Rathbone Funds assessment of value

For funds with accounting year end at 30 September 2019 or 31 October 2019

Rathbone Multi-Asset Enhanced Growth Portfolio
Rathbone Multi-Asset Strategic Growth Portfolio
Rathbone Multi-Asset Strategic Income Portfolio
Rathbone Multi-Asset Total Return Portfolio
Rathbone Ethical Bond Fund
Rathbone Income Fund
Rathbone UK Opportunities Fund
Rathbone Global Alpha Fund

Rathbones
Look forward

What is a value assessment?

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

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

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

Our assessment criteria

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

Contents

1. Improvements to our business

What does this section cover?

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

Assessment summary

We reviewed 10 complete and ongoing projects. The most notable this year:

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

Assessment outcome

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

2. Corporate culture

What does this section cover?

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

Assessment summary

Our board assessed metrics specific to Rathbone Unit Trust Management, a subsidiary of Rathbone Brothers Plc. The assessment included the results of our latest client engagement survey, our employee retention rate, our plans to attract and retain talent and reinvestment in our business.

Assessment outcome

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

3. Quality of service

What does this section cover?

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

Assessment summary

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

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

Assessment outcome

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

The board of directors requested an additional survey of a selection of investors to assess the quality of service received. This survey will be repeated annually. The board expects this survey to be carried out in the first half of 2020.

4. Performance

What does this section cover?

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

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

Why is the investment objective of a fund important?

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

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

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

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

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

4.1 Rathbone Multi-Asset Enhanced Growth Portfolio

What is the objective?

We aim to deliver a greater total return than the Consumer Price Index (CPI) measure of inflation + 5%, after fees, over any rolling five-year period by investing with our Liquidity, Equity-type risk and Diversifiers (LED) framework. Total return means the return we receive from the value of our investments increasing (capital growth) plus the income we receive from our investments (interest and dividend payments). We use the CPI + 5% as a target for our fund's return because we aim to grow your investment significantly above inflation.

We aim to deliver this return with no more volatility than that of the FTSE Developed stock market Index. As an indication, if global stock markets fall, our fund value should be expected to fall by around that amount. Because we measure volatility over a five-year period, some falls may be larger or smaller over shorter periods of time. We aim to limit the amount of volatility risk our fund can take because we want our investors to understand the risk they are taking in terms of the global stock market.

Assessment summary

The Rathbone Multi-Asset Enhanced Growth Portfolio aims to deliver a total return of CPI measure of inflation + 5%, after fees, over any five-year period. It has delivered this outcome consistently since the fund was launched. This means that if you held your investment for five years you would have achieved a return of CPI + 5% or greater.

The Rathbone Multi-Asset Enhanced Growth Portfolio aims to deliver this return with no more volatility than the FTSE Developed stock market Index. Measured over rolling five-year periods since the fund was launched, the fund has consistently delivered this return with less volatility than the FTSE Developed stock market Index.

We also measure our funds' performance against a 'cash' benchmark to give you an idea of how your money would have grown in a UK bank account versus investing in our fund. We use the Bank of England base rate to approximate the interest you may have received in a bank account. In the five years ending 30 September 2019, if you invested £1,000 a UK bank account would have returned approximately 2.5% or £25. If you invested £1,000 in our fund you would have received 54.17% or £541.70 (based on the total return of the accumulation S-class).

Assessment outcome

Our board of directors concluded that our fund consistently met its objective.

4.2 Rathbone Multi-Asset Strategic Growth Portfolio

What is the objective?

We aim to deliver a greater total return than the Consumer Price Index (CPI) measure of inflation + 3%, after fees, over any rolling five-year period by investing with our Liquidity, Equity-type risk and Diversifiers (LED) framework. Total return means the return we receive from the value of our investments increasing (capital growth) plus the income we receive from our investments (interest and dividend payments). We use the CPI + 3% as a target for our fund's return because we aim to grow your investment above inflation.

We aim to deliver this return with no more than two-thirds of the volatility of the FTSE Developed stock market Index. As an indication, if global stock markets fall our fund value should be expected to fall by around two-thirds of that amount. Because we measure volatility over a five-year period, some falls may be larger or smaller over shorter periods of time. We aim to limit the amount of volatility risk our fund can take because we want our investors to understand the risk they are taking in terms of the global stock market.

Assessment summary

The Rathbone Multi-Asset Strategic Growth Portfolio aims to deliver a total return of CPI measure of inflation + 3%, after fees, over any five-year period. It has delivered this outcome consistently since the fund was launched. This means that if you held your investment for five years you would have achieved a return of CPI + 3% or greater.

The Rathbone Multi-Asset Strategic Growth Portfolio aims to deliver this return with no more than two-thirds of the volatility of the FTSE Developed stock market Index. Measured over rolling five-year periods since the fund was launched, the fund has consistently delivered this return with less than two-thirds of the volatility of the FTSE Developed stock market Index.

We also measure our funds' performance against a 'cash' benchmark to give you an idea of how your money would have grown in a UK bank account versus investing in our fund. We use the Bank of England base rate to approximate the interest you may have received in a bank account. In the five years ending 30 September 2019, if you invested £1,000 a UK bank account would have returned approximately 2.5% or £25. If you invested £1,000 in our fund you would have received 42.31% or £423.10 (based on the total return of the accumulation S-class).

Assessment outcome

Our board of directors concluded that our fund consistently met its objective.

4.3 Rathbone Multi-Asset Strategic Income Portfolio

What is the objective?

We aim to deliver an income of 3% or more each year. We also aim to deliver a greater total return than the Consumer Price Index (CPI) measure of inflation + 3%, after fees, over any rolling five-year period by investing with our Liquidity, Equity-type risk and Diversifiers (LED) framework. Total return means the return we receive from the value of our investments increasing (capital growth) plus the income we receive from our investments (interest and dividend payments). We use the CPI + 3% as a target for our fund's return because we aim to grow your investment above inflation.

We aim to deliver this return with no more than two-thirds of the volatility of the FTSE Developed stock market Index. As an indication, if global stock markets fall our fund value should be expected to fall by around two-thirds of that amount. Because we measure volatility over a five-year period, some falls may be larger or smaller over shorter periods of time. We aim to limit the amount of volatility risk our fund can take because we want our investors to understand the risk they are taking in terms of the global stock market.

Assessment summary

The Rathbone Multi-Asset Strategic Income Portfolio aims to deliver an income of 3% or more each year. It has achieved this level of income consistently since the fund was launched.

The Rathbone Multi-Asset Strategic Income Portfolio aims to deliver a total return of CPI measure of inflation + 3%, after fees, over any five-year period. This fund does not yet have five years' performance history, but it's on track to meet its objective.

The Rathbone Multi-Asset Strategic Income Portfolio aims to deliver this return with no more volatility than two-thirds that of the FTSE Developed stock market Index. This fund does not yet have five years' performance history, but it's on track to meet its objective.

We also measure our funds' performance against a 'cash' benchmark to give you an idea of how your money would have grown in a UK bank account versus investing in our fund. We use the Bank of England base rate to approximate the interest you may have received in a bank account. This fund was launched 1 November 2015. Between when this fund was launched and 30 September 2019, if you invested £1,000 a UK bank account would have returned approximately 1.99% or £19.90. If you invested £1,000 in our fund you would have received 31.67% or £316.70 (based on the total return of the accumulation S-class).

Assessment outcome

Our board of directors concluded that our fund consistently met its objective.

4.4 Rathbone Multi-Asset Total Return Portfolio

What is the objective?

We aim to deliver a greater total return than the Bank of England's Base Rate + 2%, after fees, over any three-year period by investing with our Liquidity, Equity-type risk and Diversifiers (LED) framework. Total return means the return we receive from the value of our investments increasing (capital growth) plus the income we receive from our investments (interest and dividend payments). We use the Bank of England's Base Rate + 2% as a target for our fund's return because we aim to provide a return in excess of what you would receive in a UK savings account.

There is no guarantee that we will achieve a total return over a three-year, or any, time period. This is an investment product, not a cash savings account. Your capital is at risk.

We aim to deliver this return with no more than one-third of the volatility of the FTSE Developed stock market Index. As an indication, if global stock markets fall our fund value should be expected to fall by around one-third of that amount. Because we measure volatility over a three-year period, some falls may be larger or smaller over shorter periods of time. We aim to limit the amount of volatility risk our fund can take because we want our investors to understand the risk they are taking in terms of the global stock market.

Assessment summary

The Rathbone Multi-Asset Total Return Portfolio aims to deliver a greater total return than the Bank of England's Base Rate + 2%, after fees, over any three-year period. It has delivered this outcome consistently since its launch. This means that if you held your investment for three years you would have achieved a return of Bank of England Base Rate + 2% or greater.

The Rathbone Multi-Asset Total Return Portfolio aims to deliver this return with no more than one-third of the volatility of the FTSE Developed stock market Index. Measured over rolling three-year periods since the fund was launched, the fund has consistently delivered this return with less than one-third of the volatility of the FTSE Developed stock market Index.

We also measure our funds' performance against a 'cash' benchmark to give you an idea of how your money would have grown in a UK bank account versus investing in our fund. We use the Bank of England base rate to approximate the interest you may have received in a bank account. In the five years ending 30 September 2019, if you invested £1,000 a UK bank account would have returned approximately 2.5% or £25. If you invested £1,000 in our fund you would have received 23.61% or £236.10 (based on the total return of the accumulation S-class).

Assessment outcome

Our board of directors concluded that our fund consistently met its objective.

4.5 Rathbone Ethical Bond Fund

What is the objective?

We aim to deliver a greater total return than the Investment Association (IA) Sterling Corporate Bond sector, after fees, over any rolling five-year period. Total return means the return we receive from the value of our investments increasing (capital growth) plus the income we receive from our investments (interest payments). We use the IA Sterling Corporate Bond sector as a target for our fund's return because we aim to achieve a better return than the average of funds that are similar to ours.

Assessment summary

The Rathbone Ethical Bond Fund aims to deliver a greater total return than the Investment Association (IA) Sterling Corporate Bond sector, after fees, over any rolling five-year period. It has delivered this outcome consistently since launch. This means that if you held your investment for five years you would have achieved a return equal to that of the IA Sterling Corporate Bond sector or greater.

We also measure our funds' performance against a 'cash' benchmark to give you an idea of how your money would have grown in a UK bank account versus investing in our fund. We use the Bank of England base rate to approximate the interest you may have received in a bank account. In the five years ending 30 September 2019, if you invested £1,000 a UK bank account would have returned approximately 2.5% or £25. If you invested £1,000 in our fund you would have received 32.55% or £325.50 (based on the total return of the accumulation I-class).

Assessment outcome

Our board of directors concluded that our fund consistently met its objective.

4.6 Rathbone Income Fund

What is the objective?

We aim to deliver an annual income that is in line with or better than that of the FTSE All-Share Index over any rolling three-year period. We also aim to increase the income we pay you in line with the Consumer Price Index (CPI) measure of inflation over any rolling five-year period.

We aim to generate a greater total return than the FTSE All-Share Index, after fees, over any five-year period. 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 FTSE All-Share Index as a target for our fund's return and the income we pay because we want to offer you a better income and higher returns than the UK stock market. Increasing your income payments at least in line with the CPI measure of inflation protects your future spending power.

We also compare our fund against the Investment Association (IA) UK Equity Income sector because the funds in it are similar to ours.

Assessment summary

The Rathbone Income Fund aims to deliver an annual income that is in line with or better than that of the FTSE All-Share Index over any rolling three-year period. We also aim to increase the income we pay you in line with the Consumer Price Index (CPI) measure of inflation over any rolling five-year period. It has achieved this level of income consistently over the past 10 years.

The Rathbone Income Fund aims to generate a greater total return than the FTSE All-Share Index, after fees, over any five-year period. It has delivered this outcome consistently over the past 10 years. This means that if you held your investment for five years you would have achieved a return equal to the return of the FTSE All-Share Index or greater.

We also measure our funds' performance against a 'cash' benchmark to give you an idea of how your money would have grown in a UK bank account versus investing in our fund. We use the Bank of England base rate to approximate the interest you may have received in a bank account. In the five years ending 30 September 2019, if you invested £1,000 a UK bank account would have returned approximately 2.5% or £25. If you invested £1,000 in our fund you would have received 36.58% or £365.80 (based on the total return of the accumulation I-class).

Assessment outcome

Our board of directors concluded that our fund consistently met its objective.

4.7 Rathbone UK Opportunities Fund

What is the objective?

We aim to deliver a greater total return than the FTSE All-Share Index, after fees, over any five-year period. 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 FTSE All-Share Index as a target for our fund's return because we want to offer you a better return than the UK stock market.

We also compare our fund against the IA UK All Companies sector to give you an indication of how we perform against other funds in our peer group. Apart from investing exclusively in the UK, the funds in this sector aren't always similar to ours.

Assessment summary

The Rathbone UK Opportunities Fund aims to deliver a greater total return than the FTSE All-Share Index, after fees, over any five-year period. For the majority of its life, the fund has outperformed its objective. Since the end of the third quarter of 2018, the fund has underperformed its objective.

We also measure our funds' performance against a 'cash' benchmark to give you an idea of how your money would have grown in a UK bank account versus investing in our fund. We use the Bank of England base rate to approximate the interest you may have received in a bank account. In the five years ending 30 September 2019, if you invested £1,000 a UK bank account would have returned approximately 2.5% or £25. If you invested £1,000 in our fund you would have received 28.02% or £280.20 (based on the total return of the accumulation I-class).

Assessment outcome

Our board of directors concluded that our fund has not consistently delivered its objective.

Our fund invests in UK companies, which on account of Brexit-related uncertainty have had a turbulent few years. The effect of this turbulence can be seen within the performance of the UK stock market and the performance of this fund.

This fund is benchmarked against the FTSE All-Share which is predominantly made up of large UK companies. Our fund invests a portion (approximately 30%) in small and Alternative Investment Market (AIM) companies. In the five years ending 30 September 2019, small and AIM companies underperformed when compared to larger companies. As a result, this fund has underperformed its benchmark.

This is a concentrated fund, which means the manager invests in a small number of companies. This means the performance of individual stocks within the portfolio has a greater effect on the value of the fund. This can result in large gains or losses based on the performance of a single stock.

In 2018, several stocks held by our fund performed badly, having a significant impact on performance. For example, 2.3% of our fund's portfolio was invested in Patisserie Valerie (Patisserie Holdings Plc), which was subject to financial fraud in 2018. This company is now in administration and the shares are worthless. The fund fell 19.3% during the fourth quarter of 2018, versus the FTSE All-Share Index's 10.3% fall. This will negatively affect the five-year rolling performance of this fund until 2022.

This fund was redesigned and relaunched in 2017, changing from the Rathbone Recovery Fund to the Rathbone UK Opportunities Fund. At this point, the annual management charge was reduced from 0.75% to 0.45% for an introductory period. The board have decided to extend this period and will not raise the annual management charge until the fund has consistently met its performance objectives.

Although the fund has not consistently met its objective the board conclude, when assessed against the prevailing economic and market backdrop, the investment philosophy and process have performed as expected given market conditions. The fund has shown good short-term performance.

The board will continue to monitor the performance of the Rathbones UK Opportunities Fund.

4.8 Rathbone Global Alpha Fund

What is the objective?

We aim to deliver a total return 2% above our benchmark (made up of 50% FTSE All-Share Index and 50% FTSE World ex-UK Index), after fees, over any rolling three-year period. Total return means the return we receive from the value of our investments increasing (capital growth) plus the income we receive from our investments (interest and dividend payments). We use our benchmark as a target for our fund's return because it represents global stock market returns.

Assessment summary

We aim to deliver a total return 2% above our benchmark over any rolling three-year period. The fund has not consistently met this objective.

We also measure our funds' performance against a 'cash' benchmark to give you an idea of how your money would have grown in a UK bank account versus investing in our fund. We use the Bank of England base rate to approximate the interest you may have received in a bank account. In the five years ending 31 October 2019, if you invested £1,000 a UK bank account would have returned approximately 2.52% or £25.20. If you invested £1,000 in our fund you would have received £574.30 or 57.43% (based on the total return of the accumulation I-class).

Assessment outcome

Our board of directors concluded that our fund consistently underperformed its benchmark.

This fund was set up solely for a third party to distribute to its clients, with the investment policy, objective and benchmark agreed at launch. The third party is the sole unitholder of this fund.

We proposed redesigning this fund's investment policy to invest directly in shares and bonds as we believe this gives the best outcome for investors, reducing costs and giving us more control over the risk in our portfolio. Further to our proposal, the third party informed us they would instead be redeeming their investment in this fund. Subject to FCA approval, we will be closing this fund in 2020.

5. Comparable costs

What does this section cover?

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

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

Understanding fund costs

Before we set out how we assess our funds, it's essential to explain the costs you pay to invest in our funds.

The regulator requires us to calculate our costs using two different methods as we are bound by two different sets of rules: Undertaking for Collective Investment in Transferable Securities (UCITS) and Markets in Financial Instruments Directive II (MiFID II). To confuse things further, there are several different methodologies and underlying assumptions to choose from when calculating different portions of MiFID II costs. This makes it almost impossible to compare MiFID II fund costs on a like for like basis. You can, however, compare UCITS fund costs. The FCA is working to harmonise how our industry calculates and presents costs to make it easier for you.

We pay a number of costs on behalf of our funds. For example, in 2019 we paid for £912,740 of research on behalf of our funds.

Differences between UCITS and MiFID II costs

UCITS costs are made up of several different types of charges. Foremost is the annual management charge (AMC) which is a set percentage of your investment that we charge for managing your money. Then there are other costs, including services used to run the fund (such as auditors' and trustee fees) and the cost of our funds investing in other funds. When these costs are combined, they are known as a fund's ongoing charges figure (OCF).

MiFID II costs are made up of the annual management charge, other costs (calculated slightly differently to UCITS) and transaction costs (not included in UCITS costs at all). Transaction costs include tangible payments made (such as tax and broker commission) as well as opportunity costs that are intangible. The calculation of MiFID II other costs includes the transaction costs of the funds underlying investment. As a result, MiFID II costs appear higher than UCITS costs.

5.1 Rathbone Multi-Asset Enhanced Growth Portfolio

Assessment summary

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

The Rathbone Multi-Asset Enhanced Growth Portfolio has a lower cost than the sector median and compares favourably with its peers and wider sector when cost is considered against the performance of the fund.

Share class	Total UCITS costs	Total MiFID II costs
R-class	1.71%	1.96%
S-class	0.71%	0.96%
M-class (internal only)	0.96%	1.21%

Assessment outcome

Our board of directors concluded that the fund's cost represent good value.

5.2 Rathbone Multi-Asset Strategic Growth Portfolio

Assessment summary

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

The Rathbone Multi-Asset Strategic Growth Portfolio has a lower cost than the sector median and compares favourably with its peers and wider sector when cost is considered against the performance of the fund.

Share class	Total UCITS costs	Total MiFID II costs
R-class	1.62%	1.78%
S-class	0.62%	0.78%
M-class (internal only)	0.87%	1.03%

Assessment outcome

Our board of directors concluded that the fund's costs represent good value.

5.3 Rathbone Multi-Asset Strategic Income Portfolio

Assessment summary

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

The Rathbone Multi-Asset Strategic Income Portfolio has a cost close to the sector median and compares favourably with its peers and wider sector when cost is considered against the performance of the fund.

Share class	Total UCITS costs	Total MiFID II costs
S-class	0.78%	0.97%
M-class (internal only)	1.03%	1.22%

Assessment outcome

Our board of directors concluded that the fund's costs represent good value.

5.4 Rathbone Multi-Asset Total Return Portfolio

Assessment summary

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

The Rathbone Multi-Asset Total Return Portfolio has a lower cost than the sector median and compares favourably with its peers and wider sector when cost is considered against the performance of the fund.

Share class	Total UCITS costs	Total MiFID II costs
R-class	1.57%	1.73%
S-class	0.57%	0.73%
M-class (internal only)	0.83%	0.98%

Assessment outcome

Our board of directors concluded that the fund's costs represent good value.

5.5 Rathbone Ethical Bond Fund

Assessment summary

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

The Rathbone Ethical Bond Fund has a higher cost than the sector median but compares very favourably with its peers and wider sector when cost is considered against the performance of the fund.

Share class	Total UCITS costs	Total MiFID II costs
R-class	1.29%	1.34%
I-class	0.66%	0.71%
S-class	0.53%	0.58%

Assessment outcome

Our board of directors concluded that the fund's costs represent good value.

5.6 Rathbone Income Fund

Assessment summary

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

The Rathbone Income Fund has a lower cost than the sector median and compares favourably with its peers and wider sector when cost is considered against the performance of the fund.

Share class	Total UCITS costs	Total MiFID II costs
R-class	1.53%	1.61%
I-class	0.78%	0.86%
S-class	0.52%	0.62%

Assessment outcome

Our board of directors concluded that the fund's costs represent good value.

5.7 Rathbone UK Opportunities Fund

Assessment summary

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

On cost alone, the fund compares favourably with its peers, being one of the cheapest in its sector. When the recent performance of the fund is taken into account, however, it does not compare favourably with its peers and the wider sector. This fund's annual management charge was reduced from 0.75% to 0.45% in 2017.

Share class	Total UCITS costs	Total MiFID II costs
R-class	1.65%	1.75%
I-class	0.61%	0.71%

Assessment outcome

Our board of directors concluded that despite the recent performance of the fund, the fund's costs represent good value.

5.8 Rathbone Global Alpha Fund

Assessment summary

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

On cost alone, the fund compares favourably with its peers. When the recent performance of the fund is taken into account, it does not compare favourably with its peers and the wider sector.

Share class	Total UCITS costs	Total MiFID II costs
I-class	1.17%	1.56%

Assessment outcome

Our board of directors concluded that despite the recent performance of the fund, the fund costs represent good value.

6. Comparable investment services

What does this section cover?

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

6.1 Rathbone Multi-Asset Enhanced Growth Portfolio

Assessment summary

The Rathbone Multi-Asset Enhanced Growth Portfolio has an equivalent international fund which invests following the same strategy. The team that manages the Rathbone Multi-Asset Enhanced Growth Portfolio manages three institutional segregated mandates which follow similar strategies.

Assessment outcome

Our board of directors concluded that investors receive fair investment terms when compared to those invested in comparable services.

6.2 Rathbone Multi-Asset Strategic Growth Portfolio

Assessment summary

The Rathbone Multi-Asset Strategic Growth Portfolio has an equivalent international fund which invests following the same strategy. The team that manages the Rathbone Multi-Asset Strategic Growth Portfolio manages three institutional segregated mandates which follow similar strategies.

Assessment outcome

Our board of directors concluded that investors receive fair investment terms when compared to those invested in comparable services.

6.3 Rathbone Multi-Asset Strategic Income Portfolio

Assessment summary

The team that manages the Rathbone Multi-Asset Strategic Income Portfolio manages three institutional segregated mandates which follow similar strategies.

Assessment outcome

Our board of directors concluded that investors receive fair investment terms when compared to those invested in comparable services.

6.4 Rathbone Multi-Asset Total Return Portfolio

Assessment summary

The Rathbone Multi-Asset Total Return Portfolio has an equivalent international fund which invests following the same strategy. The team that manages the Rathbone Multi-Asset Total Return Portfolio manages three institutional segregated mandates which follow similar strategies.

Assessment outcome

Our board of directors concluded that investors receive fair investment terms when compared to those invested in comparable services.

6.5 Rathbone Ethical Bond Fund

Assessment summary

The Rathbone Ethical Bond Fund has an equivalent international fund which invests following the same strategy.

Assessment outcome

Our board of directors concluded that investors receive better investment terms when invested in the Rathbone Ethical Bond Fund's international equivalent. The board has requested that the Rathbone Ethical Bond Fund's S-class international equivalent have its minimum investment amended from £1,000,000 to Managers' Discretion to align with the Rathbone Ethical Bond Fund's S-class units.

6.6 Rathbone Income Fund

Assessment summary

The Rathbone Income Fund has an equivalent international fund which invests following the same strategy. The team that manages the Rathbone Income Fund manages one institutional segregated mandate which follows a similar strategy.

Assessment outcome

Our board of directors concluded that investors receive fair investment terms when compared to those invested in comparable services.

6.7 Rathbone UK Opportunities Fund

Assessment summary

The Rathbone UK Opportunities Fund does not have any comparable services.

6.8 Rathbone Global Alpha Fund

Assessment summary

The Rathbone Global Alpha Fund does not have any comparable services.

7. Classes of units

What does this section cover?

Investment funds can offer different share classes. Share classes usually have different investment minimums (the minimum amount you need to invest) and different costs (how much you pay annually for your investment).

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

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

A note to investors in Rathbones R-class

On 13 September 2019, in order to ensure all our investors were in appropriate share classes, we moved investors who held Retail R-class directly with Rathbones to share classes with a lower annual management charge. These lower-cost share classes were previously only for large, institutional investors. We also reduced the minimum investment on these share classes to £1,000 to make them more accessible and increased the investment minimum on the R-class to £100 million to dissuade any further investment in this share class.

We wanted to close the R-class throughout our fund range and move all investors to lower-fee-paying share classes. Unfortunately, with the information available and the current regulatory environment, we couldn't determine what investment terms investors who did not invest with us directly have agreed, and therefore could not be sure these investors would be better off if their investment was moved.

If you are still invested in our legacy retail R-class, we encourage you to contact your financial adviser or investment platform to determine if there is a cheaper investment option available to you.

7.1 Rathbone Multi-Asset Enhanced Growth Portfolio

Assessment summary

The Rathbone Multi-Asset Enhanced Growth Portfolio has three share classes:

Share class	Minimum investment	Annual management charge
R-class	£100,000,000	1.50%
S-class	£1,000	0.50%
M-class (internal only)	Managers' discretion	0.75%

Assessment outcome

We were unable to determine the exact investment terms of those invested in R-class through a third party, or whether these investors would be better or worse off being transferred to a different share class. We strongly encourage these investors contact their financial adviser or investment platform to determine if there is a cheaper investment option available.

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

7.2 Rathbone Multi-Asset Strategic Growth Portfolio

Assessment summary

The Rathbone Multi-Asset Strategic Growth Portfolio has three share classes:

Share class	Minimum investment	Annual management charge
R-class	£100,000,000	1.50%
S-class	£1,000	0.50%
M-class (internal only)	Managers' discretion	0.75%

Assessment outcome

We were unable to determine the exact investment terms of those invested in R-class through a third party, or whether these investors would be better or worse off being transferred to a different share class. We strongly encourage these investors contact their financial adviser or investment platform to determine if there is a cheaper investment option available.

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

7.3 Rathbone Multi-Asset Strategic Income Portfolio

Assessment summary

The Rathbone Multi-Asset Strategic Income Portfolio has two share classes:

Share class	Minimum investment	Annual management charge
S-class	£1,000	0.50%
M-class (internal only)	Managers' discretion	0.75%

Assessment outcome

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

7.4 Rathbone Multi-Asset Total Return Portfolio

Assessment summary

The Rathbone Multi-Asset Total Return Portfolio has three share classes:

Share class	Minimum investment	Annual management charge
R-class	£100,000,000	1.50%
S-class	£1,000	0.50%
M-class (internal only)	Managers' discretion	0.75%

Assessment outcome

We were unable to determine the exact investment terms of those invested in R-class through a third party, or whether these investors would be better or worse off being transferred to a different share class. We strongly encourage these investors contact their financial adviser or investment platform to determine if there is a cheaper investment option available.

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

7.5 Rathbone Ethical Bond Fund

Assessment summary

The Rathbone Ethical Bond Fund has three share classes:

Share class	Minimum investment	Annual management charge
R-class	£100,000,000	1.25%
I-class	£1,000	0.63%
S-class	Managers' discretion	0.49%

Assessment outcome

We were unable to determine the exact investment terms of those invested in R-class through a third party, or whether these investors would be better or worse off being transferred to a different share class. We strongly encourage these investors contact their financial adviser or investment platform to determine if there is a cheaper investment option available.

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

7.6 Rathbone Income Fund

Assessment summary

The Rathbone Income Fund has three share classes:

Share class	Minimum investment	Annual management charge
R-class	£100,000,000	1.50%
I-class	£1,000	0.75%
S-class	£100,000,000	0.49%

Assessment outcome

We were unable to determine the exact investment terms of those invested in R-class through a third party, or whether these investors would be better or worse off being transferred to a different share class. We strongly encourage these investors contact their financial adviser or investment platform to determine if there is a cheaper investment option available.

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

7.7 Rathbone UK Opportunities Fund

Assessment summary

The Rathbone UK Opportunities Fund has two share classes:

Share class	Minimum investment	Annual management charge
R-class	£100,000,000	1.50%
I-class	£1,000	0.45%

Assessment outcome

We were unable to determine the exact investment terms of those invested in R-class through a third party, or whether these investors would be better or worse off being transferred to a different share class. We strongly encourage these investors contact their financial adviser or investment platform to determine if there is a cheaper investment option available.

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

7.8 Rathbone Global Alpha Fund

Assessment summary

The Rathbone Global Alpha Fund has one share class:

Share class	Minimum investment	Annual management charge
I-class	£20,000,000	0.50%

Assessment outcome

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

8. Economies of scale

What does this section cover?

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

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

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

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

8.1 Rathbone Multi-Asset Enhanced Growth Portfolio

Assessment summary

All costs charged to the Rathbone Multi-Asset Enhanced Growth Portfolio have been assessed to determine if all available benefits from economies of scale were passed on to investors.

Assessment outcome

The board of directors concluded all available economies of scale have been passed on to Rathbone Multi-Asset Enhanced Growth Portfolio investors.

8.2 Rathbone Multi-Asset Strategic Growth Portfolio

Assessment summary

All costs charged to the Rathbone Multi-Asset Strategic Growth Portfolio have been assessed to determine if all available benefits from economies of scale were passed on to investors.

Assessment outcome

The board of directors concluded all available economies of scale have been passed on to Rathbone Multi-Asset Strategic Growth Portfolio investors.

8.3 Rathbone Multi-Asset Strategic Income Portfolio

Assessment summary

All costs charged to the Rathbone Multi-Asset Strategic Income Portfolio have been assessed to determine if all available benefits from economies of scale were passed on to investors.

Assessment outcome

The board of directors concluded all available economies of scale have been passed on to Rathbone Multi-Asset Strategic Income Portfolio investors.

8.4 Rathbone Multi-Asset Total Return Portfolio

Assessment summary

All costs charged to the Rathbone Multi-Asset Total Return Portfolio have been assessed to determine if all available benefits from economies of scale were passed on to investors.

Assessment outcome

The board of directors concluded all available economies of scale have been passed on to Rathbone Multi-Asset Total Return Portfolio investors.

8.5 Rathbone Ethical Bond Fund

Assessment summary

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

Assessment outcome

The board of directors concluded all available economies of scale have been passed on to Rathbone Ethical Bond Fund investors.

8.6 Rathbone Income Fund

Assessment summary

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

Assessment outcome

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

8.7 Rathbone UK Opportunities Fund

Assessment summary

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

Assessment outcome

The board of directors concluded all available economies of scale have been passed on to Rathbone UK Opportunities Fund investors.

8.8 Rathbone Global Alpha Fund

Assessment summary

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

Assessment outcome

The board of directors concluded all available economies of scale have been passed on to Rathbone Global Alpha Fund investors.

9. Costs charged to the fund

What does this section cover?

There are several different costs which are charged to our funds. We also have to use two different methodologies to calculate our costs to comply with UK and European regulations. They are called UCITS and MIFID II. These costs are made up of:

Annual management charge: this is the cost you pay to us to manage your investment

Other costs: the operational costs of running the fund and maintaining its investments

Transaction costs: the cost of the fund buying and selling assets

An explanation of the differences between UCITS and MiFID II costs are located in section 5.

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

9.1 Rathbone Multi-Asset Enhanced Growth Portfolio

Assessment summary

The charges of the Rathbone Multi-Asset Enhanced Growth Portfolio S-class are as follows:

Cost	UCITS cost	MiFID II cost
AMC	0.50%	0.50%
Other costs	0.21%	0.34%
Transaction costs		0.12%
Total cost of investment	0.71%	0.96%

Assessment outcome

The board of directors concluded the costs paid by the fund are reasonable and justified in the context of the overall value delivered to investors.

9.2 Rathbone Multi-Asset Strategic Growth Portfolio

Assessment summary

The charges of the Rathbone Multi-Asset Strategic Growth Portfolio S-class are as follows:

Cost	UCITS cost	MiFID II cost
AMC	0.50%	0.50%
Other costs	0.12%	0.19%
Transaction costs		0.09%
Total cost of investment	0.62%	0.78%

Assessment outcome

The board of directors concluded the costs paid by the fund are reasonable and justified in the context of the overall value delivered to investors.

9.3 Rathbone Multi-Asset Strategic Income Portfolio

Assessment summary

The charges of the Rathbone Multi-Asset Strategic Income Portfolio S-class are as follows:

Cost	UCITS cost	MiFID II cost
AMC	0.50%	0.50%
Other costs	0.28%	0.38%
Transaction costs		0.09%
Total cost of investment	0.78%	0.97%

Assessment outcome

The board of directors concluded the costs paid by the fund are reasonable and justified in the context of the overall value delivered to investors.

9.4 Rathbone Multi-Asset Total Return Portfolio

Assessment summary

The charges of the Rathbone Multi-Asset Total Return Portfolio S-class are as follows:

Cost	UCITS cost	MiFID II cost
AMC	0.50%	0.50%
Other costs	0.07%	0.16%
Transaction costs		0.07%
Total cost of investment	0.57%	0.73%

Assessment outcome

The board of directors concluded the costs paid by the fund are reasonable and justified in the context of the overall value delivered to investors.

9.5 Rathbone Ethical Bond Fund

Assessment summary

The charges of the Rathbone Ethical Bond Fund I-class are as follows:

Cost	UCITS cost	MiFID II cost
AMC	0.625%	0.63%
Other costs	0.036%	0.04%
Transaction costs		0.05%
Total cost of investment	0.66%	0.71%

Assessment outcome

The board of directors concluded the costs paid by the fund are reasonable and justified in the context of the overall value delivered to investors.

9.6 Rathbone Income Fund

Assessment summary

The charges of the Rathbone Income Fund for I-class are as follows:

Cost	UCITS cost	MiFID II cost
AMC	0.75%	0.75%
Other costs	0.03%	0.03%
Transaction costs		0.08%
Total cost of investment	0.78%	0.86%

Assessment outcome

The board of directors concluded the costs paid by the fund are reasonable and justified in the context of the overall value delivered to investors.

9.7 Rathbone UK Opportunities Fund

Assessment summary

The charges of the Rathbone UK Opportunities Fund for I-class are as follows:

Cost	UCITS cost	MiFID II cost
AMC	0.45%	0.45%
Other costs	0.16%	0.16%
Transaction costs		0.10%
Total cost of investment	0.61%	0.71%

Assessment outcome

This fund was redesigned and relaunched in 2017, changing from the Rathbone Recovery Fund to the Rathbone UK Opportunities Fund. At this point, the annual management charge was reduced from 0.75% to 0.45% for an introductory period. The board have decided to extend this period and will not raise the annual management charge until the fund has consistently met its performance objectives.

The board of directors concluded the costs paid by the fund are reasonable and justified in the context of the overall value delivered to investors.

9.8 Rathbone Global Alpha Fund

Assessment summary

The Rathbone Global Alpha Fund only has I-class and the charges are as follows:

Cost	UCITS cost	MiFID II cost
AMC	0.50%	0.50%
Other costs	0.67%	1.04%
Transaction costs		0.02%
Total cost of investment	1.17%	1.56%

Assessment outcome

The board of directors concluded the costs paid by the fund are reasonable and justified in the context of the overall value delivered to investors.

10. Overall assessment of value

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

If a fund does not offer value for money, we will detail here the actions we will take.

10.1 Rathbone Multi-Asset Enhanced Growth Portfolio

Assessment outcome
The board of directors concluded the Rathbone Multi-Asset Enhanced Growth Portfolio offers overall good value for money.

10.2 Rathbone Multi-Asset Strategic Growth Portfolio

Assessment outcome
The board of directors concluded the Rathbone Multi-Asset Strategic Growth Portfolio offers overall good value for money.

10.3 Rathbone Multi-Asset Strategic Income Portfolio

Assessment outcome
The board of directors concluded the Rathbone Multi-Asset Strategic Income Portfolio offers overall good value for money.

10.4 Rathbone Multi-Asset Total Return Portfolio

Assessment outcome
The board of directors concluded the Rathbone Multi-Asset Total Return Portfolio offers overall good value for money.

10.5 Rathbone Ethical Bond Fund

Assessment outcome
The board of directors concluded the Rathbone Ethical Bond Fund offers overall good value for money.

10.6 Rathbone Income Fund

Assessment outcome
The board of directors concluded the Rathbone Income Fund offers overall good value for money.

10.7 Rathbone UK Opportunities Fund

Assessment outcome
The board of directors concluded the Rathbone UK Opportunities Fund offers overall value for money.

The board will continue to monitor the Rathbone UK Opportunities Fund to ensure the recent improvement in performance is maintained.

10.8 Rathbone Global Alpha Fund

Assessment outcome
The board of directors concluded the Rathbone Global Alpha Fund offers overall value for money.

Subject to FCA approval, we will be closing this fund in 2020. The board will continue to ensure all decisions are taken in the best interest of investors.

Rathbone Unit Trust Management Limited
8 Finsbury Circus, London EC2M 7AZ
Tel 020 7399 0000
Fax 020 7399 0057

Information line
020 7399 0399
rutm@rathbones.com
rathbonefunds.com

Rathbones
Look forward

6721.01.20