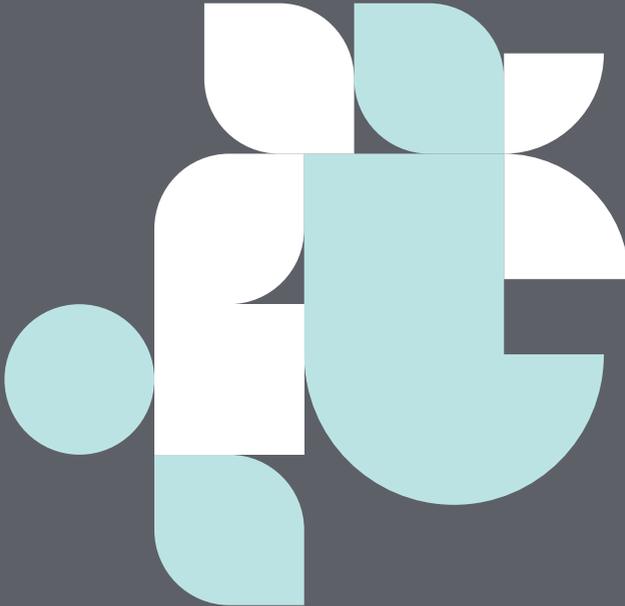


Rathbones

Look forward

# Rathbone UK Opportunities Fund

Interim report for the half year ended 31 March 2020



# 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**

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

## **Registrar**

SS&C Financial Services International Limited  
SS&C 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**

RP Stockton – Chairman  
MM Webb – Chief Executive Officer  
JR Chillingworth – Chief Investment Officer  
JM Ardouin – Finance Director  
MS Warren – Non-Executive Director  
J Lowe – Non-Executive Director  
PL Howell – (retired 9 May 2019)  
CRC Hexton – (resigned 29 October 2019)  
CR Stick – (resigned 29 October 2019)  
JG Thomson – (resigned 29 October 2019)  
BN Jones – (resigned 29 October 2019)

## **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 March 2020

During the six months ended 31 March 2020, the Rathbone UK Opportunities Fund lost 15%. For the same period, the fund's FTSE All-Share Index benchmark lost 22%.

Markets have had a terrible time as the severe impact of COVID-19 on health as well as economies has become all too apparent. March closed out the worst quarter for the UK market since 1987 and ended the 11-year bull market. Rarely does the world change so much in such a short space of time. It is a frightening and emotional time, when economic hardship will vie with grief for many.

It can feel self-indulgent to fret about stock markets in the midst of a crisis, but it's essential that investors as well as governments step up to support the companies that are the lifeblood of our economy. Never has the responsible and active allocation of capital been so important.

Our sector exposure has helped us: we are underweight energy names, own very few retailers and absolutely no miners, banks, airlines and luxury goods companies. Our mid-cap exposure has been a headwind, even as our investment style has been helpful. As you know, we prefer to own high-quality companies with experienced management teams who are in control of the major drivers of their businesses. That means low debt relative to income, compelling products and services, opportunities to grow and the experience and foresight to capitalise on them. The apparent bargain of a low valuation will never tempt us to buy fundamentally unsound companies.

At the peak of the panic, selling was indiscriminate. Even companies with cash on the balance sheet, whose revenues will likely hold up during this period have been sold off heavily. This is frustrating, but it should set us up for a rapid recovery. In our view, markets are unlikely to bottom out sustainably until investors are confident that infection rates in the world's largest economies are peaking, and that the aggressive fiscal and monetary policy responses are holding the line between a public health crisis and a financial crisis. Until then markets will remain volatile. And since traditional profit metrics don't make much sense anymore (we have stock prices but no idea of reasonable earnings numbers), we won't be making any big moves for the time being.

Generally, we have been trading very little, as we have had few redemptions and spreads in our world remain wide. Instead we have been gently topping up a very few favourite holdings that have rock-solid balance sheets and the potential to come out of this quickly. Areas include IT spending, where corporates have had to bulk up remote working capability, and also construction, where government spending on huge projects like HS2 will be beneficial once building resumes.

We have long admired Greggs, the food-to-go baker but historically, we've felt its valuation has been too high. More recently, markets have been concerned that the baker would not be able to maintain the superior like-for-like sales it had been posting since the introduction of its vegan sausage roll and we were able to take advantage of this sentiment. We had a look at the baker's sales performance and found many levers: new store openings and refurbishments; longer opening hours; better promotions; and headline-grabbing products. Our meetings with management left us convinced of the sustainability of its business model so we began to build a position.

We don't own any 'volume housebuilders' (companies putting up 10,000+ homes a year) as we think that peak valuations, peak margins and a soggy consumer could be a painful combination. But the supply/demand dynamics and benign land-buying market offer an appealing backdrop. So, we added smaller operator Countryside Properties to our existing holding in low-cost-home specialist MJ Gleeson. Countryside is different to a normal housebuilder because half of its business is 'partnerships', which means building homes for third parties, particularly in the private rental sector (PRS). It's this, plus excellent cost control, that gives Countryside some of the highest returns, growth and visibility in the sector.

Another way to play the PRS is through Grainger, which develops, builds and maintains blocks of flats for rent. Its work is largely funded by selling off regulated tenancy assets, but it also uses the partnerships model to gain access to land, offering lower-risk projects. When the business raised some money to accelerate the development of these projects, we were able to build a position.

## Manager's report for the half year ended 31 March 2020 *(continued)*

We've also been slowly building a position in Softcat, a reseller of IT software and hardware. The business offers expertise, experience, a good price and a continuity of service which is particularly appealing to small and medium-sized businesses in need of help with their IT. It also fosters a strong culture and career progression for its sales team, another key differentiator for us. The business is often richly valued so we've been taking advantage of the red days to buy.

We like CRH, a manufacturer of building materials, because of its exposure to infrastructure spend in the UK and US, which we expect to increase. There are a lot of ways to play this theme and we already have a decent-sized position in one of CRH's competitors: AIM-listed Breedon. But, CRH has the US business (which has been firing on all cylinders), as well as M&A opportunities. It's also recently been streamlining its portfolio, switching towards higher-return areas and geographies which can be a powerful driver of share prices as investors increasingly reappraise the business.

We had held Bunzl for its defensive qualities, but during the period we thought we could find better risk-reward opportunities elsewhere. The changes in the marketplace and the contracts the business has increasingly relied on have reduced the defensiveness of the model, so we exited.

As noted above, we really like the PRS theme, but sold out of PRS REIT as it was more of an income play than capital return. There were also some delays to planning applications which can be tough for a small company to weather.

We sold two-thirds of our holding in Royal Dutch Shell because we prefer to own businesses whose pricing is reasonably within their control; that's part of our investment process. We hadn't predicted the oil price crash, but it served to remind us just how volatile Shell's main determinant can be. Environmental Social and Governance (ESG) pressures and dividend concerns have also weighed heavily on the price in the last six months. We will exit the final holding in time.

We just trimmed our position in the brilliant fund management company, Intermediate Capital (ICP). We've owned it for a while and have confidence in the strength of its model, but when credit spreads start blowing out, investors begin worrying (too much, in our view) about impairments on ICP's assets. The good news is that ICP has spent the last 10 years transitioning from being a balance-sheet lender to a third-party fund manager, meaning its earnings are much less impacted by impairments. We trimmed the holding and then bought it back at a much lower price.

We're often faced with trimming our long-standing position in GB Group as it hits our 3% position limit for AIM-listed companies. The company's technology helps companies verify the identity of customers or employees they interact with online; a fairly essential service these days. But GB has always commanded a premium rating. It's also still exposed to transaction volumes which look vulnerable during the corona crisis, whereas the customer pays an annual licence fee in advance at many of its competitors. Mindful of investor expectations around the stock, we took the opportunity to trim it again.

At the moment, it's received wisdom that both central banks and governments will do whatever it takes to help support their citizens and companies.

But investors are looking past the lockdown period. And they are factoring in a lot of bad news. For now, investors are focused on how long the pandemic will last and which companies will be able to make it through. Not only that, but they are pondering governments' exit strategies. There have already been rotating lockdowns in the East as COVID-19 flared up once again after restrictions were relaxed. If the West is to tread a similar, tortuous path to recovery, what effect would it have on businesses and government finances?

Many people are mapping the example of China, but for Western governments we think South Korea is a better model. There testing has been key. This is probably why our own government is trying to ramp up testing, with mixed success. Improvement here could be vital for the UK - and other nations - to understand the efficacy of herd immunity and get as many of us back to work as possible and escape a terrible downward spiral of lost economic demand.

The post-pandemic world will be very different from the one of six months ago. We believe the longer-term impacts will be that the location of supply chains will be re-examined, and globalisation will be challenged as a concept. That may not be a bad thing as long as protectionism doesn't escalate. One thing this crisis is reminding us is our reliance on technology, communications and of course, healthcare. People will endure a lot of the pain as unemployment rises. We think it's important that investors concentrate on understanding which businesses can survive this current crisis and quickly return to generating meaningful profits and return to paying dividends.

**Alexandra Jackson**  
Fund Manager  
*14 May 2020*

## Net asset value per unit and comparative tables

### R-class income units

	<b>31.03.20</b> pence per unit	30.09.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	425.25p	501.56p	484.54p	447.21p
Return before operating charges*	(58.60p)	(57.99p)	38.30p	56.71p
Operating charges	(3.85p)	(7.21p)	(8.28p)	(7.64p)
Return after operating charges*	(62.45p)	(65.20p)	30.02p	49.07p
Distributions on income units	(2.94p)	(11.11p)	(13.00p)	(11.74p)
Closing net asset value per unit	359.86p	425.25p	501.56p	484.54p
*after direct transactions costs <sup>1</sup> of:	0.34p	0.76p	0.51p	0.19p

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

### Performance

Return after charges	(14.69%)	(13.00%)	6.20%	10.97%
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### Other information

Closing net asset value	£1,544,040	£1,883,944	£5,770,024	£6,023,455
Closing number of units	429,072	443,021	1,150,406	1,243,131
Operating charges	1.71%	1.65%	1.64%	1.64%
Direct transaction costs	0.08%	0.17%	0.10%	0.04%

### Prices\*\*

Highest unit price	504.46p	515.45p	541.36p	505.10p
Lowest unit price	304.60p	392.57p	468.15p	421.97p

\*\* These prices may have been calculated on a different basis to the opening/closing net asset value per unit shown in the comparative table, this may result in the opening/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)*

### R-class accumulation units

	<b>31.03.20</b> pence per unit	30.09.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	566.36p	647.01p	609.51p	548.82p
Return before operating charges*	(78.38p)	(71.25p)	48.03p	70.16p
Operating charges	(5.13p)	(9.40p)	(10.53p)	(9.47p)
Return after operating charges*	(83.51p)	(80.65p)	37.50p	60.69p
Distributions on accumulation units	(3.61p)	(14.06p)	(16.25p)	(14.47p)
Retained distributions on accumulation units	3.61p	14.06p	16.25p	14.47p
Closing net asset value per unit	482.85p	566.36p	647.01p	609.51p

\*after direct transactions costs<sup>1</sup> of: 0.45p 0.99p 0.65p 0.23p

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

### Performance

Return after charges (14.75%) (12.47%) 6.15% 11.06%

### Other information

Closing net asset value	£4,663,072	£5,588,000	£17,490,424	£15,623,390
Closing number of units	965,730	986,644	2,703,262	2,563,253
Operating charges	1.71%	1.65%	1.64%	1.64%
Direct transaction costs	0.08%	0.17%	0.10%	0.04%

### Prices\*\*

Highest unit price	671.82p	669.01p	690.48p	628.89p
Lowest unit price	405.37p	510.37p	598.16p	521.58p

\*\* These prices may have been calculated on a different basis to the opening/closing net asset value per unit shown in the comparative table, this may result in the opening/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 income units

	<b>31.03.20</b> pence per unit	30.09.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	454.25p	523.82p	501.11p	459.09p
Return before operating charges*	(63.57p)	(55.78p)	38.99p	58.32p
Operating charges	(1.59p)	(2.80p)	(3.23p)	(4.31p)
Return after operating charges*	(65.16p)	(58.58p)	35.76p	54.01p
Distributions on income units	(2.64p)	(10.99p)	(13.05p)	(11.99p)
Closing net asset value per unit	386.45p	454.25p	523.82p	501.11p
*after direct transactions costs <sup>1</sup> of:	0.37p	0.80p	0.54p	0.19p

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

### Performance

Return after charges	(14.34%)	(11.18%)	7.14%	11.76%
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### Other information

Closing net asset value	£10,872,597	£14,251,123	£16,705,005	£18,782,946
Closing number of units	2,813,488	3,137,317	3,189,055	3,748,233
Operating charges	0.66%	0.61%	0.59%	0.89%
Direct transaction costs	0.08%	0.17%	0.10%	0.04%

### Prices\*\*

Highest unit price	541.06p	531.25p	555.70p	514.88p
Lowest unit price	326.51p	416.06p	492.33p	438.36p

\*\* These prices may have been calculated on a different basis to the opening/closing net asset value per unit shown in the comparative table, this may result in the opening/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>31.03.20</b> pence per unit	30.09.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	599.49p	675.84p	630.40p	563.67p
Return before operating charges*	(83.91p)	(72.73p)	49.52p	72.04p
Operating charges	(2.10p)	(3.62p)	(4.08p)	(5.31p)
Return after operating charges*	(86.01p)	(76.35p)	45.44p	66.73p
Distributions on accumulation units	(3.49p)	(14.24p)	(16.49p)	(14.78p)
Retained distributions on accumulation units	3.49p	14.24p	16.49p	14.78p
Closing net asset value per unit	513.48p	599.49p	675.84p	630.40p

\*after direct transactions costs<sup>1</sup> of: 0.48p      1.04p      0.68p      0.24p

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

### Performance

Return after charges	(14.35%)	(11.30%)	7.21%	11.84%
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### Other information

Closing net asset value	£18,171,142	£21,651,748	£19,300,647	£20,314,840
Closing number of units	3,538,853	3,611,697	2,855,807	3,222,507
Operating charges	0.66%	0.61%	0.59%	0.89%
Direct transaction costs	0.08%	0.17%	0.10%	0.04%

### Prices\*\*

Highest unit price	714.04p	684.09p	703.95p	636.74p
Lowest unit price	430.89p	536.47p	624.38p	538.03p

\*\* These prices may have been calculated on a different basis to the opening/closing net asset value per unit shown in the comparative table, this may result in the opening/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 March 2020

	2016	2017	2018	2019	2020
R-class Units	1.67%	13.23%	5.29%	-7.51%	-13.62%
I-class Units	2.45%	14.08%	6.17%	-6.71%	-12.92%
IA UK All Companies sector	-2.41%	17.95%	2.65%	2.86%	-19.17%

Source performance data Financial Express, mid to mid, net income reinvested.

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 March 2020

Holding (Ordinary shares unless otherwise stated)	Value £	Percentage of total net assets
<b>Oil and Gas Producers</b> (30.09.19: 4.14%)		
25,000 Royal Dutch Shell 'B'	<b>339,900</b>	<b>0.96</b>
<b>Chemicals</b> (30.09.19: 2.24%)		
20,000 Croda International	<b>854,000</b>	<b>2.42</b>
<b>Construction and Materials</b> (30.09.19: 4.81%)		
1,300,000 Breedon	868,400	2.46
20,000 CRH	439,600	1.25
90,000 Marshalls	526,500	1.50
80,000 MJ Gleeson	420,800	1.19
	<b>2,255,300</b>	<b>6.40</b>
<b>Aerospace and Defence</b> (30.09.19: 1.36%)		
300,000 Chemring	<b>600,000</b>	<b>1.70</b>
<b>Electronic and Electrical Equipment</b> (30.09.19: 5.12%)		
200,000 discoverIE	982,000	2.79
50,000 Halma	960,500	2.72
10,000 XP Power	258,000	0.73
	<b>2,200,500</b>	<b>6.24</b>
<b>Industrial Engineering</b> (30.09.19: 5.08%)		
13,000 AB Dynamics	144,300	0.41
230,000 Ceres Power	782,000	2.22
800,000 Melrose Industries	731,680	2.08
	<b>1,657,980</b>	<b>4.71</b>
<b>Industrial Transportation</b> (30.09.19: 1.66%)		
35,000 Fisher (James) & Sons	<b>440,300</b>	<b>1.25</b>
<b>Healthcare Equipment and Services</b> (30.09.19: 1.69%)		
300,000 Advanced Medical Solutions*	<b>744,000</b>	<b>2.11</b>
<b>Pharmaceuticals and Biotechnology</b> (30.09.19: 5.72%)		
70,000 Abcam	800,100	2.27
1,000,000 Alliance Pharma*	650,000	1.84
35,000 Dechra Pharmaceuticals	822,500	2.33
	<b>2,272,600</b>	<b>6.44</b>

Portfolio and net other assets as at 31 March 2020 *(continued)*

Holding (Ordinary shares unless otherwise stated)	Value £	Percentage of total net assets
<b>Food and Drug Retailers (30.09.19: 3.65%)</b>		
25,000 Diageo	646,250	1.83
35,000 Greggs	564,900	1.60
450,000 Tesco	1,028,700	2.92
	<b>2,239,850</b>	<b>6.35</b>
<b>General Retailers (30.09.19: 1.67%)</b>		
85,000 JD Sports Fashion	389,045	1.10
100,000 Keystone Law Group	421,000	1.19
	<b>810,045</b>	<b>2.29</b>
<b>Travel and Leisure (30.09.19: 7.81%)</b>		
120,000 GVC	672,000	1.91
900,000 Patisserie Holdings	—	—
250,000 SSP	766,250	2.17
380,000 The GYM Group	535,800	1.52
	<b>1,974,050</b>	<b>5.60</b>
<b>Life Insurance (30.09.19: 3.67%)</b>		
230,000 Phoenix Group Holdings	<b>1,440,950</b>	<b>4.09</b>
<b>Non-Life Insurance (30.09.19: 3.30%)</b>		
230,000 Beazley	<b>897,000</b>	<b>2.54</b>
<b>Real Estate (30.09.19: 13.06%)</b>		
180,000 Countryside Properties	513,000	1.46
220,000 Grainger	568,040	1.61
150,000 Safestore	960,750	2.73
100,000 Segro REIT	764,000	2.17
140,000 Unite	1,122,100	3.18
1,000,000 Warehouse REIT	914,000	2.59
	<b>4,841,890</b>	<b>13.74</b>
<b>General Financial (30.09.19: 6.13%)</b>		
255,000 Argentex	249,900	0.71
200,000 Draper Esprit	704,000	2.00
40,000 Intermediate Capital	358,400	1.02
9,892 Thomas Murray Network*	17,806	0.05
942 Thomas Murray Network Bonus shares*	—	—
	<b>1,330,106</b>	<b>3.78</b>

## Portfolio and net other assets as at 31 March 2020 *(continued)*

Holding (Ordinary shares unless otherwise stated)	Value £	Percentage of total net assets
<b>Support Services</b> (30.09.19: 6.83%)		
40,000 Diploma	645,200	1.83
100,000 Grafton	531,000	1.51
30,000 Keywords Studios	432,900	1.23
	<b>1,609,100</b>	<b>4.57</b>
<b>Software and Computer Services</b> (30.09.19: 16.14%)		
110,000 Aptitude Software	385,000	1.09
20,000 Aveva	698,800	1.98
40,000 Blue Prism	449,200	1.27
100,000 FDM	739,000	2.10
65,000 Gamma Communications	643,500	1.83
120,000 GB*	697,200	1.98
120,000 Kainos	787,200	2.23
80,000 Rightmove	389,920	1.11
50,000 Softcat	518,500	1.47
210,000 Team17 Group <sup>+</sup>	1,197,000	3.40
	<b>6,505,320</b>	<b>18.46</b>
<b>Media</b> (30.09.19: 0.00%)		
41,000 Future	<b>410,000</b>	<b>1.16</b>
<b>Total value of investments</b> (30.09.19: 95.40%)	33,422,891	94.81
<b>Net other assets</b> (30.09.19: 4.60%)	1,827,960	5.19
<b>Total value of the fund as at 31 March 2020</b>	<b>35,250,851</b>	<b>100.00</b>

Sectors eliminated since the beginning of the year:

Mining 1.32%

\* Unquoted security

+ Quoted on the Alternative Investment Market

## Statement of total return for the half year ended 31 March 2020

	31.03.20 £	31.03.20 £	31.03.19 £	31.03.19 £
Income				
Net capital losses		<b>(6,145,985)</b>		(7,978,128)
Revenue	<b>294,716</b>		467,375	
Expenses	<b>(186,810)</b>		(254,666)	
Net revenue before taxation	<b>107,906</b>		212,709	
Taxation	<b>6</b>		(1,620)	
Net revenue after taxation		<b>107,912</b>		211,089
<b>Total return before distributions</b>		<b>(6,038,073)</b>		(7,767,039)
Distributions		<b>(248,688)</b>		(426,473)
<b>Change in net assets attributable to unitholders from investment activities</b>		<b>(6,286,761)</b>		(8,193,512)

## Statement of change in net assets attributable to unitholders for the half year ended 31 March 2020

	31.03.20 £	31.03.20 £	31.03.19 £	31.03.19 £
<b>Opening net assets attributable to unitholders</b>		<b>43,374,815</b>		59,266,100
Amounts receivable on issue of units	<b>2,444,262</b>		1,722,873	
Amounts payable on cancellation of units	<b>(4,445,505)</b>		(4,024,899)	
		<b>(2,001,243)</b>		(2,302,026)
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		<b>(6,286,761)</b>		(8,193,512)
Retained distributions on accumulation units		<b>158,369</b>		258,496
Unclaimed distributions		<b>5,671</b>		5,330
<b>Closing net assets attributable to unitholders</b>		<b>35,250,851</b>		49,034,388

## Balance sheet as at 31 March 2020

	31.03.20	31.03.20	30.09.19	30.09.19
	£	£	£	£
<b>Assets</b>				
<b>Fixed assets:</b>				
Investments		<b>33,422,891</b>		41,380,222
<b>Current assets:</b>				
Debtors		<b>382,548</b>	170,263	
Cash and bank balances		<b>1,999,584</b>	3,070,444	
Total current assets		<b>2,382,132</b>		3,240,707
<b>Total assets</b>		<b>35,805,023</b>		44,620,929
<b>Liabilities</b>				
<b>Creditors:</b>				
Other creditors		<b>(467,281)</b>	(988,562)	
Distribution payable on income units		<b>(86,891)</b>	(257,552)	
<b>Total liabilities</b>		<b>(554,172)</b>		(1,246,114)
<b>Net assets attributable to unitholders</b>		<b>35,250,851</b>		43,374,815

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

### Portfolio transaction costs

Total purchases and sales transactions for the half year ended 31 March 2020 were £6,064,213 and £7,876,224 respectively.

## Distribution tables for the half year ended 31 March 2020

### Distribution tables (pence per unit)

#### Interim

Group 1 – Units purchased prior to 1 October 2019

Group 2 – Units purchased on or after 1 October 2019 and on or before 31 March 2020

<b>R-class income units</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Payable 29.05.20</b>	<b>Paid 31.05.19</b>
Group 1	2.94	—	2.94	3.75
Group 2	1.61	1.33	2.94	3.75
<b>R-class accumulation units</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Allocated 29.05.20</b>	<b>Accumulated 31.05.19</b>
Group 1	3.61	—	3.61	4.79
Group 2	1.17	2.44	3.61	4.79
<b>I-class income units</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Payable 29.05.20</b>	<b>Paid 31.05.19</b>
Group 1	2.64	—	2.64	3.82
Group 2	0.70	1.94	2.64	3.82
<b>I-class accumulation units</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Allocated 29.05.20</b>	<b>Accumulated 31.05.19</b>
Group 1	3.49	—	3.49	4.93
Group 2	1.22	2.27	3.49	4.93

#### 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 UK Opportunities Fund  
*22 May 2020*

## General information

### 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 deliver a greater total return than the FTSE All-Share Index, after fees, over any five-year period.

There is no guarantee that this investment objective will be achieved over five years, or any other time period.

We use the FTSE All-Share Index as a target for our fund's return because we want to offer you a better return than the UK stock market.

To meet the objective, the fund manager will invest at least 80% of our fund in UK-listed companies which are domiciled, incorporated or have a significant part of their business in the UK, with the remainder in global shares, cash, short-term deposits and UK government debt.

Derivatives may be used by the fund for the purposes of efficient portfolio management and hedging.

The **manager** may use all investment powers as permitted by the prospectus, outside the ranges described above, to ensure the fund is managed in the best interest of investors in times of market irregularities or stress.

The fund may invest at the fund manager's discretion in other transferable securities, money market instruments, warrants, cash and near cash and deposits and units in collective investment schemes. Use may be made of stock lending, borrowing, cash holdings, hedging and other investment techniques permitted by the FCA Rules.

This is a stock-picking fund, which means we invest in a small number of UK-listed stocks. We search the UK for exciting businesses that are growing fast yet their value is unrecognised by other investors.

While we invest in companies of all sizes, we gravitate towards medium sized businesses because they tend to meet our criteria and often provide the best reward for the amount of risk we take. Our criteria ensures we buy companies with a durable business model and capable management who can take advantage of growth opportunities in their industry. We don't take coin-toss chances on businesses that can't make a profit in the near future or which are dependent on one or two risky ventures.

We use our Scorecard criteria to regularly check our investments, testing whether the reasons we bought them still hold true. It also helps us sell our holdings at the right time: when growth is exhausted or risks have risen.

### 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.

## General information *(continued)*

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 the R-class units is £100,000,000. The minimum initial investment for I-class units is £1,000. 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 or R-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

Prices are available on our website [rathbonefunds.com](http://rathbonefunds.com)

### 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, SS&C Financial Services International Limited, SS&C 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 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 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 need 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

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