

**Rathbone Investment Management Limited**  
**US client brochure – March 2011**  
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of Rathbone Investment Management Limited. If you have any questions about the contents of this brochure, please contact the Company Secretary, Richard Loader, on the above contact details. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Rathbone Investment Management is also available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov)

**31 March 2011**

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## 1 Advisory Business (Investment Management Services)

### 1.1 Ownership

Rathbone Investment Management Limited (Rathbones) is a leading UK provider of discretionary and non-discretionary investment management and wealth management services for private clients and trustees. With 11 offices in the UK, Rathbones manages £14.59 billion (as at December 31, 2010) of funds for individuals and their trusts, charities and pension funds, and for the professional advisers of these clients. Rathbones has been managing funds for private investors for 100 years but the history of the company reaches back to 1742.

Originally founded as timber and shipping merchants in Liverpool in 1742, by World War I Rathbones was managing investments for wealthy private investors. The company was engaged in financial services by 1912.

Our registered office is at Port of Liverpool Building, Pier Head, Liverpool, L3 1NW, United Kingdom. Our head office is at 159 New Bond Street, London, W1S 2UD, United Kingdom, with telephone number +44 207 399 0000. Details of all our offices are available on our website at [www.rathbones.com](http://www.rathbones.com). The address and contact details of the office where your Investment Manager is based and which deals with your Portfolio will be provided to you separately at the start of our relationship with you.

Rathbones is a wholly owned subsidiary and is the largest subsidiary of Rathbone Brothers Plc (parent company). Rathbone Brothers Plc is a publically owned company, quoted on the London Stock Exchange in the UK.

Rathbones provides two types of investment management services. The assets under management for these services for US clients as at December 31, 2010 are as follows:

Rathbones investment service type	Value of total assets under management by service type
• Discretionary	\$100,392,865
• Non-discretionary investment managed	\$4,803,060

Rathbones only offers discretionary and non-discretionary investment managed service levels for US clients.

## 1.2 Types of advisory services offered

Rathbones offers both discretionary and non-discretionary services. Our investment process is constantly evolving and we continue to invest in the people and other resources required to ensure it remains robust, flexible and capable of meeting a variety of needs. Traditionally, our business has focused on constructing investment portfolios from cash, bonds and equities.

As new asset classes have developed and become available to private clients, we recognise that some clients may need us to construct portfolios incorporating a broader range of investments and the different risks and rewards associated with them.

Rathbones' independence allows us to select the best investments available in each asset class across all markets without any conflicts of interest. The stock selection process is tailored to the particular characteristics of each asset class and the advice provided is limited to the following investments:

- Fixed interest stocks and bonds
- Equities
- Property funds
- Commodity funds
- Collective Investment Funds

## 1.3 Limitations in respect of our services

You should note the following limitations regarding the scope of services we provide:

- We will not provide any services relating to direct investment in futures, options or contracts for difference involving margin;
- We are not a general investment adviser and our obligations to clients are limited to investment Portfolios and the specific services we agree to provide. In particular, we do not advise on your financial affairs, pensions, taxation, offshore investments, or other matters. Any tax advice that is given will be in the context of the investment advice and services offered by us and should not under any circumstances be relied upon by any client for the purposes of establishing taxation liability.

## 1.4 How we meet the needs of individual clients

We believe that time spent with a client and the information they give us are essential in advance of preparing an agreement that suits your needs.

We ask you to select, in the Client Agreement and Profile, your Investment Objective and Risk Profile for each investment Portfolio from the range of options specified. This includes any restrictions you have imposed on investing in certain securities or types of securities. For example, if you had an ethical stance against certain investments, you can impose an investment restriction on such investments.

To satisfy our obligations under the UK Financial Services Authority (FSA) Rules, we also ask you to provide certain information, including information about your financial circumstances and your knowledge and experience in respect of financial services.

These are some of the most important items of information that a client should tell us:

- Lifestyle and objectives
- Capital growth or preservation
- Absolute or relative return
- Appetite for risk versus the return objectives
- Capacity to sustain losses
- Other assets and liabilities
- Income requirement
- Time horizon
- Tax position
- Constraints on any large holdings
- Ethical concerns (investment restrictions)
- Pension and inheritance considerations
- Whether the assets to be managed by Rathbones are part of a series of mandates or if they are a self contained entity

We rely on our clients to communicate and discuss with us their circumstances as they develop, so their portfolio can be managed accordingly.

## 2 Fees and Compensation

### 2.1 Fees

Income earned is derived from fees based on a percentage of assets under management and dealing charges based on transaction activity. These are outlined in the below fee schedules. Rathbones does earn income by making a small margin on the interest deposits held by clients and on foreign exchange transactions.

### 2.2 Schedule of Charges

#### Management fees (subject to VAT)

Management fees are levied on each investment Fund within the service. Fees are charged in quarterly instalments, in arrears, based on the total investment value as at the quarter end. A pro-rata charge is made for investment Funds which are transferred into or out of the service during the quarter.

The fee scales based on the value of each investment Fund are:

	All funds
Fixed charge	
(not applicable for Funds valued below £15,000)	£100
and on the following value bands within the Fund	
First £1,000,000	1.00%
Balance over £1,000,000	0.50%

#### Custody and Transfer charges

We do not charge for transferring your current holdings into the name of the nominee company or for the use of the nominee company or eligible custodian. When you withdraw securities from your Portfolio, a charge of £10 per UK holding and £50 per overseas holding is made to cover transaction costs. These charges apply to all portfolios.

#### Banking charges

We do not offer a full banking service. However, cash may be held on a bank account within the Portfolio to provide a degree of liquidity and normal banking charges may be applied to these balances. Charges relating to banking transactions are detailed in our Schedule of Interest Rates. These charges include a margin of 0.5% that we take on foreign exchange transactions.

The VAT eligibility, noted above, may be subject to legislative change. VAT only applies to those clients resident within the EU.

Our fees and charges may be changed from time to time. We will let you have at least 30 calendar days' notice before we make any changes to your investment management contract and two calendar months' notice for changes made to your bank account.

You should note that other taxes or costs may arise which are not paid via us or imposed by us.

## 2.3 Fees and Compensation Conflicts of Interest

Your attention is drawn to the fact that when we provide our services, we, a member of the Rathbone Group or an affiliate, may have an interest, relationship or arrangement that is material in relation to the investment, transaction or service concerned. We have procedures to identify and manage conflicts of interest and a Conflicts of Interest Policy. A summary of our Conflicts of Interest Policy is contained in the Contractual Pack and a full version is available on request. The material conflicts we have identified and manage are:

- Rathbones may negotiate fees with larger clients which means clients with small portfolios pay correspondingly more as a percentage of funds than a large client. The scale of fund management activities relative to cost means the profit element to Rathbones is not excessive and service level to all clients is similar.
- Rathbones may receive trail commission in relation to holdings of collective investments which may conflict with the selection of the appropriate investment for clients and gives Rathbones an incentive to recommend investment products based on the compensation received. Rathbones' policy is to buy institutional units whenever available to ensure the commission is rebated to clients. Where this is not available, trail is retained by Rathbones as the effort to allocate it amongst clients is disproportionate to the sums involved. This information is disclosed to clients in line with FSA rules.



### **3 Performance-Based Fees and Side-by-Side Management**

Neither Rathbones, nor any of its supervised persons, accept performance-based fees, including fees based on a share of capital gains or capital appreciation of the assets of a client.

## **4 Types of Clients**

Rathbones manages portfolios for individuals and their trusts, charities and pension funds. The minimum investment size is £100,000 or currency equivalent. If the amount falls below £100,000, Rathbones reserves the right to review the portfolio and potentially close the portfolio if it is not meeting the minimum investment criteria.

Rathbones has registered with the Securities and Exchange Commission (SEC) with the purpose of providing investment management services to US clients. US clients are required to sign investment management agreements that comply with SEC legal requirements. All dealings with these clients are subject to SEC regulations. One of the specific SEC regulations is that we provide additional information about Rathbones and its associated companies to US clients.

### **4.1 Opening and maintenance of Portfolios**

In order to open a Portfolio for you, we need to obtain certain information about you, including evidence of your identity for anti-money laundering purposes and other information to satisfy our regulatory obligations as specified in the Client Agreement and Profile or otherwise notified to you. Without this information we will not be able to accept you as a client.

Unless otherwise agreed with you, we will provide custody services for you in respect of your Portfolio in accordance with the SEC's Custody Rules.

In the provision of these services we will be responsible for:

- The safekeeping of investments within your Portfolio;
- Arranging for the registration of your investments in accordance with the FSA and SEC Rules;
- The settlement of transactions in respect of your Portfolio;
- The collection of income;
- The carrying out of other administrative actions in relation to your Portfolio.

All monies received from or held on your behalf in respect of your Portfolio will be credited to or held in Accounts maintained in your name. Accounts will be debited or credited with the cost or proceeds of duly authorised purchases and sales of investments in accordance with the Terms of Business.

### **4.2 Notice period for terminating an agreement**

Clients may terminate their investment management contract in writing with immediate effect. Rathbones may terminate the investment management contract with 30 calendar days' notice to the client. For the termination of bank accounts, two calendar months' notice will be given.

## **5 Methods of Analysis, Investment Strategies and Risk of Loss**

### **5.1 The investment process structure**

There are two parts to our investment process: asset allocation and investment selection. Asset allocation allows us to decide on the portion of funds we place in particular classes of investments and falls into two parts.

First, we agree with our clients the strategic asset allocation or long-term structure of their Portfolio, which is not revisited frequently other than through the need to rebalance the Portfolio or a change in the mandate specified by our clients.

Second, tactical asset allocation can lead to adjustments in portfolio structure and reflects, for example, our outlook for financial markets at any given time.

To support this approach, Rathbones produces in-house strategic and tactical asset allocation models for its Investment Managers to assist them in constructing portfolios suitable for individual clients. However, it is recognised that our clients' circumstances differ so our Investment Process gives sufficient flexibility to Investment Managers to create a portfolio designed to meet their client's specific needs.

### **5.2 Asset allocation**

This is the process which allows us to decide which asset classes to include in a portfolio and the proportions to be allocated to each area. The structure does not change substantially or frequently unless a client changes the mandate or, alternatively if our fundamental long-term view on asset classes has altered.

Our strategic asset allocation committee is drawn widely from across Rathbones and meets quarterly. Model portfolios constructed by the committee aim to produce an effective risk adjusted combination of assets.

We also understand that taxation can lead to a significant difference between private client and institutional portfolio construction and we endeavour to incorporate its effects into our process.

### **5.3 Investment selection**

Rathbones' independence allows us to select the best investments available in each asset class across all markets without any conflicts of interest. The stock selection process focuses on the characteristics of each asset class:

- Fixed interest stocks and bonds
- Equities
- Property funds
- Commodity funds
- Collective Investment Funds

Recommended lists are produced for each asset class in order to help our investment managers' select individual holdings.

## 5.4 The selection process and associated risks

In the provision of our services, depending upon your instructions in the Client Agreement and Profile, we may purchase on your behalf investments or deal in certain markets to which certain specific risks apply. It is important that you are aware of and understand the nature of these risks. The following contains information on certain types of investments and investment techniques, including specific risks, in relation to:

### Fixed Interest Investment Selection

Our fixed interest investment selection process involves working with Rathbones' Investment Managers and using their specialist skills to help select appropriate investments. A list of recommendations is compiled based on differing levels of risk and include:

- Index linked gilts;
- Conventional gilts;
- Corporate bonds;
- Floating rate notes; and
- High yielding assets.

We take account of credit ratings and default risk as well as the effect of taxation on the return likely to be achieved. Fixed interest funds, as opposed to individual bonds, fall under the responsibility of the managed funds committee, consisting of a group of experienced Investment Managers within Rathbones.

### Fixed Interest Risk

A client's Portfolio may hold fixed income securities of corporate and government issuers in multiple jurisdictions. Such fixed income securities are not required to satisfy any minimum rating standard and may include instruments that are in poor standing and that have predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal.

Fixed income securities are subject to the risk that the issuer may default on the payment of principal and/or interest. The prices of fixed income securities are inversely affected by changes in interest rates and thus are subject to the risk of market price fluctuations. In addition, changes in the credit ratings of a fixed income security or in the perceived ability of the issuer to make payments of principal and interest also may affect the security's market value.

### Equity Selection Process

The equity selection process places great emphasis on Rathbones' internally generated research through company meetings and industry research. It uses the considerable expertise of Rathbones' Investment Managers.

We receive a constant flow of external research from brokers and analysts and we nurture particularly robust ties with several investment houses, all of whom complement our investment style. Other experts are invited to present to Rathbones on a frequent basis.

Outside broker research is used as a base from which to increase our understanding of a particular sector or company. The forecasts produced by analysts are useful, as they provide a basis for our own house view. Time spent studying broker research is complemented by our own work on a company, gathered from company meetings, annual reports and accounts and work on various sectors.

Research provides a starting point in helping to direct stock selection and this may be followed by an assessment on individual industries and themes to determine the areas that will benefit or deteriorate under these forces. This works in conjunction with stock specific research within industry sectors.

We want to understand how a business will grow its earnings so we undertake the standard analysis including investigating the quality of management, product and any barriers to entry. We look for a management team and company with the following attributes:

- A good past record;
- An ability to grow earnings;
- A market niche;
- Barriers to entry;
- A strong balance sheet; and
- A strategy that is clearly communicated in meetings.

Analysis of working capital, net cash flow, free cash flow, cash yield and cash interest cover are all essential and we want to understand how the underlying performance of the company may be distorted by any relevant accounting legislation.

## **Equity Risk**

A client's Portfolio may include equity securities of issuers in multiple jurisdictions, including issuers in emerging markets, of any market capitalisation (e.g. small, mid or large). Equity securities may include common and preferred stocks and warrants and equivalents (including convertible securities).

As a result of investments in equity securities, the Portfolio will be exposed to the risks typically associated with equity investing. These risks include the general risk of broad market declines and specific risks relating to an issuer, such as:

- Management performance;
- Financial leverage;
- Financial position;
- Industry problems; and
- Reduced demand for the issuer's goods or services.

## **Property**

Rathbones does not invest directly in property on behalf of its clients. However, we do gain exposure through property shares and increasingly to Real Estate Investment Trusts (REITs) as well as investment trusts and unit trusts. The allocation between these vehicles will vary depending on the need for income or development gains. This choice will, in part, be a function of the individual client mandate as well as our view of the underlying vehicles and the market conditions in favour of, or against, each vehicle.

Rathbones has extensive contact with underlying companies and managers of property funds, and we have built up considerable knowledge of the investment processes, styles and performance records of the various management houses. Property shares will form part of a client's equity exposure, whereas property funds will be separated out as an individual asset class which is intended to produce a high quality stream of income rising in real terms over time.

### **Property Risk**

Property funds invest in real property and land. These can be difficult to sell so you may not be able to sell/ cash in this investment when you want to. We may have to delay acting on your instructions to sell your investment. The value of property is often a matter of a valuer's opinion rather than fact.

### **Commodities**

We do not invest directly in physical commodities but our alternative investment team analyses collective investment funds or other structures that can offer an exposure to this asset class. Equities with a bias to the resources sector fall under the scope of the stock selection committee and are not assessed by our alternative investment team.

### **Commodities Risk**

Investments in commodities whether by Collective Investment Funds (CIF's) or via companies substantially involved with them may expose investors to risks not typical of other investments. Companies associated with commodities and the funds invested in them may have assets in less developed countries which have political, legal and social systems that are less stable than those found in developed countries or markets. The assets of the companies, the commodities and derivatives associated with them may be subject to or affected by conditions such as drought, flood, weather, disease, trade embargo, war or political unrest etc which may substantially affect their value. Commodity funds may hold physical assets which may not be insured and subject to risks associated with high value items.

### **Collective Investment Funds (CIF's)**

A collective investment fund ("CIF") is a scheme which allows an investor to invest money on a pooled basis (along with a number of other investors). A CIF may take the form of a company, partnership or trust.

The selection of external funds is an essential part of our investment offering and a significant percentage of our funds under management comprise external managed funds. Our collective fund committee first identifies a collection of funds by defined geographic region, sector or specialist focus and then carries out a comprehensive analysis designed to screen those selected funds. The committee examines performance records over medium and longer term time frames and looks for consistent returns.

Another element of our research is the performance record of an individual collective fund manager. Rathbones' investment management team aims to identify those managers who have a strong and demonstrable track record.

Rathbones analyse the investment process of a given fund management house, its style as well as the strategy of any particular fund. In so doing, we are able to better identify when a fund is most suited to the prevailing economic environment and this also allows us to determine how certain funds will fit into a specific portfolio. We are keen to avoid investment management companies where we feel uncomfortable with the structure or the culture of the underlying organisation and we want to ensure that the interests of our clients and the objectives of those managers we select are closely aligned.

Fees levied by fund management houses can impact performance numbers markedly over the long-term. Rathbones is able to negotiate competitive fees and, where available, seeks to hold institutional units which attract lower fee scales to the advantage of our clients.

The asset allocation of each underlying fund is analysed to ensure that it fits with our view and it is important that the funds selected are behaving and performing in a way that the fund selection committee anticipates, given the style and characteristics of the fund. Regular meetings are held with the fund managers of the funds in which we invest and we ask managers that they grant us full access to their underlying portfolios in order to assist us in our analysis of their process and strategy.

### **Collective Funds Risk**

As investors, clients buy shares/partnership interests/units in the CIF in the hope that the value rises over time as the prices of the underlying investments increase. The price of the shares/partnership interests/units depends on how the underlying investments perform.

The level of risk of an investment in a CIF will depend on the underlying investments in which it is invested and how well diversified the investment fund is. For example, a fund which invests only in one industrial sector, such as technology, will invariably be more risky than funds that invest across the whole range of companies in a market.

Any details provided of past-performance are illustrative only, are not intended to indicate future performance and may not be audited. We do not take responsibility for the contents of material supplied by CIF managers being correct.

US clients should be aware that the Inland Revenue Code taxation of US taxpayers invested in certain non USCIFs means that US clients may want to take independent advice on the tax consequences of holding non-US CIF's.

## **6      Disciplinary information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Rathbones' investment management business or the integrity of the management.



## **7 Other financial industry activities and affiliations**

### **7.1 Rathbone Investment Management Limited affiliations**

Services offered by affiliates of Rathbone Investment Management Ltd as at December 31, 2010 were as follows:

<b>Subsidiary name</b>	<b>Services</b>	<b>Regulated by</b>
<b>Rathbone Nominees Limited</b>	Custody of clients' assets	
<b>Rathbone Investment Management International Limited</b>	Investment management services in Jersey	Jersey Financial Services Commission
<b>Rathbone Investment Management International Strategies PCC (Protected Cell Company)</b>	Manager of collective investment funds	
<b>Rathbone Pension &amp; Advisory Services Limited</b>	Financial Advisory Services	Authorised and regulated by the FSA
<b>Rathbone Trust Company Limited</b>	Trust and Tax services	
<b>Rathbone Unit Trust Management Limited (RUTM)</b>	Unit trust management	Authorised and regulated by the FSA

Investment Managers may hold RUTM funds in client Portfolios. There are no incentives for Investment Managers to hold these funds, nor for RUTM to sell them to Rathbones, and therefore no conflicts of interest. Investment Managers assess all funds available across the market and would only purchase RUTM funds if appropriate for a particular client's Portfolio.

### **7.2 Other services Rathbones offer in addition to investment management services**

In addition to investment management, affiliates of Rathbone Investment Management provide additional services:

- Rathbone Pension & Advisory Services Limited provides pension planning advice, tax planning and the provision and administration of self-invested personal pensions (SIPPs), plus product and service arrangement, product provision as a personal pension provider and general connected administration services.
- Rathbone Investment Management Limited provides limited banking services including portfolio, fixed time deposit and loan accounts and some foreign exchange to support clients' investment management activities.
- Rathbone Trust Company Limited provides trust and company formation and management.

### 7.3 Maintaining independence when dealing in client investments

In order to ensure fair treatment for all our clients we operate policies to control conflicts of interest. These policies require our employees to disregard any such interest, relationship or arrangement and ensure that all our employees are at all times acting in your best interests.

Under FSA rules, the firm is required to identify actual and potential conflicts which may arise during the course of carrying out regulated or ancillary activities or services and have systems and procedures to manage such conflicts. The firm is also required to prepare, maintain and implement an effective written policy. The policy has taken into account the circumstances of any knowledge the firm has that may give rise to a conflict of interest arising out of the structure and business interests of the UK entities of Rathbone Brothers Plc.

A conflict of interest arises when:

- The firm's interests or the interests of its managers, employees or any person directly or indirectly linked to it by control, conflict with the duties it owes to a client or;
- The duties the firm owes to one client conflicts with the duties it owes to another client, that arise in the course of the firm providing regulated or ancillary activities.

Reasonable steps have been taken to identify conflicts of interest across the UK entities of Rathbone Brothers Plc and the measures in place to manage such conflicts in a way that is fair to clients with the minimum risk to the firms.

The Compliance Department maintains a list of Conflicts of Interest identified within the Rathbone Group.

For the purposes of identifying the types of conflicts of interest that arise, or may arise, in the course of providing regulated or ancillary services, the firm must take into account, as a minimum, whether the firm or a relevant person, or a person directly or indirectly linked by control to the firm:

- Is likely to make a financial gain, or avoid a financial loss, at the expense of the client.
- Has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome.
- Has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client.
- Carries on the same business as the client.
- Receives or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monies, goods or services, other than the standard commission or fee for that service.

Where the firm's arrangements to manage conflicts are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interest of clients will be prevented, the firm is required to disclose the general nature and/or sources of conflicts of interest. The disclosure will be made in a durable medium and will include sufficient detail in order for the client to take an informed decision in respect of the service in the context of which the conflict arises.

The procedures and measures the firm has put in place to manage conflicts enable relevant employees engaged in the different business activities of Rathbone Brothers Plc to carry on those activities with a level of independence. All relevant persons and persons directly or indirectly linked by control to the UK entities of Rathbone Brothers Plc are expected to exercise the highest standards of integrity and ethical business conduct to ensure the fair treatment of clients. All employees are required to avoid any situation in which their personal interests conflict with our fiduciary duty to clients. They are also required to manage situations where the interests of clients may conflict.

## **8 Code of Ethics and Participation or Interest in Client Transactions and Personal Trading**

### **8.1 Code of Ethics**

Rathbones has adopted a Code of Ethics in compliance with the Investment Advisers Act Rule 204A-1. Rathbones is required to adopt a code of ethics which, among other things, sets forth the standards of business conduct required of its Supervised Persons (as such term is defined in the Code of Ethics) and requires those Supervised Persons to comply with US federal securities laws.

From time to time, directors and employees of Rathbones or any related person(s) may have interests in securities owned by or recommended to Rathbones' clients. As these situations may represent a potential conflict of interest, Rathbones has adopted procedures relating to personal securities transactions that are designed to prevent actual conflicts of interest.

These procedures are set out in Rathbones' Code of Ethics, which governs personal account transactions by Access Persons (as such term is defined in the Code of Ethics) of Rathbones and to ensure that the interests of Rathbones' Supervised Persons do not conflict with the interests of clients. All Access Persons are required to notify the Chief Compliance Officer ("CCO") or the CCO's designee in order to pre-clear personal securities transactions in certain securities. All Access Persons must provide annually, a report of their personal holdings within 30 days of the annual request. In addition, Access Persons are required to provide duplicate contract notes for securities transactions carried out for their personal account.

The Code also requires all Access Persons and all Supervised Persons of Rathbones to comply with ethical constraints relating to clients and their accounts, including restrictions on giving gifts to, and receiving gifts from, clients in violation of Rathbones' gifts and benefits policy.

In addition, staff are required to comply with the Rathbones code of business conduct. The essential principle of this code is that the Rathbone Group of companies is an ethical organisation. It actively seeks to conform and comply with any law, code or regulation etc, which applies to the conduct of business in the territories in which it operates. A copy of the Code of Ethics is available for US clients or prospective US clients on request.

We operate an insider trading policy which applies to dealing on behalf of clients and for the personal accounts of members of staff or close family members. All external personal account trades must be reported to the Compliance Department. Pre-trade clearance is required before a member of staff can participate in initial public offerings or private placements. The insider trading policy is included in the Code of Ethics which applies to all members of staff. Detailed lists are maintained by the company secretary of all staff involved in projects or product developments which may have market sensitive implications; this is a requirement in order to comply with the "Market Abuse" regime which applies in the United Kingdom and which carries the potential for civil and/or criminal penalties for non-compliance.

## 8.2 Participation or interest in client transactions

Rathbones may have an interest, relationship or arrangement that is material in relation to the investment, transaction or service concerned. We have procedures to identify and manage conflicts of interest and a Conflicts of Interest Policy. A summary of our Conflicts of Interest Policy is contained in the client Contractual Pack and a full copy is available on request.

The rules define a personal transaction as a trade carried out by an Investment Manager acting outside the scope of their business activities for their own account, a client's account with whom they have a family relationship or close links, or any person with a mutual interest in the outcome of the trade.

In order to manage potential conflicts of interest, the purpose of the personal transaction rules are:

- To maintain standards of conduct within Rathbones at the highest level of integrity;
- To ensure that the firm's clients are not disadvantaged by the personal dealings of the firm's employees; and
- To protect Investment Managers from unfounded allegations of insider dealing or other abuses of confidential information whilst allowing them reasonable opportunity to transact deals for their own personal account.

## 8.3 Advising

No Investment Manager who is involved in activities which may give rise to a conflict of interest, or who has access to other confidential information relating to clients or transactions may enter into a personal transaction which meets any of the following criteria:

- That person is prohibited from entering into it under the Market Abuse Directive;
- It involves the misuse or improper disclosure of that confidential information;
- It conflicts or is likely to conflict with an obligation of the firm to a client under the regulatory system or any other obligation of the firm under the rules.

No Investment Manager may advise any other person to enter into a transaction which, if a personal transaction of the Investment Manager, would be covered by the points above.

Investment Managers are expected to observe the spirit of the personal transaction rules.

## **9 Brokerage Practices**

### **9.1 Selecting brokerage firms**

Investment Managers within Rathbones have the authority, for their discretionary clients, to determine, without obtaining specific client consent, the stock to be bought or sold, the amount of the stock to be bought or sold and the broker or dealer to be used. For non-discretionary clients, consent is required from an Investment Manager to carry out such transactions.

Our policies and procedures specifically exclude the payment of 'soft-commissions' i.e. payment in receipt of services and/or products from brokers in exchange for order flow. Research is obtained at a group level and is used to service all discretionary and non-discretionary Funds. Clients do not pay commissions to external brokers and they are instead funded by the Group. Client orders are controlled by a central dealing team using procedures agreed at Group level and reviewed regularly which determine the preferred destination for execution based on asset class, size etc. Clients will not be directed to any broker offering better commission rates and this is effectively controlled through the negotiation of a standard rate between the Group and external brokers in respect of all like-for-like trades.

### **9.2 Best execution**

Rathbones' approach to "best execution" is based on the principle that we are under a duty of care to seek the best execution for our clients' securities transactions. Successful best execution is not measured by simply achieving the lowest possible commission costs, but whether the transaction represents the best qualitative execution for the managed portfolio.

We have a detailed set of procedures to support and implement our Best Execution Policy. These include a formal approval process for the selection of individual firms of brokers through whom client orders are transacted. This process provides for the proposed broker appointment to be scrutinised by staff who are not involved in the portfolio manager/broker relationship.

Our process for obtaining best execution is reviewed regularly by a committee responsible to the board of directors. In addition to reviewing the best execution process regularly, individual securities trades are sampled and tested for the achievement of best execution. This testing is completed by staff that are independent of the dealing function.

### **9.3 Order aggregation**

We may aggregate and subsequently execute your orders with orders for other clients or for our own or our employees' own account collectively where we reasonably believe that aggregation is in the overall best interests of our clients and that such aggregation is unlikely to work overall to your disadvantage. This may nevertheless operate on some occasions to your disadvantage. When your order has been aggregated, we will complete the allocation of your investments promptly and in any event within five business days from the date of execution. If your order is part of an aggregated order and we are unable to complete the order, your allocation will be in accordance with our allocation policy.

## 10 Review of Portfolios

### 10.1 Portfolio reviews

Portfolio reviews are conducted by Investment Managers on an on-going basis, and are triggered principally by six factors as opposed to on a particular time-scale:

<b>1. Stock reviews</b>	An Investment Manager considers a stock across all his portfolios and reaches a decision based upon the suitability of making a change in those individual portfolios.
<b>2. Regular reviews</b>	Portfolios are reviewed by an Investment Manager when the client is due to receive a quarterly valuation.
<b>3. Client request</b>	Reviews are made by the Investment Manager if there is a change in a client's circumstances or the client wishes to inject or raise capital from the portfolio.
<b>4. News/research</b>	An Investment Manager will review client portfolios based on news/research related to a stock, or a price movement on a specific company.
<b>5. Liquidity levels</b>	An Investment Manager will review portfolios when triggered by levels of liquidity, for instance when further investment is considered.
<b>6. Benchmark review</b>	An Investment Manager may additionally review a portfolio as the result of it over or underperforming the appropriate index benchmark.

Rathbones conducts a monthly quality control check on the management and administration of clients' Portfolios, the results of which are formally reported to senior management and any issues followed through to closure. This 'peer review' is conducted using a comprehensive questionnaire which is modified when appropriate to accommodate further identified potential risks to the client. On an annual basis this review is tailored to a sample of US client Portfolios.

### 10.2 Client reporting

On an on-going basis, quarterly reports are available to clients, which provide details of purchases and sales, holdings and cash movements. More frequent or ad hoc valuations are available on request. Contract notes and letters, where requested, are issued to clients as and when Investment Managers deal.

Rathbones has developed an on-line valuation service which has various security features. The system updates daily and shows the client a valuation as at the previous business day as well as cash transactions for the last 90 days.

## **11 Client Referrals and Other Compensation**

US Clients may be introduced to Rathbones by other UK firms which have decided to cease offering investment advisory services in the United States. In such instances, US Clients will be introduced to Rathbones by means of a letter explaining that the referring company will no longer provide investment management or advisory services for US clients and is introducing its clients to Rathbones, which accepts US client Portfolios.

For such introductions, Rathbones may agree to pay a one off fee based on a percentage of the value of US Client Portfolios introduced to Rathbones, although sometimes no referral payment will be charged. If a referral payment is agreed, this will be made at agreed time in the future provided that the portfolios remain clients of Rathbones twelve months after the introduction.

As at March 31<sup>st</sup>, 2011, Rathbones only had one agreement with an introducer in place.



## **12 Custody**

### **12.1 Description of custody services**

Rathbones will provide custody services for you in respect of your Portfolio in accordance with the SEC's Custody Rule. In the provision of these services we will be responsible for the safekeeping of investments within your Portfolio, arranging for the registration of your investments in accordance with the FSA Rules, the settlement of transactions in respect of your Portfolio, the collection of income and the carrying out of other administrative actions in relation to your Portfolio.

### **12.2 Registration of investments**

Investments in your Portfolio will normally be registered or otherwise recorded, in the name of a nominee company of a type permitted by the FSA Rules. The nominee company will normally be wholly owned by us, or a Rathbone Group company, or a recognised investment exchange, or a designated investment exchange. The nominee company may also be owned by a third party custodian selected by us in accordance with the FSA Rules.

### **12.3 Portfolio statements**

When Rathbones' clients receive quarterly valuations from Rathbone Investment Management, they should check carefully and compare the details therein with quarterly statements they will receive from the custodian Rathbone Nominees Limited and any other party referring to the same information. An Investment Manager should be notified immediately if the client believes there are any discrepancies in the information Rathbones have provided.

## **13 Investment Discretion**

### **13.1 Discretionary investment management services**

For clients selecting this option, Rathbones have full discretion to buy and sell investments on your behalf, for your Portfolio, without prior reference to you and we may enter into any kind of transaction on your behalf in respect of your Portfolio using a broker or agent if we choose (whether by way of purchase, sale, retention, exchange or other dealing, by the making of deposits or offers for sale, by the acceptance of placings, or otherwise) in respect of any investments and other assets and any markets. We may also give you advice on the investment of your Portfolio; such advice may be given orally or in writing.

Clients may impose reasonable investment restrictions on their Portfolio in certain securities or types of securities they do not wish to invest in.

### **13.2 Discretionary Investment Objective and Risk Profile**

When providing our discretionary investment management services we will have regard to your Investment Objective and Risk Profile and any restrictions specified by you in the Client Agreement and Profile (or otherwise agreed in writing with us). These requirements will normally be applied to the composition of your Portfolio as a whole and not necessarily to individual investments.

We may consider suggestions from you in relation to specific investments to be held, bought or sold in respect of your Portfolio. Any such requests will not be regarded as in any way limiting or amending the discretionary authority provided by you to us.

### **13.3 Non-Discretionary investment management services**

For clients selecting this option, Rathbones will provide advice to you on our own initiative or when you ask us to do so, on the merits of you buying or selling an investment in respect of your Portfolio, and if instructed by you we will then carry out any subsequent purchase or sale on your behalf. We will carry out ongoing monitoring of your Portfolio and review its suitability in light of your Investment Objective and Risk Profile.

Where we give you investment advice, you will have final responsibility for the decision as to whether or not to act upon that advice. Subject to your Investment Objective and Risk Profile and any specific investment restrictions agreed in the Client Agreement and Profile (or otherwise agreed with us in writing) we may provide advice to you in respect of any investments or assets in respect of your Portfolio or any markets.

### **13.4 Non-Discretionary Investment Objective and Risk Profile**

In giving advice we will have regard to your Investment Objective and Risk Profile. These requirements will normally be applied to the composition of your Portfolio as a whole and not necessarily to individual investments.

## 14 Voting Client Securities

In accordance with our fiduciary responsibilities to our clients, and SEC rule 206(4)-6 under the Investment Advisers Act of 1940, we have adopted and implemented a policy and supporting procedures which, we believe, are reasonably designed to ensure that proxies are voted in the best interests of our clients.

We shall be very happy to provide you with a copy of our policy and procedures. These can be obtained by contacting the Chief Compliance Officer, John Moorley, at Rathbone Investment Management Limited, 159 New Bond Street, London W1S 2UD.

The policy and procedures include guidelines to Investment Managers which cover our fiduciary obligations to you, as a client, and other relevant facts and circumstances to be taken into account at the time of the vote. There are directions and safeguards designed to resolve any material conflicts of interest in the best interests of the client.

### 14.1 Discretionary holdings

We will (subject to our Conflicts of Interest Policy) exercise or refrain from exercising any Voting Rights in our absolute discretion if we think it is in your best interests to do so. In exercising such Voting Rights the interests of clients are paramount and any material conflicts of interest between the Rathbone Group and clients will be managed under the supervision of a main board director, either by abstaining or asking clients how they would like to vote.

In accordance with our Conflicts of Interest Policy, we will not exercise our discretion or otherwise hold or exercise Voting Rights in respect of shares in any company that we may notify to you from time to time. For these purposes, Rathbone Brothers Plc and Albany Investment Trust Plc are notified to you.

Our voting policy is to vote all discretionary shares except where it is not economic to exercise the votes given the size of holding or other considerations. A copy of our Proxy Voting policy is available to you on request. Details of how we have exercised any proxy votes on your behalf are similarly available.

The significant content of the policy and procedures for discretionary holdings is as follows:

- We shall invariably vote proxies arising from Rathbones' discretionary holdings in companies contained within the Financial Times Stock Exchange 350 ("FTSE 350").
- We shall also invariably vote proxies when Rathbones' aggregated discretionary holdings in a non-FTSE company exceed 3% of that company's voting shares.
- We shall abstain from voting a client proxy if we conclude that the effect on the client's economic interests or the value of the portfolio holding is indeterminable or insignificant.
- Similarly, we shall abstain from voting a client proxy if the costs are unjustifiable.
- We shall abstain from voting a client proxy if a written instruction is received instructing us not to do so.

## **14.2 Non-Discretionary holdings**

For non-discretionary holdings, we will only exercise Voting Rights on receipt of and in accordance with your instructions.

The chief compliance officer has oversight of the Proxy Voting policy for discretionary and non-discretionary holdings and if you wish to ascertain how a proxy has been exercised, on your behalf, please contact your Investment Manager in the first instance.

## 15 Financial Information

### 15.1 Financial condition

Rathbones has discretionary authority and custody of client funds and can confirm:

- There is no known existing financial condition that is likely to impair our ability to meet contractual commitments to clients
- We have not been the subject of a bankruptcy petition.

We hope the information contained in this document answers all of your questions regarding our investment management services. Should you have further enquires, please do not hesitate to contact your Investment Manager on +44 (0)20 7399 0000 or email [marketing@rathbones.com](mailto:marketing@rathbones.com).

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