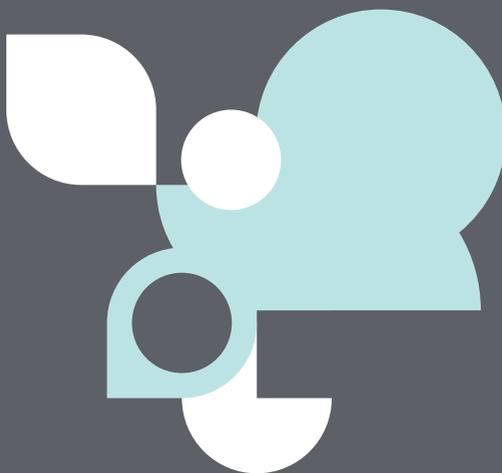


# Rathbones

Look forward

## Rathbone Heritage Fund

Interim report for the half year ended 31 October 2018



# Rathbone Heritage 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**

**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**

NatWest Trustee and Depositary Services  
280 Bishopsgate  
London EC2M 4RB  
**Authorised and regulated by the  
Financial Conduct Authority**

## Manager's report for the half year ended 31 October 2018

In the six months to 31 October 2018, the Rathbone Heritage Fund accumulation units fell 5.2%. The CPI+5% benchmark rose 3.2%, while the FTSE World index in sterling was up 4.5% over the period.

Our performance in the period has been disappointing. Relative to the FTSE World index we have been underweight the US, which was the leading contributor to market performance. Drilling down further into US returns, you see they were dominated by a small cohort of stocks led by Apple, Microsoft and the like, to which we had limited exposure. This was exacerbated by the strength of the dollar. Elsewhere, our holdings in China were hurt by weakness across the whole index. Meanwhile, some stock-specific issues impacted the fund as well.

The greatest of these was Patisserie Holdings which reported a material discrepancy between its audited accounts and the actual financial status of the firm. This is an ongoing situation and we continue to monitor this position very closely to gain greater clarity on the historic profitability of the business and its future prospects.

As dictated by our market-valuation-linked mechanical cash process, our cash level ended the period at 24.8% and we continued to hold short-dated gilts (including the 0% T-Bill 8/10/2018) to manage our counterparty risk. Cash was a drag to performance over the year.

During the second quarter, we bought JP Morgan, which increased our exposure to US financials with a large, diversified, well-capitalised bank. Management is risk focused and has been utilising its sheer size to invest heavily in technology and marketing. We believe this should ensure that JP Morgan has the right proposition for the changing needs of its customers.

We also purchased Spotify Technology, a play on increased 4G penetration and streaming, greater smartphone usage and growth in the music industry. Unlike streaming services in other media, Spotify Technology has positive free cash flow – a characteristic we very much like – because it isn't being driven to spend more and more on content creation. The musicians do that. Instead, Spotify Technology can focus on helping users find music and share it with friends. That is the key to its success: refining its machine-learning systems and machine-derived playlists.

We reintroduced Reckitt Benckiser to our fund during the third quarter. We felt its second-quarter results indicated a sustainable improvement was underway, particularly in the hygiene and homecare division, following a period of disappointments. And we were encouraged by innovation at subsidiary Mead Johnson, both in terms of products and marketing. In our view, we bought a high-quality business with encouraging prospects at a reasonable price.

We also added Adobe, a global leader in software for creative industries and digital marketing tools. The business has changed a lot in the past few years, moving from a one-off software purchase model to a recurring subscription approach. The switch has gone well and the new model is well established. Company earnings should continue to benefit as more existing users switch to a subscription, but the majority of growth will come from attracting new users in a growing market as the mega trend of digital transformation continues.

In May, Wabtec announced a merger with GE Transport. The deal was taken well by markets and the shares shot up. Although there are definite positives to come from this merger, it changed the business in some quite fundamental ways. It adds to the cyclical nature of the business, as well as increasing the importance of the US freight market to it. The tie-up brought Wabtec into the production of locomotives, something it hasn't done before. Overall these factors, plus the increased risks associated with any large acquisition, led us to more than halve our position.

We sold Danske Bank following a weak year. The Danish lender was dogged by a money laundering scandal in Estonia and suffered along with other European banks as interest rate expectations on the Continent waned. Danske was previously considered a well-run and very risk-averse business with an excellent capital ratio and dividend. The Estonia issue tarnished this reputation and we felt that the scandal's continuing uncertainty would overshadow the business's fundamentals.

Dormakaba is a business we thought would continue to gain share in the global access market, which we view as fundamentally attractive. The company continues to integrate several businesses, however, and the level of potential synergies has been disappointing. With low visibility and rising

concern that its managers were not on top of all the issues, we decided to exit the position. This has reaffirmed for us our aversion to stocks undergoing major corporate change, be it large scale M&A or wholesale change in the business model. Although this can afford an opportunity, it also increases the risks beyond those of normal business activities.

Delphi Technologies had a tough third quarter, one that led us to sell our holding in early October following the announcement of lower earnings expectations and a sudden leadership change. Our initial holding in Delphi came via a spin-off from Aptiv, which remains a conviction name. But with Delphi, we felt there could be further earnings downside. Given the increasing risk profile and cyclicity of future earnings, we decided to move on.

Our position in Mastercard was reduced following a period of strong performance as part of our normal portfolio management.

Given all that has happened within our fund, it's important to highlight that although our investment principles remain the same, we must continue learning and evolving our investment process. As such we need to cast a critical eye on the things which have not gone our way. We don't expect every decision we make to be correct, but we want to minimise the ones that are wrong. We need to learn from what has gone before, but not make kneejerk changes; we need to understand what has happened and why, what we could have avoided and what decisions we might make differently in the future.

As we move toward the end of the year markets are beginning to experience a few more wobbles. If the momentum that has been driving the US in particular abates, the fund should be well positioned to withstand this. We will look to deploy our cash resources if, and when, markets and the cyclically adjusted price-to-earnings ratio afford us the opportunity.

**Elizabeth Davis**  
Fund Manager  
*21 November 2018*

## Net asset value per unit and comparative tables

### I-Class income units

	<b>31.10.18</b>	30.04.18	30.04.17	30.04.16
	<b>pence per unit</b>	pence per unit	pence per unit	pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	144.53p	142.13p	123.17p	120.90p
Return before operating charges*	(5.73p)	5.59p	21.95p	5.44p
Operating charges	(0.67p)	(1.31p)	(1.23p)	(1.09p)
Return after operating charges*	(6.40p)	4.28p	20.72p	4.35p
Distributions on income units	(0.96p)	(1.88p)	(1.76p)	(2.08p)
Closing net asset value per unit	137.17p	144.53p	142.13p	123.17p
*after direct transactions costs <sup>1</sup> of:	0.06p	0.13p	0.09p	0.08p

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

### Performance

Return after charges	(4.43%)	3.01%	16.82%	3.60%
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### Other information

Closing net asset value	£1,424,744	£1,085,033	£591,914	£38,868
Closing number of units	1,038,654	750,719	416,467	31,556
Operating charges	0.90%	0.90%	0.90%	0.90%
Direct transaction costs	0.04%	0.09%	0.06%	0.07%

### Prices

Highest unit price	153.07p	151.70p	143.91p	126.04p
Lowest unit price	136.80p	139.54p	120.78p	112.14p

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

### I-Class accumulation units

	<b>31.10.18</b> <b>pence per unit</b>	30.04.18 pence per unit	30.04.17 pence per unit	30.04.16 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	157.99p	153.42p	129.97p	125.54p
Return before operating charges*	(6.26p)	5.99p	24.76p	5.58p
Operating charges	(0.73p)	(1.42p)	(1.31p)	(1.15p)
Return after operating charges*	(6.99p)	4.57p	23.45p	4.43p
Distributions on accumulation units	(1.05p)	(2.03p)	(1.88p)	(2.18p)
Retained distributions on accumulation units	1.05p	2.03p	1.88p	2.18p
Closing net asset value per unit	151.00p	157.99p	153.42p	129.97p
*after direct transactions costs <sup>1</sup> of:	0.06p	0.14p	0.09p	0.09p

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

### Performance

Return after charges	(4.42%)	2.98%	18.04%	3.53%
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### Other information

Closing net asset value	£19,224,539	£15,732,119	£7,339,064	£2,491,715
Closing number of units	12,731,823	9,957,497	4,783,707	1,917,202
Operating charges	0.90%	0.90%	0.90%	0.90%
Direct transaction costs	0.04%	0.09%	0.06%	0.07%

### Prices

Highest unit price	167.27p	164.64p	154.09p	133.07p
Lowest unit price	149.52p	151.47p	128.70p	118.38p

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

### S-Class income units

	<b>31.10.18</b>	30.04.18	30.04.17	30.04.16
	<b>pence per unit</b>	pence per unit	pence per unit	pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	147.19p	144.15p	122.92p	120.15p
Return before operating charges*	(5.83p)	5.76p	23.76p	5.54p
Operating charges	(0.42p)	(0.82p)	(0.75p)	(0.67p)
Return after operating charges*	(6.25p)	4.94p	23.01p	4.87p
Distributions on income units	(0.98p)	(1.90p)	(1.78p)	(2.10p)
Closing net asset value per unit	139.96p	147.19p	144.15p	122.92p
*after direct transactions costs <sup>1</sup> of:	0.06p	0.14p	0.09p	0.08p

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

### Performance

Return after charges	(4.25%)	3.43%	18.72%	4.05%
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### Other information

Closing net asset value	£4,923,032	£5,222,279	£5,340,164	£5,186,178
Closing number of units	3,517,464	3,548,064	3,704,564	4,219,214
Operating charges	0.55%	0.55%	0.55%	0.55%
Direct transaction costs	0.04%	0.09%	0.06%	0.07%

### Prices

Highest unit price	156.01p	154.28p	146.00p	127.42p
Lowest unit price	139.53p	142.04p	122.18p	113.28p

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

### S-Class accumulation units

	<b>31.10.18</b> pence per unit	30.04.18 pence per unit	30.04.17 pence per unit	30.04.16 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	160.79p	155.49p	130.94p	125.81p
Return before operating charges*	(6.35p)	6.18p	25.35p	5.84p
Operating charges	(0.46p)	(0.88p)	(0.80p)	(0.71p)
Return after operating charges*	(6.81p)	5.30p	24.55p	5.13p
Distributions on accumulation units	(1.07p)	(2.06p)	(1.90p)	(2.21p)
Retained distributions on accumulation units	1.07p	2.06p	1.90p	2.21p
Closing net asset value per unit	153.98p	160.79p	155.49p	130.94p

\*after direct transactions costs<sup>1</sup> of: 0.06p 0.15p 0.09p 0.09p

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

### Performance

Return after charges (4.24%) 3.41% 18.75% 4.08%

### Other information

Closing net asset value	£9,089,097	£11,709,909	£9,845,038	£8,626,374
Closing number of units	5,902,887	7,282,858	6,331,791	6,588,039
Operating charges	0.55%	0.55%	0.55%	0.55%
Direct transaction costs	0.04%	0.09%	0.06%	0.07%

### Prices

Highest unit price	170.44p	167.39p	156.28p	134.98p
Lowest unit price	152.45p	154.12p	130.15p	119.57p

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

### 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.

### Discrete annual performance, quarter ending 30 September

	2014	2015	2016	2017	2018
I-Class units	9.20%	6.52%	17.28%	9.49%	4.63%
S-Class units	9.60%	6.90%	17.69%	9.87%	4.99%
UK Consumer Price Index +5%	6.30%	4.90%	5.95%	8.11%	7.51%
FTSE World index	11.93%	0.83%	31.18%	15.43%	14.16%

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 31 October 2018

Holding (Ordinary shares unless otherwise stated)	Value £	Percentage of total net assets
<b>Debt Securities (30.04.18: 11.10%)</b>		
<b>Government Bonds (30.04.18: 11.10%)</b>		
1,500,000 UK Treasury 0% 12/11/2018*	1,499,681	4.33
1,500,000 UK Treasury 0% 10/12/2018*	1,498,850	4.32
1,500,000 UK Treasury 0% 14/01/2019*	1,497,855	4.32
	<b>4,496,386</b>	<b>12.97</b>
<b>United Kingdom (30.04.18: 16.94%)</b>		
<b>Support Services (30.04.18: 2.33%)</b>		
38,580 Bunzl	<b>891,198</b>	<b>2.57</b>
<b>Household Goods (30.04.18: 0.00%)</b>		
13,830 Reckitt Benckiser	<b>875,854</b>	<b>2.53</b>
<b>Travel and Leisure (30.04.18: 4.96%)</b>		
20,300 Carnival	865,389	2.50
580,000 Patisserie Holdings	290,000	0.83
	<b>1,155,389</b>	<b>3.33</b>
<b>Software and Computer Services (30.04.18: 1.26%)</b>		
35,200 Micro Focus International	<b>428,912</b>	<b>1.24</b>
<b>Real Estate (30.04.18: 4.73%)</b>		
101,250 Big Yellow	873,281	2.52
840,000 PRS REIT	844,200	2.44
	<b>1,717,481</b>	<b>4.96</b>
<b>Food Producers (30.04.18: 2.42%)</b>		
21,750 Unilever	<b>901,755</b>	<b>2.60</b>
<b>Total United Kingdom</b>		
	<b>5,970,589</b>	<b>17.23</b>
<b>United States (30.04.18: 17.88%)</b>		
<b>Aerospace and Defence (30.04.18: 2.16%)</b>		
3,625 Lockheed Martin	<b>833,573</b>	<b>2.41</b>
<b>Automobiles and Parts (30.04.18: 2.38%)</b>		
16,365 Aptiv	<b>983,245</b>	<b>2.84</b>
<b>Food Producers (30.04.18: 0.00%)</b>		
18,000 Mondelez International 'A'	<b>591,242</b>	<b>1.71</b>

## Portfolio and net other assets as at 31 October 2018 *(continued)*

Holding (Ordinary shares unless otherwise stated)	Value £	Percentage of total net assets
<b>General Retailers</b> (30.04.18: 2.59%)		
4,600 Ultra Beauty	<b>988,294</b>	<b>2.85</b>
<b>Banks</b> (30.04.18: 0.00%)		
10,360 JP Morgan	<b>884,259</b>	<b>2.55</b>
<b>Financial Services</b> (30.04.18: 5.20%)		
16,680 Discover Financial Services	909,225	2.62
5,700 MasterCard	881,799	2.55
	<b>1,791,024</b>	<b>5.17</b>
<b>Software and Computer Services</b> (30.04.18: 2.40%)		
4,455 Adobe	856,866	2.47
15,380 Cognizant Technology Solutions	830,779	2.40
	<b>1,687,645</b>	<b>4.87</b>
<b>Total United States</b>	<b>7,759,282</b>	<b>22.40</b>
<b>Belgium</b> (30.04.18: 4.42%)		
<b>Beverages</b> (30.04.18: 2.36%)		
13,465 Anheuser-Busch InBev	<b>777,662</b>	<b>2.24</b>
<b>Travel and Leisure</b> (30.04.18: 2.06%)		
15,000 Kinopolis	<b>630,482</b>	<b>1.82</b>
<b>Total Belgium</b>	<b>1,408,144</b>	<b>4.06</b>
<b>China</b> (30.04.18: 5.75%)		
<b>Software and Computer Services</b> (30.04.18: 5.75%)		
30,000 Tencent	797,261	2.30
400,000 TravelSky	753,135	2.17
<b>Total China</b>	<b>1,550,396</b>	<b>4.47</b>
<b>Denmark</b> (30.04.18: 4.60%)		
<b>Food Producers</b> (30.04.18: 2.44%)		
11,395 Chr Hansen	<b>902,542</b>	<b>2.60</b>
<b>Finland</b> (30.04.18: 2.97%)		
<b>Non-Life Insurance</b> (30.04.18: 2.97%)		
28,380 Sampo	<b>1,021,743</b>	<b>2.95</b>

## Portfolio and net other assets as at 31 October 2018 *(continued)*

Holding (Ordinary shares unless otherwise stated)	Value £	Percentage of total net assets
<b>Germany</b> (30.04.18: 2.47%)		
<b>Travel and Leisure</b> (30.04.18: 2.47%)		
28,280 CTS Eventim	<b>831,567</b>	<b>2.40</b>
<b>Hong Kong</b> (30.04.18: 3.50%)		
<b>Life Insurance</b> (30.04.18: 3.50%)		
203,700 AIA	<b>1,206,933</b>	<b>3.48</b>
<b>Ireland</b> (30.04.18: 2.43%)		
<b>Support Services</b> (30.04.18: 2.43%)		
13,465 DCC	<b>904,175</b>	<b>2.61</b>
<b>Italy</b> (30.04.18: 2.46%)		
<b>Support Services</b> (30.04.18: 2.46%)		
94,000 Cerved Information Solutions	<b>587,235</b>	<b>1.69</b>
<b>Luxembourg</b> (30.04.18: 0.00%)		
<b>Software and Computer Services</b> (30.04.18: 0.00%)		
6,730 Spotify Technology	<b>788,217</b>	<b>2.27</b>
<b>Netherlands</b> (30.04.18: 5.35%)		
<b>Media</b> (30.04.18: 2.46%)		
61,000 RELX	<b>944,447</b>	<b>2.73</b>
<b>Technology Hardware and Equipment</b> (30.04.18: 2.89%)		
7,300 ASML Holdings	<b>976,951</b>	<b>2.82</b>
<b>Total Netherlands</b>	<b>1,921,398</b>	<b>5.55</b>
<b>Switzerland</b> (30.04.18: 4.32%)		
<b>Pharmaceuticals and Biotechnology</b> (30.04.18: 2.40%)		
14,915 Novartis (Registered)	<b>1,023,508</b>	<b>2.95</b>

## Portfolio and net other assets as at 31 October 2018 *(continued)*

Holding (Ordinary shares unless otherwise stated)	Value £	Percentage of total net assets
<b>Total value of investments</b> (30.04.18: 84.19%)	30,372,115	87.63
<b>Net other assets</b> (30.04.18: 15.81%)	4,289,297	12.37
<b>Total value of the fund as at 31 October 2018</b>	<b>34,661,412</b>	<b>100.00</b>

\*Debt securities

Sectors eliminated since the beginning of the period:

### United Kingdom

Automobiles and Parts 1.24%

### United States

Industrial Engineering 3.15%

### Denmark

Banks 2.16%

### Switzerland

Electronic and Electrical Equipment 1.92%

## Summary of portfolio investments

	Value £	Percentage of total net assets
Debt Securities	4,496,386	12.97
Equity Securities	25,875,729	74.66
<b>Total value of investments</b>	<b>30,372,115</b>	<b>87.63</b>

## Statement of total return for the half year ended 31 October 2018

	31.10.18 £	31.10.18 £	31.10.17 £	31.10.17 £
Income				
Net capital (losses)/gains		<b>(1,838,428)</b>		753,614
Revenue	<b>270,401</b>		174,539	
Expenses	<b>(135,806)</b>		(86,394)	
Interest payable and similar charges	<b>(68)</b>		(34)	
Net revenue before taxation	<b>134,527</b>		88,111	
Taxation	<b>(12,149)</b>		(10,860)	
Net revenue after taxation		<b>122,378</b>		77,251
<b>Total (deficit)/return before distributions</b>		<b>(1,716,050)</b>		830,865
Distributions		<b>(230,403)</b>		(144,298)
<b>Change in net assets attributable to unitholders from investment activities</b>		<b>(1,946,453)</b>		686,567

## Statement of change in net assets attributable to unitholders for the half year ended 31 October 2018

	31.10.18 £	31.10.18 £	31.10.17 £	31.10.17 £
<b>Opening net assets attributable to unitholders</b>		<b>33,749,340</b>		23,116,180
Amounts receivable on issue of units	<b>6,192,016</b>		4,394,117	
Amounts payable on cancellation of units	<b>(3,530,336)</b>		(957,366)	
		<b>2,661,680</b>		3,436,751
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		<b>(1,946,453)</b>		686,567
Retained distributions on accumulation units		<b>196,845</b>		125,815
<b>Closing net assets attributable to unitholders</b>		<b>34,661,412</b>		27,365,313

## Balance sheet as at 31 October 2018

	31.10.18 £	31.10.18 £	30.04.18 £	30.04.18 £
<b>Assets</b>				
<b>Fixed assets:</b>				
Investments		<b>30,372,115</b>		28,413,016
<b>Current assets:</b>				
Debtors	<b>540,474</b>		562,546	
Cash and bank balances	<b>4,852,446</b>		5,342,301	
<b>Total current assets</b>		<b>5,392,920</b>		5,904,847
<b>Total assets</b>		<b>35,765,035</b>		34,317,863
<b>Liabilities</b>				
<b>Creditors:</b>				
Other creditors	<b>(1,059,181)</b>		(524,826)	
Distribution payable on income units	<b>(44,442)</b>		(43,697)	
<b>Total liabilities</b>		<b>(1,103,623)</b>		(568,523)
<b>Net assets attributable to unitholders</b>		<b>34,661,412</b>		33,749,340

## Notes to the interim financial statements

### Accounting policies

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

All accounting policies applied are consistent with those of the annual report for the year ended 30 April 2018 and are detailed in full in those financial statements.

### Portfolio transaction costs

Total purchases and sales transactions for the half year ended 31 October 2018 were £15,164,648 and £11,376,738 respectively.

# Distribution tables for the half year ended 31 October 2018

## Distribution tables (pence per unit)

### Interim

Group 1 – units purchased prior to 1 May 2018

Group 2 – units purchased on or after 1 May 2018 and on or before 31 October 2018

<b>I-Class income units</b>	<b>Net Income</b>	<b>Equalisation</b>	<b>Payable 31.12.18</b>	<b>Paid 29.12.17</b>
Group 1	0.96	–	0.96	0.88
Group 2	0.19	0.77	0.96	0.88

<b>I-Class accumulation units</b>	<b>Net Income</b>	<b>Equalisation</b>	<b>Allocated 31.12.18</b>	<b>Accumulated 29.12.17</b>
Group 1	1.05	–	1.05	0.94
Group 2	0.35	0.70	1.05	0.94

<b>S-Class income units</b>	<b>Net Income</b>	<b>Equalisation</b>	<b>Payable 31.12.18</b>	<b>Paid 29.12.17</b>
Group 1	0.98	–	0.98	0.88
Group 2	0.98	–	0.98	0.88

<b>S-Class accumulation units</b>	<b>Net Income</b>	<b>Equalisation</b>	<b>Allocated 31.12.18</b>	<b>Accumulated 29.12.17</b>
Group 1	1.07	–	1.07	0.95
Group 2	0.35	0.72	1.07	0.95

### 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%
Depository 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 Heritage Fund  
*21 December 2018*

## General information

### Authorised status

Rathbone Heritage Fund is an authorised unit trust scheme constituted by a Trust Deed, authorised by the FCA on 29 June 2012 and launched on 25 March 2013.

### Investment objective, policy and strategy

The objective of the fund is to provide long-term total returns with a strong focus on capital preservation by mitigating downside risk through a robust investment process (capital preservation is not however guaranteed). The Manager intends to achieve the objective primarily through the purchase of ordinary shares. There are no restrictions on the economic sectors or geographic areas in which the fund may invest. It is likely that the fund will provide a variable income yield. To meet this objective, the fund may also invest, at the Manager's discretion, in other transferable securities, approved money market instruments, warrants, cash and near cash, deposits and units in collective investment schemes. Use may be made of stocklending, borrowing, hedging and other investment techniques.

### 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.

The minimum initial investment for I-Class units is £1,000,000. The minimum initial investment for S-Class units is £30,000,000. 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.

There is no preliminary charge for I-Class units or S-Class units.

The Manager currently receives an annual remuneration for managing the I-Class property of the fund at the rate of 0.75% and 0.40% for S-Class.

### Statements

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

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 units are available on the IA website under the heading Rathbone Unit Trust Management Limited. The associated cancellation price is available on request from the Manager or the Administrator.

### 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 funds 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.

If you have any queries or complaints about the operation of the fund you should put them 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 Core Investment Fund for Charities  
Rathbone Dragon Trust  
Rathbone Ethical Bond Fund  
Rathbone Global Opportunities Fund  
Rathbone Income Fund  
Rathbone Spenser Fund  
Rathbone Strategic Bond Fund  
Rathbone UK Opportunities 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

**Rathbone Unit Trust Management Limited**

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