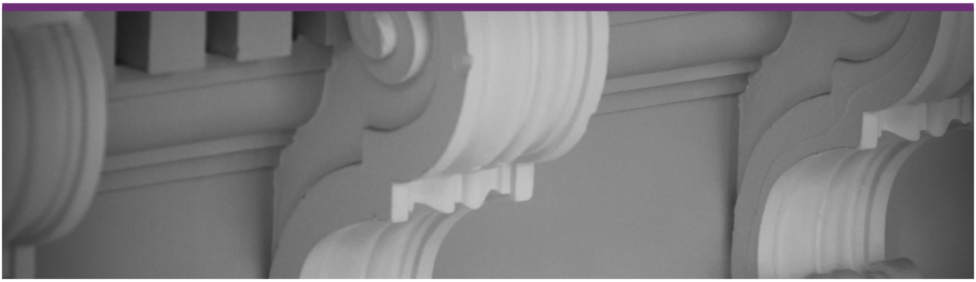
RATHBONE UNIT TRUST MANAGEMENT
FUND MANAGEMENT FOR YOUR INVESTMENT NEEDS

Rathbone Recovery Fund

Short report for the year ended 30 September 2013



Manager's report for the year ended 30 September 2013

During the 12 months to 30 September 2013, the Rathbone Recovery Fund returned 23.53% compared to 22.40% for the IMA All Companies sector, and 18.93% from its benchmark, the FTSE All-Share Index.

The period was characterised by a gradual pick-up in the US economy; the start of a recovery in the UK, and some stabilisation in Europe. Doubts in investors' minds have centred on the sustainability and direction of Chinese growth, and the outlook for emerging markets. These concerns have undermined the Natural Resources sectors, which failed to participate in the strong equity market rally. Despite the improving back-drop, market confidence has been fickle: on one foot, investors have worried about the likely impact of tapering when the US economy has looked strong, whilst on the other, they fret about the sustainability of US growth in light of much political brinkmanship.

The fund got off to a difficult start last year as Banks, where we have no exposure, but which accounted for 11.8% of the benchmark, returned +15% in the fourth quarter of 2012. Thereafter, performance improved as the fund benefited from its underweight in Natural Resources and its overweights in Technology, Media and Industrials, all of which outperformed strongly. The fund also benefitted from its mid and small cap bias, as the FTSE Mid and Small Cap indices substantially outperformed the FTSE 100 Index over the period. At period-end, some 40.6% of the fund was in small and mid caps, compared to 16.8% of the benchmark.

Trades

During the year, we used weakness in oil stocks to increase our weighting, buying two shares we felt were significantly undervalued. The first was Cairn Energy. A one-time darling of the Exploration & Production sector after exploration triumphs, in India, Cairn Energy fell from grace after an unsuccessful drilling campaign off Greenland. Its shares have been trading near the value of its cash and residual holding in Cairn Energy India, factoring in very little for its development assets in the North Sea and its substantial exploration portfolio. Ithaca Energy, our second investment, was equally compelling, trading at a material discount to the value of its discovered reserves, which it is in the process of bringing into production.

Another theme was investing in companies which provide services that enable businesses to trade more easily on the Internet. Many of these companies, after an initial fanfare, had fallen from investors' radars, but are now emerging as businesses with real scale. One such investment is Blinkx, an internet search engine, which sources online videos clips for major websites, monetising this service by adding adverts. Online video clips are the fastest growing advertising medium, taking share from more traditional channels. Blinkx, which had had a slightly chequered trading history, was just coming through into material profitability. In a similar vein, the fund bought YouGov, the leading UK online market research agency, which lost its way when it acquired traditional market research agencies overseas and could not convert them to its online approach. It has now addressed these issues and is concentrating fully on rolling out its high margin, proprietary online research products overseas, which are increasingly relevant in a digital world.

Another new purchase was Software Quality Systems (SQS), the leading European independent tester of new software. Historically, SQS' business had been quite hard to predict, as it would be called into clients on an ad-hoc basis when they were installing new software, making it difficult to plan test consultants' utilisation. This unpredictability resulted in regular profit warnings and caused the shares to be lowly-rated. In recent years, management have changed the business model: they have signed major customers on long-term managed service contracts to handle all their software testing requirements, giving the business much better visibility and enabling work to be farmed out to its low-cost test centre in India, thus enhancing margins. We did not feel the market had picked up on this improvement in SQS' business and growth outlook.

Major sales during the period comprised Amlin, the non-life insurer, on concerns about the deteriorating environment for insurance rates, and Anglo Pacific, the mining investment vehicle, which is relatively illiquid and faced a downturn in the mining sector. We also disposed of RPC, feeling that it had extracted all the synergy benefits from its major acquisition of Superfos, and that underlying growth might struggle because of its dependence on relatively depressed European markets. We trimmed its holding in Booker on several occasions, as strong performance kept pushing the shares through our 4% holding limit. We also reduced Paddy Power after a very strong run on valuation grounds, mindful that the company faces short-term headwinds, with the 2014 advent of a point-of-consumption tax on online gaming in the UK.

Outlook

As we write, US legislators are trying to resolve their differences and increase the Federal borrowing ceiling to fund the government. The likelihood is that whilst a short-term disaster may be avoided, the problem may just be rolled forward, leading to another de-stabilising round of political brinkmanship before too long. These issues, and the inevitable need to taper at some point, are likely to cause further market volatility. Set against these concerns, the gradually improving macro backdrop should be good for equities. We will look to use this volatility to invest in sound, cash-generative business, with the capacity to grow at relatively attractive valuations, to provide a platform for long-term outperformance.

Julian Chillingworth
Marina Bond
James Baker
17 October 2013

Net asset value per unit and comparative tables

Fund size

Date	Net Asset Value £	Attributable to	Units in Issue	Net Asset Value (pence per unit)
30 September 2011	25,392,414	R-Class Income	9,451,435	268.66
30 September 2011	32,205,597	R-Class Accumulation	10,852,561	296.76
30 September 2012	11,414,856	R-Class Income	3,602,001	316.90
30 September 2012	33,620,384	R-Class Accumulation	9,422,283	356.82
30 September 2012	14,975,579	I-Class Income*	4,724,074	317.01
30 September 2012	359,750	I-Class Accumulation*	101,049	356.01
30 September 2013	12,201,918	R-Class Income	3,162,196	385.87
30 September 2013	35,281,119	R-Class Accumulation	7,950,362	443.77
30 September 2013	17,511,188	I-Class Income	4,499,753	389.16
30 September 2013	807,472	I-Class Accumulation	180,971	446.19

Income record

Year	R-Class Income Units Net income per unit (p)	R-Class Accumulation Units Net income per unit (p)	I-Class Income Units* Net income per unit (p)	I-Class Accumulation Units* Net income per unit (p)
2009	3.93	4.08	n/a	n/a
2010	6.18	6.54	n/a	n/a
2011	6.89	7.45	n/a	n/a
2012	6.97	8.03	5.66	5.86
2013**	7.40	8.93	8.18	8.88

* I-Class was launched on 1 March 2012 at 314.04p (I-Class Income) and 346.88p (I-Class Accumulation)
** To 30 November 2013

The annual management fee is taken from the capital of the fund. This will enhance income but will restrict capital growth.

Distributions

A distribution of 5.58p and 5.90p will be paid to R-Class Income unitholders and I-Class Income unitholders respectively on 30 November 2013.

The total distribution for the period under review amounts to 7.40p per R-Class Income unit and 8.18p per I-Class Income unit with 6.97p per R-Class Income unit and 5.66p per I-Class Income unit for the same period last year.

Ongoing Charges Figure

R-Class Income Units

Expense type	**30.09.13**	**30.09.12**
Manager's periodic charge	1.50%	1.50%
Other expenses	0.28%	0.20%
Ongoing Charges Figure (OCF)	1.78%	1.70%

R-Class Accumulation Units

Expense type	**30.09.13**	**30.09.12**
Manager's periodic charge	1.50%	1.50%
Other expenses	0.15%	0.15%
Ongoing Charges Figure (OCF)	1.65%	1.65%

I-Class Income Units*

Expense type	**30.09.13**	**30.09.12**
Manager's periodic charge	0.75%	0.75%
Other expenses	0.09%	0.06%
Ongoing Charges Figure (OCF)	0.84%	0.81%

I-Class Accumulation Units*

Expense type	**30.09.13**	**30.09.12**
Manager's periodic charge	0.75%	0.75%
Other expenses	0.16%	0.32%
Ongoing Charges Figure (OCF)	0.91%	1.07%

* I-Class was launched on 1 March 2012

Discrete year performance ending 30 September*

	2010	**2011**	**2012**	**2013**
R-Class Units	14.60%	-1.40%	20.70%	25.53%
I-Class Units	15.46%	-0.65%	21.41%	24.71%
IMA UK All Companies sector	12.04%	-5.24%	17.58%	22.49%

* Source performance data Financial Express, bid to bid, net income re-invested.

Past performance should not be seen as an indication of future performance.

The value of investments and the income from them may go down as well as up and you may not get back your original investment.

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

1	2	3	4	5	6	7

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.

Risk profile

There is little exposure to credit and cash flow risk. There are no net borrowings and usually little exposure to liquidity risk because assets can, in normal market conditions, be readily realised to meet redemptions. The main risks arising from the financial instruments are foreign currency, interest rate, market price and counterparty. The fund may invest up to 10% of its net asset in securities for which there is no ready market.

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 the Prospectus and the rules of the Financial Conduct Authority's Collective Investment Scheme Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

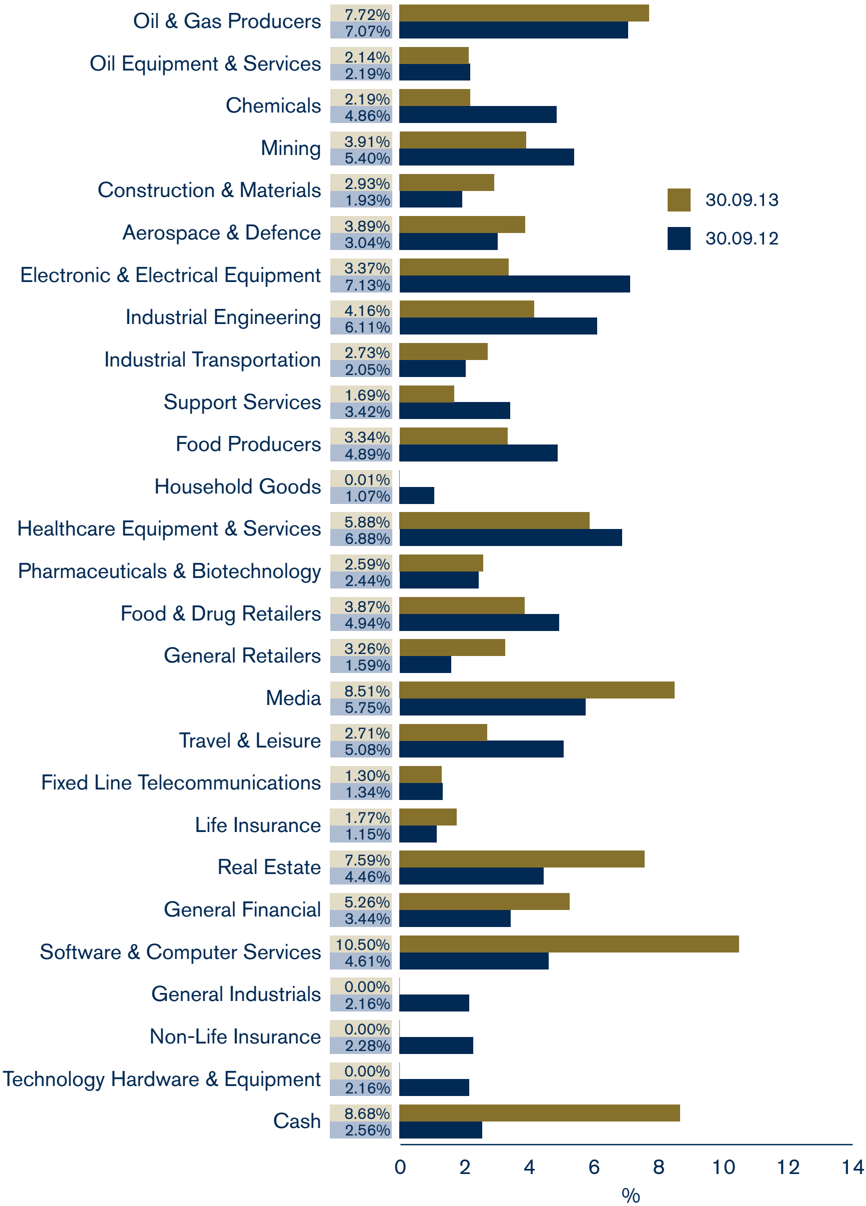
Top 10 largest holdings

The top 10 holdings at the end of the current year and at the end of the previous year are shown below.

	30.09.13		30.09.12
Booker	3.87%	Booker	4.94%
Unilever	3.34%	Melrose	3.73%
WPP	3.28%	BG	3.42%
Senior	3.17%	Unilever	3.36%
Hansteen	2.99%	WPP	3.20%
BG	2.96%	Senior	3.04%
Clarkson	2.73%	Paddy Power	3.04%
Sanofi-Aventis	2.59%	GB	2.59%
Melrose	2.50%	Hansteen	2.59%
Synergy Healthcare	2.46%	Daily Mail & General Trust	2.55%

Portfolio information

Sector breakdown



General information

Authorised status

The Rathbone Recovery Fund is an authorised unit trust scheme, established by a Trust Deed dated 25 August 1993 and launched on 13 July 2009 following the merger of Rathbone Special Situations Fund with the Rathbone Smaller Companies Fund.

It is a 'UCITS Scheme' authorised under Section 243 of the Financial Services and Markets Act 2000, and the currency of the fund is Pounds Sterling.

Investment objective, policy and strategy

The objective of the fund is to achieve capital growth by buying shares in companies whose recovery potential is not appreciated by the market and to sell them when this potential is recognised. The nature of unrecognised recovery potential may be based on macro economic, industry, sector specific or stock specific issues. Stock selection will involve the identification of a catalyst capable of triggering and sustaining a recovery in each specific stock selection. The fund has the flexibility to invest in companies of all sizes and to hold up to 20% in European shares; it will be benchmarked against the FTSE All-Share index. The benchmark is used for comparative purposes only.

To meet the objective, the fund may also invest at the Manager's discretion, in other transferable securities, money market instruments, warrants, cash and near cash deposits and units in collective investment schemes. Use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted by the FCA Rules.

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 www.rutm.com

Long report

The full report and accounts are available free of charge upon written request from:

Client Services Department
Rathbone Unit Trust Management Limited
1 Curzon Street
London W1J 5FB

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.

Further details

Should you require further details of this fund or any of the other Funds managed by Rathbone Unit Trust Management Limited, a Prospectus, a Key Investor Information Document, please write to:

Client Services Department
Rathbone Unit Trust Management Limited
1 Curzon Street
London W1J 5FB

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

Dealing Office

PO Box 9948
Chelmsford
CM99 2AG
Telephone 0845 300 2101
Facsimile 0870 887 0180

Registrar

International Financial Data Services (UK) Limited
PO Box 9948
Chelmsford CM99 2AG
Telephone 0845 300 2101
Facsimile 0870 887 0180
Authorised and regulated by the Financial Conduct Authority

Rathbone Unit Trust Management Limited

1 Curzon Street, London W1J 5FB
Information line: 020 7399 0399
Telephone: 020 7399 0000 | Facsimile: 020 7399 0057
rutm@rathbones.com | www.rutm.com

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