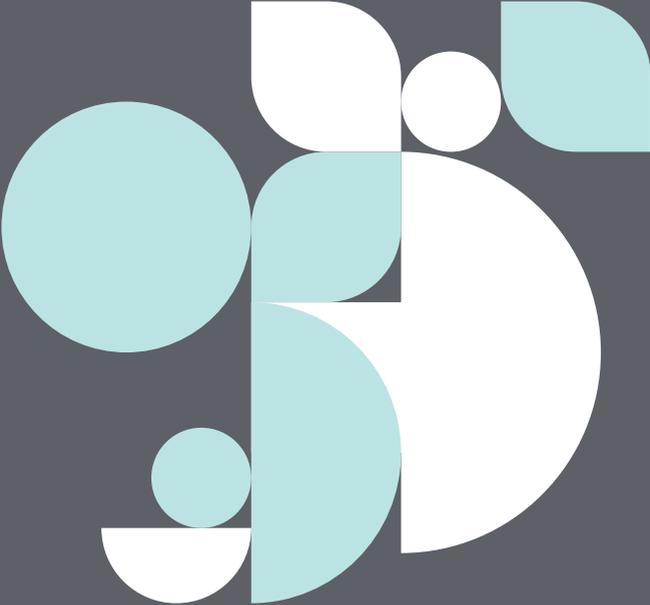


Rathbones

Look forward

# Rathbone Heritage Fund

Annual report for the year ended 30 April 2020



# 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**

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 year ended 30 April 2020

Over the year, your fund lost 3.8%, compared with the FTSE World (GBP) Index's 1% fall. UK CPI+3% was up 4.5% over that time. Our cash level remains well over 20%. Maximum drawdown for your fund was -23.0%, while it was -26.2% for the FTSE World Index.

2019 was a year of omnipresent doom and gloom, which ended as one of the best for investors on record. In the UK, more than three years of political impasse and rancour was washed away by a resounding electoral victory for Boris Johnson. The Conservatives' massive majority in the House of Commons has paved the way to the resolution of Brexit and dispatched the risk of a Labour government led by Jeremy Corbyn ever coming to power. And despite all the trade tussles and panics, the US economy remained resilient. Economic growth did decelerate from its tax cut-driven 2018 peak, but it remained in good order. That was, until 2020.

This year, markets have looked a little different. The hare-like speed of the coronavirus's spread and the unprecedented economic lockdowns and policy support sent markets on a crazy run. The three months to 31 March was the worst quarter since 1987, with the FTSE All-Share Index falling 25% and the S&P 500 dropping 20% (in dollars). Markets then rallied sharply in April, roughly halving their losses since the initial sell-off.

Oil companies have been particularly hard hit by the crisis, thankfully this is an area where we have zero exposure. Our holdings have suffered in other industries, however. At first, we concentrated on our portfolio holdings. We reassessed all of them to decide whether they are companies that are likely to survive the current crisis and whether we want to hold them for the long term.

In January, we added electronic design automation business, **Cadence Design Systems**, to the portfolio. The company provides software used for the complex processes in design, testing, verification and implementation for semiconductors. This is an area with limited players, high barriers to entry, and an attractive and expanding customer base with a high level of recurring revenue.

Months before the pandemic began to unfold, we added **WPP** to the fund. This marketing giant likely needs no introduction. Founder and CEO Martin Sorrell resigned (was pushed) after a run of terrible performance, which has allowed his successor to clean up shop. It is received wisdom today that advertising companies offer nothing, and their business is quickly getting gobbled up by Silicon Valley upstarts, such as Facebook and Alphabet. We think this overstates the case a bit. WPP makes adverts; Facebook and Google don't. We think it's likely that agency relationships may see a resurgence in the coming years.

We also added American packaged food producer **JM Smucker**. The business 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 was prudent, given the deceleration in global GDP growth in 2019 (and especially now that GDP has fallen off a cliff because of COVID-19). 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 added Roche to the portfolio last year, in order to increase our exposure to healthcare.

As dictated by our market-valuation-linked mechanical cash process, our cash level ended the period at 20.3%. However, given the moves in markets and the cyclically adjusted price to earnings ratio, cash varied between 25% and 16% over the period. As part of our cash position, we held short-dated gilts (including the **0% T-Bill 2020**) at varying levels to manage our counterparty risk.

We made some sales, including **Cognizant Technology Solutions**, at the beginning of the period and just ahead of its results. We felt that, in the medium term, management wouldn't be able to achieve anything better than the targets laid out in November 2018, which seemed to be fully reflected in the share price. In the event, the results were a disappointment and the shares traded down.

## Manager's report for the year ended 30 April 2020 *(continued)*

Another of our automotive holdings, **Aptiv**, had done relatively well, so we reduced our position and used the cash to buy another stock at a lower valuation.

We reduced our position in **ASML**, which designs and sells machines that print computer chips. The business's strong performance pushed the holding up to be the biggest in the portfolio. We've been managing exposure to the stock throughout the period, although it does remain our largest holding.

We exited our position in **Mondelez International** as we decided there was little chance that the confectioner would exceed market expectations in the medium term.

As the period came to an end, US Federal Reserve (Fed) Chair Jay Powell gave a sombre assessment of the US economy as lockdowns were eased across a number of states. He expects the recovery to be slower than many optimistic forecasters have been touting. Given the sheer number of unemployed, it will take some time to get people back to work, he warns. Mr Powell's downbeat speech dampened stock market enthusiasm and sent American and European indices lower. As did very weak US economic data.

The longer the lockdowns and restrictions go on for, the less taxes governments will collect and the more cheques that they have to mail out to the hard-up. This means much higher government borrowing. Higher debt isn't necessarily a bad thing for a nation, as long as the debt is productive. Brexit is virtually guaranteed to increase the cost of imports for people and companies, make UK businesses less efficient, and therefore decrease the productivity of the UK. With the June-end deadline for extending Brexit beyond the end of the year looming, debt issued today is looking less sustainable in five and 10 years' time. Will the government charge on with Brexit regardless of the terrible economic situation?

Elizabeth Davis  
15 June 2020

## Net asset value per unit and comparative tables

### I-class income units

	<b>30.04.20</b> pence per unit	30.04.19 pence per unit	30.04.18 pence per unit
<b>Change in net assets per unit</b>			
Opening net asset value per unit	147.55p	144.53p	142.13p
Return before operating charges*	(6.61p)	6.42p	5.59p
Operating charges	(1.34p)	(1.29p)	(1.31p)
Return after operating charges*	(7.95p)	5.13p	4.28p
Distributions on income units	(2.19p)	(2.11p)	(1.88p)
Closing net asset value per unit	137.41p	147.55p	144.53p
*after direct transactions costs <sup>1</sup> of:	0.09p	0.09p	0.13p

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

### Performance

Return after charges	(5.39%)	3.55%	3.01%
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### Other information

Closing net asset value	£508,547	£1,603,503	£1,085,033
Closing number of units	370,082	1,086,764	750,719
Operating charges	0.90%	0.90%	0.90%
Direct transaction costs	0.06%	0.06%	0.09%

### Prices\*\*

Highest unit price	156.35p	153.07p	151.70p
Lowest unit price	119.37p	131.06p	139.54p

\*\* 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>30.04.20</b> pence per unit	30.04.19 pence per unit	30.04.18 pence per unit
<b>Change in net assets per unit</b>			
Opening net asset value per unit	163.66p	157.99p	153.42p
Return before operating charges*	(7.39p)	7.09p	5.99p
Operating charges	(1.49p)	(1.42p)	(1.42p)
Return after operating charges*	(8.88p)	5.67p	4.57p
Distributions on accumulation units	(2.44p)	(2.32p)	(2.03p)
Retained distributions on accumulation units	2.44p	2.32p	2.03p
Closing net asset value per unit	154.78p	163.66p	157.99p
*after direct transactions costs <sup>1</sup> of:	0.10p	0.10p	0.14p

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

### Performance

Return after charges	(5.43%)	3.59%	2.98%
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### Other information

Closing net asset value	£8,036,225	£16,759,421	£15,732,119
Closing number of units	5,191,999	10,240,491	9,957,497
Operating charges	0.90%	0.90%	0.90%
Direct transaction costs	0.06%	0.06%	0.09%

### Prices\*\*

Highest unit price	173.42p	167.27p	164.64p
Lowest unit price	133.51p	144.26p	151.47p

\*\* 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)*

### S-class income units

	<b>30.04.20</b> pence per unit	30.04.19 pence per unit	30.04.18 pence per unit
<b>Change in net assets per unit</b>			
Opening net asset value per unit	150.75p	147.19p	144.15p
Return before operating charges*	(6.73p)	6.53p	5.76p
Operating charges	(0.83p)	(0.81p)	(0.82p)
Return after operating charges*	(7.56p)	5.72p	4.94p
Distributions on income units	(2.30p)	(2.16p)	(1.90p)
Closing net asset value per unit	140.89p	150.75p	147.19p
*after direct transactions costs <sup>1</sup> of:	0.09p	0.09p	0.14p

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

### Performance

Return after charges	(5.01%)	3.89%	3.43%
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### Other information

Closing net asset value	£3,849,221	£5,100,830	£5,222,279
Closing number of units	2,732,125	3,383,664	3,548,064
Operating charges	0.55%	0.55%	0.55%
Direct transaction costs	0.06%	0.06%	0.09%

### Prices\*\*

Highest unit price	159.91p	156.01p	154.28p
Lowest unit price	122.38p	133.75p	142.04p

\*\* 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)*

### S-class accumulation units

	<b>30.04.20</b> pence per unit	30.04.19 pence per unit	30.04.18 pence per unit
<b>Change in net assets per unit</b>			
Opening net asset value per unit	167.15p	160.79p	155.49p
Return before operating charges*	(7.52p)	7.25p	6.18p
Operating charges	(0.92p)	(0.89p)	(0.88p)
Return after operating charges*	(8.44p)	6.36p	5.30p
Distributions on accumulation units	(2.57p)	(2.36p)	(2.06p)
Retained distributions on accumulation units	2.57p	2.36p	2.06p
Closing net asset value per unit	158.71p	167.15p	160.79p
*after direct transactions costs <sup>1</sup> of:	0.11p	0.10p	0.15p

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

### Performance

Return after charges	(5.05%)	3.96%	3.41%
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### Other information

Closing net asset value	£7,630,324	£8,924,688	£11,709,909
Closing number of units	4,807,831	5,339,252	7,282,858
Operating charges	0.55%	0.55%	0.55%
Direct transaction costs	0.06%	0.06%	0.09%

### Prices\*\*

Highest unit price	177.56p	170.44p	167.39p
Lowest unit price	136.84p	147.17p	154.12p

\*\* 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 share 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, year ending 30 April 2020

	2016	2017	2018	2019	2020
I-class units	2.10%	16.92%	0.23%	3.26%	-7.73%
S-class units	2.46%	17.32%	0.58%	3.62%	-7.36%
UK Consumer Price Index +3%	3.33%	5.37%	5.82%	4.87%	4.73%
FTSE World Index	0.00%	32.90%	2.55%	11.09%	-6.00%

Source performance data FE FundInfo, 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 30 April 2020

Holding (Ordinary shares unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
<b>Debt Securities</b> (30.04.19: 10.02%)		
<b>Government Bonds</b> (30.04.19: 10.02%)		
500,000 United Kingdom Treasury Bill 0% 11/05/2020*	499,995	2.50
<b>Total Debt Securities</b>	<b>499,995</b>	<b>2.50</b>
<b>United Kingdom</b> (30.04.19: 17.34%)		
<b>Support Services</b> (30.04.19: 2.14%)		
27,600 Bunzl	<b>476,790</b>	<b>2.38</b>
<b>Household Goods</b> (30.04.19: 2.49%)		
8,300 Reckitt Benckiser	<b>549,792</b>	<b>2.75</b>
<b>Travel and Leisure</b> (30.04.19: 2.20%)		
580,000 Patisserie Holdings	—	—
<b>Software and Computer Services</b> (30.04.19: 1.59%)		
26,700 Micro Focus International	<b>128,587</b>	<b>0.64</b>
<b>Real Estate</b> (30.04.19: 4.82%)		
46,250 Big Yellow	<b>495,800</b>	<b>2.48</b>
<b>Food Producers</b> (30.04.19: 2.64%)		
11,900 Unilever	<b>488,138</b>	<b>2.44</b>
<b>Pharmaceuticals and Biotechnology</b> (30.04.19: 1.46%)		
35,950 GlaxoSmithKline	<b>597,129</b>	<b>2.98</b>
<b>Media</b> (30.04.19: 0.00%)		
20,800 RELX	<b>373,699</b>	<b>1.87</b>
<b>Total United Kingdom</b>	<b>3,109,935</b>	<b>15.54</b>

## Portfolio and net other assets as at 30 April 2020 *(continued)*

Holding (Ordinary shares unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
<b>United States</b> (30.04.19: 26.22%)		
<b>Aerospace and Defence</b> (30.04.19: 2.49%)		
1,885 Lockheed Martin	581,229	2.90
<b>Automobiles and Parts</b> (30.04.19: 3.15%)		
5,975 Aptiv	329,221	1.64
<b>Food Producers</b> (30.04.19: 2.48%)		
5,650 JM Smucker	514,854	2.57
<b>General Retailers</b> (30.04.19: 2.69%)		
3,060 Ulta Beauty	528,668	2.64
<b>Banks</b> (30.04.19: 2.61%)		
6,670 JP Morgan Chase	506,007	2.53
9,010 US Bancorp	260,510	1.30
	<b>766,517</b>	<b>3.83</b>
<b>Financial Services</b> (30.04.19: 5.47%)		
5,820 Discover Financial Services	198,222	0.99
2,300 Mastercard	501,483	2.50
	<b>699,705</b>	<b>3.49</b>
<b>Software and Computer Services</b> (30.04.19: 6.15%)		
2,390 Adobe	669,507	3.34
10,580 Cadence Design System	680,002	3.40
4,370 Microsoft	620,811	3.10
	<b>1,970,320</b>	<b>9.84</b>
<b>Total United States</b>		<b>5,390,514</b>
		<b>26.91</b>
<b>Belgium</b> (30.04.19: 2.10%)		
<b>Beverages</b> (30.04.19: 2.10%)		
9,260 Anheuser-Busch InBev	336,756	1.68
<b>Channel Islands</b> (30.04.19: 0.00%)		
<b>Media</b> (30.04.19: 0.00%)		
54,800 WPP	340,418	1.70

## Portfolio and net other assets as at 30 April 2020 *(continued)*

Holding (Ordinary shares unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
<b>China</b> (30.04.19: 4.57%)		
<b>Software and Computer Services</b> (30.04.19: 4.57%)		
209,500 TravelSky	<b>293,090</b>	<b>1.46</b>
<b>Denmark</b> (30.04.19: 2.47%)		
<b>Food Producers</b> (30.04.19: 2.47%)		
4,000 Christian Hansen	<b>273,415</b>	<b>1.37</b>
<b>Finland</b> (30.04.19: 2.92%)		
<b>Non-Life Insurance</b> (30.04.19: 2.92%)		
18,100 Sampo	<b>474,660</b>	<b>2.37</b>
<b>Germany</b> (30.04.19: 2.66%)		
<b>Travel and Leisure</b> (30.04.19: 2.66%)		
12,100 CTS Eventim	<b>397,379</b>	<b>1.98</b>
<b>Hong Kong</b> (30.04.19: 3.39%)		
<b>Life Insurance</b> (30.04.19: 3.39%)		
96,600 AIA	<b>710,292</b>	<b>3.55</b>
<b>Software and Computer Services</b> (30.04.19: 0.00%)		
16,300 Tencent	<b>695,112</b>	<b>3.47</b>
<b>Total Hong Kong</b>	<b>1,405,404</b>	<b>7.02</b>
<b>Ireland</b> (30.04.19: 2.43%)		
<b>Chemicals</b> (30.04.19: 0.00%)		
2,400 Linde	<b>350,063</b>	<b>1.75</b>
<b>General Industrials</b> (30.04.19: 0.00%)		
15,715 Smurfit Kappa	<b>390,554</b>	<b>1.95</b>
<b>Support Services</b> (30.04.19: 2.43%)		
7,300 DCC	<b>412,012</b>	<b>2.06</b>
<b>Total Ireland</b>	<b>1,152,629</b>	<b>5.76</b>

## Portfolio and net other assets as at 30 April 2020 *(continued)*

Holding (Ordinary shares unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
<b>Italy</b> (30.04.19: 1.08%)		
<b>Support Services</b> (30.04.19: 1.08%)		
45,000 Cerved Information Solutions	<b>242,857</b>	<b>1.21</b>
<b>Luxembourg</b> (30.04.19: 2.16%)		
<b>Software and Computer Services</b> (30.04.19: 2.16%)		
3,610 Spotify Technology	<b>433,767</b>	<b>2.17</b>
<b>Netherlands</b> (30.04.19: 5.79%)		
<b>Technology Hardware and Equipment</b> (30.04.19: 3.35%)		
3,280 ASML	<b>770,725</b>	<b>3.85</b>
<b>Switzerland</b> (30.04.19: 2.09%)		
<b>Pharmaceuticals and Biotechnology</b> (30.04.19: 2.09%)		
9,100 Novartis (registered)	614,893	3.07
2,545 Roche	701,270	3.50
<b>Total Switzerland</b>	<b>1,316,163</b>	<b>6.57</b>
<b>Total value of investments</b> (30.04.19: 85.24%)	16,437,707	82.09
<b>Net other assets</b> (30.04.19: 14.76%)	3,586,610	17.91
<b>Total value of the fund as at 30 April 2020</b>	<b>20,024,317</b>	<b>100.00</b>

\* Debt securities

All Investments are ordinary shares unless otherwise stated and admitted to official stock exchange listings.

### Sectors eliminated since the beginning of the year:

#### United States

Healthcare Equipment and Services 1.18%

#### Netherlands

Media 2.44%

## Summary of portfolio investments

	Value £	Percentage of total net assets
Debt Securities	499,995	2.50
Equity Securities	15,937,712	79.59
<b>Total value of investments</b>	<b>16,437,707</b>	<b>82.09</b>

## Statement of total return for the year ended 30 April 2020

	Note	30.04.20 £	30.04.20 £	30.04.19 £	30.04.19 £
<b>Income</b>					
Net capital (losses)/gains	2		<b>(2,158,485)</b>		584,278
Revenue	3	<b>549,613</b>		568,848	
Expenses	4	<b>(234,968)</b>		(254,123)	
Interest payable and similar charges		—		(111)	
Net revenue before taxation		<b>314,645</b>		314,614	
Taxation	5	<b>(32,943)</b>		(26,187)	
Net revenue after taxation			<b>281,702</b>		288,427
<b>Total return before distributions</b>			<b>(1,876,783)</b>		872,705
Distributions	6		<b>(470,255)</b>		(491,180)
<b>Change in net assets attributable to unitholders from investment activities</b>			<b>(2,347,038)</b>		381,525

## Statement of change in net assets attributable to unitholders for the year ended 30 April 2020

	30.04.20 £	30.04.20 £	30.04.19 £	30.04.19 £
<b>Opening net assets attributable to unitholders</b>		<b>32,388,442</b>		33,749,340
Amounts receivable on issue of units	<b>2,958,524</b>		7,319,901	
Amounts payable on cancellation of units	<b>(13,305,298)</b>		(9,458,100)	
		<b>(10,346,774)</b>		(2,138,199)
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		<b>(2,347,038)</b>		381,525
Retained distributions on accumulation units		<b>329,687</b>		395,776
<b>Closing net assets attributable to unitholders</b>		<b>20,024,317</b>		32,388,442

## Balance sheet as at 30 April 2020

	Note	30.04.20 £	30.04.20 £	30.04.19 £	30.04.19 £
<b>Assets</b>					
<b>Fixed assets:</b>					
Investments			<b>16,437,707</b>		27,608,873
<b>Current assets:</b>					
Debtors	7	<b>551,274</b>		195,012	
Cash and bank balances		<b>3,586,896</b>		4,721,930	
Total current assets			<b>4,138,170</b>		4,916,942
<b>Total assets</b>			<b>20,575,877</b>		32,525,815
<b>Liabilities</b>					
<b>Creditors:</b>					
Bank overdrafts		—		(7)	
Other creditors	8	<b>(519,519)</b>		(84,941)	
Distribution payable on income units		<b>(32,041)</b>		(52,425)	
<b>Total liabilities</b>			<b>(551,560)</b>		(137,373)
<b>Net assets attributable to unitholders</b>			<b>20,024,317</b>		32,388,442

# Notes to the financial statements

## 1 Accounting policies

### a) Basis of accounting

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

As stated in the Statement of the Manager's responsibilities in relation to the report and accounts of the Company on page 29, the Manager continues to adopt the going concern basis in the preparation of the financial statements of the fund.

### b) Recognition of revenue

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

Revenue on debt securities has been accounted for on an effective interest method.

### c) Treatment of scrip and special dividends

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

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

### d) Treatment of expenses

Manager's charge is deducted from capital and all expenses (other than direct costs of purchase and sale of investments) are charged against revenue.

### e) Distribution policy

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

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

For the purpose of calculating the distribution available to unitholders, revenue on debt securities is computed as the higher of the amount determined on an accrual of coupon basis and on an effective yield basis.

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

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

### f) Basis of valuation of investments

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

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

All assets are recognised and derecognised on trade date. Any trades occurring between valuation point and close of business are included in the financial statements.

## 1 Accounting policies *(continued)*

### g) Exchange rates

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

### h) Taxation/Deferred tax

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

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

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

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

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

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

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

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

### 2 Net capital (losses)/gains

	<b>30.04.20</b>	30.04.19
	<b>£</b>	£
The net capital (losses)/gains during the year comprise:		
Non-derivative securities	<b>(2,136,609)</b>	602,834
Currency losses	<b>(21,876)</b>	(18,556)
Net capital (losses)/gains	<b>(2,158,485)</b>	584,278

### 3 Revenue

	<b>30.04.20</b>	30.04.19
	<b>£</b>	£
Dividends – UK Ordinary	<b>203,003</b>	160,842
– Overseas	<b>272,879</b>	327,013
– Unfranked	<b>31,642</b>	–
– Property income distributions	<b>–</b>	37,596
Interest on debt securities	<b>19,861</b>	22,774
Bank interest	<b>22,228</b>	20,623
Total revenue	<b>549,613</b>	568,848

### 4 Expenses

	<b>30.04.20</b>	<b>30.04.20</b>	30.04.19	30.04.19
	<b>£</b>	<b>£</b>	£	£
Payable to the Manager, associates of the Manager and agents of either of them:				
Manager's periodic charge		<b>188,054</b>		203,017
Other expenses:				
Administration fees	<b>46,908</b>		51,106	
Dividend collection expenses	<b>6</b>		–	
		<b>46,914</b>		51,106
Total expenses		<b>234,968</b>		254,123

\* Audit fees for 2020 are £8,000 excluding VAT (30.04.19: £7,750 excluding VAT). These have been borne by the Authorised Fund Manager.

## 5 Taxation

	<b>30.04.20</b>	30.04.19
	<b>£</b>	£
a) Analysis of charge in the year		
Overseas tax	<b>32,943</b>	26,187
Total tax charge (note 5b)	<b>32,943</b>	26,187

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

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Authorised Unit Trust (20%) (30.04.19: 20%). The differences are explained below.

	<b>30.04.20</b>	30.04.19
	<b>£</b>	£
Net revenue before taxation	<b>314,645</b>	314,614
Corporation tax at 20%	<b>62,929</b>	62,923
Effects of:		
Revenue not subject to taxation	<b>(95,176)</b>	(97,571)
Excess management expenses not utilised	<b>32,247</b>	34,648
Corporate tax charge	<b>—</b>	—
Higher tax rates on overseas withholding tax	<b>32,943</b>	26,187
Total tax charge for the year (note 5a)	<b>32,943</b>	26,187

### c) Deferred tax

At the year end the fund had surplus management expenses of £844,820 (30.04.19: £683,583). It is unlikely that the fund will generate sufficient taxable profits in the future to utilise these expenses and, therefore, a deferred tax asset of £168,964 (30.04.19: £136,717) has not been recognised in the financial statements.

## 6 Distributions

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

	<b>30.04.20</b>	30.04.19
	<b>£</b>	£
Interim	<b>271,953</b>	241,287
Final	<b>144,924</b>	251,356
	<b>416,877</b>	492,643
Add: Amounts deducted on cancellation of units	<b>67,717</b>	29,069
Deduct: Amounts received on issue of units	<b>(14,339)</b>	(30,532)
Net distribution for the year	<b>470,255</b>	491,180

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

Net distribution for the year	<b>470,255</b>	491,180
Expenses charged to capital:		
Manager's periodic charge	<b>(188,054)</b>	(203,017)
Equalisation on conversions	<b>32</b>	(55)
Balance brought forward	<b>(1,392)</b>	(1,073)
Balance carried forward	<b>861</b>	1,392
Net revenue after taxation	<b>281,702</b>	288,427

## 7 Debtors

	<b>30.04.20</b>	30.04.19
	<b>£</b>	£
Amounts receivable for issue of units	<b>67</b>	23,098
Sales awaiting settlement	<b>493,798</b>	107,475
Accrued revenue	<b>21,717</b>	31,916
Taxation recoverable	<b>35,692</b>	32,523
Total debtors	<b>551,274</b>	195,012

## 8 Other creditors

	<b>30.04.20</b>	30.04.19
	<b>£</b>	£
Amounts payable for cancellation of units	<b>507,916</b>	65,266
Accrued expenses	<b>2,465</b>	3,946
Accrued manager's periodic charge	<b>9,138</b>	15,729
Total other creditors	<b>519,519</b>	84,941

## 9 Reconciliation of units

	I-class income	I-class accumulation	S-class income	S-class accumulation
Opening units issued at 01.05.19	1,086,764	10,240,491	3,383,664	5,339,252
Unit movements 01.05.19 to 30.04.20				
Units issued	210,293	1,341,422	53,250	214,957
Units cancelled	(926,975)	(6,492,216)	(704,789)	(646,378)
Units converted	—	102,302	—	(100,000)
Closing units issued at 30.04.20	370,082	5,191,999	2,732,125	4,807,831

## 10 Related party transactions

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

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

There were no commissions paid to stockbroking of the Manager in respect of dealings in the investments of Rathbone Heritage Fund during the year (30.04.19: nil).

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

## 11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (30.04.19: nil).

## 12 Risk disclosures on financial instruments

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

There is little exposure to credit or cash flow risk. There are no net borrowings and little exposure to liquidity risk because assets can be readily realised to meet redemptions.

The fund does not make use of derivatives.

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

The main risks arising from the financial instruments are:

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

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

	<b>30.04.20</b>	30.04.19
	<b>£</b>	£
Currency:		
Danish krone	<b>280,297</b>	799,987
Euro	<b>3,063,964</b>	4,726,667
Hong Kong dollar	<b>1,698,494</b>	2,578,159
Swiss franc	<b>1,347,809</b>	676,487
US dollar	<b>6,323,787</b>	9,195,444
Pound sterling	<b>7,274,274</b>	14,379,175
	<b>19,988,625</b>	32,355,919
Other net assets not categorised as financial instruments	<b>35,692</b>	32,523
Net assets	<b>20,024,317</b>	32,388,442

If GBP to foreign currency exchange rates had increased by 10% as at the balance sheet date, the net asset value of the fund would have decreased by £1,155,850 (30.04.19: £1,634,249). If GBP to foreign currency exchange rates had decreased by 10% as at the balance sheet date, the net asset value of the fund would have increased by £1,412,706 (30.04.19: £1,997,416). These calculations assume all other variables remain constant.

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

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

	<b>30.04.20</b>	30.04.19
	<b>£</b>	£
Fixed rate assets:		
Pound sterling	<b>499,995</b>	3,246,945
Floating rate assets:		
Hong Kong dollar	—	63
Pound sterling	<b>3,586,896</b>	4,721,867
	<b>3,586,896</b>	4,721,930

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

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

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

	30.04.20 £	30.04.19 £
Floating rate liabilities:		
Swiss franc	—	(7)
Assets on which no interest is paid:		
Danish krone	<b>280,297</b>	799,987
Euro	<b>3,063,964</b>	4,726,667
Hong Kong dollar	<b>1,698,494</b>	2,578,096
Swiss franc	<b>1,347,809</b>	676,494
US dollar	<b>6,323,787</b>	9,195,444
Pound sterling	<b>3,738,943</b>	6,547,729
	<b>16,453,294</b>	24,524,417
Liabilities on which no interest is paid:		
Pound sterling	<b>(551,560)</b>	(137,366)
Other net assets not categorised as financial instruments	<b>35,692</b>	32,523
Net assets	<b>20,024,317</b>	32,388,442

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

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

	30.04.20		30.04.19	
	Value (note 1f) £	Percentage of total net assets	Value (note 1f) £	Percentage of total net assets
<b>Bond credit ratings</b>				
Investment grade	<b>499,995</b>	<b>2.50</b>	3,246,945	10.02
Total bonds	<b>499,995</b>	<b>2.50</b>	3,246,945	10.02

There are no material amounts of non-interest bearing financial assets and liabilities, other than equities and collective investment schemes, which do not have maturity dates.

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

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

**(iii) Market price risk** *(continued)*

The investment portfolio is exposed to market price fluctuations which are monitored by the Manager in pursuance of the investment objective and policy set out in the Prospectus. Adherence to investment guidelines and to investment and borrowing powers set out in the Trust Deed and Prospectus and the rules of the FCA's Collective Investment Scheme Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

If market prices had increased by 10% as at the balance sheet date the net asset value of the fund would have increased by £1,643,771 (30.04.19: £2,760,887). If market prices had decreased by 10% as at the balance sheet date the net asset value of the fund would have decreased by £1,643,771 (30.04.19: £2,760,887). These calculations assume all other variables remain constant.

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

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

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

**13 Portfolio transaction cost**

**For the year ended 30 April 2020**

**Analysis of total purchase costs**

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	5,973,854	3,077	0.05	8,258	0.14
Bond transactions	10,482,177	—	—	—	—
Total purchases before transactions costs	16,456,031	3,077		8,258	
Total purchases including commission and taxes	16,467,366				

**Analysis of total sales costs**

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	12,280,533	7,092	0.06	1,134	0.01
Bond transactions	13,249,472	—	—	—	—
Corporate actions	4	—	—	—	—
Total sales including transactions costs	25,530,009	7,092		1,134	
Total sales net of commission and taxes	25,521,783				

Commissions and taxes as % of average net assets	
Commissions	0.03%
Taxes	0.03%

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

**For the year ended 30 April 2019**

**Analysis of total purchase costs**

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	8,098,271	3,943	0.05	10,884	0.13
Bond transactions	15,225,887	—	—	—	—
Total purchases before transactions costs	23,324,158	3,943		10,884	
Total purchases including commission and taxes	23,338,985				

**Analysis of total sales costs**

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	8,917,349	5,206	0.06	945	0.01
Bond transactions	15,750,000	—	—	—	—
Corporate actions	107,538	—	—	—	—
Total sales including transactions costs	24,774,887	5,206		945	
Total sales net of commission and taxes	24,768,736				

Commissions and taxes as % of average net assets

Commissions	0.03%
Taxes	0.03%

In the case of shares, commissions and taxes are paid by the fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.07% (30.04.19: 0.09%).

#### 14 Fair value of investments

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

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

##### For the year ended 30 April 2020

Category	1	2	3	Total
	£	£	£	£
<b>Investment assets</b>				
Equities	15,937,712	—	—	15,937,712
Bonds	—	499,995	—	499,995
	15,937,712	499,995	—	16,437,707

##### For the year ended 30 April 2019

Category	1	2	3	Total
	£	£	£	£
<b>Investment assets</b>				
Equities	24,361,928	—	—	24,361,928
Bonds	3,246,945	—	—	3,246,945
	27,608,873	—	—	27,608,873

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

Subsequent to the year end, the net asset value per unit of the fund has increased using the unit prices at the year end date compared to 16 June 2020. This movement takes into account routine transactions but also reflects the market movements of recent months. There are no post balance sheet events which require adjustments.

Unit type	30.04.20 mid price	16.06.20 mid price
I-class income	140.74p	145.83p
I-class accumulation	157.40p	164.26p
S-class income	144.33p	149.58p
S-class accumulation	161.40p	168.50p

During the period from the balance sheet date to the date that the Financial Statements were approved, the coronavirus (COVID-19) outbreak has caused extensive disruptions to businesses and economic activities globally. The uncertainties over the emergence and spread of COVID-19 have caused market volatility on a global scale. The quantum of the effect on the price of each unit has been disclosed above in the unit price movement since the balance sheet date note to the financial statements. The Authorised Fund Manager is monitoring the situation and considering the effect it may have on the valuation of any impacted underlying investment holdings in the future. In accordance with the requirements of FRS 102 and the IA SORP, the fair valuations at balance sheet date reflect the economic conditions in existence at that date.

## Distribution tables for the year ended 30 April 2020

### 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	Paid 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	Accumulated 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	Paid 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	Accumulated 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

#### Final

Group 1 – Units purchased prior to 1 November 2019

Group 2 – Units purchased on or after 1 November 2019 and on or before 30 April 2020

I-class income units	Net income	Equalisation	Payable 30.06.20	Paid 30.06.19
Group 1	0.98	–	0.98	1.15
Group 2	0.69	0.29	0.98	1.15

I-class accumulation units	Net income	Equalisation	Allocated 30.06.20	Accumulated 30.06.19
Group 1	1.10	–	1.10	1.27
Group 2	0.62	0.48	1.10	1.27

## Distribution tables for the year ended 30 April 2019 *(continued)*

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

<b>5-class income units</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Payable 30.06.20</b>	<b>Paid 30.06.19</b>
Group 1	1.04	—	1.04	1.18
Group 2	0.56	0.48	1.04	1.18

<b>5-class accumulation units</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Allocated 30.06.20</b>	<b>Accumulated 30.06.19</b>
Group 1	1.16	—	1.16	1.29
Group 2	0.67	0.49	1.16	1.29

### Notes for corporate unitholders

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

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

### Equalisation

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

## Directors' statement

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

MM Webb                      JR Chillingworth  
for Rathbone Unit Trust Management Limited  
Manager of Rathbone Heritage Fund  
26 June 2020

## Statement of the Manager's responsibilities in relation to the report and accounts of the Rathbone Heritage Fund

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

1. select suitable accounting policies, as described in the attached financial statements, and then apply them consistently;
2. make judgements and estimates that are reasonable and prudent;
3. comply with the disclosure requirements of the IMA SORP 2014 relating to financial statements of UK authorised funds issued by The Investment Association;
4. follow UK generally accepted accounting principles, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice: 'Financial Statements of UK Authorised Funds' issued by The Investment Association in May 2014;
5. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the fund will continue in operation; and
6. keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Scheme and which enable it to demonstrate that the financial statements as prepared comply with the above requirements.

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

In so far as the Manager is aware:

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

The ACD has considered the activities of the Company together with the factors likely to affect its future development, including those related to the COVID-19 pandemic. The assets of the Rathbone Heritage Fund consist predominantly of cash and liquid securities that are readily realisable and therefore has adequate resources to continue in operational existence for the foreseeable future. The ACD has also considered the impact of the COVID-19 pandemic on the operations of the ACD and material third party service providers which continue to be maintained and fully functioning. Accordingly, the ACD continues to adopt the going concern basis in the preparation of the financial statements.

In accordance with COLL 4.5.8 R, the Annual Report and the audited financial statements were approved by the board of directors of the Manager of the Scheme and authorised for issue on 26 June 2020.

# Statement of the Trustee's responsibilities and report of the Trustee to the Unitholders of Rathbone Heritage Fund (the Scheme) for the year ended 30 April 2020

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

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

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

The Trustee must ensure that:

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

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

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

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

**NatWest Trustee and Depositary Services Limited**  
Trustee of Rathbone Heritage Fund  
*26 June 2020*

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

## Report on the audit of the financial statements

### Opinion

In our opinion the financial statements of Rathbone Heritage Fund (the fund):

- give a true and fair view of the company as at 30 April 2020 and of the net revenue and the net capital gains on the property of the fund for the year ended 30 April 2020 and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds', the rules in the Collective Investment Schemes Sourcebook and the Trust Deed.

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

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

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

## Basis for opinion

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

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

## Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

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

## Other information

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

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

We have nothing to report in respect of these matters.

## Responsibilities of trustee and manager

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

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

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

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

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

## Report on other legal and regulatory requirements

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

In our opinion:

- proper accounting records for the company have been kept and the financial statements are in agreement with those records;
- we have received all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit; and
- the information disclosed in the annual report for the year ended 30 April 2020 for the purpose of complying with Paragraph 4.5.9R of the Collective Investment Schemes Sourcebook is consistent with the financial statements.

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

## **Use of our report**

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

Deloitte LLP  
Statutory Auditor  
Glasgow, United Kingdom  
*26 June 2020*

## General information

### UCITS Remuneration

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

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

	Fixed remuneration £'000	Variable remuneration £'000	Total remuneration £'000	Headcount
Senior Management	1,301	2,740	4,041	5
Risk takers	1,323	1,724	3,047	13
Control functions	267	40	307	3
Other	108	74	182	1
Total remuneration code staff	2,999	4,578	7,577	22
Non-remuneration code staff	959	279	1,238	23
<b>Total for the Manager</b>	<b>3,958</b>	<b>4,857</b>	<b>8,815</b>	<b>45</b>

The variable remuneration disclosed in the table above is for the financial year ended 31 December 2019, which is the most recent period for which data is available. Variable remuneration is determined annually based on, inter alia, the results of the Manager and the investment performance of the UCITS that it manages for discrete annual periods ending on 31 December each year. Consequently, it is not possible to apportion the variable award between calendar years.

### **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 deliver a greater total return than the Consumer Price Index (CPI) measure of inflation +3%, after fees, over any rolling 10-year period by investing with our valuation-linked cash management mechanism. Total return means the return we receive from the value of our investments increasing (capital growth) plus the income we receive from our investments (dividend payments). We use the CPI +3% as a target for our fund's return because we aim to grow your investment above inflation. There is no guarantee that this investment objective will be achieved over 10 years, or any other time period. We also compare our fund against the FTSE World Index so that you can see how global stock market share performed.

To meet the objective, the fund manager will invest at least 70% of the fund in global shares, with the remainder in cash, short-term deposits and UK government debt. The fund manager defines target cash weightings based on a valuation-linked cash management mechanism. The weightings are set at the discretion of the fund manager and will change over time. The weightings are reviewed annually and in response to market events. Further details in relation to the current weightings may be obtained by contacting Rathbone Unit Trust Management. 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 global stocks. We specialise in choosing good companies rather than making broad bets on which industries or countries will offer better returns. When choosing investments we use our own trinity of risk framework: price, business and financial. We look for businesses that offer good value and make strong and consistent profits with high quality earnings – those that are backed by real cash rather than accounting contrivance. Companies shouldn't have more debt than they can handle. We buy these companies because we believe they should grow steadily over many years. A healthy cash flow – earnings backed by cash – allows them to invest back into their businesses driving this future growth, and any cash left after this can be returned to shareholders so they can invest in opportunities elsewhere.

### **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

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 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, 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.

## General information *(continued)*

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.

### Value assessment

Our regulator, the Financial Conduct Authority (FCA), has asked us to assess the value of our funds. Assessing value is much more than just looking at the fees you pay or the performance of your fund in isolation. Considering this, we have designed an assessment which looks at nine criteria.

We have also appointed an independent research firm, Square Mile Investment Consulting & Research, to provide an impartial report on the value our funds offer compared with the market.

It is the responsibility of our board of directors to consider the outcomes of these assessments, ensure they are clear and fair, and then communicate to you, our investors, if we have delivered value or, if not, where we need to improve.

You can view the value assessment for this fund on [rathbones.com](http://rathbones.com)

### 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**

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

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Investment Association

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