

Rathbone Heritage Fund Value Assessment

Accounting year end at 30 April 2020



Dear investor,

It's important to us that we continually adapt to best serve our investors. To us, this means ensuring that you are always treated fairly, that we spend time and resource continually improving our business and that we strive to cultivate a positive and diverse culture where our team members can grow. Value for us is more than just looking at the fees you pay or the performance of your fund in isolation.

We are now seven months through a year which will remain at the forefront of our minds for decades to come. As markets fell severely in March 2020, so did the value of your investments in our funds. If you had invested £1,000 into the Rathbone Heritage Fund on 1 January 2020, by 18 March 2020 (the worst day for the fund's performance in 2020) your £1,000 would have been worth £789.38. As markets continue to recover, so does your investment in our fund. If you had held onto your investment until 1 June 2020, your £1,000 would have been worth £966.88.

The Rathbone Heritage Fund was launched on 25 March 2013, which means we do not yet have 10 years of performance history and are not yet able to say if the fund has met its objective. Since the launch of the Rathbone Heritage Fund it has returned 72.5%, against its benchmark which returned 36.7% (as at 1 June 2020). This means the Rathbone Heritage Fund is currently outperforming its target and is on track to meet its objective (based on the performance of S-class accumulation).

When we review our fund range, we consider how long you should plan to invest your money (that is to say how long the fund's 'recommended holding period' should be). We do this as events such as COVID-19 can have a severe short-term impact on your investments, which is why we encourage you to invest in our funds over longer periods of time. For the Rathbone Heritage Fund, we recommend you invest for a minimum of 10 years.

As we settle into our new way we work, we have been using our time to reflect on how we adapt the way we work long-term, attempting to capture the unexpected positive consequences of this lockdown. We are in the process of investing in new equipment and infrastructure, giving our team the home set up they need to work efficiently and comfortably. We are training our management team how to be successful leaders from afar. We are pursuing our new view of the future.

Once we are able to return safely to our office, our team will have the choice to continue to work flexibly from home, giving them the ability to pick the kids up from school or be home for a delivery.

We've also spent our time looking at how our world has changed, and how this should affect how we consider the businesses we invest in. I believe now more than ever that people will notice if a business has acted responsibly and compassionately through this crisis, or if it has not. We want our investors to have the ability to make informed investment decisions. In response to this, throughout the remaining months of 2020, we will be working to make it clearer and easier for you to align your personal values and beliefs with your investments in our funds.

This means whether you want to invest in a fund which aims to protect your money from the effects of inflation, like the Rathbone Heritage Fund, or simply want a fund which will pay you an income, like the Rathbone Income Fund or the Rathbone Multi-Asset Strategic Income Portfolio, you will easily be able to access the information you need to make an informed decision about your investment.

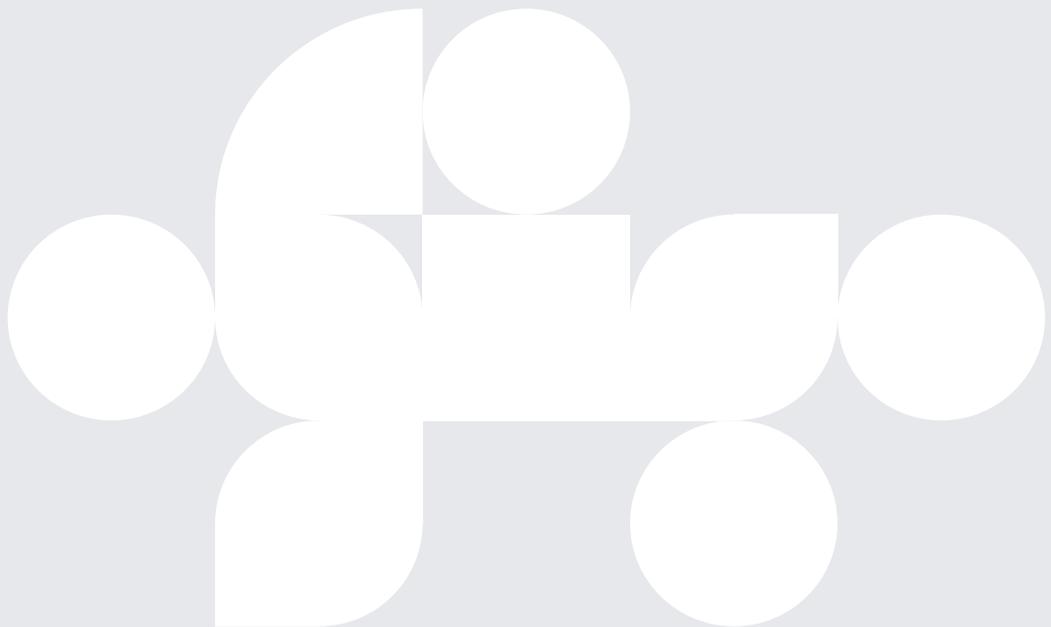
As we move forward, I thank you for your continued support. If you have any questions about the Rathbone Heritage Fund's value assessment or any suggestions on how we can improve, please get in touch.

Best wishes,



Mike Webb

CEO, Rathbone Unit Trust Management



What is a 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.

How are we doing?

It's really important to us that our value assessment is informative, useful and easy to understand. There is little value in us bombarding you with technical jargon and analysis, so we have tried to explain things simply, in plain English. We are always looking for ways to improve, so if you have any suggestions on how we can do better, please let us know by emailing rutm@rathbones.com.

Our assessment criteria

We assess our funds using nine criteria. Three of these categories relate to how we run our business, while the remainder are fund specific, so differ for each fund. You can find an explanation of each section alongside the summary of the contents and outcome of our assessment within this report.

In this section, we consider all areas we have assessed and conclude if our funds offer good value for money, offer value for money, or don't offer value for money.

If a fund doesn't offer value for money, we will detail here the actions we will take.

Contents

Assessment criteria which cover our entire fund range:

1. Improvements to our business ■
2. Our corporate culture ■
3. Quality of service you receive ■

Assessment criteria which are fund specific:

4. Performance of your fund ■
5. Costs charged to the fund ■
6. Economies of scale ■
7. Costs compared to the fund's peers and sector ■
8. The difference between share classes ■
9. Your fund compared to similar investment services we offer ■

Key

- Fund offers good value for money
- Fund offers value for money but merits action or further monitoring
- Fund does not offer value for money
- The assessment criteria is not applicable

Assessment outcome ■

The board of directors concluded the Rathbone Heritage Fund offers good value for money.

1. Improvements to our business

What does this section cover?

We are always striving to improve the service we offer. In this section, our board of directors considered all the projects we are carrying out to improve our business. These projects can have a direct impact on investors (such as a reduction in fund costs) or an indirect impact through our business operating more efficiently.

Assessment summary

We reviewed eight complete and ongoing projects. The most notable over the past year:

- We switched all investors who invested directly in our 'Retail' class fund units into our 'Institutional' class units. We moved 1,982 investments into the cheaper R-class units, saving investors between £6.25 and £10.00 per annum on every £1,000 invested
- We reduced the minimum investment to £1,000 on our lower-fee-paying Institutional share classes, making them accessible to everyone
- We removed initial costs from our entire fund range
- We rewrote our fund documentation, so all our funds have much clearer investment objectives and investment policies. We did this to make it easier for our investors to understand what they should expect from our funds, to see if our funds have achieved their objectives, and to compare our funds against alternatives

Assessment outcome ■

Our board concluded that we have invested significant resources this year to improve our business, and this has had a positive impact on our investors.

2. Corporate culture

What does this section cover?

We believe the right corporate culture encourages positive behaviour which ultimately benefits our investors. In this section, our board of directors review a number of metrics to allow them to determine if our business has a positive corporate culture.

Assessment summary

Our board assessed metrics specific to Rathbone Unit Trust Management, a subsidiary of Rathbone Brothers Plc. The assessment of our corporate culture considers different aspects of our business. This includes how we demonstrate our values: to be responsible, to show courage, to work together and to always be professional, the results of our employee engagement survey, our employee retention rate and how we invest into our business and people to attract and retain talent.

Assessment outcome ■

Our board of directors concluded, based on the available metrics, that Rathbone Unit Trust Management has a positive corporate culture.

3. Quality of service you receive

What does this section cover?

Service is more than just how fast we reply to an enquiry. When we consider the service we provide, we look at the breadth of knowledge and expertise of our fund managers and the analysts that support them, the qualifications we offer our employees to ensure they continually grow, and how efficient we are when trading on our investors' behalf. This section assesses the range and quality of services provided to our investors. We have considered both the quality of service we provide to our investors as well as the quality of services that we procure on behalf of our investors.

Assessment summary

We considered a number of different areas in our assessment of quality of service. The most notable were:

- How we vote on behalf of our shareholders. We actively engage with companies we invest in on environmental, social and governance issues and publish a report annually on how we have voted on your behalf
- Professional development. The average number of hours our staff undertake continued professional development (CPD) greatly exceeds the regulatory requirement. Rathbone Unit Trust Management employees in certificated positions undertake, on average, 63.8 hours of training and development a year, compared with the 35 hours mandated by the FCA. Rathbones also actively supports employees in undertaking additional professional qualifications, such as the Chartered Financial Analyst qualification
- Our research and investment process. Our investment processes are personal to each fund management team, as we believe their knowledge and expertise adds significant value to our clients' investments. Their individual processes are scrutinised twice a year by our chief investment officer who ensures that each of our managers employ robust processes to select appropriate investments and fulfil the requirements of their fund's investment mandate
- The services we receive on our investors' behalf. These are managed by our operational oversight team and governed by our outsourcing governance committee
- How we handled complaints. We reviewed how many complaints we received and how quickly we resolved them
- How well we traded. We reviewed the transaction costs associated with our funds, which is an indicator of how efficiently we trade on our investors' behalf

Assessment outcome ■

Our board of directors concluded that, based on the areas assessed, Rathbone Unit Trust Management offers a good quality of service.

The board note the substantial investment by the Rathbone Brothers Plc., the parent company of Rathbone Unit Trust Management, into environmental, social and governance considerations and will continue to monitor the effectiveness of this investment within Rathbone Unit Trust Management.

4. Performance of your fund

What does this section cover?

We check how our funds have performed against their objectives, after all fees have been paid, to see if we have delivered what we aimed to achieve. If a fund has underperformed its benchmark, we explain why and assess whether the fund has invested in line with its 'mandate'. A fund's mandate is the investment strategy which was designed by the fund manager and agreed by our chief investment officer; it dictates how a fund manager can invest.

We also measure each fund's performance against a 'cash' benchmark to give you an idea of how your money would have grown in a UK bank account versus investing in our fund. We use the Bank of England base rate to approximate the interest you may have received in a bank account.

Why is the investment objective of a fund important?

The objective of a fund is important because it shows how a fund aims to perform. When we assess our fund's performance, we do so relative to its objective.

You'll notice that our funds' objectives are measured over three, five or 10 years. This is the time period you should plan to invest for – a 'recommended holding period'. Each fund's recommended holding period was chosen based on the historic performance of the fund and how we expect the fund to perform in the future. This doesn't mean the objective of the fund is guaranteed and there is always a chance you will get back less than you've invested.

This also means that the fund may perform very differently to the objective in the short-term. For example, returns or volatility could be much less, or much more, than the stated objective if measured over, for example, a six-month period.

Our assessment is based on a number of factors. We assess the fund against its objective while considering the prevailing economic and market backdrop, how the fund manager's investment philosophy and process should have performed, and how we believe the fund may perform in the future.

It's important to understand that sometimes, a fund could underperform its objective even though the fund manager is investing in line with their investment policy (which financial instruments they are allowed to invest in) and their investment process (how they pick their investments). This can be because of a general market downturn that affects all the assets a fund manager might invest in. Underperformance could also happen because the type of assets a fund invests in or its 'style' of investment is 'out of favour'. For example, some UK funds have not performed well over the last few years because of the effect the political uncertainty has had on the financial markets. These funds could still offer value for money as these funds may perform very well when the market it invests in, or its investment style, becomes 'in favour' once again.

What is the objective of the Rathbone Heritage Fund?

We aim 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.

We also compare our fund against the FTSE World Index so that you can see how global stock markets have performed.

Assessment summary

The Rathbone Heritage Fund aims 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.

We also measure our funds' performance against a 'cash' benchmark to give you an idea of how your money would have grown in a UK bank account versus investing in our fund. We use the Bank of England base rate to approximate the interest you may have received in a bank account. The fund was launched on 25 March 2013. If you had invested £1,000 in a UK bank account on the same day as the fund was launched, you would have received approximately 3.64% or £36. If you had invested £1,000 in our fund, you would have received 57.42% or £574 (based on the total return of the accumulation S-class).

Assessment outcome ■

Our board of directors concluded that our fund is on track to meet its objectives and has outperformed its benchmark.

5. Costs charged to the fund

What does this section cover?

In this section we assess the costs charged to the fund and whether these are reasonable for the level of service we provide to our investors (or the level of service we receive from third parties on your behalf). We have used the costs of the largest share class to provide a summary of costs.

Understanding fund costs

Fund costs are complicated. The most important cost for you to understand is the **total cost of your investment**, this is how much you pay every year to invest your money into our fund.

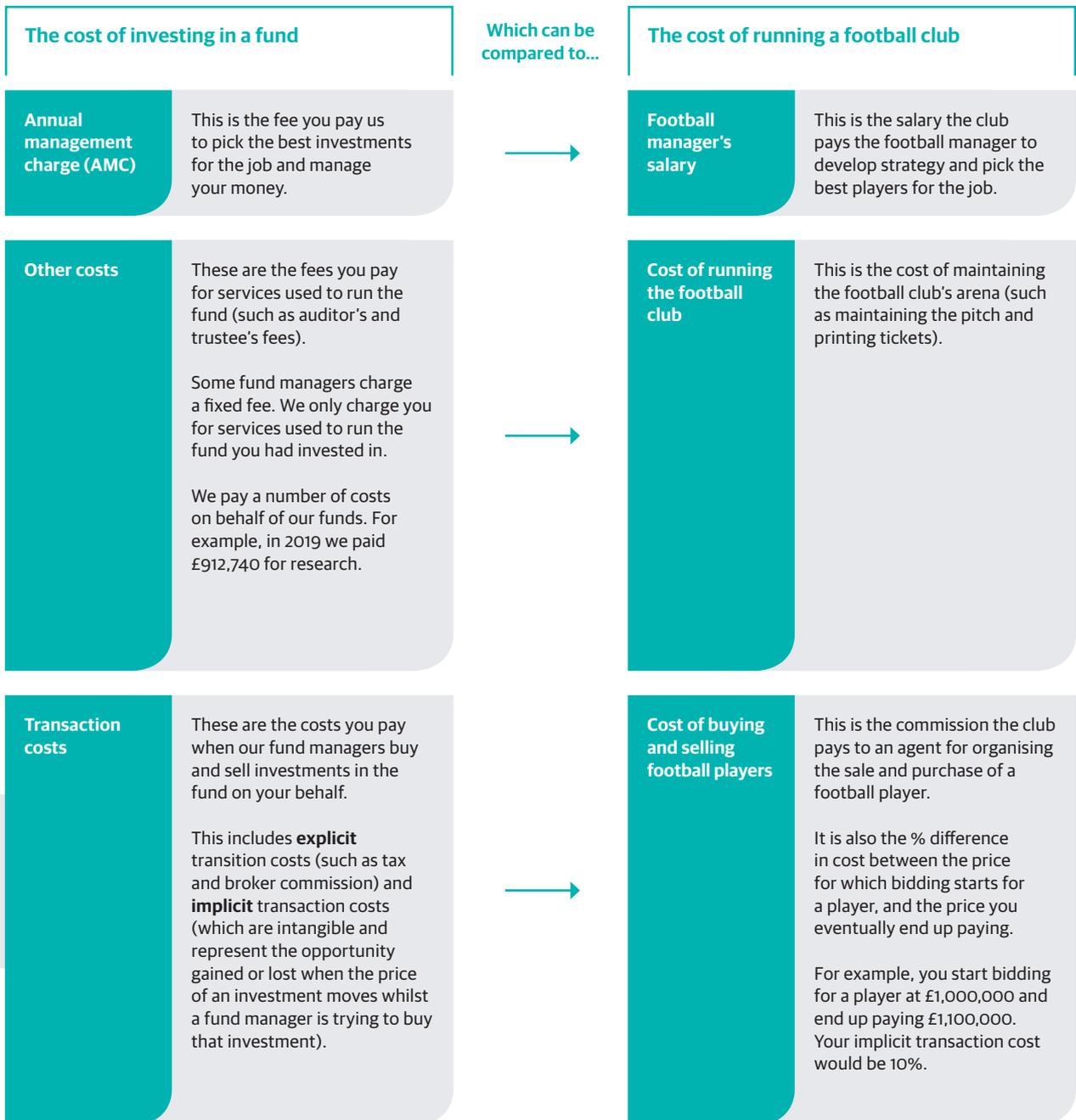
The **ongoing charges figure (OCF)** is the easiest cost to compare between funds, which we also refer to as the **UCITS total cost of investment**. You can find this cost on all funds' Key Investor Information Documents (KIIDs), so it is easy to compare between different funds.

The total cost of your investment is expressed as a percentage. You can work out roughly how much you pay per year by multiplying the value of your investment by the percentage cost.

If you invest using the services of a financial adviser or through an investment platform, they will also charge you fees on top of the fees you pay for investing in our funds. You can request a breakdown detailing the full fees you pay, including the fees you pay for our funds, from your financial adviser or investment platform.

Explaining the different parts of fund costs

It's not essential that you understand the underlying cost components when investing in our funds, but it can be useful, so we've broken it down below.



Explaining the different ways to calculate costs

As we are bound by two different regulations, which are dictated by the Financial Conduct Authority, we have to publish costs based on two different calculations. These regulations are called **UCITS** and **MiFID II**. You will see these terms throughout this report.

Very simply, MiFID II costs include transactions costs, or in our example, the cost of buying and selling football players. UCITS costs do not include transaction costs.

In practice, the way these costs are calculated are much more complicated than how we've explained here. If you would like more information on the technicalities of fund cost calculation, please get in touch.

Assessment summary

The charges of the Rathbone Heritage Fund's S-class are as follows:

Cost	UCITS costs	MiFID II costs
AMC	0.40%	0.40%
Other costs	0.15%	0.15%
Transaction costs	n/a	0.12%
Total cost of investment	0.55% (OCF)	0.67%

This means if you invested £1,000 for one year, you would be charged £5.50 (calculated using the UCITS total cost of investment).

Assessment outcome ■

The board of directors concluded that all costs charged to the fund are reasonable, with several initiatives in the business being established to actively reduce other costs and transaction costs.

The board further noted the decline in the size of the fund over the last 12 months. The board agreed the costs charged to the Rathbone Heritage Fund will remain subsidised by Rathbone Unit Trust Management so investors are not disadvantaged by the decrease in the fund size. The board will continue to monitor the size of the Rathbone Heritage Fund.



6. Economies of scale

What does this section cover?

When funds get bigger, you pay proportionally less for the fixed costs of running the fund. When a fund grows considerably, the management company should be able to negotiate lower costs on your behalf. This is called economies of scale – a proportionate saving in cost gained by an increase in scale or size. In this section, we assess if all economies of scale have been passed onto the investor.

Some asset managers charge a fixed percentage admin fee, so it doesn't matter how large the fund grows, investors don't benefit from the saving in cost gained by an increase in fund size. We only charge for services used to run the fund and never charge a fixed percentage admin fee, so as our funds grow, you benefit from lower fixed costs.

Some asset managers tier their annual management charges based on the size of their funds. We think this is an unsustainable method to pass on economies of scale. In the event of a market correction where a fund is significantly reduced in size, we wouldn't want to ask our investors to pay more for the management of their investment. For this reason, we have chosen not to tier the annual management charges of our funds.

We will continue monitoring the annual management charges of the funds to ensure they are appropriate.

Assessment summary

All costs charged to the Rathbone Heritage Fund have been assessed to determine if all available benefits from economies of scale were passed on to investors.

Assessment outcome ■

The board of directors concluded all available economies of scale have been passed on to Rathbone Heritage Fund's investors.

7. Costs compared to the fund's peers and sector

What does this section cover?

It's important that the cost of our funds reflect the service you receive. We believe that cost cannot be assessed in isolation and must be considered alongside a fund's performance, the type of assets in a portfolio and the quality of service we offer. We do not believe that value means selling our services at the cheapest price.

We assess our funds based on their performance, taking into account the cost you have paid to invest, against an independently selected peer group and the wider market sector. In other words, how much you get for the fees you pay compared to our peers. We consider the results of this analysis keeping in mind the service Rathbones provides and the prevailing economic and market backdrop. We have used the costs of the largest share class to compare our funds to the market.

Assessment summary

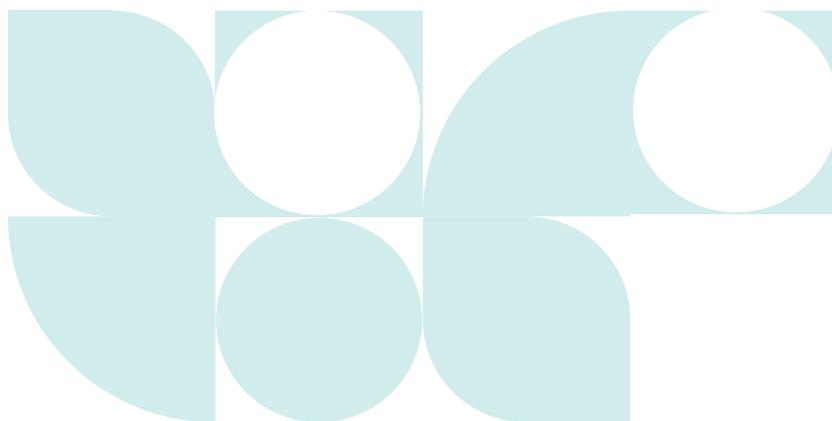
We based our analysis on the cost of the S-class, as this is the largest share class in this fund.

Because of the unique investment strategy of the Rathbone Heritage Fund, we were unable to identify a suitable sector or peer group for comparison.

Share class	Total UCITS costs	Total MiFID II costs
I-class	0.90%	1.02%
S-class	0.55%	0.67%

Assessment outcome ■

Our board was not able to identify a suitable sector or peer group against which to compare the cost of the Rathbone Heritage Fund.



8. The difference between share classes

What does this section cover?

Investment funds can offer different share classes. Share classes usually have different investment minimums (the minimum amount you need to invest) and different costs (how much you pay annually for your investment). Although share classes have different investment terms, they all invest in the same fund.

The larger the investment minimum, the lower the charge for managing your investment. This is similar to getting a cheaper price for buying product in bulk rather than one at a time. For this reason, when you invest through a third party like an investment platform or a financial adviser, your money is pooled with others and you may have access to a cheaper share class than if you were to invest directly with us.

In this section of the assessment we have determined if unitholders are invested in appropriate share classes.

Assessment summary

The Rathbone Heritage Fund has two classes.

Share class	Minimum investment	Annual management charge
I-class	£1,000	0.75%
S-class	£30,000,000	0.40%

Assessment outcome ■

Our board of directors concluded that all investors are in the appropriate share class.

9. Your fund compared to similar investment services we offer

What does this section cover?

It's important to us that all our investors receive fair investment terms when they choose to invest their money in Rathbone funds. In this section, the board considers the investment terms that we offer you compared with those we offer our institutional and international investors. Comparable services include the international range of Rathbone funds which are registered in Luxembourg and regulated by the Commission de Surveillance du Secteur Financier and 'segregated mandates', which are pots of money managed by our fund managers separately from our UK fund range for large institutional investors.

Assessment summary

The Rathbone Heritage Fund does not have any comparable services.

Assessment outcome ■

Our board of directors concluded that this fund did not have any comparable services.



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