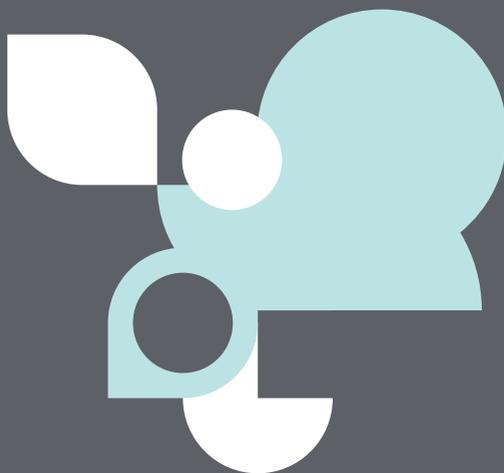


# Rathbones

Look forward

## Rathbone Heritage Fund

Interim report for the half year ended 31 October 2019



# 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 of the Manager**

PL Howell – (retired 9 May 2019)  
P Stockton – Chairman  
MM Webb – Chief Executive Officer  
JR Chillingworth – Chief Investment Officer  
JM Ardouin – Finance Director  
CRC Hexton  
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 Limited  
250 Bishopsgate  
London EC2M 4AA  
**Authorised and regulated by the  
Financial Conduct Authority**

## Manager's report for the half year ended 31 October 2019

In the six months ended 31 October 2019, your fund fell 0.1%. The CPI+5% benchmark rose 3.9% and the FTSE World Index in sterling was up 4.6% over the period.

This disappointing performance was largely driven by poor earnings from two contrasting businesses. US cosmetics retailer Ulta Beauty was caught up in a market-wide slowdown in American make-up sales. The adverse share price reaction suggested a collapse in the business case. We do not agree; we added to our holding. More problematic was IT software business Micro Focus International, which has a habit of surprising investors, in both positive and negative fashions. The last twelve months has evidenced both, but the latest disappointment instructs us to review. Finally, cash also acts as a brake in rising markets. As dictated by our market-valuation-linked mechanical cash process, our cash level ended the period at 24.4%. As part of our cash position, we continued to hold short-dated gilts (including the 0% T-Bill 9/9/2019) to manage our counterparty risk.

It's been a turbulent time for markets lately. Stocks have surged higher year to date, but most national indices are still below their highs of 2018. Put simply, it has been a reluctant sort of rally. Much of the rise in index values has been driven by a global slump in government bond yields which continued in the third quarter. In the UK they hit all-time lows along the way. The 10-year gilt dropped from 1.28% at the start of the year to 0.63%, bottoming at a record 0.41% in early September. This downward march has been driven by lower GDP growth estimates and generally weakened inflation around the world. The US Federal Reserve (Fed) cut interest rates three times during the period, taking the benchmark borrowing rate to 1.50%-1.75%. Meanwhile, the trade war continues to roll on between the US and China, with half-hearted pauses and regular rhetoric fraying confidence in global commerce.

In the UK, the whirlwind that is Boris Johnson's premiership whipped up excitement. Getting off to a rough start, the new Prime Minister barrelled straight into renegotiating the UK's Brexit deal with the European Union (EU). He lost a slew of votes and banished a score of Conservative MPs from his party for undermining him. Sterling took it hard, slumping to a 34-year low against the dollar in

early August. Then, in October, Mr Johnson sealed a deal that satisfied the EU, won a parliamentary vote to adopt the deal and then abruptly lined up a 12 December election. If a resolution does come in the new year, it could quickly remove the big rusty anchor that has held down sterling, UK GDP growth and bond yields.

Early in the period, we added Swiss pharmaceutical giant Roche to the portfolio, increasing our exposure to the healthcare sector, as a way to augment our late-cycle positioning. Investors have warmed to Roche as its earnings have been consistently upgraded on the back of successful launches of new oncology treatments. Sales consistently came in ahead of target throughout 2019. Importantly, further launches could come in 2020. In order to further increase our exposure to the sector, we later added to our holdings of GlaxoSmithKline. The outstanding sales performance of its Shingrix vaccine, for shingles, shows the ongoing recovery of the business under CEO Emma Walmsley.

Another addition was JM Smucker. This American packaged food producer makes peanut butter, jam, coffee, pet food and strange branded snacks that you will never have heard of but which are in 90% of American pantries. This business is like a small Kraft Heinz – a household brands company but one completely focused on the US. JM Smucker is a recession-resistant "bullets and beans" investment that we believe is prudent, given the recent deceleration in global GDP growth. We also find it appealing that the business is run by the fifth generation of the Smucker family, who are still material shareholders. Unlike Kraft Heinz, JM Smucker has not sacrificed product innovation or marketing to increase operating margins at the expense of sales. We believe its longer-term approach bodes well for maximising long-term profits.

We also bought WPP, the marketing and advertising conglomerate that has been well and truly mauled over the past couple of years. It is received wisdom today that advertising companies offer nothing and their business is quickly getting gobbled up by Silicon Valley upstarts like Facebook and Alphabet. We think this overstates the case a bit. WPP makes adverts; Facebook and Google don't. They provide platforms on which ads can be published and analytics to make ads more effective. WPP's

customers are very large businesses that can make use of its scale. WPP has been analysing consumer behaviour for decades and has time-proven creative skills that social media businesses and consultants simply do not provide. WPP was the victim of the zero-based budgeting craze that swept across consumer brands companies – particularly US ones – over the past few years. This led to companies questioning every expense each year and looking to slash anything possible in order to improve margins. However, zero-based budgeting hasn't been as effective as many companies thought – and in many cases it has actually been detrimental to the revenue generation of businesses that slashed spending with abandon. It seems likely that agency relationships may see a resurgence in the coming years.

ASML had a particularly good six months, rising almost 30%. This Dutch company makes machines that print the computer chips that go in everything with a digital pulse. Its share price has bounced around this year because the semiconductor industry's future earnings are considered to be heavily reliant on global GDP growth and that expansion has been a bit wobbly of late. It's true that computer chips are a volume industry, which means that weaker growth will reduce the amount of goods the world needs (and therefore the chips that go in them). But we own ASML because it is more than simply surfing on the rolling waves of GDP – rather it is the shop on the beachfront selling surfboards to the people taking the risks. The company benefits from sustainable secular trends such as the transition to higher computing power. Its absolute technology leadership makes it the only supplier of the next-generation extreme ultraviolet lithography (EUV) chip machines. We trimmed some of the holding to keep our portfolio balanced.

We're tortoise lovers over here. Slow and steady compounders excite us more than hares whose earnings and share prices go off on massive tears (both up and down). Companies like CTS Eventim don't get a lot of press attention, but investors certainly value its ability to execute on its strategy. The business sells tickets to shows all over Europe, from stadium venues for perennial tourers like AC/DC or Beyoncé to niche German folk festivals. It has a particularly entrenched position in non-English markets, which have proven beyond larger rivals' ability to break into. CTS reported another strong

half-year, driving its share price higher. Once more, prudence encouraged a pruning of the position. We also reduced our holdings in Mastercard and Aptiv. The shift from cash to card payments continues as expected, driven by the adoption of contactless technology in the US, especially in areas like mass transit. This has helped drive Mastercard's earnings and share price. We have trimmed our holding to manage the exposure within the portfolio, but think the story still has room to go. Aptiv has performed well through the year, as it has continued to outperform the general automobile market, but we remain mindful of our exposure in this area which could come under demand pressure.

We sold Cognizant Technology Solutions just ahead of its results. We felt that, in the medium term, its management wouldn't be able to achieve anything better than the targets laid out last November, which seemed to be fully reflected in the share price. In the event, the results were a disappointment and the shares traded down.

The global investor mood is pretty glum right now. It's not quite despair, but it's definitely pessimistic. Global PMIs – a mixture of upcoming orders, hiring intentions and general mood-taker of economies – have been poor around the world for the past few months. As these numbers glide below 50, the level which separates growth and decline in business activity, concerns about a worldwide downturn rise. Chinese GDP growth is slowing. The UK is expected to dodge recession, but only just. Germany is looking like it will be less lucky. Even the US, that shining light of economic activity, has appeared to fade lately.

The Fed does appear to be on pause with interest rates now. In just four months, the central bank reversed a third of all the interest rate increases that it took three and a half years to implement. Looking around the global economy, it's hard to tell whether we are sinking into recession or if this is just a temporary fluctuation in economic activity that will pick up again. We feel it's just too early to say. US employment is strong, household spending is skipping along and the American housing market has been doing well. These are atypical signs of impending doom for the US economy, which is the predominant driver of worldwide economic growth.

## Manager's report for the half year ended 31 October 2019 *(continued)*

We have balanced our risks recently. We've added some investments that should hold up well if the world tumbles into a recession, but overall we believe global commerce will keep growing over the coming year or so. If we are correct, then lower-but-positive growth should push investors into buying the companies that can provide that scarce growth. If they do, we should benefit.

Elizabeth Davis  
Fund Manager  
*26 November 2019*

## Net asset value per unit and comparative tables

### I-Class income units

	<b>31.10.19</b> <b>pence per unit</b>	30.04.19 pence per unit	30.04.18 pence per unit	30.04.17 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	147.55p	144.53p	142.13p	123.17p
Return before operating charges*	0.21p	6.42p	5.59p	21.95p
Operating charges	(0.68p)	(1.29p)	(1.31p)	(1.23p)
Return after operating charges*	(0.47p)	5.13p	4.28p	20.72p
Distributions on income units	(1.21p)	(2.11p)	(1.88p)	(1.76p)
Closing net asset value per unit	145.87p	147.55p	144.53p	142.13p
*after direct transactions costs <sup>1</sup> of:	0.03p	0.09p	0.13p	0.09p

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

### Performance

Return after charges	(0.32%)	3.55%	3.01%	16.82%
----------------------	---------	-------	-------	--------

### Other information

Closing net asset value	£1,549,093	£1,603,503	£1,085,033	£591,914
Closing number of units	1,061,941	1,086,764	750,719	416,467
Operating charges	0.90%	0.90%	0.90%	0.90%
Direct transaction costs	0.02%	0.06%	0.09%	0.06%

### Prices\*\*

Highest unit price	156.35p	153.07p	151.70p	143.91p
Lowest unit price	143.98p	131.06p	139.54p	120.78p

\*\* These prices may have been calculated on a different basis to the closing net asset value per unit shown in the comparative table, this may result in the closing net asset value per unit being higher or lower than the published highest or lowest prices for the period.

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

### I-Class accumulation units

	<b>31.10.19</b> pence per unit	30.04.19 pence per unit	30.04.18 pence per unit	30.04.17 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	163.66p	157.99p	153.42p	129.97p
Return before operating charges*	0.23p	7.09p	5.99p	24.76p
Operating charges	(0.75p)	(1.42p)	(1.42p)	(1.31p)
Return after operating charges*	(0.52p)	5.67p	4.57p	23.45p
Distributions on accumulation units	(1.34p)	(2.32p)	(2.03p)	(1.88p)
Retained distributions on accumulation units	1.34p	2.32p	2.03p	1.88p
Closing net asset value per unit	163.14p	163.66p	157.99p	153.42p
*after direct transactions costs <sup>1</sup> of:	0.03p	0.10p	0.14p	0.09p

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

### Performance

Return after charges	(0.32%)	3.59%	2.98%	18.04%
----------------------	---------	-------	-------	--------

### Other information

Closing net asset value	£17,788,417	£16,759,421	£15,732,119	£7,339,064
Closing number of units	10,903,557	10,240,491	9,957,497	4,783,707
Operating charges	0.90%	0.90%	0.90%	0.90%
Direct transaction costs	0.02%	0.06%	0.09%	0.06%

### Prices\*\*

Highest unit price	173.42p	167.27p	164.64p	154.09p
Lowest unit price	159.70p	144.26p	151.47p	128.70p

\*\* These prices may have been calculated on a different basis to the closing net asset value per unit shown in the comparative table, this may result in the closing net asset value per unit being higher or lower than the published highest or lowest prices for the period.

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

### S-Class income units

	<b>31.10.19</b> pence per unit	30.04.19 pence per unit	30.04.18 pence per unit	30.04.17 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	150.75p	147.19p	144.15p	122.92p
Return before operating charges*	0.24p	6.53p	5.76p	23.76p
Operating charges	(0.42p)	(0.81p)	(0.82p)	(0.75p)
Return after operating charges*	(0.18p)	5.72p	4.94p	23.01p
Distributions on income units	(1.26p)	(2.16p)	(1.90p)	(1.78p)
Closing net asset value per unit	149.31p	150.75p	147.19p	144.15p
*after direct transactions costs <sup>1</sup> of:	0.03p	0.09p	0.14p	0.09p

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

### Performance

Return after charges	(0.12%)	3.89%	3.43%	18.72%
----------------------	---------	-------	-------	--------

### Other information

Closing net asset value	£5,012,371	£5,100,830	£5,222,279	£5,340,164
Closing number of units	3,357,125	3,383,664	3,548,064	3,704,564
Operating charges	0.55%	0.55%	0.55%	0.55%
Direct transaction costs	0.02%	0.06%	0.09%	0.06%

### Prices\*\*

Highest unit price	159.91p	156.01p	154.28p	146.00p
Lowest unit price	147.13p	133.75p	142.04p	122.18p

\*\* These prices may have been calculated on a different basis to the closing net asset value per unit shown in the comparative table, this may result in the closing net asset value per unit being higher or lower than the published highest or lowest prices for the period.

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

### S-Class accumulation units

	<b>31.10.19</b> pence per unit	30.04.19 pence per unit	30.04.18 pence per unit	30.04.17 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	167.15p	160.79p	155.49p	130.94p
Return before operating charges*	0.27p	7.25p	6.18p	25.35p
Operating charges	(0.47p)	(0.89p)	(0.88p)	(0.80p)
Return after operating charges*	(0.20p)	6.36p	5.30p	24.55p
Distributions on accumulation units	(1.41p)	(2.36p)	(2.06p)	(1.90p)
Retained distributions on accumulation units	1.41p	2.36p	2.06p	1.90p
Closing net asset value per unit	166.95p	167.15p	160.79p	155.49p
*after direct transactions costs <sup>1</sup> of:	0.03p	0.10p	0.15p	0.09p

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

### Performance

Return after charges	(0.12%)	3.96%	3.41%	18.75%
----------------------	---------	-------	-------	--------

### Other information

Closing net asset value	£8,370,782	£8,924,688	£11,709,909	£9,845,038
Closing number of units	5,013,918	5,339,252	7,282,858	6,331,791
Operating charges	0.55%	0.55%	0.55%	0.55%
Direct transaction costs	0.02%	0.06%	0.09%	0.06%

### Prices\*\*

Highest unit price	177.31p	170.44p	167.39p	156.28p
Lowest unit price	163.14p	147.17p	154.12p	130.15p

\*\* These prices may have been calculated on a different basis to the closing net asset value per unit shown in the comparative table, this may result in the closing net asset value per unit being higher or lower than the published highest or lowest prices for the period.

## 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 31 October 2019

	2015	2016	2017	2018	2019
I-Class units	6.52%	17.28%	9.49%	4.63%	1.89%
S-Class units	6.90%	17.69%	9.87%	4.99%	2.27%
UK Consumer Price Index +5%	5.09%	5.65%	8.01%	7.73%	6.87%
FTSE World Index	0.83%	31.18%	15.43%	14.16%	7.93%

Source performance data Financial Express, mid to mid, 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 2019

Holding (Ordinary shares unless otherwise stated)	Value £	Percentage of total net assets
<b>Debt Securities (30.04.19: 10.02%)</b>		
<b>Government Bonds (30.04.19: 10.02%)</b>		
1,000,000 UK Treasury 0% 11/11/2019*	999,750	3.06
1,000,000 UK Treasury 0% 09/12/2019*	999,180	3.05
1,000,000 UK Treasury 0% 13/01/2020*	998,480	3.05
<b>Total Debt Securities</b>	<b>2,997,410</b>	<b>9.16</b>
<b>United Kingdom (30.04.19: 17.34%)</b>		
<b>Support Services (30.04.19: 2.14%)</b>		
37,400 Bunzl	<b>750,992</b>	<b>2.30</b>
<b>Household Goods (30.04.19: 2.49%)</b>		
13,000 Reckitt Benckiser	<b>775,190</b>	<b>2.37</b>
<b>Travel and Leisure (30.04.19: 2.20%)</b>		
19,850 Carnival	613,762	1.88
580,000 Patisserie Holdings	—	—
	<b>613,762</b>	<b>1.88</b>
<b>Software and Computer Services (30.04.19: 1.59%)</b>		
34,000 Micro Focus International	<b>360,400</b>	<b>1.10</b>
<b>Real Estate (30.04.19: 4.82%)</b>		
83,250 Big Yellow	950,715	2.91
700,000 PRS REIT	616,000	1.88
	<b>1,566,715</b>	<b>4.79</b>
<b>Food Producers (30.04.19: 2.64%)</b>		
17,000 Unilever	<b>785,740</b>	<b>2.40</b>
<b>Pharmaceuticals and Biotechnology (30.04.19: 1.46%)</b>		
42,400 GlaxoSmithKline	<b>749,886</b>	<b>2.29</b>
<b>Total United Kingdom</b>	<b>5,602,685</b>	<b>17.13</b>
<b>United States (30.04.19: 26.22%)</b>		
<b>Aerospace and Defence (30.04.19: 2.49%)</b>		
2,750 Lockheed Martin	<b>800,560</b>	<b>2.45</b>

## Portfolio and net other assets as at 31 October 2019 *(continued)*

Holding (Ordinary shares unless otherwise stated)	Value £	Percentage of total net assets
<b>Automobiles and Parts</b> (30.04.19: 3.15%)		
12,250 Aptiv	<b>847,844</b>	<b>2.59</b>
<b>Food Producers</b> (30.04.19: 2.48%)		
2,700 JM Smucker	220,507	0.67
18,600 Mondelez International	754,206	2.31
	<b>974,713</b>	<b>2.98</b>
<b>General Retailers</b> (30.04.19: 2.69%)		
3,600 Ulta Beauty	<b>648,612</b>	<b>1.98</b>
<b>Banks</b> (30.04.19: 2.61%)		
9,500 JP Morgan Chase	<b>917,110</b>	<b>2.80</b>
<b>Financial Services</b> (30.04.19: 5.47%)		
13,000 Discover Financial Services	806,221	2.46
3,600 Mastercard	770,356	2.36
	<b>1,576,577</b>	<b>4.82</b>
<b>Software and Computer Services</b> (30.04.19: 6.15%)		
3,500 Adobe	751,797	2.30
4,000 Microsoft	443,184	1.36
	<b>1,194,981</b>	<b>3.66</b>
<b>Healthcare Equipment and Services</b> (30.04.19: 1.18%)		
9,700 Henry Schein	<b>469,108</b>	<b>1.43</b>
<b>Total United States</b>	<b>7,429,505</b>	<b>22.71</b>
<b>Belgium</b> (30.04.19: 2.10%)		
<b>Beverages</b> (30.04.19: 2.10%)		
10,000 Anheuser-Busch InBev	<b>621,108</b>	<b>1.90</b>
<b>Channel Islands</b> (30.04.19: 0.00%)		
<b>Media</b> (30.04.19: 0.00%)		
70,000 WPP	<b>674,100</b>	<b>2.06</b>

## Portfolio and net other assets as at 31 October 2019 *(continued)*

Holding (Ordinary shares unless otherwise stated)	Value £	Percentage of total net assets
<b>China</b> (30.04.19: 4.57%)		
<b>Software and Computer Services</b> (30.04.19: 4.57%)		
23,000 Tencent	727,057	2.22
345,000 TravelSky	607,544	1.86
<b>Total China</b>	<b>1,334,601</b>	<b>4.08</b>
<b>Denmark</b> (30.04.19: 2.47%)		
<b>Food Producers</b> (30.04.19: 2.47%)		
11,250 Chr Hansen	<b>668,707</b>	<b>2.04</b>
<b>Finland</b> (30.04.19: 2.92%)		
<b>Non-Life Insurance</b> (30.04.19: 2.92%)		
27,000 Sampo	<b>855,024</b>	<b>2.61</b>
<b>Germany</b> (30.04.19: 2.66%)		
<b>Travel and Leisure</b> (30.04.19: 2.66%)		
17,300 CTS Eventim	<b>807,678</b>	<b>2.47</b>
<b>Hong Kong</b> (30.04.19: 3.39%)		
<b>Life Insurance</b> (30.04.19: 3.39%)		
140,500 AIA	<b>1,084,021</b>	<b>3.31</b>
<b>Ireland</b> (30.04.19: 2.43%)		
<b>Support Services</b> (30.04.19: 2.43%)		
11,500 DCC	<b>831,910</b>	<b>2.54</b>
<b>Italy</b> (30.04.19: 1.08%)		
<b>Support Services</b> (30.04.19: 1.08%)		
58,000 Cerved Information Solutions	<b>436,052</b>	<b>1.33</b>
<b>Luxembourg</b> (30.04.19: 2.16%)		
<b>Software and Computer Services</b> (30.04.19: 2.16%)		
6,730 Spotify Technology	<b>749,922</b>	<b>2.29</b>

## Portfolio and net other assets as at 31 October 2019 *(continued)*

Holding (Ordinary shares unless otherwise stated)	Value £	Percentage of total net assets
<b>Netherlands</b> (30.04.19: 5.79%)		
<b>Media</b> (30.04.19: 2.44%)		
42,000 RELX	<b>780,351</b>	<b>2.39</b>
<b>Technology Hardware and Equipment</b> (30.04.19: 3.35%)		
5,900 ASML Holdings	<b>1,195,401</b>	<b>3.65</b>
<b>Total Netherlands</b>	<b>1,975,752</b>	<b>6.04</b>
<b>Switzerland</b> (30.04.19: 2.09%)		
<b>Pharmaceuticals and Biotechnology</b> (30.04.19: 2.09%)		
11,600 Novartis	782,112	2.39
3,250 Roche Holding AG	755,323	2.31
<b>Total Switzerland</b>	<b>1,537,435</b>	<b>4.70</b>
<b>Total value of investments</b> (30.04.19: 85.24%)	27,605,910	84.37
<b>Net other assets</b> (30.04.19: 14.76%)	5,114,753	15.63
<b>Total value of the fund as at 31 October 2019</b>	<b>32,720,663</b>	<b>100.00</b>

\*Debt securities

## Summary of portfolio investments

	Value £	Percentage of total net assets
Debt Securities	2,997,410	9.16
Equity Securities	24,608,500	75.21
<b>Total value of investments</b>	<b>27,605,910</b>	<b>84.37</b>

## Statement of total return for the half year ended 31 October 2019

	31.10.19 £	31.10.19 £	31.10.18 £	31.10.18 £
Income				
Net capital losses		<b>(244,911)</b>		(1,838,428)
Revenue	<b>304,020</b>		270,401	
Expenses	<b>(124,341)</b>		(135,806)	
Interest payable and similar charges	—		(68)	
Net revenue before taxation	<b>179,679</b>		134,527	
Taxation	<b>(11,878)</b>		(12,149)	
Net revenue after taxation		<b>167,801</b>		122,378
<b>Total deficit before distributions</b>		<b>(77,110)</b>		(1,716,050)
Distributions		<b>(267,396)</b>		(230,403)
<b>Change in net assets attributable to unitholders from investment activities</b>		<b>(344,506)</b>		(1,946,453)

## Statement of change in net assets attributable to unitholders for the half year ended 31 October 2019

	31.10.19 £	31.10.19 £	31.10.18 £	31.10.18 £
<b>Opening net assets attributable to unitholders</b>		<b>32,388,442</b>		33,749,340
Amounts receivable on issue of units	<b>1,965,313</b>		6,192,016	
Amounts payable on cancellation of units	<b>(1,505,390)</b>		(3,530,336)	
		<b>459,923</b>		2,661,680
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		<b>(344,506)</b>		(1,946,453)
Retained distributions on accumulation units		<b>216,804</b>		196,845
<b>Closing net assets attributable to unitholders</b>		<b>32,720,663</b>		34,661,412

## Balance sheet as at 31 October 2019

	31.10.19 £	31.10.19 £	30.04.19 £	30.04.19 £
<b>Assets</b>				
<b>Fixed assets:</b>				
Investments		<b>27,605,910</b>		27,608,873
<b>Current assets:</b>				
Debtors	<b>182,459</b>		195,012	
Cash and bank balances	<b>5,130,542</b>		4,721,930	
<b>Total current assets</b>		<b>5,313,001</b>		4,916,942
<b>Total assets</b>		<b>32,918,911</b>		32,525,815
<b>Liabilities</b>				
<b>Creditors:</b>				
Other creditors	<b>(143,099)</b>		(84,941)	
Bank overdrafts	–		(7)	
Distribution payable on income units	<b>(55,149)</b>		(52,425)	
<b>Total liabilities</b>		<b>(198,248)</b>		(137,373)
<b>Net assets attributable to unitholders</b>		<b>32,720,663</b>		32,388,442

## 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 2019 and are detailed in full in those financial statements.

### Portfolio transaction costs

Total purchases and sales transactions for the half year ended 31 October 2019 were £8,661,901 and £8,433,802 respectively.

# Distribution tables for the half year ended 31 October 2019

## Distribution tables (pence per unit)

### Interim

Group 1 – units purchased prior to 1 May 2019

Group 2 – units purchased on or after 1 May 2019 and on or before 31 October 2019

I-Class income units	Net Income	Equalisation	Payable 31.12.19	Paid 31.12.18
Group 1	1.21	–	1.21	0.96
Group 2	0.33	0.88	1.21	0.96

I-Class accumulation units	Net Income	Equalisation	Allocated 31.12.19	Accumulated 31.12.18
Group 1	1.34	–	1.34	1.05
Group 2	0.45	0.89	1.34	1.05

S-Class income units	Net Income	Equalisation	Payable 31.12.19	Paid 31.12.18
Group 1	1.26	–	1.26	0.98
Group 2	0.58	0.68	1.26	0.98

S-Class accumulation units	Net Income	Equalisation	Allocated 31.12.19	Accumulated 31.12.18
Group 1	1.41	–	1.41	1.07
Group 2	0.03	1.38	1.41	1.07

### 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  
*18 December 2019*

## 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: [rathbonefunds.com](http://rathbonefunds.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. 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 High Quality Bond 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:  
[rathbonefunds.com](http://rathbonefunds.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**

8 Finsbury Circus, London EC2M 7AZ

Tel 020 7399 0000

Fax 020 7399 0057

**Information line**

020 7399 0399

[rutm@rathbones.com](mailto:rutm@rathbones.com)

[rathbonefunds.com](http://rathbonefunds.com)

Authorised and regulated by the  
Financial Conduct Authority

A member of The  
Investment Association

A member of the Rathbone Group.  
Registered No. 02376568