Rathbone Global Opportunities Fund

Quarterly investment report, October 2009 to end December 2009

Overview

During the fourth quarter of 2009, the Rathbone Global Opportunities Fund increased 3.7% versus a 3.2% return from the FTSE World (£) index. Over 2009, the fund returned 38% – top decile performance against its peer group and easily beating the 18% return from the benchmark index.

Everyone has been waiting for a correction of 10%+ in equity markets. It seemed to be brewing in mid-October, but failed to materialise, and any losses were short-lived. Rising earnings expectations, loose monetary policy and a dearth of return opportunities in lower-risk asset classes have provided a continuous boost to equity investors. The economic stimulus packages across the world have also provided another boost, albeit artificial, to demand.

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

Performance review

The rally broadened out in the fourth quarter, and all sectors in the fund made a positive contribution to performance (bar Utilities and Telecoms where we have zero exposure). The best performing areas were Basic Materials, Consumer Goods and Financials, as increased risk appetite rewarded those sectors that are typically tied to strength in the global economy. Our UK and Singapore-listed investments have been the stellar performers, although we feel that the geographic location of these investments has little to do with their success. Generally speaking, growth-oriented investments fared better over the past quarter as investors threw money at riskier trades.

As a stockpicking fund, we spend more time talking about the drivers of performance by company. The top performer this quarter was ***Noble Group*** (+33%), the largest holding in the fund, and almost certainly the most successful investment in the fund's history to date. Noble Group owns, sources and supplies a variety of raw materials, ingredients and commodities. We believe this is an excellent proxy on the growth of emerging markets, as most of their supply chain ends up in China. In the first nine months of 2009, Noble handled more than 133 million metric tonnes of product, up 23% on last year. Another top performer was ***Dolby Laboratories*** (+25%), the surround-sound technology company which reported above-consensus fourth quarter earnings, and guided the market higher for 2010. ***Eros*** (-22%), the Bollywood film company, fell as investors took profits following a sharp rise earlier in the year, and became concerned about the impact of a dispute between Indian film producers and cinema operators. Finally, we sold certification company ***Bureau Veritas*** (-6%) following a disappointing trading update and a continuous decline in the revenue growth rate.

Outlook

Every strategist and fund manager in the world is feeling compelled to issue forecasts for 2010. Typically, many are proved wrong and others are simply forgotten. It is an especially difficult time to nail your colours to the mast – there are too many variables in play at the moment that intellectually rigorous arguments could easily be composed for both 'bull' and 'bear' markets. Rather than try to act based on an expectation of one or the other, we prefer to 'weather-proof' the portfolio and hold companies that can flourish in a variety of economic scenarios. Undoubtedly, the next 12 months will pull out some surprises, but we feel the portfolio is very well positioned to continue its outperformance.

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

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

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