

Rathbones

Look forward

Rathbone Heritage Fund

Annual report for the year ended 30 April 2021



Rathbone Heritage Fund

Authorised Fund Manager (the Manager)

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**A member of the Rathbone Group
Authorised and regulated by the
Financial Conduct Authority and member
of The Investment Association**

Dealing office

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Independent Auditor

Deloitte LLP
Statutory Auditor
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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

Administrator

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Trustee

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**Authorised and regulated by the
Financial Conduct Authority**

Manager's report for the year ended 30 April 2021

In the year ended 30 April 2021, our fund's total return was 19.7%. This was comfortably ahead of the 3.8% gain in our UK Consumer Price Index + 3% benchmark, although we lagged the FTSE World Index's 33.9% return in sterling.

A year ago, much of the developed world remained firmly in the grip of the COVID-19 pandemic. Few big economies were fully functioning; many industries were shuttered and global trade was severely disrupted. But stock market investors had already begun to look beyond immediate challenges and to anticipate an eventual economic revival, supported by massive government stimulus and central bank largesse and hopes of viable vaccines. From April 2020 onwards, global stock markets began to claw back ground lost during pandemic-driven plunges earlier in the year. This rebound continued for most of the period under review, ensuring that many stock markets had breached all-time highs by mid-April this year.

When the rebound first began, the stocks that bounced back the most were largely those that had enjoyed the strongest momentum in the run-up to the pandemic – notably, the FAANGs (Facebook, Apple, Amazon, Netflix and Google – now Alphabet) and their ilk. These stocks benefited from their perceived potential to grow fast, as well as their relative insulation from the vagaries of 'real world' economic cycles. By contrast, less highly valued stocks whose underlying businesses are more 'cyclical' continued to lag.

This trend continued until the final quarter of 2020, when highly positive vaccine data encouraged investors to hope for some semblance of an economic rebound in a post-pandemic future. Investor focus on how reopening might impact specific sectors and businesses drove a sharp rotation into better valued, more cyclical stocks whose share prices had slumped during shutdowns because their businesses depend on a full-throttle economy. As lockdown winners gave up some of their gains, more attractively valued cyclical stocks, like miners, the energy complex and financials, finally assumed the baton of market leadership.

Going into 2021, this sector rotation has gathered pace. But there also have been some (so far, short-lived) swings back into growthier stocks. Many 'growth' stocks rebounded sharply in April on the back of very strong earnings results. By early May, this swing had reversed, with technology stocks in particular falling back steeply amid concerns about inflationary pressures and high valuations. This volatility is a stark reminder of the dangers of trying to 'time' the market by buying and selling businesses on valuation grounds alone. Some so-called 'naked value' stocks are cheap for a reason. We do not buy into businesses that we believe are fundamentally challenged. Instead, we seek to buy what we regard as superior companies at the best prices.

Investment review

Our principal trades, as ever, included the purchase of short-term UK Treasury Bills that are used for cash management. At the period end, cash and cash equivalents represented 26.3% of the fund, reflecting very elevated valuations in global stock markets as a whole.

Given our view that the post-pandemic future will involve a healthier and more fully functioning economy, we opted gradually to tilt the fund toward stocks more geared into wide reopening and less into simply surviving a COVID-dominated environment. This drove our decision to emphasise industrial cyclicality and value. As a result, we were able to reap some of the benefits of sector rotation as it got under way.

To tilt towards cyclicality and value, we introduced several new holdings. We had previously held **Wabtec**, the US manufacturer of high-technology products for the locomotive industry. We decided to revisit the stock since we regard it as a well-run, quality industrial play, with exposure to both freight and passenger markets. Another addition was global locks, security and entranceway supplier **Assa Abloy**. We also bought **Ferguson**, the wholesaler and distributor for the construction industry which predominantly operates in the United States, and **Jungheinrich**, which makes forklift trucks and

other warehouse machinery and equipment for the logistics sector. We regard each of these companies as high-quality businesses serving important industry segments that increase our cyclical exposure, without taking on too much idiosyncratic business risk.

We also bought back into global mining group **Rio Tinto**, in a clear move to increase cyclical exposure within the fund. Rio's most important commodity metals are iron ore and copper. The price of the former has surged on the back of strong demand from China's vast steelmaking industry, which was quick to recover from the pandemic. Copper is a critical ingredient in a wide range of industrial and technology applications (semi-conductors, for example, demand significant copper usage). As global manufacturing has opened up again, demand for copper has been soaring, driving its price up to a multi-year high. We regard Rio as a prestige business whose commodity exposure allows us to participate in the recovery in industrial metal prices.

Meanwhile, our principal sales during the period reinforce our constant focus on price risk, which we believe provides us with a degree of protection against poor outcomes. Being too tolerant about price risk and owning stocks that are 'priced to perfection' can be a dangerous strategy if investors suddenly start dumping previously highly favoured sectors and companies and shifting elsewhere. The rotations of the last nine months or so show how dramatic share price moves can be when these shifts occur.

The FAANGs' lofty valuations mean that we have not held them in our fund. But we have benefited from our exposure to other technology stocks and believe that our technology exposure remains a crucial element of the fund. In the period under review, several of our technology holdings performed so strongly that we felt that it prudent to trim our exposure as and when our positions became imbalanced. Notably, we pared back our holding in Dutch semiconductor giant **ASML** as its share price was propelled higher and higher over the course of the year. We remain very positive about this well-run business which serves the ever-more diversified and thriving semiconductor market. It remains one of our top holdings.

Likewise, Chinese internet business **Tencent** is also a top holding despite our decision to trim back some of our exposure over the course of the year as its share price consistently notched up stellar gains.

We also trimmed software company **Adobe**, electronic design automation software manufacturer **Cadence Design Systems** and music streaming business **Spotify**. We put this cash to use where the balance of price and business risk was more attractive.

Outlook

Investors have begun to look well beyond the current environment and to anticipate full economic reopening and recovery later this year. A bumper recovery may see stronger inflation start to come through, which would imply that the era of persistently low interest rates may come to an end. This could have significant implications for a wide range of financial assets that have been buoyed by ultra-low rates for many years.

There are also big question marks about what our post-pandemic consumption patterns will look like. And, of course, the pandemic may bring long-term social changes with far-reaching effects. Our 'new normal' may look very different from our pre-pandemic past and investors must always be mindful of this.

Given the huge uncertainties that lie ahead, we believe that owning attractively valued businesses in which we have longer-term conviction may provide a degree of safety should stock markets turn volatile.

We would have hoped for a more dramatic correction in overall market valuations to enable us to be more aggressive with our cash, but the sheer weight of government and central bank stimulus means that valuations in general have stayed elevated. In our view, the 'cost' of any short-term underperformance is outweighed by our efforts to deliver attractive risk-adjusted returns over multi-year investment horizons.

The Rathbone Heritage Fund Team
19 May 2021

Net asset value per unit and comparative tables

I-class income units

	30.04.21 pence per unit	30.04.20 pence per unit	30.04.19 pence per unit
Change in net assets per unit			
Opening net asset value per unit	137.41p	147.55p	144.53p
Return before operating charges*	30.97p	(6.61p)	6.42p
Operating charges	(1.38p)	(1.34p)	(1.29p)
Return after operating charges*	29.59p	(7.95p)	5.13p
Distributions on income units	(1.81p)	(2.19p)	(2.11p)
Closing net asset value per unit	165.19p	137.41p	147.55p
*after direct transaction costs ¹ of:	0.09p	0.09p	0.09p

¹ Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

Performance

Return after charges	21.53%	(5.39%)	3.55%
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Other information

Closing net asset value	£459,252	£508,547	£1,603,503
Closing number of units	278,009	370,082	1,086,764
Operating charges	0.90%	0.90%	0.90%
Direct transaction costs	0.06%	0.06%	0.06%

Prices**

Highest unit price	167.34p	156.35p	153.07p
Lowest unit price	135.71p	119.37p	131.06p

** 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

	30.04.21 pence per unit	30.04.20 pence per unit	30.04.19 pence per unit
Change in net assets per unit			
Opening net asset value per unit	154.78p	163.66p	157.99p
Return before operating charges*	35.02p	(7.39p)	7.09p
Operating charges	(1.54p)	(1.49p)	(1.42p)
Return after operating charges*	33.48p	(8.88p)	5.67p
Distributions on accumulation units	(2.04p)	(2.44p)	(2.32p)
Retained distributions on accumulation units	2.04p	2.44p	2.32p
Closing net asset value per unit	188.26p	154.78p	163.66p
*after direct transaction costs ¹ of:	0.10p	0.10p	0.10p

¹ Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

Performance

Return after charges	21.63%	(5.43%)	3.59%
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Other information

Closing net asset value	£3,515,140	£8,036,225	£16,759,421
Closing number of units	1,867,214	5,191,999	10,240,491
Operating charges	0.90%	0.90%	0.90%
Direct transaction costs	0.06%	0.06%	0.06%

Prices**

Highest unit price	189.72p	173.42p	167.27p
Lowest unit price	152.86p	133.51p	144.26p

** 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

	30.04.21 pence per unit	30.04.20 pence per unit	30.04.19 pence per unit
Change in net assets per unit			
Opening net asset value per unit	140.89p	150.75p	147.19p
Return before operating charges*	31.80p	(6.73p)	6.53p
Operating charges	(0.87p)	(0.83p)	(0.81p)
Return after operating charges*	30.93p	(7.56p)	5.72p
Distributions on income units	(1.85p)	(2.30p)	(2.16p)
Closing net asset value per unit	169.97p	140.89p	150.75p
*after direct transaction costs ¹ of:	0.09p	0.09p	0.09p

¹ Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

Performance

Return after charges	21.95%	(5.01%)	3.89%
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Other information

Closing net asset value	£2,526,022	£3,849,221	£5,100,830
Closing number of units	1,486,125	2,732,125	3,383,664
Operating charges	0.55%	0.55%	0.55%
Direct transaction costs	0.06%	0.06%	0.06%

Prices**

Highest unit price	172.16p	159.91p	156.01p
Lowest unit price	139.15p	122.38p	133.75p

** 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

	30.04.21 pence per unit	30.04.20 pence per unit	30.04.19 pence per unit
Change in net assets per unit			
Opening net asset value per unit	158.71p	167.15p	160.79p
Return before operating charges*	35.98p	(7.52p)	7.25p
Operating charges	(0.98p)	(0.92p)	(0.89p)
Return after operating charges*	35.00p	(8.44p)	6.36p
Distributions on accumulation units	(2.10p)	(2.57p)	(2.36p)
Retained distributions on accumulation units	2.10p	2.57p	2.36p
Closing net asset value per unit	193.71p	158.71p	167.15p
*after direct transaction costs ¹ of:	0.11p	0.11p	0.10p

¹ Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

Performance

Return after charges	22.05%	(5.05%)	3.96%
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Other information

Closing net asset value	£5,246,702	£7,630,324	£8,924,688
Closing number of units	2,708,545	4,807,831	5,339,252
Operating charges	0.55%	0.55%	0.55%
Direct transaction costs	0.06%	0.06%	0.06%

Prices**

Highest unit price	195.19p	177.56p	170.44p
Lowest unit price	156.75p	136.84p	147.17p

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

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

Risk and reward profile as published in the fund's most recent Key Investor Information Document



Lower potential risk/reward
(Not risk-free)

Higher potential risk/reward

This indicator is a measure of the fund's past volatility (the extent and rapidity of up-and-down movements of the value of an investment). It may not be a reliable indication of the fund's future risk. The risk category shown is not a target or a guarantee and may change over time.

Discrete annual performance, quarter ending 30 April 2021

	2017	2018	2019	2020	2021
I-class units	16.92%	0.23%	3.26%	-7.73%	25.70%
S-class units	17.32%	0.58%	3.62%	-7.36%	26.13%
UK Consumer Price Index +3%	5.37%	5.82%	4.87%	4.73%	3.46%
FTSE World Index	32.90%	2.55%	11.09%	-6.00%	39.93%

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 2021

Holding (Ordinary shares unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
Debt Securities (30.04.20: 2.50%)		
Government Bonds (30.04.20: 2.50%)		
500,000 United Kingdom Treasury Bill 0% 24/05/2021*	499,980	4.26
500,000 United Kingdom Treasury Bill 0% 28/06/2021*	499,960	4.25
Total Debt Securities	999,940	8.51
United Kingdom (30.04.20: 15.54%)		
Support Services (30.04.20: 2.38%)		
12,500 Bunzl	290,875	2.48
Household Goods (30.04.20: 2.75%)		
4,500 Reckitt Benckiser	290,160	2.47
Travel and Leisure (30.04.20: 0.00%)		
580,000 Patisserie Holdings	—	—
Real Estate (30.04.20: 2.48%)		
22,400 Big Yellow	267,904	2.28
Pharmaceuticals and Biotechnology (30.04.20: 2.98%)		
14,870 GlaxoSmithKline	199,199	1.70
Media (30.04.20: 1.87%)		
12,750 RELX Rights	—	—
12,750 RELX	240,112	2.04
Mining (30.04.20: 0.00%)		
3,150 Rio Tinto	191,394	1.63
Total United Kingdom	1,479,644	12.60
United States (30.04.20: 26.91%)		
Aerospace and Defence (30.04.20: 2.90%)		
1,135 Lockheed Martin	311,812	2.65
Food Producers (30.04.20: 2.57%)		
2,450 JM Smucker	231,737	1.97
General Retailers (30.04.20: 2.64%)		
790 Ulta Beauty	187,916	1.60

Portfolio and net other assets as at 30 April 2021 *(continued)*

Holding (Ordinary shares unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
Banks (30.04.20: 3.83%)		
2,850 JP Morgan Chase	316,607	2.70
4,600 US Bancorp	197,183	1.68
	513,790	4.38
Financial Services (30.04.20: 3.49%)		
2,850 Discover Financial Services	234,682	2.00
980 MasterCard	270,425	2.30
	505,107	4.30
Industrial Engineering (30.04.20: 0.00%)		
4,540 Wabtec	269,111	2.29
Software and Computer Services (30.04.20: 9.84%)		
790 Adobe	290,050	2.47
2,975 Cadence Design System	283,308	2.41
1,750 Microsoft	318,743	2.71
	892,101	7.59
Healthcare Equipment & Services (30.04.20: 0.00%)		
2,680 Edwards Lifesciences	184,893	1.57
Total United States	3,096,467	26.35
Belgium (30.04.20: 1.68%)		
Beverages (30.04.20: 1.68%)		
3,850 Anheuser-Busch InBev	196,860	1.68
Channel Islands (30.04.20: 1.70%)		
Automobiles and Parts (30.04.20: 0.00%)		
2,800 Aptiv	290,910	2.48
Media (30.04.20: 1.70%)		
34,000 WPP	331,568	2.82
Support Services (30.04.20: 0.00%)		
2,050 Ferguson NewCo	187,206	1.59
Total Channel Islands	809,684	6.89

Portfolio and net other assets as at 30 April 2021 *(continued)*

Holding (Ordinary shares unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
China (30.04.20: 1.46%)		
Software and Computer Services (30.04.20: 1.46%)		
98,000 TravelSky	155,472	1.32
Denmark (30.04.20: 1.37%)		
Food Producers (30.04.20: 1.37%)		
2,375 Christian Hansen	157,995	1.34
Finland (30.04.20: 2.37%)		
Non-Life Insurance (30.04.20: 2.37%)		
9,200 Sampo	317,079	2.70
Germany (30.04.20: 1.98%)		
Industrial Engineering (30.04.20: 0.00%)		
4,800 Jungheinrich	180,540	1.54
Hong Kong (30.04.20: 7.02%)		
Life Insurance (30.04.20: 3.55%)		
39,400 AIA	362,176	3.08
Software and Computer Services (30.04.20: 3.47%)		
5,700 Tencent	329,960	2.81
Total Hong Kong	692,136	5.89
Ireland (30.04.20: 5.76%)		
Chemicals (30.04.20: 1.75%)		
1,540 Linde	317,866	2.71
Support Services (30.04.20: 2.06%)		
5,100 DCC	320,484	2.73
Total Ireland	638,350	5.44

Portfolio and net other assets as at 30 April 2021 *(continued)*

Holding (Ordinary shares unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
Luxembourg (30.04.20: 2.17%)		
Software and Computer Services (30.04.20: 2.17%)		
740 Spotify Technology	134,820	1.15
Netherlands (30.04.20: 3.85%)		
Technology Hardware and Equipment (30.04.20: 3.85%)		
855 ASML	402,318	3.42
Switzerland (30.04.20: 6.57%)		
Pharmaceuticals and Biotechnology (30.04.20: 6.57%)		
5,035 Novartis (registered)	310,805	2.65
1,120 Roche	263,951	2.25
Total Switzerland	574,756	4.90
Total value of investments (30.04.20: 82.09%)	9,836,061	83.73
Net other assets (30.04.20: 17.91%)	1,911,055	16.27
Total value of the fund as at 30 April 2021	11,747,116	100.00

* 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 Kingdom

Software and Computer Services	0.64%
Food Producers	2.44%

United States

Automobiles and Parts	1.64%
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Italy

Support Services	1.21%
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Germany

Travel and Leisure	1.98%
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Ireland

General Industrials	1.95%
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Summary of portfolio investments

	Value £	Percentage of total net assets
Debt Securities	999,940	8.51
Equity Securities	8,836,121	75.22
Total value of investments	9,836,061	83.73

Statement of total return for the year ended 30 April 2021

	Note	30.04.21 £	30.04.21 £	30.04.20 £	30.04.20 £
Income					
Net capital gains/(losses)	2		3,401,890		(2,158,485)
Revenue	3	243,316		549,613	
Expenses	4	(115,343)		(234,968)	
Net revenue before taxation		127,973		314,645	
Taxation	5	(14,089)		(32,943)	
Net revenue after taxation			113,884		281,702
Total return before distributions			3,515,774		(1,876,783)
Distributions	6		(203,906)		(470,255)
Change in net assets attributable to unitholders from investment activities			3,311,868		(2,347,038)

Statement of change in net assets attributable to unitholders for the year ended 30 April 2021

	30.04.21 £	30.04.21 £	30.04.20 £	30.04.20 £
Opening net assets attributable to unitholders		20,024,317		32,388,442
Amounts receivable on issue of units	395,587		2,958,524	
Amounts payable on cancellation of units	(12,109,709)		(13,305,298)	
		(11,714,122)		(10,346,774)
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		3,311,868		(2,347,038)
Retained distributions on accumulation units		125,053		329,687
Closing net assets attributable to unitholders		11,747,116		20,024,317

Balance sheet as at 30 April 2021

	Note	30.04.21 £	30.04.21 £	30.04.20 £	30.04.20 £
Assets					
Fixed assets:					
Investments			9,836,061		16,437,707
Current assets:					
Debtors	7	257,644		551,274	
Cash and bank balances		2,218,080		3,586,896	
Total current assets			2,475,724		4,138,170
Total assets			12,311,785		20,575,877
Liabilities					
Creditors:					
Other creditors	8	(549,200)		(519,519)	
Distribution payable on income units		(15,469)		(32,041)	
Total liabilities			(564,669)		(551,560)
Net assets attributable to unitholders			11,747,116		20,024,317

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 FRS102 '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, and as amended in June 2017.

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.

The Manager is requesting agreement from the FCA and later with the unitholders to merge the fund into Rathbone Multi-Asset Strategic Growth Portfolio but approval for this has not been confirmed as at the date of the approval of these financial statements. Whilst the Manager expects the fund to have adequate resources to continue in operational existence, if the merger is approved and the assets of the fund are transferred into Rathbone Multi-Asset Strategic Growth Portfolio and the investors receive shares into Rathbone Multi-Asset Strategic Growth Portfolio, the ACD will subsequently wind up the fund in an orderly process. As a result of the potential merger a material uncertainty exists that may cast significant doubt on the fund's ability to continue as a going concern and, should the merger not be approved, the Manager confirms the fund will remain operational and will not be terminated.

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.

1 Accounting policies *(continued)*

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.

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 gains/(losses)

	30.04.21	30.04.20
	£	£
The net capital gains/(losses) during the year comprise:		
Non-derivative securities	3,419,190	(2,136,609)
Capital special dividends	2,834	—
Currency losses	(20,134)	(21,876)
Net capital gains/(losses)	3,401,890	(2,158,485)

3 Revenue

	30.04.21	30.04.20
	£	£
Dividends — UK Ordinary	73,212	203,003
— Overseas	158,216	272,879
— Unfranked	—	31,642
— Property income distributions	12,194	—
Interest on debt securities	(310)	19,861
HMRC repayment	4	—
Bank interest	—	22,228
Total revenue	243,316	549,613

4 Expenses

	30.04.21	30.04.21	30.04.20	30.04.20
	£	£	£	£
Payable to the Manager, associates of the Manager and agents of either of them:				
Manager's periodic charge		89,411		188,054
Other expenses:				
Administration fees	25,932		46,908	
Dividend collection expenses	—		6	
		25,932		46,914
Total expenses		115,343		234,968

* Audit fees for 2021 are £8,250 excluding VAT (30.04.20: £8,000 excluding VAT). These have been borne by the Authorised Fund Manager.

5 Taxation

	30.04.21	30.04.20
	£	£
a) Analysis of charge in the year		
Overseas tax	14,089	32,943
Total tax charge for the year (note 5b)	14,089	32,943

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%) (30.04.20: 20%). The differences are explained below.

	30.04.21	30.04.20
	£	£
Net revenue before taxation	127,973	314,645
Corporation tax at 20%	25,595	62,929
Effects of:		
Revenue not subject to taxation	(46,286)	(95,176)
Excess management expenses not utilised	20,691	32,247
Corporate tax charge	—	—
Higher tax rates on overseas withholding tax	14,089	32,943
Total tax charge for the year (note 5a)	14,089	32,943

c) Deferred tax

At the year end the fund had surplus management expenses of £948,274 (30.04.20: £844,820). 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 £189,655 (30.04.20: £168,964) 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:

	30.04.21	30.04.20
	£	£
Interim	107,596	271,953
Final	60,479	144,924
	168,075	416,877
Add: Amounts deducted on cancellation of units	37,259	67,717
Deduct: Amounts received on issue of units	(1,428)	(14,339)
Net distribution for the year	203,906	470,255

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

Net distribution for the year	203,906	470,255
Expenses charged to capital:		
Manager's periodic charge	(89,411)	(188,054)
Equalisation on conversions	(1)	32
Balance brought forward	(861)	(1,392)
Balance carried forward	251	861
Net revenue after taxation	113,884	281,702

7 Debtors

	30.04.21	30.04.20
	£	£
Amounts receivable for issue of units	5,797	67
Sales awaiting settlement	199,828	493,798
Accrued revenue	10,308	21,717
Taxation recoverable	41,711	35,692
Total debtors	257,644	551,274

8 Other creditors

	30.04.21	30.04.20
	£	£
Amounts payable for cancellation of units	353,972	507,916
Purchases awaiting settlement	188,389	—
Accrued expenses	1,538	2,465
Accrued manager's periodic charge	5,301	9,138
Total other creditors	549,200	519,519

9 Reconciliation of units

	I-class income	I-class accumulation	S-class income	S-class accumulation
Opening units issued at 01.05.20	370,082	5,191,999	2,732,125	4,807,831
Unit movements 01.05.20 to 30.04.21				
Units issued	18,820	182,202	—	32,500
Units cancelled	(184,415)	(3,508,013)	(1,174,500)	(2,130,786)
Units converted	73,522	1,026	(71,500)	(1,000)
Closing units issued at 30.04.21	278,009	1,867,214	1,486,125	2,708,545

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 (30.04.20: 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 (30.04.20: 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:

	30.04.21	30.04.20
	£	£
Currency:		
Danish krone	157,995	280,297
Euro	1,336,909	3,063,964
Hong Kong dollar	847,607	1,698,494
Swiss franc	574,756	1,347,809
US dollar	3,847,352	6,323,787
Pound sterling	4,940,786	7,274,274
	11,705,405	19,988,625
Other net assets not categorised as financial instruments	41,711	35,692
Net assets	11,747,116	20,024,317

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 £618,757 (30.04.20: £1,159,025). 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 £756,259 (30.04.20: £1,416,586). These calculations assume all other variables remain constant.

12 Risk disclosures on financial instruments (continued)

(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:

	30.04.21 £	30.04.20 £
Fixed rate assets:		
Pound sterling	999,940	499,995
Floating rate assets:		
US dollar	1,238	—
Pound sterling	2,216,842	3,586,896
	2,218,080	3,586,896
Assets on which no interest is paid:		
Danish krone	157,995	280,297
Euro	1,336,909	3,063,964
Hong Kong dollar	847,607	1,698,494
Swiss franc	574,756	1,347,809
US dollar	3,846,114	6,323,787
Pound sterling	2,288,673	3,738,943
	9,052,054	16,453,294
Liabilities on which no interest is paid:		
Pound sterling	(564,669)	(551,560)
Other net assets not categorised as financial instruments	41,711	35,692
Net assets	11,747,116	20,024,317

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.

	30.04.21		30.04.20	
	Value (note 1f) £	Percentage of total net assets	Value (note 1f) £	Percentage of total net assets
Bond credit ratings				
Investment grade	999,940	8.51	499,995	2.50
Total bonds	999,940	8.51	499,995	2.50

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 £983,606 (30.04.20: £1,643,771). If market prices had decreased by 10% as at the balance sheet date the net asset value of the fund would have decreased by £983,606 (30.04.20: £1,643,771). 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 2021

Analysis of total purchase costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	1,624,420	839	0.05	1,886	0.12
Bond transactions	5,000,344	—	—	—	—
Total purchases before transaction costs	6,624,764	839		1,886	
Total purchases including commission and taxes	6,627,489				

Analysis of total sales costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	12,155,618	6,012	0.05	1,591	0.01
Bond transactions	4,500,000	—	—	—	—
Total sales including transaction costs	16,655,618	6,012		1,591	
Total sales net of commission and taxes	16,648,015				

Commissions and taxes as % of average net assets

Commissions	0.04%
Taxes	0.02%

13 Portfolio transaction cost *(continued)*

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 transaction 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 transaction 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%

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 0.06% (30.04.20: 0.07%).

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 2021

Category	1	2	3	Total
	£	£	£	£
Investment assets				
Equities	8,836,121	—	—	8,836,121
Bonds	—	999,940	—	999,940
	8,836,121	999,940	—	9,836,061

For the year ended 30 April 2020

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

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 22 June 2021. 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	30.04.21 mid price	22.06.21 mid price
I-class income	166.13p	167.15p
I-class accumulation	188.34p	190.49p
S-class income	170.93p	172.08p
S-class accumulation	193.79p	196.11p

Distribution tables for the year ended 30 April 2021

Distribution tables (pence per unit)

Interim

Group 1 – Units purchased prior to 1 May 2020

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

I-class income units	Net income	Equalisation	Paid 31.12.20	Paid 31.12.19
Group 1	0.95	–	0.95	1.21
Group 2	0.31	0.64	0.95	1.21

I-class accumulation units	Net income	Equalisation	Accumulated 31.12.20	Accumulated 31.12.19
Group 1	1.08	–	1.08	1.34
Group 2	0.39	0.69	1.08	1.34

S-class income units	Net income	Equalisation	Paid 31.12.20	Paid 31.12.19
Group 1	0.97	–	0.97	1.26
Group 2	0.97	0.00	0.97	1.26

S-class accumulation units	Net income	Equalisation	Accumulated 31.12.20	Accumulated 31.12.19
Group 1	1.10	–	1.10	1.41
Group 2	0.42	0.68	1.10	1.41

Final

Group 1 – Units purchased prior to 1 November 2020

Group 2 – Units purchased on or after 1 November 2020 and on or before 30 April 2021

I-class income units	Net income	Equalisation	Payable 30.06.21	Paid 30.06.20
Group 1	0.86	–	0.86	0.98
Group 2	0.46	0.40	0.86	0.98

I-class accumulation units	Net income	Equalisation	Allocated 30.06.21	Accumulated 30.06.20
Group 1	0.96	–	0.96	1.10
Group 2	0.44	0.52	0.96	1.10

Distribution tables for the year ended 30 April 2021 *(continued)*

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

S-class income units	Net income	Equalisation	Payable 30.06.21	Paid 30.06.20
Group 1	0.88	—	0.88	1.04
Group 2	0.88	0.00	0.88	1.04

S-class accumulation units	Net income	Equalisation	Allocated 30.06.21	Accumulated 30.06.20
Group 1	1.00	—	1.00	1.16
Group 2	0.67	0.33	1.00	1.16

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
27 August 2021

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 SORP relating to financial statements of 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 Manager is requesting agreement from the FCA and later with the unitholders to merge the fund into Rathbone Multi-Asset Strategic Growth Portfolio but approval for this has not been confirmed as at the date of the approval of these financial statements. Whilst the Manager expects the Fund to have adequate resources to continue in operational existence, if the merger is approved and the assets of the fund are transferred into Rathbone Multi-Asset Strategic Growth Portfolio and the investors receive shares into Rathbone Multi-Asset Strategic Growth Portfolio, the ACD will subsequently wind up the fund in an orderly process. As a result of the potential merger a material uncertainty exists that may cast significant doubt on the fund's ability to continue as a going concern and, should the merger not be approved, the Manager confirms the Fund will remain operational and will not be terminated. Accordingly, the Manager 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 27 August 2021.

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 2021

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 Schemes 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
27 August 2021

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 financial position of Rathbone Heritage Fund as at 30 April 2021 and of the net revenue and the net capital gains on the property of the fund for the year ended 30 April 2021; 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 fund which comprise:

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

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 fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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.

Material uncertainty related to going concern

We draw attention to note 1a in the financial statements, which indicates that the Manager is requesting agreement from the FCA and later with the unitholders to merge the fund into Rathbone Multi-Asset Strategic Growth Portfolio but approval for this has not been confirmed as at the date of the approval of these financial statements. As stated in note 1a, these events or conditions, along with the other matters as set forth in note 1a, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The manager is responsible for the other information contained within the annual report. 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.

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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 fund 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 fund'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 has 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the fund's industry and its control environment, and reviewed the fund's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the fund operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Collective Investment Schemes Sourcebook and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the fund's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as valuations and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

As a result of performing the above, we identified the greatest potential for fraud in the valuation and existence of investments. In response we have: involved our financial instruments specialists to assess the applied valuation methodologies; agreed investment holdings to independent confirmations; and agreed investment valuations to reliable independent sources.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reviewing correspondence with HMRC and the FCA

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 Fund and its sub-fund 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 2021 for the purpose of complying with Paragraph 4.5.9R of the Collective Investment Schemes Sourcebook is consistent with the financial statements.

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
27 August 2021

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	1,371	5,459	6,830	6
Risk takers	1,390	3,318	4,708	14
Control functions	272	33	305	3
Other	114	159	273	1
Total remuneration code staff	3,147	8,969	12,116	24
Non-remuneration code staff	743	315	1,058	21
Total for the Manager	3,890	9,284	13,174	45

The variable remuneration disclosed in the table above is for the financial year ended 31 December 2020, which is the most recent period for which data are 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

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

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

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 assessments for the Funds four months after their period end on our website rathbonefunds.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 Defensive Growth Portfolio
Rathbone Dynamic Growth Portfolio
Rathbone Enhanced Growth Portfolio
Rathbone Greenbank Defensive Growth Portfolio
Rathbone Greenbank Dynamic Growth Portfolio
Rathbone Greenbank Global Sustainability Fund
Rathbone Greenbank Strategic Growth Portfolio
Rathbone Greenbank Total Return Portfolio
Rathbone High Quality Bond Fund
Rathbone Pharaoh Fund
Rathbone Quercus Growth Fund
Rathbone Sherwood Fund
Rathbone Strategic Growth Portfolio
Rathbone Strategic Income Portfolio
Rathbone Sussex Growth Fund
Rathbone Sussex Income Fund
Rathbone Total Return Portfolio

Further details

Should you need further details of this fund or any of the other funds managed by Rathbone Unit Trust Management Limited, a Prospectus, Key Investor Information Document and Supplementary Information Document or an application form for the purchase of shares or units, please write to:

Client Services Department
Rathbone Unit Trust Management Limited
8 Finsbury Circus
London EC2M 7AZ

All literature is available free of charge.
Information is also available on our website:
rathbonefunds.com

Data protection

Where relevant, Rathbones' privacy notice for clients, together with our relevant terms of business, sets out how your personal data (as further detailed in the privacy notice) shall be processed by Rathbones. A copy of the privacy notice is available on request or on Rathbones' website.

From time to time Rathbone Unit Trust Management Limited may wish to communicate with you with information on other products and services offered by the Rathbone group. If you do not wish to receive these communications, please advise us in writing at the following address:

Data Protection Officer
Rathbone Unit Trust Management Limited
8 Finsbury Circus
London EC2M 7AZ

Rathbones

Look forward

Rathbone Unit Trust Management Limited

8 Finsbury Circus, London EC2M 7AZ
Tel 020 7399 0000

Information line

020 7399 0399
rutm@rathbones.com
rathbonefunds.com

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Investment Association

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