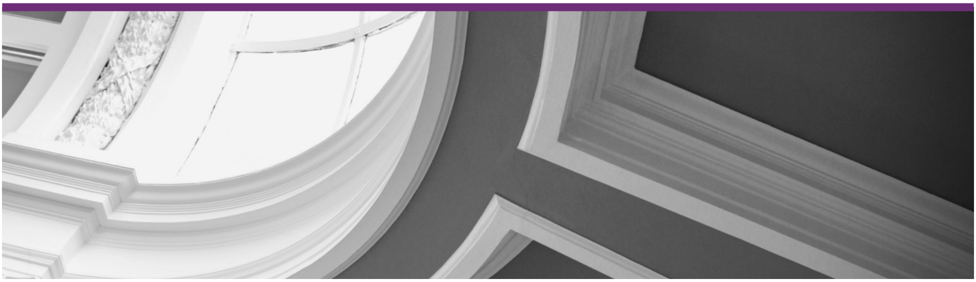
RATHBONE UNIT TRUST MANAGEMENT

FUND MANAGEMENT FOR YOUR INVESTMENT NEEDS

Rathbone Recovery Fund

Short report for the half year ended 31 March 2013



During the six months to 31st March 2013, the Rathbone Recovery Fund returned 12.35%, versus 15.28% from the IMA UK All Companies sector.

The period was characterised by a strong recovery in Banks' shares, particularly in the final quarter of 2012, as the central banks sought to restore confidence and boost lending activity. Our lack of exposure to UK banks largely explains the relative underperformance over the period. Investors' enthusiasm for bonds, which had pushed them onto very high valuations, ran out of steam at the turn of the year. This meant, going into 2013, equities (almost by default) became the asset class of choice. This phenomenon, coupled with good economic data from the US and some early signs of a pick-up in China's growth rates, drove very strong equity market performance to the middle of March. Since then, doubts have returned regarding the pace of Chinese growth, and this combined with a response to problems in Europe (the Cypriot banking crisis, and the Italian political deadlock), upset the market's momentum towards the end of the period.

Trades

On the sell-side, we used the market's strength to trim a number of our holdings in Industrials, where we believed valuations had got ahead of themselves very early in the year, or where we felt the short-term earnings outlook had become more challenging. We reduced our overweight (compared to the companies relative size in the market) holding in Domino Printing, Melrose and Spectris. We exited our holding in Anglo-Pacific, a mining royalties business, because we were nervous of its over-reliance on one coking coal asset operated by RTZ in Australia. We prefer to invest in the miners by owning the larger, more established players in this somewhat fickle market for resources stocks. We also top-sliced our holding in WPP, which had become very overweight thanks to its strong share price performance.

On the buy-side, we have started on number of new holdings, trying to buy into decent businesses with the prospect of good top-line growth, which for one reason or another have been de-rated by the market. Cairn Energy, a one-time darling of the Exploration & Production sector after its success in Rajasthan, has been added to the portfolio. The shares have de-rated significantly since a US$1 billion exploration programme in Greenland in 2011 failed to achieve a commercial discovery. Cairn Energy's shares now trade at around the value of its net cash balances and residual holding in Cairn India, factoring in very little for the development assets it has acquired in the North Sea, and nothing for the considerable exploration programme both in the North Sea, Greenland and off the coast of West Africa. Craneware, another new holding, develops software products for the US hospitals market, enabling its customers to collate information from a variety of other applications so that customers are billed efficiently and accurately. In the past, this had been a labour-intensive in-house process. The company has circa 25% market penetration, but most customers only take part of its product suite. It has excellent revenue visibility and renewal rates. The shares de-rated last year as hospitals focussed their IT departments' efforts on upgrading Electronic Patient Record software ("EPR"), because of the availability of US$7 billion of Federal subsidies. This EPR programme is now complete, and we expect the focus to return to revenue collection and Craneware's products. Blinkx is a video search engine business, which sources relevant videos for internet users.
It monetises this service by attaching relevant adverts to its video clips. Online videos are the fastest growing areas of global advertising spend, and Blinkx is a beneficiary of this dynamic.
The shares sold off after two poorly explained acquisitions and a profits warning in 2011, but the business now seems to be back on track. We took the opportunity presented by the underperformance to start a holding. Clinigen provides outsourced services to major pharmaceutical groups and is building a portfolio of high margin hospital drugs, which are too small to warrant the attention of the drug majors. Immunodiagnostic Systems has experienced a turbulent time seeing its sales of Vitamin D tests eroded by competition, leading to the replacement of its senior management team.
We were impressed by the new CEO's strategy (ex Perkin Elmer), and whilst it may prove to be a bumpy ride over the next two years, the shares are

potentially very cheap. The company has £20 million of net cash (against a market cap of £80 million at the time of purchase) to help it through the recovery phase.

Outlook

After the strong start to the year, the market has become very fickle again, responding to the vagaries of short-term macroeconomic data. Participants seem unable to decide whether we are in a long-term deflationary phase, or about to see the resurgence of growth and inflation. US data has been reassuring for most of the period; however, the poor US payroll number at the beginning of April undermined the market's confidence in the US economy's ability to withstand the impact of government spending cuts. We used the strong start to the year to increase our cash position in the fund, and are well placed to invest this on any setbacks in good businesses with strong market positions and cash-flows.

Julian Chillingworth
Marina Bond
24 April 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 2010	29,505,432	R-Class Income	10,574,455	279.03
30 September 2010	32,047,223	R-Class Accumulation	10,653,982	300.80
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
31 March 2013	11,996,687	R-Class Income	3,384,379	354.47
31 March 2013	33,657,103	R-Class Accumulation	8,379,729	401.65
31 March 2013	16,179,776	I-Class Income	4,544,110	356.06
31 March 2013	497,295	I-Class Accumulation	123,658	402.15

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**	1.82	2.41	2.28	2.27

* I-Class was launched on 1 March 2012 at 314.04p (I-Class Income) and 346.88p (I-Class Accumulation).
** To 31 May 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 1.82p and 2.28p will be paid to R-Class Income unitholders and I-Class Income unitholders respectively on 31 May 2013.

The total distribution for the period under review amounts to 1.82p per R-Class Income unit and 2.28p per I-Class Income unit with 1.92p per R-Class Income unit and 0.21p per I-Class Income unit for the same period last year.

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 revenue 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.

Ongoing Charges Figure

R-Class Income Units

Expense type	31.03.13	30.09.12
Manager's periodic charge	1.50%	1.50%
Other expenses	0.32%	0.20%
Ongoing Charges Figure (OCF)	1.82%	1.70%

R-Class Accumulation Units

Expense type	31.03.13	30.09.12
Manager's periodic charge	1.50%	1.50%
Other expenses	0.14%	0.15%
Ongoing Charges Figure (OCF)	1.64%	1.65%

I-Class Income Units*

Expense type	31.03.13	30.09.12
Manager's periodic charge	0.75%	0.75%
Other expenses	0.08%	0.06%
Ongoing Charges Figure (OCF)	0.83%	0.81%

I-Class Accumulation Units*

Expense type	31.03.13	30.09.12
Manager's periodic charge	0.75%	0.75%
Other expenses	0.20%	0.32%
Ongoing Charges Figure (OCF)	0.95%	1.07%

* I-Class was launched on 1 March 2012

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

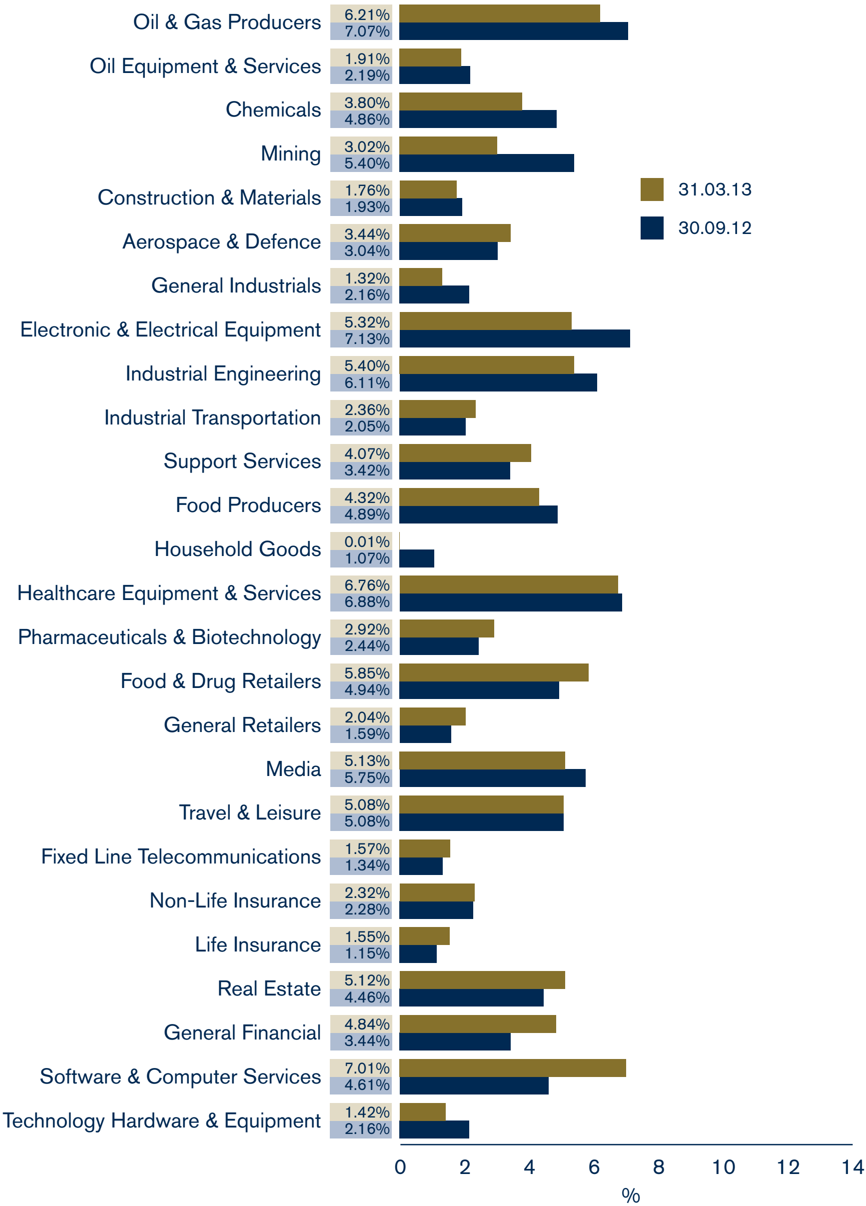
The top 10 holdings at the end of the previous year and at the end of the current period are shown below.

	31.03.13
Booker	5.17%
Unilever	4.02%
Senior	3.44%
BG	2.98%
Melrose	2.98%
Sanofi-Aventis	2.92%
WPP	2.86%
Paddy Power	2.85%
Aberdeen Asset Management	2.75%
Hansteen	2.74%

	30.09.12
Booker	4.94%
Melrose	3.73%
BG	3.42%
Unilever	3.36%
WPP	3.20%
Senior	3.04%
Paddy Power	3.04%
GB Group	2.59%
Hansteen	2.59%
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
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1 Curzon Street
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All literature is available free of charge. Information is also available on our website: www.rutm.com

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