that fail this longevity test.

The fund will continue to exploit the smaller end of the market, because value has to be the overarching determinant. If this does heighten volatility, we can at least pin value on current earnings and balance sheets, rather than any speculative forecast on future prospects. However, we will improve liquidity by looking for value amidst the larger capitalisation stocks and by fully exploiting opportunities overseas.

Over the last few weeks, some liquidity has returned to the AIM market, and we have managed to negotiate exits from several problematic positions. The key is to maintain this momentum and reach our end point as rapidly as possible. This end point is a value-oriented fund, investing in specific businesses that dominate their fields. If we have invested in the right businesses, and they continue to operate well, the potential for share price recovery is clear.

Carl Stick

29 May 2008

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>
31 October 2003	12,663,053	Income	8,936,385	141.70
	25,420,969	Accumulation	15,714,563	161.77
31 October 2004	37,691,787	Income	22,007,432	171.27
	86,454,994	Accumulation	44,172,114	195.72
31 October 2005	59,813,989	Income	30,838,391	193.96
	139,945,715	Accumulation	63,096,043	221.80
31 October 2006	67,000,479	Income	30,506,976	219.62
	162,111,772	Accumulation	64,548,980	251.15
31 October 2007	57,485,117	Income	24,979,721	230.13
	138,328,032	Accumulation	52,564,912	263.16
30 April 2008	35,759,059	Income	20,673,577	172.97
	88,611,222	Accumulation	44,799,363	197.80

Price history

The table below shows, on a calendar year basis, the highest buying and lowest selling prices in pence per unit for the last five years. Past performance should not be seen as an indication of future performance.

<i>Year</i>	<i>Income Units</i>		<i>Accumulation Units</i>	
	<i>Highest Buying</i>	<i>Lowest Selling</i>	<i>Highest Buying</i>	<i>Lowest Selling</i>
2003	161.68	96.51	184.58	109.60
2004	194.82	152.45	222.63	174.04
2005	223.71	179.10	255.81	204.75
2006	262.88	207.97	300.62	237.81
2007	276.00	192.23	315.62	219.83
2008*	212.69	167.37	243.22	191.40

*To 30 April 2008

Income record

<i>Year</i>	<i>Income Units</i>	<i>Accumulation Units</i>
	<i>Net income per unit p</i>	<i>Net income per unit p</i>
2003	0.64	0.72
2004	0.18	0.20
2005	0.12	0.13
2006	-	-
2007	-	-
2008*	-	-

*To 30 April 2008

Fund Performance

<i>Unit class</i>	<i>Net Asset Value as at 30 April 2008 (pence per unit)</i>	<i>Net Asset Value as at 31 October 2007 (pence per unit)</i>	<i>Net Asset Value change %</i>
Income	172.97	230.13	(24.84)
Accumulation	197.80	263.16	(24.84)

Performance record

<i>Performance to 30.04.08</i>		<i>6 months</i>	<i>1 year</i>	<i>3 years</i>	<i>5 years</i>
Rathbone Special Situations Fund		-24.88%	-31.89%	-5.13%	65.64%
Morningstar IMA UK Smaller Companies Sector		-10.11%	-8.78%	36.82%	86.09%
<i>Discrete year performance ending 30 April</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
Rathbone Special Situations Fund	72.43%	14.10%	23.48%	1.24%	-30.03%
Morningstar IMA UK Smaller Companies Sector	33.97%	13.59%	27.68%	10.64%	-10.34%

Fund and sector performance – Copyright – © 2008 Morningstar, Inc. All Rights Reserved. Morningstar Rating™ as of 30.04.08, in the Morningstar IMA UK Smaller Companies Category™. Morningstar, 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. Investor 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>30.04.08</i>	<i>31.10.07</i>
Manager's periodic charge	1.50%	1.50%
Other expenses	0.09%	0.09%
Total Expense Ratio (TER)	1.59%	1.59%

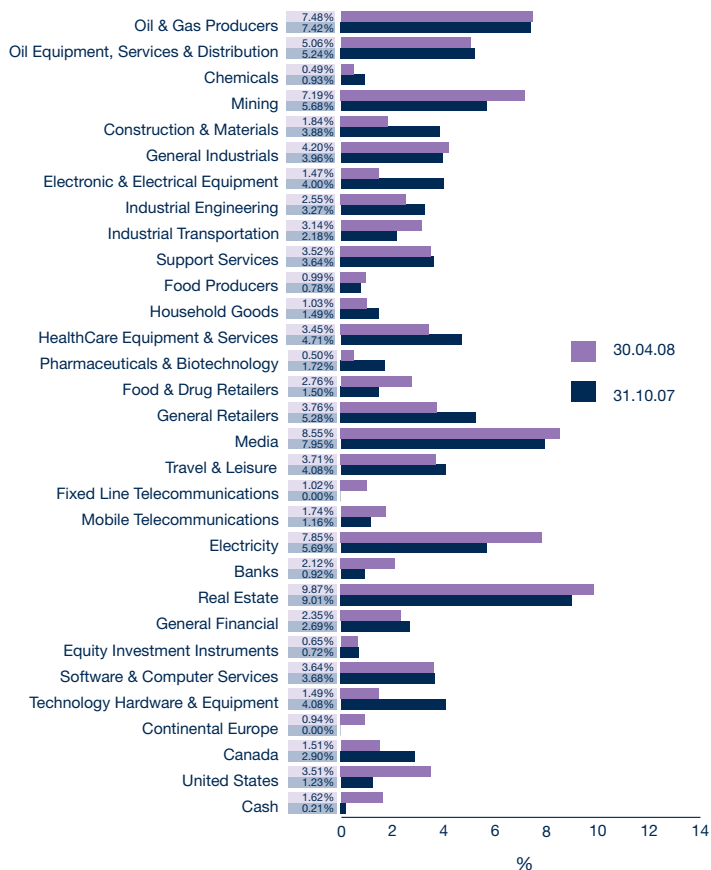
Portfolio Information

Top 10 largest holdings

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

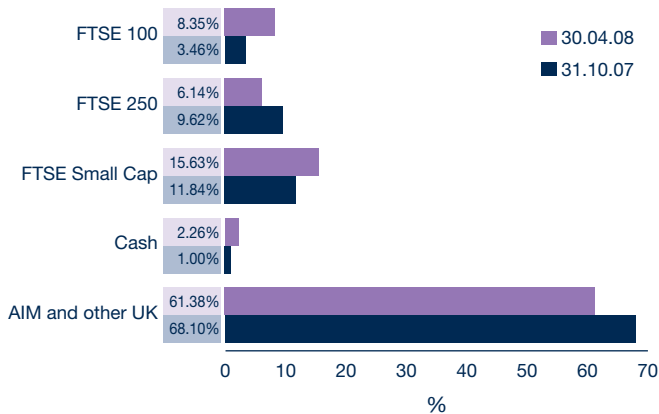
	30.04.08		31.10.07
Accsys Technologies	4.20%	Accsys Technologies	3.96%
YouGov	3.03%	Tanfield Group	3.27%
Mears Group	3.02%	Hamworthy KSE	2.33%
Tesco	2.76%	YouGov	2.30%
Tanfield Group	2.55%	ASOS	2.18%
JKX Oil & Gas	2.52%	Leadcom Integrated Solutions	2.17%
Hamworthy KSE	2.49%	Galliford Try	2.01%
BowLeven	2.47%	Renewable Energy Holdings	1.84%
Renewable Energy Holdings	2.41%	Hotel Corporation (The)	1.82%
ASOS	2.28%	Bateman Litwin	1.80%

Sector breakdown



Portfolio information – continued

Capitalisation split



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 redemption. The main risks arising from the financial instruments are foreign currency, interest rate, market price and counterparty. If a security cannot be liquidated in a timely manner it may be harder to attain a reasonable price. The fund may invest up to 10% of its net asset in securities for 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 Special Situations Fund is an authorised unit trust scheme, authorised by the Financial Services Authority on 16 February 1964 and launched in June 1964.

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 capital growth from investments in shares temporarily out of favour with the market in which significant recovery is expected. Investments may be in special situations in all economic sectors worldwide. The income yield is likely to be low.

To meet the objective 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.

Fund composition

Data for the top 10 holdings and sector breakdown of the fund have been based on investments valued at the closing bid-market prices ruling on the markets on which the stocks are quoted, on the last business day of the accounting period, according to the new SORP requirements.

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
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Information is also available on our website:
www.rutm.com

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