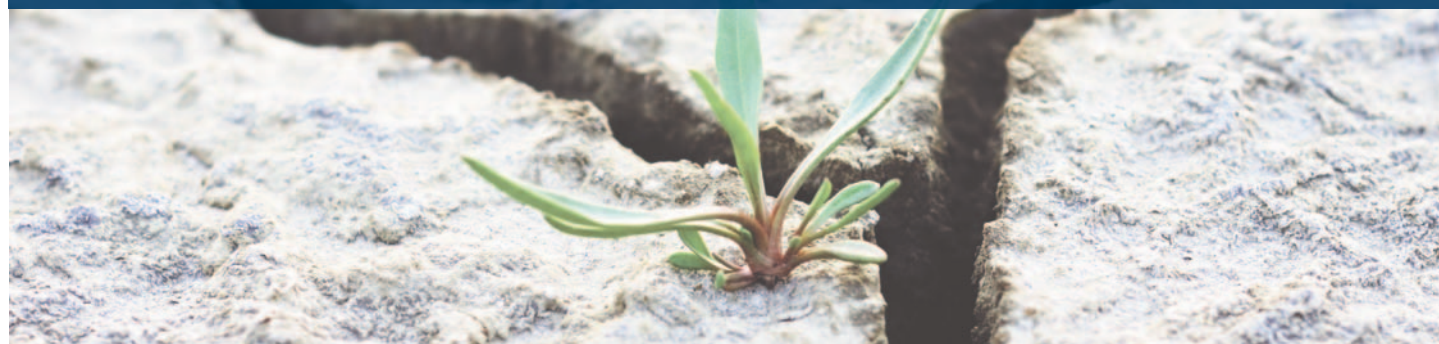


Rathbone Recovery Fund

Quarterly investment report, July 2009 to end September 2009



Market overview

In July 2009, we launched the Rathbone Recovery Fund. From launch to the end of September, the fund rose +23.87% versus a rise of +23.82% in the benchmark FTSE All-Share index.

Following on from the impressive second quarter performance, global markets continued to rally strongly during the third quarter. Macro-indicators improved; earnings on both sides of the Atlantic surprised positively, and confidence in a global economic recovery increased risk appetite. This heady mix propelled equity markets to fresh highs, with the FTSE 100 index, FTSE 250 index, FTSE Small Cap index and Europe (FTSE All-World Europe index) ending the quarter up +20.6%, +26.1%, +35.7% and +29.6% respectively (all in Pounds Sterling). At a sector level, recovery hopes continued to be evident in the strong performance of the Financial, Basic Material and Industrial sectors, whilst the more defensive Telecom, Utilities and Healthcare sectors lagged the wider market.

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

Performance and fund activity

During the period under review, the largest positive contributions to our relative performance came from the Oil & Gas, and General Financial sectors. Our small weighting in pharmaceutical stocks produced a minor negative contribution. At a stock level,

holdings in *JKX Oil & Gas*, *Man Group* and *Unilever* were the strongest positive contributors, whilst *Nokia* produced the largest negative contribution.

As would be expected with a new fund, trading activity, beyond initial portfolio construction, was limited. That said, many holdings did rise significantly over a short period of time, and we used this opportunity to recycle some profits into areas where we saw greater value. In particular, our positions in *Cineworld*, *SAB Miller* and *Anglo Pacific* were reduced, and holdings in *Marfin Popular Bank* and *Great Eastern Energy* were initiated.

Outlook

The strong third quarter rally has continued on into the final quarter of the year as key economic indicators, company earnings and momentum continue to fuel investors' fire. However, despite a better than expected results season so far, many remain concerned about the sustainability of the rally given that 'earnings beats' have been driven by one-off cost-cutting rather than sustained sales growth. For this reason, we believe that investor focus will shift to signs of recovery in underlying demand rather than a more potentially misleading earnings number. We believe that our mix of early to late cycle recovery plays, on attractive valuations, provides us with sufficient downside protection against any short-term market pull-back, whilst maintaining our exposure to the upside from a longer-term recovery.

Fund Managers:

Julian Chillingworth, *Chief Investment Officer*

Marina Bond, *Investment Manager*

Alan Dobbie, *Assistant Fund Manager*

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
Email: rutm@rathbones.com
Website: www.rutm.com

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 and Financial Express, bid to bid, net income re-invested.

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