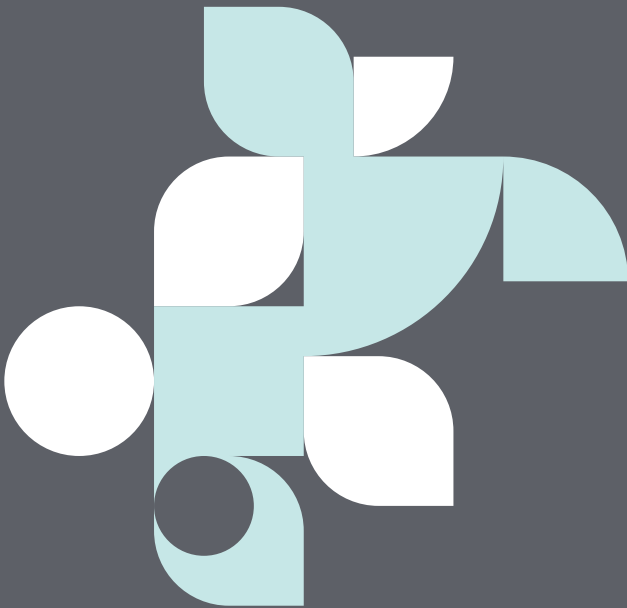


Rathbones

Look forward

# Rathbone UK Opportunities Fund

Annual report for the year ended 30 September 2018



# Rathbone UK Opportunities Fund

## **Authorised Fund Manager (the Manager)**

Rathbone Unit Trust Management Limited  
8 Finsbury Circus  
London EC2M 7AZ  
Telephone 020 7399 0399  
Facsimile 020 7399 0057  
**A member of the Rathbone Group  
Authorised and regulated by the  
Financial Conduct Authority and member  
of The Investment Association**

## **Dealing Office**

DST Financial Services Europe Limited  
DST House  
St Nicholas Lane  
Basildon  
Essex SS15 5FS  
Telephone 0330 123 3810  
Facsimile 0330 123 3812

## **Registrar**

DST Financial Services International Limited  
DST House  
St Nicholas Lane  
Basildon  
Essex SS15 5FS  
Telephone 0330 123 3810  
Facsimile 0330 123 3812  
**Authorised and regulated by the  
Financial Conduct Authority**

## **Independent Auditor**

Deloitte LLP  
Statutory Auditor  
110 Queen Street  
Glasgow G1 3BX

## **Directors of the Manager**

**PL Howell** – Chairman  
**MM Webb** – Chief Executive Officer  
**JR Chillingworth** – Chief Investment Officer  
**JM Ardouin** – Finance Director  
**CRC Hexton**  
**RP Lanyon**  
**CR Stick**  
**JG Thomson**  
**BN Jones**

## **Administrator**

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

## **Trustee**

The National Westminster Bank Plc  
Trustee and Depositary Services  
280 Bishopsgate  
London EC2M 4RB  
**Authorised and regulated by the  
Financial Conduct Authority**

## Manager's report for the year ended 30 September 2018

The Rathbone UK Opportunities Fund returned 7.3% in the 12 months to 30 September, outperforming its benchmark, the FTSE All-Share index, which gained 5.9%. Meanwhile, the IA UK All Companies sector returned 5.5%.

The continued shift away from high street shopping makes first-mover ASOS a fascinating opportunity. We bought this online retailer because it's growing rapidly despite the challenging environment for large swathes of UK retail. It opened new distribution hubs in Europe and the US which should propel its revenues and a new 'try before you buy' scheme in the UK will likely boost business here. Further investment will be required to enhance its head-start.

It was this grim outlook for the UK high street that prompted us to completely sell our holding in suit retailer Moss Bros. We had been reducing our holding for some time. The management team has done an excellent job reinvigorating this tired brand and pushing online sales, but it isn't enough to keep our business. Falling real wages for consumers, higher living wages for staff and rising business rates have created a tough environment for small UK retailers.

Our defensive ballast comes from buying positions in companies such as Bunzl, DS Smith and Equiniti, even though all three sit in the typically highly cyclical industrials sector (we think that's a poor description of their businesses). Bunzl has built up its defences against competition and inflation through being a one-stop shop distribution and outsourcing business, helping their customers to be more cash efficient and less wasteful. The business generates an attractive level of organic growth which they supplement with acquisitions to grow into new territories.

Sustainable and recyclable packaging supplier, DS Smith, has capitalised on the high street's grim outlook. The increasing volume of online purchases all need packaging, and DS Smith gives us exposure to this area of growth without taking brand, capex and bond-proxy risk. In addition, these defensives both have an enviable track record of passing on high input costs to their customers – crucial in this tighter inflationary environment.

Equiniti is the registrar or share scheme operator for 70 companies within the FTSE 100 index as well as many more. It provides a range of unexciting but essential and complex services to plcs – a bit dull yes but predictable. What inspired us to take a position was Equiniti buying the share scheme administration business from US investment bank Wells Fargo. This gave Equiniti room to grow in the US. Share plans are not Wells Fargo's core business and so it was somewhat under-loved; Equiniti will reinvigorate the business and hope to take market share using its superior experience, technology and service levels.

Bolstering our financials exposure, despite owning no banks, we acquired a position in specialty insurer Beazley. One of the most experienced, sensible, grounded management teams we know, Beazley underwrites a range of property, casualty and cyber risks, while using reinsurance to limit its total exposure. We like Beazley's strong underwriting skills, and good investment returns have been the unpredictable but enjoyable cherry on the top. For us, it is the cyber insurance division that merits Beazley's premium rating – it's one of the first movers into this exploding market.

Smart Metering Systems (SMS) tumbled throughout the year. The vocal minority of customers not wanting a smart meter proved louder than expected, so we sold our holding completely after a disappointing 12 months, but we still made almost 70% on our initial investment.

Also afflicted by a challenging 12 months was global advertising and media giant WPP. We sold our position ahead of its disappointing fourth-quarter results. Companies are increasingly moving away from traditional media (WPP's heartland), and towards promotions and coupons; a serious structural challenge for the media empire. The risks were too great to justify the company's low cost.

We completely sold long-standing holding Savills over the period because we felt most of our identified catalysts had already occurred, at least within this property cycle. We have made almost 1.5x our money, plus dividends, since 2009, but a re-rating, plus a change in chief executive and a fairly extended looking global market ticked a lot of boxes within our sell discipline.

## Manager's report for the year ended 30 September 2018 *(continued)*

Our final sale was Riverstone Energy, a private equity business with a wealth of experience and networks. It was able to take advantage of the crashed-out oil price in 2015 to raise money and buy some very interesting energy assets in the US and Canada at an opportune time. The oil price rallied and with it Riverstone's net asset value. It had done the job we wanted it to do, so we exited with a 50% gain.

Following the quarter-end, the market endured a sharp correction sparked by a combination of worries over trade wars, Italy's debt problem, a never-ending Brexit, softening global data and a pick-up in bond yields. So far we cannot be sure if this correction is simply a valuation event or a genuine growth scare, but it was clear that certain parts of the market were intent on rapidly de-risking. Thus we have been gently adding to favoured holdings that look oversold, having raised a fair amount of cash in September. We would like to retain some firepower for the rest of 2018, which we anticipate will remain challenging. Companies are issuing profit warnings at an increasing pace – the 'hot weather' excuses of the summer have now given way to genuine pressures from rising input costs, softer global demand and, thanks to various world leaders, persistent business disruption and insecurity. Specifically in the UK, we view the ongoing outflows and negative sentiment as emanating from unprecedented pessimism which could persist until we have more clarity on Brexit.

We do not see a fundamental problem with UK-listed businesses, particularly given our focus on mid-caps that are exposed to long-term, structural growth trends. So we remain excited about the potential for our positions, while cognisant that volatility is likely to persist beyond year end. Hold fast; for this too shall pass.

**Alexandra Jackson**  
Fund Manager  
*25 October 2018*

## Net asset value per unit and comparative tables

### R-Class income units

	<b>30.09.18</b> pence per unit	30.09.17 pence per unit	30.09.16 pence per unit
<b>Change in net assets per unit</b>			
Opening net asset value per unit	484.54p	447.21p	412.10p
Return before operating charges*	38.30p	56.71p	51.86p
Operating charges	(8.28p)	(7.64p)	(6.87p)
Return after operating charges*	30.02p	49.07p	44.99p
Distributions on income units	(13.00p)	(11.74p)	(9.88p)
Closing net asset value per unit	501.56p	484.54p	447.21p
*after direct transactions costs <sup>1</sup> of:	0.51p	0.19p	0.34p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges	6.20%	10.97%	10.92%
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### Other information

Closing net asset value	£5,770,024	£6,023,455	£6,007,294
Closing number of units	1,150,406	1,243,131	1,343,295
Operating charges	1.64%	1.64%	1.63%
Direct transaction costs	0.10%	0.04%	0.08%

### Prices

Highest unit price	541.36p	505.10p	465.29p
Lowest unit price	468.15p	421.97p	379.30p

## Net asset value per unit and comparative tables *(continued)*

### R-Class accumulation units

	<b>30.09.18</b> pence per unit	30.09.17 pence per unit	30.09.16 pence per unit
<b>Change in net assets per unit</b>			
Opening net asset value per unit	609.51p	548.82p	495.69p
Return before operating charges*	48.03p	70.16p	61.44p
Operating charges	(10.53p)	(9.47p)	(8.31p)
Return after operating charges*	37.50p	60.69p	53.13p
Distributions on accumulation units	(16.25p)	(14.47p)	(11.98p)
Retained distributions on accumulation units	16.25p	14.47p	11.98p
Closing net asset value per unit	647.01p	609.51p	548.82p
*after direct transactions costs <sup>1</sup> of:	0.65p	0.23p	0.42p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges	6.15%	11.06%	10.72%
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### Other information

Closing net asset value	£17,490,424	£15,623,390	£16,473,556
Closing number of units	2,703,262	2,563,253	3,001,626
Operating charges	1.64%	1.64%	1.63%
Direct transaction costs	0.10%	0.04%	0.08%

### Prices

Highest unit price	690.48p	628.89p	565.49p
Lowest unit price	598.16p	521.58p	458.39p

## Net asset value per unit and comparative tables *(continued)*

### I-Class income units

	<b>30.09.18</b> pence per unit	30.09.17 pence per unit	30.09.16 pence per unit
<b>Change in net assets per unit</b>			
Opening net asset value per unit	501.11p	459.09p	421.26p
Return before operating charges*	38.99p	58.32p	51.86p
Operating charges	(3.23p)	(4.31p)	(3.81p)
Return after operating charges*	35.76p	54.01p	48.05p
Distributions on income units	(13.05p)	(11.99p)	(10.22p)
Closing net asset value per unit	523.82p	501.11p	459.09p
*after direct transactions costs <sup>1</sup> of:	0.54p	0.19p	0.36p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges	7.14%	11.76%	11.41%
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### Other information

Closing net asset value	£16,705,005	£18,782,946	£20,549,722
Closing number of units	3,189,055	3,748,233	4,476,235
Operating charges	0.59%	0.89%	0.88%
Direct transaction costs	0.10%	0.04%	0.08%

### Prices

Highest unit price	555.70p	514.88p	471.03p
Lowest unit price	492.33p	438.36p	391.95p

## Net asset value per unit and comparative tables *(continued)*

### I-Class accumulation units

	<b>30.09.18</b> pence per unit	30.09.17 pence per unit	30.09.16 pence per unit
<b>Change in net assets per unit</b>			
Opening net asset value per unit	630.40p	563.67p	505.77p
Return before operating charges*	49.52p	72.04p	62.49p
Operating charges	(4.08p)	(5.31p)	(4.59p)
Return after operating charges*	45.44p	66.73p	57.90p
Distributions on accumulation units	(16.49p)	(14.78p)	(12.32p)
Retained distributions on accumulation units	16.49p	14.78p	12.32p
Closing net asset value per unit	675.84p	630.40p	563.67p
*after direct transactions costs <sup>1</sup> of:	0.68p	0.24p	0.43p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges	7.21%	11.84%	11.45%
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### Other information

Closing net asset value	£19,300,647	£20,314,840	£20,891,619
Closing number of units	2,855,807	3,222,507	3,706,362
Operating charges	0.59%	0.89%	0.88%
Direct transaction costs	0.10%	0.04%	0.08%

### Prices

Highest unit price	703.95p	636.74p	568.60p
Lowest unit price	624.38p	538.03p	470.33p

### Risk and reward profile as published in the fund's most recent Key Investor Information Document



Lower potential risk/reward  
(Not risk-free)

Higher potential risk/reward

This indicator is a measure of the fund's past volatility (the extent and rapidity of up-and-down movements of the value of an investment). It may not be a reliable indication of the fund's future risk. The risk category shown is not a target or a guarantee and may change over time.



## Net asset value per unit and comparative tables *(continued)*

### Discrete annual performance, quarter ending 30 September\*

	2014	2015	2016	2017	2018
R-Class Units	4.91%	6.70%	9.87%	11.74%	6.30%
I-Class Units	5.70%	7.51%	10.70%	12.52%	7.27%
IA UK All Companies sector	6.01%	1.93%	11.74%	13.65%	5.54%

\* Source performance data Financial Express, bid to bid, net income re-invested.

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

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.

## Portfolio and net other assets as at 30 September 2018

Holding (Ordinary shares unless otherwise stated)	Value £	Percentage of total net assets
<b>Oil and Gas Producers</b> (30.09.17: 5.48%)		
150,000 Cairn Energy	348,000	0.59
90,000 Royal Dutch Shell 'B'	2,420,100	4.08
	<b>2,768,100</b>	<b>4.67</b>
<b>Chemicals</b> (30.09.17: 1.67%)		
375,000 Elementis	<b>1,005,750</b>	<b>1.70</b>
<b>Mining</b> (30.09.17: 3.94%)		
80,000 BHP Billiton	1,336,960	2.26
33,300 Rio Tinto	1,292,040	2.18
	<b>2,629,000</b>	<b>4.44</b>
<b>Construction and Materials</b> (30.09.17: 3.72%)		
1,700,000 Breedon	<b>1,241,000</b>	<b>2.09</b>
<b>Aerospace and Defence</b> (30.09.17: 1.42%)		
211,000 Senior	<b>658,742</b>	<b>1.11</b>
<b>Electronic and Electrical Equipment</b> (30.09.17: 0.99%)		
182,500 Discoverie	<b>684,375</b>	<b>1.15</b>
<b>Industrial Engineering</b> (30.09.17: 5.19%)		
930,982 Melrose Industries	<b>1,861,033</b>	<b>3.14</b>
<b>Industrial Transportation</b> (30.09.17: 1.53%)		
376,537 Eddie Stobart Logistics	<b>429,252</b>	<b>0.72</b>
<b>Healthcare Equipment and Services</b> (30.09.17: 4.80%)		
520,000 Advanced Medical Solutions*	1,716,000	2.90
91,100 Consort Medical	1,069,514	1.80
9,495 Hallmarq Veterinary Imaging*	104,445	0.18
	<b>2,889,959</b>	<b>4.88</b>
<b>Pharmaceuticals and Biotechnology</b> (30.09.17: 1.96%)		
803,766 Alliance Pharma*	<b>530,486</b>	<b>0.89</b>
<b>Food and Drug Retailers</b> (30.09.17: 2.23%)		
568,260 Tesco	<b>1,362,687</b>	<b>2.30</b>

## Portfolio and net other assets as at 30 September 2018 *(continued)*

Holding (Ordinary shares unless otherwise stated)	Value £	Percentage of total net assets
<b>General Retailers (30.09.17: 5.10%)</b>		
26,000 ASOS	1,497,080	2.53
400,000 B&M European Value Retail	1,547,200	2.61
	<b>3,044,280</b>	<b>5.14</b>
<b>Travel and Leisure (30.09.17: 9.94%)</b>		
185,000 GVC	1,699,225	2.87
300,000 Patisserie Holdings	1,300,500	2.19
387,097 SSP	2,805,292	4.73
380,000 The GYM Group	1,189,400	2.01
	<b>6,994,417</b>	<b>11.80</b>
<b>Life Insurance (30.09.17: 4.87%)</b>		
170,000 Aviva	832,150	1.40
234,666 Phoenix	1,586,342	2.68
	<b>2,418,492</b>	<b>4.08</b>
<b>Non-Life Insurance (30.09.17: 0.00%)</b>		
230,000 Beazley	<b>1,313,300</b>	<b>2.22</b>
<b>Real Estate (30.09.17: 13.44%)</b>		
638,648 Hansteen Holdings	617,892	1.04
1,235,579 PRS REIT	1,260,291	2.13
308,233 Unite	2,744,815	4.63
1,000,000 Warehouse REIT	974,000	1.64
	<b>5,596,998</b>	<b>9.44</b>
<b>General Financial (30.09.17: 4.55%)</b>		
75,000 Burford Capital	1,456,500	2.46
195,555 Intermediate Capital	2,131,550	3.60
9,892 Thomas Murray Network*	9,892	0.02
942 Thomas Murray Network Bonus shares*	—	—
679,290 XPS Pensions	1,120,829	1.89
	<b>4,718,771</b>	<b>7.97</b>
<b>General Industrials (30.09.17: 0.00%)</b>		
300,000 Smith (DS)	<b>1,434,600</b>	<b>2.42</b>

## Portfolio and net other assets as at 30 September 2018 *(continued)*

Holding (Ordinary shares unless otherwise stated)	Value £	Percentage of total net assets
<b>Support Services (30.09.17: 0.00%)</b>		
60,000 Bunzl	1,447,800	2.44
430,000 Equiniti	1,141,650	1.93
55,000 Keywords Studios	1,070,300	1.81
200,000 Restore	954,000	1.61
	<b>4,613,750</b>	<b>7.79</b>
<b>Software and Computer Services (30.09.17: 9.89%)</b>		
50,866 Accesso Technology	1,459,854	2.46
235,897 Alfa Financial Software	322,235	0.54
60,000 Aveva	1,735,200	2.93
17,500 First Derivatives*	717,500	1.21
322,000 GB*	1,874,040	3.16
525,000 Ideagen*	834,750	1.41
93,247 Micro Focus International	1,331,567	2.25
373,425 Team17 Group*	1,045,590	1.76
	<b>9,320,736</b>	<b>15.72</b>
<b>Total value of investments (30.09.17: 92.45%)</b>	<b>55,515,728</b>	<b>93.67</b>
<b>Net other assets (30.09.17: 7.55%)</b>	<b>3,750,372</b>	<b>6.33</b>
<b>Total value of the fund as at 30 September 2018</b>	<b>59,266,100</b>	<b>100.00</b>

Sectors eliminated since the beginning of the year:

Media	3.93%
Leisure Goods	3.01%
Equity Investment Instruments	2.01%
Electricity	1.34%
Technology Hardware and Equipment	0.79%
Household Goods	0.65%
Fixed Line Telecommunications	0.00%

\* Unquoted security

+ Quoted on the Alternative Investment Market

## Statement of total return for the year ended 30 September 2018

	Note	30.09.18 £	30.09.18 £	30.09.17 £	30.09.17 £
Income					
Net capital gains	2		<b>2,910,698</b>		5,825,830
Revenue	3	<b>1,576,488</b>		1,626,293	
Expenses	4	<b>(594,115)</b>		(718,009)	
Net revenue before taxation		<b>982,373</b>		908,284	
Taxation	5	<b>(7,740)</b>		(6,756)	
Net revenue after taxation			<b>974,633</b>		901,528
<b>Total return before distributions</b>			<b>3,885,331</b>		6,727,358
Distributions	6		<b>(1,487,711)</b>		(1,533,612)
<b>Change in net assets attributable to unitholders from investment activities</b>			<b>2,397,620</b>		5,193,746

## Statement of change in net assets attributable to unitholders for the year ended 30 September 2018

	30.09.18 £	30.09.18 £	30.09.17 £	30.09.17 £
<b>Opening net assets attributable to unitholders</b>		<b>60,744,631</b>		63,922,191
Amounts receivable on issue of units	<b>5,842,522</b>		759,739	
Amounts payable on cancellation of units	<b>(10,622,139)</b>		(10,002,953)	
		<b>(4,779,617)</b>		(9,243,214)
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		<b>2,397,620</b>		5,193,746
Retained distributions on accumulation units		<b>895,802</b>		865,682
Unclaimed distributions		<b>7,664</b>		6,226
<b>Closing net assets attributable to unitholders</b>		<b>59,266,100</b>		60,744,631

## Balance sheet as at 30 September 2018

	Note	30.09.18 £	30.09.18 £	30.09.17 £	30.09.17 £
<b>Assets</b>					
<b>Fixed assets:</b>					
Investments			<b>55,515,728</b>		56,156,741
<b>Current assets:</b>					
Debtors	7	<b>1,236,773</b>		332,251	
Cash and bank balances		<b>3,334,942</b>		4,747,861	
<b>Total current assets</b>			<b>4,571,715</b>		5,080,112
<b>Total assets</b>			<b>60,087,443</b>		61,236,853
<b>Liabilities</b>					
<b>Creditors:</b>					
Other creditors	8	<b>(441,101)</b>		(99,897)	
Distribution payable on income units		<b>(380,242)</b>		(392,325)	
<b>Total liabilities</b>			<b>(821,343)</b>		(492,222)
<b>Net assets attributable to unitholders</b>			<b>59,266,100</b>		60,744,631

# Notes to the financial statements

## 1 Accounting policies

### a) Basis of accounting

The annual financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice (SORP) for Financial Statements of UK Authorised Funds issued by The Investment Association in May 2014.

As stated in the Statement of the Manager's responsibilities in relation to the report and accounts of the Company on page 26, the Manager continues to adopt the going concern basis in the preparation of the financial statements of the fund.

### b) Recognition of revenue

All dividends on investments marked ex-dividend up to the accounting date are included in revenue inclusive of any tax deducted at source and net of attributable tax credits. Bank and other interest receivable is accrued up to the accounting date, and this forms part of the distribution.

### c) Treatment of scrip and special dividends

Any stock received in lieu of cash dividends is credited to capital in the first instance, followed by a transfer to revenue of the cash equivalent being offered, and this forms part of the distribution made by the fund.

Special dividends are treated as revenue or capital depending on the facts of each particular case.

### d) Treatment of expenses

All expenses (other than management fees, direct costs of purchase and sale of investments) are charged against revenue.

### e) Distribution policy

Revenue arising from the fund's investments accumulates during each accounting period. If, at the end of the accounting period, revenue exceeds expenses, the net revenue of the fund is available to be distributed to unitholders.

For the purpose of calculating the distribution available to unitholders, the Manager's charge is deducted from capital. Offsetting expenses against capital may constrain future growth in revenue and capital.

A reconciliation of the net distribution to the net revenue of the fund as reported total return is shown in note 6.

In order to conduct a controlled dividend flow to unitholders, interim distributions will be made at the Managers' discretion, up to a maximum of the distributable revenue available for the year. All remaining revenue is distributed in accordance with the regulations.

### f) Basis of valuation of investments

The quoted investments of the fund have been valued at the closing bid-market prices excluding any accrued interest in the case of debt securities ruling on the principal markets on which the stocks are quoted on the last business day of the accounting year. If no market price is available we use two different vendors (at least one being independent) to obtain a price and verify it against.

If the Stock Exchange quotation of an investment has been suspended, and in the opinion of the Manager, it is unlikely to be reinstated, this has been indicated in the portfolio of investments. Suspended investments are value based on the latest financial statements of the respective company and agreed with the Trustee.

### g) Exchange rates

Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting year are translated into Sterling at the closing mid exchange rates ruling on that date.

### **h) Taxation/Deferred Tax**

i) Corporation tax is provided for at 20% on taxable revenue, after deduction of expenses.

ii) Where overseas tax has been deducted from taxable overseas revenue, that tax can, in some instances, be set off against the corporation tax payable by the fund, by way of double taxation relief.

iii) The charge for deferred tax is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax assets can be offset. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

### **i) Unit classes rights on termination, allocation of tax and distributable income**

The fund may be terminated if an order declaring the fund to be an authorised unit trust scheme is revoked, or the Financial Conduct Authority (FCA) determines to revoke the order at the request of the Trustee or the Manager. In the case of a reconstruction or an amalgamation of the fund with another body or trust, on the passing of an extraordinary resolution of holders of units approving the amalgamation. The Trustee shall wind up the fund in accordance with that resolution.

On the termination of the fund in any other case, the Trustee shall sell the investments, and out of the proceeds of the sale shall settle the fund's liabilities and pay the costs and expenses of the winding up before distributing the proceeds of the realisation to unitholders and the Manager proportionally to their respective interests in the fund. Any unclaimed proceeds or cash held by the Trustee after the expiration of 12 months from the date on which the same became payable shall be paid by the Trustee into court subject to the Trustee having a right to retain any expenses incurred by it in making such payment into court. On the completion of the winding-up the trustee must notify the FCA to revoke the relevant authorisation order.

Allocation of tax and distributable income is done proportionally to the unitholders respective interests in the fund.



## Notes to the financial statements *(continued)*

### 2 Net capital gains

	30.09.18	30.09.17
	£	£
The net capital gains during the year comprise:		
Non-derivative securities	<b>2,298,090</b>	5,826,379
Capital special dividends	<b>609,000</b>	–
Currency gains	<b>4,902</b>	–
Transaction charges	<b>(1,294)</b>	(549)
Net capital gains	<b>2,910,698</b>	5,825,830

### 3 Revenue

	30.09.18	30.09.17
	£	£
Dividends – UK Ordinary	<b>1,213,763</b>	1,369,958
– Overseas	<b>188,328</b>	123,520
– Property income distributions	<b>165,432</b>	132,815
Bank interest	<b>8,965</b>	–
Total revenue	<b>1,576,488</b>	1,626,293

### 4 Expenses

	30.09.18	30.09.18	30.09.17	30.09.17
	£	£	£	£
Payable to the Manager, associates of the Manager and agents of either of them:				
Manager's periodic charge		<b>513,629</b>		631,700
Payable to the Trustee, associates of the Trustee and agents of either of them:				
Trustee's fees	<b>14,274</b>		14,928	
Safe custody and other bank charges	<b>4,303</b>		4,526	
		<b>18,577</b>		19,454
Other expenses:				
Administration fees	<b>6,575</b>		6,319	
Audit fee*	<b>9,000</b>		9,240	
FCA fee	<b>356</b>		357	
Printing and publication costs	<b>2,444</b>		8,590	
Registration fees	<b>43,534</b>		42,349	
		<b>61,909</b>		66,855
Total expenses		<b>594,115</b>		718,009

\*Audit fees paid in the year were £7,500 (30.09.17: £7,500) excluding VAT.

## 5 Taxation

	30.09.18 £	30.09.17 £
a) Analysis of charge in the year		
Overseas tax	4,140	6,756
Irrecoverable income tax	3,600	—
Total tax charge for the year (note 5b)	7,740	6,756

### b) Factors affecting current tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Authorised Unit Trust (20%) (30.09.17: 20%). The differences are explained below:

	30.09.18 £	30.09.17 £
Net revenue before taxation	982,373	908,284
Corporation tax at 20%	196,475	181,657
Effects of:		
Revenue not subject to taxation	(280,418)	(298,696)
Current year expenses not utilised	83,943	117,039
Corporate tax charge	—	—
Irrecoverable overseas tax	4,140	6,756
Irrecoverable income tax	3,600	—
Total tax charge for the year (note 5a)	7,740	6,756

### c) Deferred tax

At the year end the fund had surplus management expenses of £14,041,260 (30.09.17: £13,621,542). It is unlikely that the fund will generate sufficient taxable profits in the future to utilise these expenses and, therefore, a deferred tax asset of £2,808,252 (30.09.17: £2,724,309) has not been recognised in the financial statements.

## 6 Distributions

The distributions take account of amounts received on the issue of units and amounts deducted on the cancellation of units, and comprise:

	30.09.18 £	30.09.17 £
Interim	<b>478,904</b>	524,453
Final	<b>993,693</b>	951,691
	<b>1,472,597</b>	1,476,144
Add: Amounts deducted on cancellation of units	<b>62,309</b>	61,659
Deduct: Amounts received on issue of units	<b>(47,195)</b>	(4,191)
Net distribution for the year	<b>1,487,711</b>	1,533,612

### Reconciliation of net distribution for the year to net revenue after tax:

Net distribution for the year	<b>1,487,711</b>	1,533,612
Expenses charged to capital:		
Manager's periodic charge	<b>(513,629)</b>	(631,700)
Equalisation on conversions	<b>523</b>	(126)
Balance brought forward	<b>(307)</b>	(565)
Balance carried forward	<b>335</b>	307
Net revenue after taxation	<b>974,633</b>	901,528

## 7 Debtors

	30.09.18 £	30.09.17 £
Amounts receivable for issue of units	<b>54</b>	13,826
Sales awaiting settlement	<b>1,042,957</b>	189,236
Accrued revenue	<b>192,346</b>	125,409
Prepaid expenses	<b>180</b>	180
Taxation recoverable	<b>1,236</b>	3,600
Total debtors	<b>1,236,773</b>	332,251

## 8 Other creditors

	30.09.18 £	30.09.17 £
Amounts payable for cancellation of units	<b>111,820</b>	18,567
Purchases awaiting settlement	<b>253,451</b>	—
Accrued expenses	<b>32,843</b>	30,463
Accrued Manager's periodic charge	<b>42,987</b>	50,867
Total other creditors	<b>441,101</b>	99,897

## 9 Reconciliation of units

	R-Class income	R-Class accumulation	I-Class income	I-Class accumulation
Opening units issued at 01.10.17	1,243,131	2,563,253	3,748,233	3,222,507
Unit movements 01.10.17 to 30.09.18				
Units issued	699,872	12,923	309,309	87,168
Units cancelled	(587,201)	—	(1,479,015)	—
Units converted	(205,396)	127,086	610,528	(453,868)
Closing units issued at 30.09.18	1,150,406	2,703,262	3,189,055	2,855,807

## 10 Related party transactions

Management fees paid to Rathbone Unit Trust Management Limited (the Manager) are disclosed in note 4 and amounts outstanding at the year end in note 8.

Details of units created and cancelled by the Manager are shown in the Statement of Change in Net Assets Attributable to Unitholders and note 6.

There were no commissions paid to stockbroking of the Manager in respect of dealings in the investments of Rathbone UK Opportunities Fund during the year (30.09.17: nil).

All other amounts paid to or received from the related parties, together with the outstanding balances are disclosed in the financial statements.

At the year end there were no significant unitholders (30.09.17: nil).

## 11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (30.09.17: nil).

## 12 Risk disclosures on financial instruments

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for liquidations and debtors for accrued revenue.

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 fund does not make use of derivatives.

## Notes to the financial statements *(continued)*

### 12 Risk disclosures on financial instruments *(continued)*

The main risks arising from the financial instruments are:

(i) **Foreign currency risk**, being the risk that the value of investments will fluctuate as a result of exchange rate movements. The value of the fund's underlying investments will be affected by movements in exchange rate against sterling, in respect of non-sterling denominated rates.

The table below shows the foreign currency risk profile at the balance sheet date:

	<b>30.09.18</b>	30.09.17
	<b>£</b>	£
Currency:		
Euro	—	95,374
US dollar	—	2,388
Pound sterling	<b>59,264,685</b>	60,643,089
	<b>59,264,685</b>	60,740,851
Other net assets not categorised as financial instruments	<b>1,415</b>	3,780
Net assets	<b>59,266,100</b>	60,744,631

If GBP to foreign currency exchange rates had increased by 10% as at the balance sheet date, the net asset value of the fund would have decreased by £nil (30.09.17: £10,862). If GBP to foreign currency exchange rates had decreased by 10% as at the balance sheet date, the net asset value of the fund would have increased by £nil (30.09.17: £8,887). These calculations assume all other variables remain constant.

(ii) **Interest rate risk**, being the risk that the value of investments will fluctuate as a result of interest rate changes.

The table below shows the interest rate risk profile at the balance sheet date:

	<b>30.09.18</b>	30.09.17
	<b>£</b>	£
Floating rate assets:		
Pound sterling	<b>3,334,942</b>	4,747,861
Assets on which no interest is paid:		
Euro	—	95,374
US dollar	—	2,388
Pound sterling	<b>56,751,086</b>	56,387,450
	<b>56,751,086</b>	56,485,212
Liabilities on which no interest is paid:		
Pound sterling	<b>(821,343)</b>	(492,222)
	<b>(821,343)</b>	(492,222)
Other net assets not categorised as financial instruments	<b>1,415</b>	3,780
Net assets	<b>59,266,100</b>	60,744,631

## 12 Risk disclosures on financial instruments *(continued)*

### (ii) Interest rate risk *(continued)*

Due to the proportion of interest bearing assets held within the portfolio, no sensitivity analysis has been prepared illustrating the impact changes in yields would have on the value of the fund's portfolio.

The floating rate financial assets and liabilities comprise bank balances that earn or pay interest at rates linked to the UK base rate or its international equivalents.

(iii) **Market price risk**, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than currency or interest rate movements.

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 Prospectus and the rules of the FCA's Collective Investment Scheme Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

If market prices had increased by 10% as at the balance sheet date the net asset value of the fund would have increased by £5,551,573 (30.09.17: £5,615,674). If market prices had decreased by 10% as at the balance sheet date the net asset value of the fund would have decreased by £5,551,573 (30.09.17: £5,615,674). These calculations assume all other variables remain constant.

(iv) **Counterparty risk**, being the risk that the counterparty will not deliver the investments for a purchase, or the cash for a sale after the fund has fulfilled its responsibilities.

(v) **Fair value**, There is no material difference between the carrying value and fair value of the financial instruments disclosed in the balance sheet.

(vi) **Leverage**, In accordance with the IA SORP issued in May 2014 we are required to disclose any leverage of the Fund. There is no significant leverage in Rathbone UK Opportunities Fund which would increase its exposure.

## 13 Portfolio transaction cost

For the year ended 30 September 2018

### Analysis of total purchases costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	18,240,967	10,242	0.06	39,280	0.22
Corporate actions	459,268	—	—	—	—
Total purchases before transaction costs	18,700,235	10,242		39,280	
Total purchases including commission and taxes	18,749,757				

**13 Portfolio transaction cost** *(continued)*

**Analysis of total sales costs**

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	17,983,661	11,674	0.06	70	—
Corporate actions	3,717,589	—	—	—	—
Total sales including transactions costs	21,701,250	11,674		70	
Total sales net of commission and taxes	21,689,506				

Commissions and taxes as % of average net assets

Commissions 0.04%

Taxes 0.06%

**For the year ended 30 September 2017**

**Analysis of total purchases costs**

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	8,547,718	2,510	0.03	10,458	0.12
Corporate actions	66,326	—	—	—	—
Total purchases before transaction costs	8,614,044	2,510		10,458	
Total purchases including commission and taxes	8,627,012				

**Analysis of total sales costs**

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	15,665,922	11,883	0.08	50	—
Corporate actions	886,480	—	—	—	—
Total sales including transactions costs	16,552,402	11,883		50	
Total sales net of commission and taxes	16,540,469				

Commissions and taxes as % of average net assets

Commissions 0.02%

Taxes 0.02%

## Notes to the financial statements *(continued)*

### 13 Portfolio transaction cost *(continued)*

In the case of share, commissions and taxes are paid by the fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.44% (30.09.17: 0.45%).

### 14 Fair value of investments

The fair value of investments has been determined using the following hierarchy:

Level 1	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3	Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

#### For the year ended 30 September 2018

Category	1	2	3	Total
Investment assets	£	£	£	£
Equities	55,401,391	—	114,337	55,515,728
	55,401,391	—	114,337	55,515,728

#### For the year ended 30 September 2017

Category	1	2	3	Total
Investment assets	£	£	£	£
Equities	54,765,915	—	1,390,826	56,156,741
	54,765,915	—	1,390,826	56,156,741

The level 3 Thomas Murray and Hallmarq assets are priced by Rathbones and updated with the last known price. These assets are reviewed on a quarterly basis.

### 15 Unit price movement since the balance sheet date

Subsequent to the year end, the net asset value per unit of the fund has increased using the unit prices at the year end date compared to 13 November 2018. This movement takes into account routine transactions but also reflects the market movements of recent months. There are no post balance sheet events which require adjustments.

Unit Type	28.09.18 bid price	13.11.18 bid price
R-Class income	504.28p	435.99p
R-Class accumulation	643.99p	566.84p
I-Class income	532.39p	461.52p
I-Class accumulation	675.15p	595.08p



## Distribution tables for the year ended 30 September 2018

### Distribution tables (pence per unit)

#### Interim

Group 1 – Units purchased prior to 1 October 2017

Group 2 – Units purchased on or after 1 October 2017 and on or before 31 March 2018

R-Class income units	Net Income	Equalisation	Paid 31.05.18	Paid 31.05.17
Group 1	4.12	–	4.12	3.94
Group 2	2.75	1.37	4.12	3.94

R-Class accumulation units	Net Income	Equalisation	Accumulated 31.05.18	Accumulated 31.05.17
Group 1	5.22	–	5.22	4.88
Group 2	3.25	1.97	5.22	4.88

I-Class income units	Net Income	Equalisation	Paid 31.05.18	Paid 31.05.17
Group 1	4.33	–	4.33	4.11
Group 2	2.42	1.91	4.33	4.11

I-Class accumulation units	Net Income	Equalisation	Accumulated 31.05.18	Accumulated 31.05.17
Group 1	5.45	–	5.45	5.05
Group 2	3.00	2.45	5.45	5.05

#### Final

Group 1 – Units purchased prior to 1 April 2018

Group 2 – Units purchased on or after 1 April 2018 and on or before 30 September 2018

R-Class income units	Net Income	Equalisation	Payable 30.11.18	Paid 30.11.17
Group 1	8.88	–	8.88	7.80
Group 2	3.95	4.93	8.88	7.80

R-Class accumulation units	Net Income	Equalisation	Allocated 30.11.18	Accumulated 30.11.17
Group 1	11.03	–	11.03	9.59
Group 2	4.86	6.17	11.03	9.59

## Distribution tables for the year ended 30 September 2018 *(continued)*

### Distribution tables (pence per unit) *(continued)*

I-Class income units	Net Income	Equalisation	Payable 30.11.18	Paid 30.11.17
Group 1	8.72	—	8.72	7.88
Group 2	3.78	4.94	8.72	7.88

I-Class accumulation units	Net Income	Equalisation	Allocated 30.11.18	Accumulated 30.11.17
Group 1	11.04	—	11.04	9.73
Group 2	5.86	5.18	11.04	9.73

### Notes for corporate unitholders

Corporate unitholders should read the important information on the reverse of the tax voucher in respect of this distribution. The relevant information required by a corporate unitholder is as follows:

Franked investment income	100.00%
Unfranked investment income	0.00%
Depositary net liability to corporation tax	nil pence per unit

### Equalisation

Equalisation applies only to units purchased during the distribution period (Group 2 units). It represents the accrued revenue included in the purchase price of the units. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the units for Capital Gains Tax purposes.

## Directors' statement

This report is approved in accordance with the requirements of the Financial Conduct Authority's Collective Investment Schemes Sourcebook.

MM Webb                      JR Chillingworth  
for Rathbone Unit Trust Management Limited  
Manager of Rathbone UK Opportunities Fund  
27 November 2018

## Statement of the Manager's responsibilities in relation to the annual report and financial statements of the scheme

The Financial Conduct Authority's Collective Investment Schemes Sourcebook requires the Manager to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the fund and of the net revenue and of the net capital gains or losses on the property of the fund for that year. In preparing those financial statements, the Manager is required to:

1. select suitable accounting policies, as described in the attached financial statements, and then apply them consistently;
2. make judgements and estimates that are reasonable and prudent;
3. comply with the disclosure requirements of the SORP relating to financial statements of authorised funds issued by the Investment Association;
4. The Financial Reporting Standard applicable in the UK and Republic of Ireland;
5. prepare the financial statements on a going concern basis unless it is inappropriate to presume that the fund will continue in operation; and
6. keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements.

The Manager is responsible for the management of the scheme in accordance with its Trust Deed, Prospectus and the Financial Conduct Authority's Collective Investment Schemes Sourcebook, and for the system of internal controls and for safeguarding of the assets of the scheme. The manager has general responsibility for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Manager is aware:

1. there is no relevant audit information of which the fund's auditor is unaware; and
2. the Manager has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information; and
3. the Manager is of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements as the assets of the fund consist predominantly of securities that are readily realisable and, accordingly, the fund has adequate resources to continue in operational existence for the foreseeable future.

## Statement of the Trustee's responsibilities and report of the Trustee to the unitholders of Rathbone UK Opportunities Fund for the year ended 30 September 2018

The Trustee must ensure that the Scheme is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together the Regulations), the Trust Deed and Prospectus (together the Scheme documents) as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Scheme and its investors.

The Trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Scheme in accordance with the Regulations.

The Trustee must ensure that:

1. the Scheme's cash flows are properly monitored and that cash of the Scheme is booked into the cash accounts in accordance with the Regulations;
2. the sale, issue, redemption and cancellation of units are carried out in accordance with the Regulations;
3. the value of units in the Scheme is calculated in accordance with the Regulations;
4. any consideration relating to transactions in the Scheme's assets is remitted to the Scheme within the usual time limits;
5. the Scheme's income is applied in accordance with the Regulations; and
6. the instructions of the Authorised Fund Manager (the AFM) are carried out (unless they conflict with the Regulations).

The Trustee also has a duty to take reasonable care to ensure that the Scheme is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Scheme.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Scheme, acting through the AFM:

1. has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Scheme's units and the application of the Scheme's income in accordance with the Regulations and the Scheme documents; and
2. has observed the investment and borrowing powers and restrictions applicable to the Scheme.

**National Westminster Bank Plc**  
Trustee and Depositary Services  
Trustee of Rathbone UK Opportunities Fund  
*27 November 2018*

# Independent Auditor's Report to the unitholders of Rathbone UK Opportunities Fund

## Report on the audit of the financial statements

### Opinion

In our opinion the financial statements:

- give a true and fair view of the financial position of Rathbone UK Opportunities Fund ('the fund') as at 30 September 2018 and of the net revenue and the net capital gains on the property of the fund for the year ended 30 September 2018 and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the Statement of Recommended Practice "Financial Statements of UK Authorised Funds", the rules in the Collective Investment Schemes Sourcebook and the Trust Deed.

We have audited the financial statements of the fund which comprise:

- the statement of total return;
- the statement of change in net assets attributable to unitholders;
- the balance sheet;
- the distribution tables; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice: "Financial Statements of UK Authorised Funds" issued by the Investment Association in May 2014, the Collective Investment Schemes Sourcebook and the Trust Deed.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the manager's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

# Independent Auditor's Report to the unitholders of Rathbone UK Opportunities Fund *(continued)*

## **Other information**

The manager is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

## **Responsibilities of trustee and manager**

As explained more fully in the trustee's responsibilities statement and the manager's responsibilities statement, the trustee is responsible for the safeguarding the property of the fund and the manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the manager is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the manager either intends to liquidate the fund or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# Independent Auditor's Report to the unitholders of Rathbone UK Opportunities Fund *(continued)*

## **Report on other legal and regulatory requirements**

### **Opinion on other matters prescribed by the Collective Investment Schemes Sourcebook**

In our opinion:

- proper accounting records for the fund have been kept and the financial statements are in agreement with those records;
- we have received all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit; and
- the information disclosed in the annual report for the year ended 30 September 2018 for the purpose of complying with Paragraph 4.5.9R of the Collective Investment Schemes Sourcebook is consistent with the financial statements.

### **Use of our report**

This report is made solely to the fund's unitholders, as a body, in accordance with Paragraph 4.5.12R of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the fund's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the fund and the fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP  
Statutory Auditor  
Glasgow  
*27 November 2018*

## General information

### UCITS Remuneration

In line with the requirements of the UCITS Directive, Rathbone Unit Trust Management Limited (the Manager) has adopted a remuneration policy which is consistent with the remuneration principles applicable to UCITS management companies. Its purpose is to ensure that the remuneration of the staff of the Manager is consistent with and promotes sound and effective risk management, does not encourage risk-taking which is inconsistent with the risk profiles of the Manager and the UCITS that it manages and does not impair the Manager's compliance with its duty to act in the best interests of the UCITS it manages. The remuneration policy applies to staff of the Manager whose professional activities have a material impact on the risk profile of the Manager or the UCITS that it manages (known as Remuneration Code Staff).

The aggregate remuneration paid by the Manager to its staff, and to those staff who are identified as Remuneration Code Staff, is disclosed below.

	Fixed remuneration £'000	Variable remuneration £'000	Total remuneration £'000	Headcount
Senior Management	1,048	2,971	4,019	5
Risk takers	1,226	1,907	3,133	13
Control functions	244	31	275	3
Other	106	115	221	1
Total remuneration code staff	2,624	5,024	7,648	22
Non-remuneration code staff	557	248	805	19
<b>Total for the Manager</b>	<b>3,181</b>	<b>5,272</b>	<b>8,453</b>	<b>41</b>

The variable remuneration disclosed in the table above is for the financial year ended 30 September 2018, which is the most recent period for which data are available. Variable remuneration is determined annually based on, inter alia, the results of the Manager and the investment performance of the UCITS that it manages for discrete annual periods ending on 31 December each year. Consequently, it is not possible to apportion the variable award between calendar years as the award for 2018 can not be known until after 31 December 2018 has passed.



### **Authorised status**

The Rathbone UK Opportunities Fund is an authorised unit trust scheme, established by a Trust Deed dated 25 August 1993 and launched on 13 July 2009 following the merger of Rathbone Special Situations Fund with the Rathbone Smaller Companies Fund.

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, policy and strategy**

The objective of the fund is to achieve capital growth by buying shares in companies whose recovery potential is not appreciated by the market and to sell them when this potential is recognised. The nature of unrecognised recovery potential may be based on macro economic, industry, sector specific or stock specific issues. Stock selection will involve the identification of a catalyst capable of triggering and sustaining a recovery in each specific stock selection. The fund has the flexibility to invest in companies of all sizes and to hold up to 20% in European shares; it will be benchmarked against the FTSE All-Share index. The benchmark is used for comparative purposes only.

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 FCA 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.

### **Stewardship code**

Rathbone Unit Trust Management Limited fully supports the UK Stewardship Code sponsored by the Financial Reporting Council. Our statement on complying with the code can be found on our website: [rutm.com](http://rutm.com)

### **Buying and selling of units**

The Manager is available to receive requests for the buying and selling of units on normal business days between 9.00am and 5.00pm and transactions will be effected at prices determined by the next valuation. Application forms for the purchase of units (obtainable from the Manager) should be completed and sent to the Dealing Office. In respect of telephoned orders, remittances should be sent on receipt of the contract note. Contract notes confirming transactions will be issued by the close of business on the next business day after the dealing date. Purchasers of units are required to enter their registration details on the form supplied with their contract note. Once units are paid for these details will be entered on the unit register.

Units can be sold by telephone, fax or letter followed by despatch to the Dealing Office of the authorisation to sell duly completed by all unitholders.

In the absence of clear written instructions signed by all the registered holders, a Form of Renunciation will be sent out together with the repurchase contract note. This will need to be signed by all registered holders, and returned to our Dealing Office before settlement can be made. Settlement will be made on whichever is the later of four business days after the dealing date or four days after the receipt of written confirmation

Unitholders may sell units on submitting the purchase contract note and a duly executed Deed of Transfer. The issue and redemption of units will not take place if dealing in the units is suspended by operation of law or any statute for the time being in place. Sales, in R-Class units, constituting a 'large deal' of £50,000 or more may receive a lower price than the published selling price.

## General information *(continued)*

The minimum initial investment for R-Class units at present is to the value of £1,000 which may be varied by the Manager. The minimum initial investment for I-Class units is £1,000,000. Thereafter holders may invest additional amounts to the value of £500 or more from time to time as they wish. Any number of units may be subscribed, sold or transferred so long as transaction complies with applicable minimums.

The purchase price of R-Class units includes a preliminary charge of 2.5%. There is no preliminary charge for I-Class units.

The Manager currently receives an annual remuneration for managing the R-Class property of the fund at the rate of 1.50%.

The Manager currently receives an annual remuneration for managing the I-Class property of the fund at the rate of 0.45%.

### Statements

A distribution statement showing the rate per unit and your unit holding will be sent semi-annually on 31 May and 30 November.

The current value of your units is shown on a valuation statement, which shows the number of units bought over the previous six months, the total number of units in your account and their current value.

Twice yearly on 30 June and 31 December, unitholders will receive a consolidated statement showing, where applicable, their Unit Trust, ICVC and ISA holdings for each fund held.

### Prices

The prices of R-Class units are published in the Financial Times under the heading Rathbone Unit Trust Management Limited. The associated cancellation price is available on request from the Manager. The prices for the I-Class units are available on the website [www.fundlistings.com](http://www.fundlistings.com) under the heading Rathbone Unit Trust Management Limited.

### Other information

You can see the Trust Deed, the Key Investor Information Document and Supplementary Information Document, the Prospectus and the most recent half yearly report of each fund by visiting the registered offices of the Manager. Copies of the Prospectus, the Key Investor Information Document and Supplementary Information Document and the most recent half yearly report of each fund may be obtained free of charge on application to the Manager.

The Register of Unitholders can be inspected during normal business hours at the office of the Registrar, DST Financial Services International Limited, DST House, St Nicholas Lane, Basildon, Essex SS15 5FS.

Further copies of this report are available upon request, free of charge, from Client Services Department, Rathbone Unit Trust Management Limited, 8 Finsbury Circus, London EC2M 7AZ.

Unitholders who have any queries or complaints about the operation of the fund should address them in the first instance to the Compliance Officer, Rathbone Unit Trust Management Limited, 8 Finsbury Circus, London EC2M 7AZ. Any complaint we receive will be handled in accordance with our internal complaint procedures. A copy of these are available from the Compliance Officer.

If you have occasion to complain, and in the unlikely event that you do not receive a satisfactory response, you may direct your complaint to the Financial Ombudsman Service at Exchange Tower, London E14 9SR. Further details about the Financial Ombudsman Service are available on their website at [financial-ombudsman.org.uk](http://financial-ombudsman.org.uk).

### 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.

### **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.

### **Other funds**

Rathbone Unit Trust Management Limited is also the Manager of the following funds:

Rathbone Active Income and Growth Fund  
Rathbone Blue Chip Income and Growth Fund  
Rathbone Core Investment Fund for Charities  
Rathbone Dragon Trust  
Rathbone Ethical Bond Fund  
Rathbone Global Opportunities Fund  
Rathbone Heritage Fund  
Rathbone Income Fund  
Rathbone Spenser Fund  
Rathbone Strategic Bond Fund

and the Authorised Corporate Director of:

Rathbone Global Alpha Fund  
Rathbone Global Sustainability Fund  
Rathbone Enhanced Growth Portfolio  
Rathbone Strategic Growth Portfolio  
Rathbone Strategic Income Portfolio  
Rathbone Total Return Portfolio  
Rathbone Pharaoh Fund  
Rathbone Quercus Growth Fund  
Rathbone Sherwood Fund  
Rathbone Sussex Income Fund  
Rathbone Sussex Growth Fund

### **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, Key Investor Information Document and Supplementary Information Document or an application form for the purchase of shares or units, please write to:

Client Services Department  
Rathbone Unit Trust Management Limited  
8 Finsbury Circus  
London EC2M 7AZ

All literature is available free of charge. Information is also available on our website: [rutm.com](http://rutm.com)

### **Data protection**

Where relevant, Rathbones' privacy notice for clients, together with our relevant terms of business, sets out how your personal data (as further detailed in the privacy notice) shall be processed by Rathbones. A copy of the privacy notice is available on request or on Rathbones' website.

From time to time Rathbone Unit Trust Management Limited may wish to communicate with you with information on other products and services offered by the Rathbone group. If you do not wish to receive these communications, please advise us in writing at the following address:

Data Protection Officer  
Rathbone Unit Trust Management Limited  
8 Finsbury Circus  
London EC2M 7AZ

# Rathbones

Look forward

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