

Rathbone Income Fund

Value assessment

Accounting year end at 30 September 2021



Dear Investor,

It's important to us that we continually adapt to best serve you. This means ensuring that you, and all of our other investors, are always treated fairly, that we spend time and resource continually improving our business and that we strive to cultivate a positive and diverse culture where our team members can grow.

It also means striving to be a responsible investor – demonstrating courage and resilience when faced with challenging situations and not being afraid to stand up for what's right. With this in mind, I am proud that in the last quarter Rathbones Group have committed to achieve net-zero emissions across the business by 2050, or sooner.

Having undertaken a full emissions inventory, we will be using the Science Based Targets initiative's methodology to set our operational and investment targets, as part of our efforts to reduce greenhouse gas emissions and limit global warming to 1.5°C above pre-industrial levels. We will also continue to work with businesses we invest in, through our stewardship and engagement, to ensure we are able to achieve these goals.

Our engagement efforts include the time our fund managers spend with the management teams of the companies we invest in. This time is spent probing management on strategy and current issues, but also provides a platform to challenge, support and influence companies' environmental, social and governance (ESG) efforts. This is all part of the service you pay for when you invest in our funds.

I am lucky enough to work with an investment team who are passionate about holding companies accountable for their actions; after all, companies that do not respect the environment in which they operate ultimately disappoint from a financial perspective, either through lost customers or from third-party intervention. This is why it's so important for us to work together to achieve these goals, not only because it's the right thing to do, but because it's in our investors' best financial interests.

With an exciting new year ahead of us, I thank you for your continued support and send my best wishes to you and your families. If you have any questions about our value assessment or any suggestions on how we can improve, please get in touch.

Best wishes,



Mike Webb
CEO, Rathbone Unit Trust Management



Who are Rathbones?

We have been in business since 1742 and are listed on the FTSE 250. We provide individual investment and wealth management services for private clients, charities, trustees and professional partners. We see it as our responsibility to invest for everyone's tomorrow.

Rathbone Unit Trust Management Limited is the asset management arm of Rathbones Group Plc and a leading UK fund manager. Through its subsidiaries, Rathbones Group Plc manages £68.2 billion of clients' funds, of which £13.0 billion is managed by Rathbone Unit Trust Management (as at 31 December 2021).

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 which you, our investors, pay or the performance of the fund in isolation. Considering this, we have designed an assessment which looks at nine criteria. We have also appointed an independent research firm, Square Mile Investment Consulting & Research, to provide an impartial report on the value our funds offer compared with the market.

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

How are we doing?

It is important to us that our value assessments are informative, useful and easy to understand. There is little value in us bombarding you with technical jargon and analysis, so we have tried to explain things simply, in plain English.

We are always looking for ways to improve, so if you have any suggestions on how we can do better, please let us know by emailing rutm@rathbones.com.

Our assessment of the Rathbone Income Fund

Our assessment criteria







In this section, our board of directors consider the nine areas we have assessed, both what we offer as a business, and the topics that are specific to each fund.

At the end, they conclude if our funds offer good value for money, offer value for money, or do not offer value for money.













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

Contents





Assessment criteria which cover our entire fund range:

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

Assessment criteria which are fund specific:

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

Key

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

Assessment outcome

The board of directors concluded that the Rathbone Income Fund offers value for money but merits further monitoring.

The Board acknowledged that there has been a particularly difficult period in 2020, and much of 2021, for more value-orientated funds, especially those designed to pay an income. This continues to impact the fund's ability to meet its 5-year objective.

Despite underperforming its 5-year total return objective, the board note that the performance of the fund has improved over the 12 months preceding this report, having outperformed the FTSE All-Share Index by 1.49% (I-class). In addition to this, the fund has continued to meet its income objective to deliver an annual income in line with, or better than, the FTSE All-Share Index and has paid a higher dividend when compared to the majority of its independently selected peer group.

We will continue to monitor the fund's performance through 2022.



1. Improvements to our business

What does this section cover?

We are always striving to improve the services 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 you, our investors, such as a reduction in fund costs, or an indirect impact through our business operating more efficiently.

Assessment summary

Over the last 12 months, Rathbone Unit Trust Management has completed, or is in the process of implementing, a diverse range of projects to improve the outcomes that we provide to our investors. The most notable have been:

- In response to the impact of Covid-19, we have focused on several initiatives to increase client communication and awareness, ensuring everyone was kept up to date through the uncertainty, and the challenging months that we have all been through.
- We have focused heavily on employee welfare over the last 12 months and have completed several successful initiatives to support our team members. We believe a happy, healthy team is what makes a great business.
- We have implemented a state-of-the-art liquidity management system to fully automate our liquidity risk monitoring capabilities.
- We have continued to build and expand our approach to responsible investment. [More information can be found on our website.](#)
- Our sales and distribution teams have enhanced the systems they use to look after our investors throughout every stage of their investment journey.
- We have successfully launched our Rathbone Greenbank Multi-Asset Portfolios, which means we can now offer a full suite of sustainable investment funds, and we continue to integrate ESG into our investment processes.

Assessment outcome

Our board of directors concluded that Rathbone Unit Trust Management has invested significant resources this year to improve our business, and this has had a positive impact on our investors.

2. Corporate culture

What does this section cover?

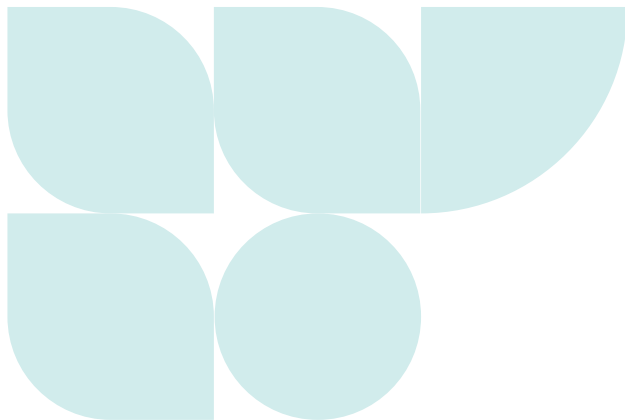
We believe the right corporate culture encourages positive behaviour which ultimately benefits you, our investors. In this section, our board of directors reviewed several metrics to allow them to determine if our business has a positive corporate culture.

Assessment summary

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

Assessment outcome

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



3. Quality of service you receive

What does this section cover?

Service is more than just how fast we reply to an enquiry. When we consider the services 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 your behalf. This section assesses the range and quality of services we provide you. We have considered both the quality of service that we provide you directly, as well as the quality of services that we procure on your behalf.

Assessment summary

In our assessment of quality of service, we considered a range of different areas. The most notable were:

- Covid-19 crisis. In light of the uncertainty that has surrounded so many of us during the course of the year, we have improved the different methods we use to keep you updated about what is happening with your investments, and have increased the different platforms we use to do this.
- Professional development. The average number of hours our staff undertake continuous professional development (CPD) greatly exceeds the regulatory requirement. Over the last year, 31 Rathbone Unit Trust Management certified individuals have completed over 1,700 hours of training and development. Rathbone also actively supports employees in undertaking additional professional qualifications, such as the Chartered Financial Analyst qualification.
- How we vote on your behalf. Where voting rights allow, we actively engage with companies we invest in on environmental, social and governance issues and publish a report annually about how we have voted. [This is available on our website.](#)
- Our research and investment processes. Both processes are unique to each fund management team, as we believe their knowledge and expertise add significant value to your investments. Their individual processes are scrutinised twice a year by our chief investment officer who ensures that each of our managers employ robust processes to select appropriate investments and fulfil the requirements of their fund's investment mandate.
- The services we receive on your 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. We also conduct trend analysis on complaints as an early warning indicator within our product governance process.
- How well we traded. We reviewed the transaction costs associated with our funds, which is an indicator of how efficiently we trade on your behalf.

Assessment outcome

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

4. Performance of the fund

What does this section cover?

We check how our funds have performed against their objectives, after all fees have been paid, to see if we have delivered what we aimed to achieve.

If a fund has underperformed its benchmark, we explain why and assess whether the fund has invested in line with its 'mandate'. A fund's mandate is the investment strategy which was designed by the fund manager and agreed by our chief investment officer; it dictates *how* a fund manager can invest.

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

Why is the investment objective of a fund important?

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

You'll notice that our funds' objectives are measured over three, five or 10 years. This is the time period you should plan to invest for – a 'recommended holding period'. Each fund's recommended holding period was chosen based on the historic performance of the fund and how we expect the fund to perform in the future. This doesn't mean the objective of the fund is guaranteed and there is always a chance you will get back less than you had 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 several factors. We assess the fund against its objective while considering the prevailing economic and market backdrop, how the fund manager's investment philosophy and process should have performed, and how we believe the fund may perform in the future.

It's important to understand that sometimes a fund could underperform its objective, even though the fund manager is investing in line with their investment policy (which financial instruments they are allowed to invest in) and their investment process (how they pick their investments). This can be because of a general market downturn that affects all the assets a fund manager might invest in. Underperformance could also happen because the type of assets a fund invests in, or its 'style' of investment, is 'out of favour'.

What is the objective of the Rathbone Income Fund?

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 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 UK Equity Income sector because the funds in it are similar to ours.

Who looks after the Rathbone Income Fund?



Carl Stick
Executive Director

Carl Stick is an Executive Director of Rathbone Unit Trust Management and plays a key role in the development of Rathbones' investment process and business strategy. He is also the manager of the Rathbone Income Fund, which he has been managing since January 2000. Carl is also Institute for Investment Management and Research qualified and a Fellow of the Securities Institute.



Alan Dobbie
Fund Manager

Alan Dobbie joined Rathbones in October 2005 and became co-manager of the Rathbone Income Fund in October 2018. He has previously managed and co-managed a number of UK European and global equity funds for Rathbones. Alan holds the Investment Management Certificate (IMC) and is a Chartered Financial Analyst (CFA) charter-holder.

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.

The Rathbone Income Fund aims to generate a greater total return than the FTSE All-Share Index, after fees, over any five-year period.

We also measure our 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. In the five years ending 30 September 2021, if you had invested £1,000 in a UK bank account, you would have received approximately 2.02% or £20. If you had invested £1,000 in our fund, you would have received approximately 22.89% or £229 (based on the return of the accumulation of the I-class, as this is the largest class in this fund).

Assessment outcome

The Board acknowledged that there has been a particularly difficult period in 2020, and much of 2021, for more value-orientated funds, especially those designed to pay an income. This continues to impact the fund's ability to meet its 5-year objective.

Despite underperforming its 5-year total return objective, the board note that the performance of the fund has improved over the 12 months preceding this report, having outperformed the FTSE All-Share Index by 1.49% (I-class). In addition to this, the fund has continued to meet its income objective to deliver an annual income in line with, or better than, the FTSE All-Share Index and has paid a higher dividend when compared to the majority of its independently selected peer group.

We will continue to monitor the fund's performance through 2022.



5. Costs charged to the fund

What does this section cover?

In this section we assess the costs charged to the fund, which are paid by you, our investors, to invest in our fund. We assess whether these costs are reasonable for the level of service we provide you (or the level of service we receive from third parties on your behalf).

Understanding fund costs

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

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

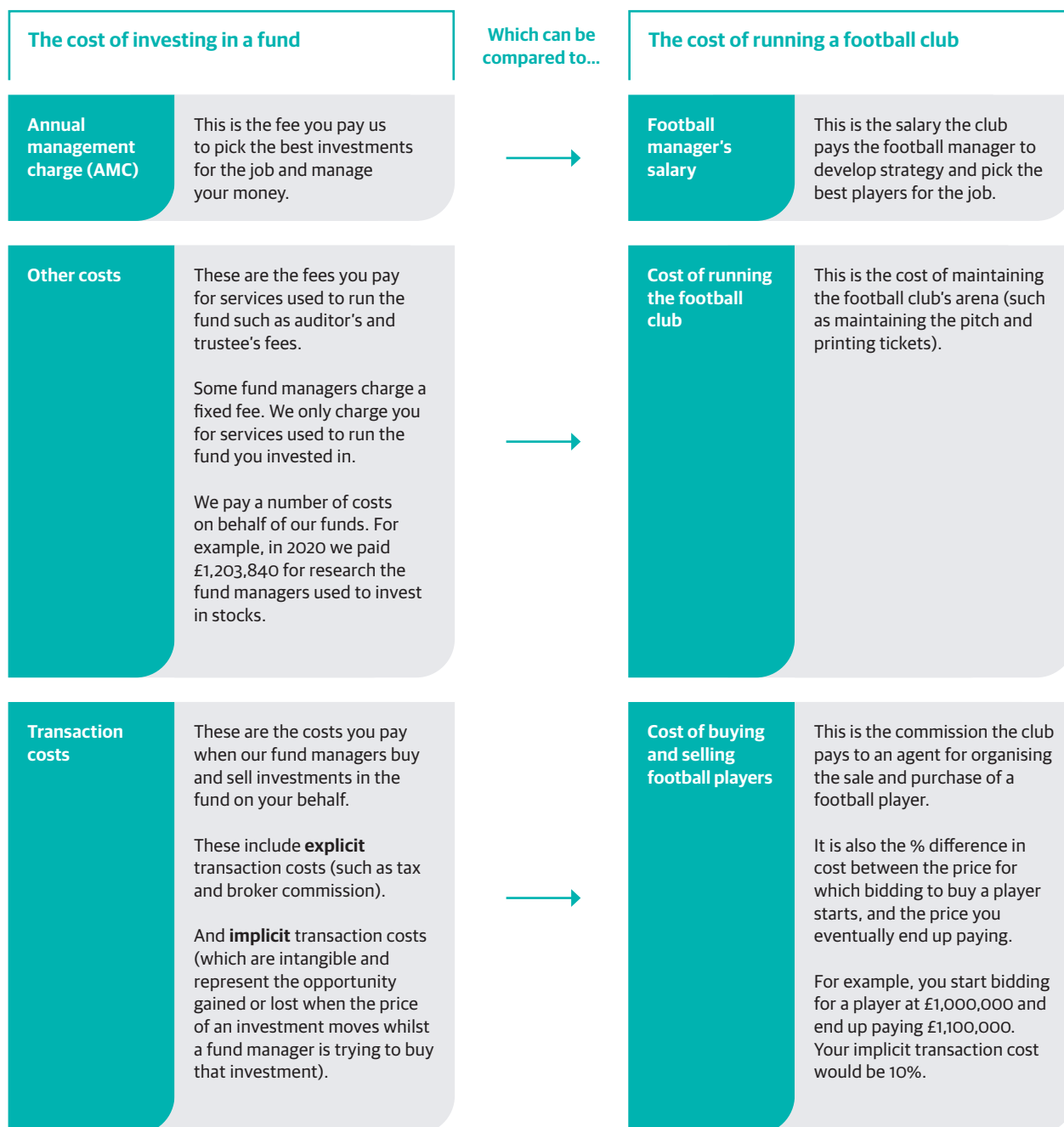
The total cost of your investment is expressed as a percentage. You can work out roughly how much you pay per year by multiplying the value of your investment by the percentage cost.

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



Explaining the different parts of fund costs

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



Explaining the different ways to calculate costs

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

Very simply, MiFID II costs include transaction costs, or in our example, the cost of buying and selling football players. UCITS costs do not include transaction costs. In practice, the way these costs are calculated are much more complicated than how we've explained here. If you would like more information on the technicalities of fund cost calculation, please get in touch.

Assessment summary

We based our analysis on the cost of the I-class, as this is the largest share class in the Rathbone Income Fund:

Cost	UCITS costs	MiFID II costs
AMC	0.75%	0.75%
Other costs	0.03%	0.03%
Transaction costs	—	0.05%
Total cost of investment	0.78%	0.83%

This means if you invested £1,000 for one year, you would be charged £7.80 (calculated using the UCITS total cost of investment).

Assessment outcome

Our board of directors concluded that, when reviewed against the Rathbone Income Fund's performance, all charges are reasonable, with several initiatives in the business being established to actively reduce other costs and transaction costs.

6. Economies of scale

What does this section cover?

When funds get bigger, you pay proportionally less for the fixed costs of running the fund. For example, when a fund grows considerably, the management company should be able to negotiate lower costs on your behalf. This is called economies of scale – a proportionate saving in cost gained by an increase in scale or size. In this section, we assess if all economies of scale have been passed onto you, 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 you to pay more for the management of your investment. For this reason, we have chosen not to tier the annual management charges of our funds.

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

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 you, our investors.

Assessment outcome ■

Our board of directors concluded all available economies of scale have been passed on to you, Rathbone Income Fund's investors.

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

What does this section cover?

It's important that the costs of our funds reflect the service you receive. We believe that cost cannot be assessed in isolation alone and must be considered alongside a fund's performance, the type of assets in a portfolio and the quality of services that 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 paid to invest, against an independently selected peer group and the wider market sector. In other words, how much you got for the fees you paid us, against what you would've got if you'd invested with any of our peers. We consider the results of this analysis keeping in mind the service Rathbones provides and the prevailing economic and market backdrop.

Assessment summary

Share class	Total UCITS cost	Total MiFID II cost
R-class	1.53%	1.58%
I-class	0.78%	0.83%
S-class	0.52%	0.57%

Our board of directors concluded that the costs for the Rathbone Income Fund are below its peer group and sector.

Assessment outcome

Our board of directors concluded that the costs for the Rathbone Income Fund are below its peer group and sector. When reviewed against its performance, the Rathbone Income Fund's costs offer good value for money.

8. The difference between share classes

What does this section cover?

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

The larger the investment minimum, the lower the charge for managing your investment. This is similar to getting a cheaper price for buying product in bulk rather than buying 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 other people's money and you may have access to a cheaper share class than if you were to invest directly with us. In this section of the assessment we have determined if unitholders are invested in appropriate share classes.

Assessment summary

The Rathbone 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

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



9. The fund compared to similar investment services we offer

What does this section cover?

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

Assessment summary

The Rathbone Income Fund has no comparable services.

Assessment outcome

Our board of directors recognised that the Rathbone Income Fund has no comparable services.

Glossary of terms

AMC	Annual Management Charge
FCA	Financial Conduct Authority
MiFID II	Markets in Financial Instruments Directive II
OCF	Ongoing Charges Figure
UCITS	Undertakings for the Collective Investments in Transferable Securities

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

Authorised and regulated by the
Financial Conduct Authority
A member of the
Investment Association
A member of the Rathbones Group.
Registered No. 02376568

Rathbones
Look forward