

US client brochure



Rathbones
Look forward

The value of investments and the income from them may go down as well as up and you may not get back your original investment. Past performance should not be seen as an indication of future performance. Changes in rates of exchange between currencies may cause the value of investments to decrease or increase.

Rathbone Investment Management Limited

US client brochure (Part 2A of Form ADV)

CRD Number: 124925

SEC File Number: 801-64731

Contact us

Rathbone Investment Management Limited

Port of Liverpool Building, Pier Head,
Liverpool, L3 1NW, United Kingdom

 +44 151 236 6666

 +44 151 243 7001

 rathbones.com

 enquiries@rathbones.com

This Brochure provides information about the qualifications and business practices of Rathbone Investment Management Limited (Rathbones). If you have any questions about the contents of this Brochure, we can be reached at the above contact details. The information in this Brochure has not been approved or verified by the US Securities and Exchange Commission (SEC), the UK Financial Conduct Authority (FCA), the UK Prudential Regulation Authority (PRA) or by any US state securities authority. Registration does not imply a certain level of skill or training.

Additional information about us is available on the SEC's website at www.adviserinfo.sec.gov

Rathbone Investment Management Limited

Material changes

Summary of material changes

This document is prepared in accordance with requirements under the US Investment Advisers Act of 1940 ('Advisers Act') and the rules thereunder, as administered by the SEC.

These are the material changes since we filed the last annual amendment of this Brochure:

- We opened an office 8 Finsbury Circus, London EC2M 7AZ.

Contents page

Contents

1	Advisory business	7
1.1	Ownership	7
1.2	Types of advisory services offered	7
1.3	Limitations in respect of our services	8
1.4	How we meet your needs	8
2	Fees and compensation	9
2.1	Fees	9
2.2	Schedule of charges	9
2.3	Fees and compensation conflicts of interest	10
3	Performance-based fees and side-by-side management	10
4	Types of clients	10
4.1	Opening and maintenance of portfolios	10
4.2	Notice period for terminating an agreement	11
5	Methods of analysis, investment strategies and risk of loss	11
5.1	The investment process structure	11
5.2	Asset allocation	11
5.3	Investment selection	11
5.4	The selection process and associated risks	11
6	Disciplinary information	13
7	Related persons and affiliates	14
7.1	Rathbone Investment Management Limited affiliations	14
7.2	Maintaining independence when dealing in client investments	14
8	Code of ethics and participation or interest in client transactions and personal trading	15
8.1	Code of ethics	15
8.2	Participation or interest in client transactions	15
8.3	Advising	16
9	Brokerage practices	16
9.1	Selecting brokerage firms	16
9.2	Best execution	16
9.3	Order aggregation	18
9.4	Trade allocation	18
10	Review of portfolios	19
10.1	Portfolio reviews	19
10.2	Client reporting	19
11	Client referrals and other compensation	19
12	Custody	20
12.1	Description of custody services	20
12.2	Registration of investments	20
12.3	Portfolio statements	20
13	Investment discretion	20
13.1	Discretionary investment management services	20
13.2	Discretionary investment objective and risk profile	20
13.3	Non-discretionary investment management services	20
13.4	Non-discretionary investment objective and risk profile	20
14	Voting client securities	21
14.1	Discretionary holdings	21
14.2	Non-discretionary holdings	21
15	Financial information	21
15.1	Financial condition	21

This brochure is only for our US Clients

Glossary

Rathbones is registered with the SEC for the purpose of providing investment management services to US Clients. US Clients are required to sign an Investment Management Agreement (IMA) that complies with requirements of the Advisers Act and the rules thereunder.

Definitions of terms used in this brochure

Account(s)

An account (or accounts) we maintain in your name that is used to hold your cash including, without limitation, Income Accounts, Capital Accounts, Fixed Time Deposit Accounts and other deposit accounts.

CHAPS

The UK Clearing House Automated Payments System.

Collective Investment Vehicle or CIV

A scheme that allows you to invest money on a pooled basis with other investors. A CIV may be a company, LLC, partnership, LLP or trust.

Discretionary

Where we exercise our full authority to buy and sell securities and investments without reference to or contact with you.

Fund

Your account with us that is comprised of assets (securities and other investments) that you own and that reflect your particular investment objectives, restrictions and tax and legal status.

Investment objectives

Your investment objectives, identified by you in the Client Agreement and Profile (Profile) that is part of your IMA, or otherwise in writing, from the options.

Non-discretionary

Where we give you investment advice and recommendations. You are responsible for all investment decisions as we do not take orders to buy or sell securities.

Portfolio

The assets and cash you own, held by or through us that may contain multiple Funds and/or multiple Accounts.

Risk profile

Your risk profile for investing as recorded in the Profile, the IMA and our records.

Subsidiaries

Separate legal entities that are owned by us or with whom we are in common control.

US Client

A person who resides in the United States, determined on the facts and circumstances.

VAT

Value Added Tax.

1. Advisory business (investment management services)

1.1 Ownership

Rathbones is a leading UK provider of discretionary, non-discretionary investment management and wealth management services for private clients and trustees. With 14 offices in the UK, Rathbones manages £34.2 billion (as of 31 December 2016) of assets for individuals and their trusts, charities and pensions, and for their professional advisers.

Rathbones has been managing Funds for private investors for 100 years, but the company's history 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 providing 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 8 Finsbury Circus, London EC2M 7AZ, United Kingdom, telephone number +44 207 399 0000. The address and contact details of the office where your Investment Director is based and that deals with your Portfolio is provided to you at the start of our relationship with you.

We are a wholly owned and the largest subsidiary of Rathbone Brothers Plc (parent company). Rathbone Brothers Plc is a publicly owned company quoted on the London Stock Exchange.

We provide you with discretionary investment management services. Custody is provided by Rathbone Nominees Limited and Bank of New York Mellon.

Rathbones provides two types of investment management service. The assets under management for these services for US Clients as at 31 December 2016 are as follows:

Type of account	Regulatory assets under management
Discretionary	\$246,154,080.20
Non-discretionary	\$0
Total	\$246,154,080.20

1.2 Types of advisory services offered

We offer both discretionary and non-discretionary investment managed service levels for US Clients. (Non-discretionary services are available to US Clients subject to status and only with our express consent and the imposition of certain controls.)

We do not accept US Client orders to buy or sell securities.

Our investment process is constantly evolving and we continue to invest in the people and other resources required to ensure we remain 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 develop 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.

We are not required to invest in in-house products or restrict the range of available investments across markets. 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;
- CIVs, including property and commodities; and
- cash.

We do not publish our investment research.

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 in any market or currency. This means your investments are subject to change in value as a result of factors other than the price of the investment. For example, a security priced in British sterling (GBP) may change in value as a result of the exchange rate movements between sterling and US dollars whilst the underlying investment has not changed in price.

1.4 How we meet your needs

We believe that time spent with you and the information you give us is 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 have an ethical stance against certain investments, you can impose an investment restriction on such investments.

In order to manage your account and satisfy our obligations with regard to suitability and a reasonable basis for the recommendations that we act upon, we 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 you tell us:

- personal circumstances and objectives;
- capital growth or preservation;
- absolute or relative return;
- appetite for risk versus the return objectives;
- capacity to sustain losses;
- income and expenses;
- other assets and liabilities;
- income requirement;
- time horizon;
- tax position (as disclosed by you);
- constraints on any large holdings;
- ethical concerns (investment restrictions);
- pension and inheritance considerations; and
- whether the assets to be managed by Rathbones are part of a series of mandates or if they are a self contained entity.

We require you to inform us on a timely basis of any changes in your circumstances so that your Portfolio can be managed accordingly.

Our investment approach involves allocation of your account to an individual director or team of directors who are responsible for your investment management. We do not operate a 'split' model whereby one person deals directly with you and another individual is responsible for your investment decisions (Investment Director). Your Investment Director will take the information concerning your personal circumstances, Investment Objectives and risks and use it to evaluate securities and assets with a view to constructing a Portfolio that seeks to achieve your financial objectives.

The construction of a Portfolio will depend on other issues beyond those of Investment Objectives and risk. Portfolios of different monetary value may be appropriate for different types of investments. For example, Portfolios below a certain size, taken in conjunction with the client's circumstances, may be more appropriately invested in CIVs, whilst larger Portfolios may be invested in direct equities, including overseas securities. For other Portfolios it may be appropriate to use CIVs for investments outside the United Kingdom. Similarly, some clients may impose constraints on the securities we may buy for them such as ethical restraints which will affect the securities held for them.

We have a committee who produce investment proposals. However, it is not compulsory for your Investment Director to follow these. We believe this structure enables us to best serve the requirements of a diverse client base. Each Investment Director team will have a number of clients whose affairs they manage. The different objectives and requirements of these clients may lead to Investment Directors buying and selling the same investment for different clients. Consequently Funds for individual clients with similar risk and objectives managed by the same or different Investment Directors may not necessarily have the same outcome.

2. Fees and compensation

2.1 Fees

We charge fees based upon a percentage of assets under management. We do not charge a performance-based fee. These are outlined below in the fee schedules. We also earn income by making a small margin on client interest deposits and on foreign exchange transactions described below.

2.2 Schedule of charges

Management fees

Management fees are levied on each Fund. Fees are charged in quarterly instalments, in arrears, based on the total investment Fund value as at the quarter end.

A pro-rata charge is made for Portfolios that are transferred into or out of the service during the quarter. We do not charge a dealing commission.

The fee scales based on the value of each Fund are:	
Fixed charge (applicable for Funds valued above £15,000)	£100
First £1,000,000	1.35%
Balance over £1,000,000	0.85%

Banking charges

We do not offer a full banking service.

We only provide the following services:

- the provision of the Account(s);
- services in relation to the operation of the Account(s) including the execution of electronic credit transfers;
- the receipt of electronic payments into the Account(s); and
- the receipt of payments into the Account(s) and transmission of payments out of the Account(s) via cheques.

Cash may be held on a bank account within the Portfolio to provide a degree of liquidity and normal banking charges may apply to these balances. Charges relating to banking transactions as at 31 March 2017 are as follows:

Transaction charges:			
CHAPS and international payments (or the currency equivalent using the reference exchange rate for non-sterling accounts).			
GB Pounds (GBP)	US dollars (USD)	Euro	Swiss franc (CHF)
20	35	25	38

A margin of 0.5% on the value of all currency transactions will be applied to our reference exchange rate.

VAT eligibility may be subject to legislative change. VAT applies only to those clients resident within the European Union and US Clients do not pay VAT. Our fees and charges may be changed from time to time.

We will provide notice in accordance with our Terms of Business of changes to your investment management and bank account.

You should note that other taxes or administration costs may arise for which you are responsible.

Interest rates

Our Schedule of Interest Rates discloses the rate of interest paid or charged on your account other than those agreed by us individually or on your Income Account. Interest rates will vary in line with UK base rates as determined by the Bank of England. Credit balances receive an interest rate linked to a gross percentage (%) below UK base rates. We require two calendar months prior written notice for any amendments to the gross percentage (%) below UK base rates. The margin deducted is:

Interest rate margins:	
Balance £	Gross % below UK base rates
100,000+	0.35%
50,000 - 99,999	1.00%
25,000 - 49,999	1.25%
0 - 24,999	1.50%

Please contact us for interest rates on other currencies.

2.3 Fees and compensation conflicts of interest

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 do not engage in corporate finance or own account trading. We have a Conflicts of Interest Policy to identify conflicts of interest and the means to address them and we record these in our Conflicts Register. Our conflicts of interest and the means to address them are set forth in Section 7.

3. Performance-based fees and side-by-side management

We do not engage in side-by-side management. We do not charge performance-based fees.

4. Types of clients

We manage portfolios for US resident individuals, trusts, charities and pensions. The minimum investment size is £100,000 (or US dollar 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.

4.1 Opening and maintenance of portfolios

In order to open your Portfolio, 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.

We will provide custody services for you in respect of your Portfolio in accordance with the Advisers Act Custody Rule.

In the provision of these services, we, a related person, hold your cash as banker. Your UK securities are held by Rathbone Nominees Limited and overseas securities by Bank of New York Mellon. They will be responsible for:

- the safekeeping of investments within your Portfolio;
- arranging for the registration of your investments;
- the settlement of transactions;
- the collection of income; and
- the carrying out of other administrative actions.

All monies received from or held on your behalf in respect of your Portfolio are credited to or held in Accounts in your name. Accounts will be debited or credited with the cost or proceeds of 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 review, 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 proportion of a Fund we place in particular classes of investments. This falls into two parts:

First, we agree with our clients the strategic asset allocation or long-term structure of their Portfolio. This 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 asset allocation strategies for our Investment Directors 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 Directors to create a portfolio designed to meet their client's specific needs.

5.2 Asset allocation

This is the process that 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 you change your mandate or, alternatively, if we alter our fundamental long-term view on asset classes.

Our strategic asset allocation committee is drawn widely from across Rathbones and meets quarterly. Strategies developed by internal input from the committee aim to produce an effective risk adjusted combination of assets for internal use only.

We also understand that taxation can lead to a significant difference between private client and institutional portfolio construction and we endeavour to take this into account within our process.

5.3 Investment selection

The stock selection process focuses on the characteristics of each asset class:

- fixed interest stocks and bonds;
- equities; and
- CIVs including property CIVs.

Recommended lists are produced for each asset class in order to help our Investment Directors select individual holdings.

5.4 The selection process and associated risks

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

Fixed interest investment selection

Our fixed interest investment selection process involves working with our Investment Directors 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 CIVs, as opposed to individual bonds, fall under the responsibility of the collectives committee, consisting of a group of experienced Investment Directors.

Fixed interest risk

A Portfolio may hold fixed income securities of corporate and government issuers in multiple jurisdictions and our Investment Directors are able to purchase across the full spectrum of fixed income securities.

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 may also affect the security's market value.

Equity selection process

The equity selection process places great emphasis on our internally generated research through company meetings and industry research. It also uses the considerable expertise of our Investment Directors. No other of Rathbones' entities provide research to Rathbone Investment Management.

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. No clients are charged directly for external research received.

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 meeting companies and reviewing annual reports and accounts.

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 may 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 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 important and we want to understand how the underlying performance of the company may be distorted by any relevant accounting legislation.

Equity risk

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

As a result of investments in equity securities, a Portfolio would 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.

Foreign currency

Foreign currency trading is not one of the strategies employed on behalf of Portfolios. However, we will engage in spot (i.e., cash, not leveraged or forward) foreign currency transactions in order to settle client Portfolio transactions denominated in different currencies.

A margin of 0.5% on the value of all currency transactions will be applied to our referenced exchange rate.

Currency risk

When investing in assets that are denominated in a currency other than the base currency of your Portfolio, the value of the assets might be affected favourably or unfavourably by fluctuations in the rates of the different currencies. We engage in currency transactions on a spot basis with client custodians at the rate prevailing in the currency exchange market unless we have agreed with you a fixed rate for a particular transaction.

Property

We do not invest directly in property for our clients; however, we do gain exposure through property shares and CIVs. The allocation between these vehicles will vary depending on the need for income or capital gains. This choice will, in part, be a function of the individual mandate as well as our view of the underlying vehicles and the market conditions in favour of, or against, each vehicle.

We have contact with underlying companies and managers of property CIVs and have built up considerable knowledge of the investment processes, styles and performance records of the various management houses. Property shares may form part of a client's equity exposure, whereas property CIVs 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 CIVs invest in real property and land. These assets can be difficult to sell so you may not be able to sell/cash-in this investment when you want to. The value of property is often a matter of a valuer's opinion rather than fact and the ability to achieve the desired price – often arrived at by negotiation.

Collective investment vehicles (CIVs)

The selection of external (non-Rathbones) CIVs is an important part of our investment offering and a large percentage of our assets under management comprise externally managed CIVs.

Our collectives committee first identifies a collection of CIVs by defined geographic region, sector or specialist focus and then carries out a comprehensive analysis designed to screen those selected CIVs. 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's manager. Rathbones' investment management team aims to identify those managers who have a strong and demonstrable track record.

We analyse the investment process of a given CIV management house, its style as well as the strategy of any particular CIV. In so doing, we are able to better identify when a CIV is most suited to the prevailing economic environment and this also allows us to determine how certain CIVs 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 CIV management houses can impact performance numbers markedly over the long term. Rathbones is able to negotiate competitive fees and, where available, seeks to obtain institutional units which attract lower fee scales to the advantage of our clients.

The asset allocation of each underlying CIV is analysed to ensure that it fits with our view and it is important that the CIVs selected are behaving and performing in a way that the collectives selection committee anticipates, given the style and characteristics of the CIV. Regular meetings are held with the managers of the CIVs 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 investment vehicles risk

We purchase for our clients: shares, partnership interests and units in CIVs in the hope that the value rises over time as the prices of the underlying investments increase. The price of the shares, partnership interests or units depends on how the underlying investments perform.

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

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

You should take independent tax advice on the implications of investing in non-US CIVs under US tax law and how this will affect your US tax profile.

6. Disciplinary information

There are no legal or disciplinary events that are material to report.

7. Related persons and affiliates

We disclose our related persons in our ADV Part 1. Of these, the only firm that provides services to our US resident clients is Rathbone Nominees Limited, who provide custody services. In this regard, we comply with the provisions of Advisers Act Rule 206(4)-3.

7.1 Maintaining independence when dealing in client investments

As a fiduciary and in order to ensure that we act in the best interests of our clients, we operate policies to identify and address conflicts of interest. These require our employees to disregard any such interest, relationship or arrangement and for us to ensure that all our employees act in your best interests at all times.

We are required to identify conflicts of interest that arise during the course of carrying out regulated or ancillary activities or services and the means to address such conflicts.

1. Independence of advice

Certain members of our Senior Management or Investment Directors have directorships or external interests or activities that may conflict with the duties that they owe to us and our clients. To address these conflicts, we require them to disclose fully the nature of these activities and, if necessary, to recuse themselves from meetings, activities or other events so as to protect the interests of our clients.

2. Preventing the misuse of confidential client information

Access persons are allowed to undertake personal transactions in securities. To avoid the misuse of confidential client information or to help ensure that personal investment activities are for investment and not speculation, we require compliance with our Code of Ethics and prohibit front running and 'trading with' clients.

3. Provision and receipt of gifts and benefits

At times certain Rathbone employees will give and receive gifts and benefits, to or from, clients or financial services companies they deal with. To address the conflicts arising from the giving and receiving of gifts, inducements and entertainment, we require compliance with policies and procedures that require the reporting of these and, in certain instances, pre-clearance.

4. Fee application

Rathbones allow for fee negotiation outside of the standard fee rates applied to client accounts. To address this conflict, we require non-standard fee rate approval by Senior Management and a Code of Ethics to ensure ethical behaviour of Investment Directors who agree fee rates with our clients.

5. Allocation

Investment Directors are able to undertake transactions in new issues and placings. In certain circumstances, Rathbones may undertake transactions which may not be fully completed, which could lead to unequal treatment among clients. To address this, we require pre-trade allocations to be pro rate according to client needs, and requirements to be recorded prior to the time that a block trade order is placed and also require approvals for any change post-trade.

6. Significant holding of Rathbone Brothers Plc

Certain members of the Board of Directors or Senior Management hold significant numbers of Rathbone Brothers Plc shares which could cause a conflict on how they act. To address this, no one individual has a significant number of shares and there are systems and controls in place to ensure that there can be no influential decisions made by individuals. Rathbone committees have set structures and input from all relevant areas to ensure collective decision making.

8. Code of ethics and participation or interest in client transactions and personal trading

8.1 Code of ethics

We have adopted a Code of Ethics in compliance with Advisers Act Rule 204A-1. This is designed to protect against the misuse of confidential client information. Our Code of Ethics, among other things, sets forth the standards of business conduct we require from our Supervised Persons (as such term is defined in the Code of Ethics) and requires them to comply with US federal securities laws.

Our Code of Ethics, addresses, *inter alia*, personal account transactions by Access Persons (as such term is defined in the Code of Ethics) to ensure that no one misuses confidential client information.

All Access Persons are required to pre-clear personal securities transactions in Initial Public Offerings (IPOs) and private placements. All Access Persons must provide a report of their personal holdings within 10 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 in external accounts over which they exercise control. Transactions undertaken by Access Persons via our systems are reported electronically to the Chief Compliance Officer (CCO).

We require Supervised Persons 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 our gifts and benefits policy. Supervised Persons may receive gifts and benefits from financial service companies whose products and services they purchase for clients. This policy requires that all gifts and benefits received or given with a monetary value in excess of £50 must be disclosed and those in excess of £250 must obtain prior permission of their line manager and CCO or their delegate.

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

We operate a policy which applies to dealing on behalf of clients and for the personal accounts of members of staff or close family members to prevent the misuse of inside information. Any person who obtains inside information must report it to the Compliance Department who record it and provide advice as to how that person should handle the situation. That person (and anyone in possession of inside information) may not trade for their own account or those of their clients until the information is public.

The insider trading policy is included in our Code of Ethics. 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 UK 'Market Abuse' regime and which carries the potential for civil and/or criminal penalties for non-compliance.

8.2 Participation or interest in client transactions

At times, related persons may have an interest, relationship or arrangement that is material in relation to the investment, transaction or service concerned.

The actions to address these conflicts are covered in Section 7 above.

We do not engage in proprietary trading.

8.3 Advising

An Investment Director who has access to confidential client information may not enter into a personal transaction that 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 client information; or
- 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.

An Investment Director may not advise any other person to enter into a transaction which, if a personal transaction of the Investment Director, would be covered by the points above.

Investment Directors must comply fully with these rules.

9. Brokerage practices

9.1 Selecting brokerage firms

Investment Directors 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 the client to carry out such transactions.

Our policies and procedures exclude the payment of 'soft-commissions' i.e. payment in the form 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. No other Rathbone company provides research to Rathbones for use for its US resident clients. Clients do not pay commissions to external brokers. Client orders are controlled by a central dealing team using procedures that are reviewed regularly to 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

We place orders in the market. As an order is placed, we pass trade details to an execution entity who will effect trades with the market. Rathbones' approach to 'best execution' is based on the principle that we 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. The factors taken into account in determining the execution criteria include the characteristic of:

- the client including the categorisation of the client as retail or professional;
- the client order;
- financial instruments that are the subject of that order; and
- the execution venues to which that order can be directed.

The factors considered in order of importance are:

- price;
- costs - there are various costs associated with utilising the different order executors/venues. The costs include broker commission, exchange fees, Retail Service Provider (RSP) transaction reporting charges;
- speed of execution;
- likelihood of execution (including liquidity);
- size;
- nature;
- any other consideration relevant to the execution of an order; and
- Rathbones treats all clients as retail clients from a best execution perspective.

We have a formal approval process for the selection of brokers with whom client orders are placed. This process provides for the proposed broker appointment to be scrutinised by staff who are not involved in the portfolio manager/broker relationship.

The key execution entities used by Rathbones are:

- RSPs who provide a quote driven electronic trading platform. These entities are required to owe a duty of best execution to Rathbones when executing orders on behalf of its clients; and
- Direct Market Access (DMA) is an electronic method of gaining access to the London Stock Exchange and Recognised Investment Exchanges (RIEs) as well as other pools of liquidity. These brokers are required to owe a duty of best execution to Rathbones when executing orders on behalf of its clients and provide a trading service through their sales trading desks. Trades placed with these agencies attract a broking commission charge in respect of both UK and overseas equities.

Rathbones, paying due regard to the size and scale of the business, has developed a default order flow:

1. For UK equities the default is to seek to place the order out through the RSPs. Where we are not able - or do not feel it would necessarily be to the client's benefit from a best execution perspective - to place the order through the RSPs then we will follow one of two options. We will either place the trade via DMA or with an external broker. The

decision as to which, will be made on a trade by trade basis by the Rathbone Dealing Desk.

2. Overseas equities trades will be placed with an external broker which usually attracts a broker charge.
3. Bonds can be executed via the Bloomberg All Quote directly with a market making bank or with an external broker. Again, the decision as to which avenue to take will be made on a trade by trade basis by the Rathbone Dealing Desk.
4. For illiquid securities, specialist brokers will be employed to execute orders on behalf of our clients.

Our process for obtaining best execution is reviewed regularly by a committee responsible to our 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 by staff members that are independent of the dealing function.

9.3 Order aggregation

We may aggregate and execute client orders with orders for other clients 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.

Our Investment Directors are responsible for the investment decisions for a range of clients and different Funds for the same client. The service we offer is designed to meet a range of client requirements and constraints. Client requirements vary in a number of ways, for example, the investment time horizon may vary or the cash flow requirements may be different. The client's tax circumstances may constrain the range of assets which we may invest in. Similarly, the range of investments may vary between clients, for example equities with a small market capitalisation may not be appropriate for all investors. Clients with a focus on income will limit the range of securities which we can invest in. These circumstances mean that our Investment Directors use their judgement in deciding which securities are appropriate for each client. Consequently, we do not expect client's Funds to be invested in a similar manner, but rather to achieve each client's requirements.

We have a process of disseminating investment information to Investment Directors both in written research and by interacting with companies who are seeking to encourage our investment in their securities. The information may be considered by our investment process or circulated in response to requests with the consequence that not all Investment Directors may give it equal credence and it may be interpreted differently in the light of their individual clients' requirements. We also operate a policy of limiting the firm and its affiliate's holdings in particular securities to limit issues of subsequent market liquidity when selling. This may mean not all clients can purchase a particular security with some being invested in alternatives which may have different outcomes.

Investment opportunities may be looked upon differently between Investment Directors and by Investment Directors between their individual clients. In the case of IPOs, the factors affecting a decision may include the current weightings of assets in the client's Funds or the availability of cash for investment. The clients for whom an IPO is considered appropriate are listed and submitted after approval by a director. In the event there are insufficient securities allocated to the firm, certain accounts are removed and except where very small allocations are received the securities are allocated pro-rata amongst the participants in the offer.

9.4 Trade allocation

The dealing system requires that trades are pre-allocated to clients. Where a client order has not been fulfilled in full, transactions are re-allocated on a pro rata basis to participants within the original order, except:

- where an error is identified in the intended basis of allocation; or
- the resulting allocation would result in an uneconomic holding for the client (uneconomic is deemed to be less than 10% of the original client order subject to a minimum allocation of £1,000 per client. As a consequence stock not allocated is therefore available to be pro rata'd between the remaining original participants in the transaction).

Trade errors

We will incur the losses resulting from a trading error arising from a mistake by us. Profits arising as a result of our errors will be reimbursed to clients as required.

Cross trades

No cross trades of any sort will be undertaken for our US Clients.

10. Review of portfolios

10.1 Portfolio reviews

Investment Directors review Portfolios on an on-going basis. Reviews are triggered principally by six factors as opposed to a particular time-scale:

1. Stock reviews

An Investment Director considers a stock across all clients' Portfolios and reaches a decision based upon the suitability of making a change in those individual Portfolios.

2. Regular reviews

Portfolios are reviewed by an Investment Director when the client is due to receive a quarterly valuation.

3. Client request

Portfolios are reviewed by an Investment Director when the client is due to receive a quarterly valuation.

4. News/Research

An Investment Director will review client Portfolios based on news/research related to a stock, or a price movement on a specific company.

5. Liquidity levels

An Investment Director will review Portfolios when triggered by levels of liquidity, for instance when further investment is considered.

6. Benchmark review

An Investment Director may additionally review a Portfolio as the result of it over or underperforming the appropriate index benchmark.

On a daily basis, investment decisions made for clients are consolidated with risk and objectives information and summarised into a report for senior managers to review.

We conduct quality control checks on the management and administration of 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

A quarterly report is provided to clients with details of purchases, 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 Directors deal.

Rathbones has developed an online 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.

11. Client referrals and other compensation

We have no arrangement in place whereby a firm would refer US Clients to us or where we would engage firms to solicit clients for us. US Clients may be introduced to us by other UK firms that have decided to cease offering investment advisory services to US residents. For such introductions, we may agree to pay a one off fee based on a percentage of the value of the portfolios introduced to us, although sometimes no referral payment will be charged. If a referral payment is agreed, this will be made at an agreed time in the future provided that the portfolios remain our clients for 12 months after the introduction.

12. Custody

12.1 Description of custody services

We provide custody services for you in respect of your Portfolio in accordance with the Advisers Act Custody Rule and other relevant regulatory requirements. The custodian is a 'qualified custodian'. We take steps to ensure that account statements are delivered at least quarterly. We also undergo a surprise examination as required by the 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 FCA 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 FCA Rules. The nominee company is wholly owned by us (a Rathbone Group company), 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 FCA Rules.

12.3 Portfolio statements

When you receive quarterly valuations you should check carefully and compare the details with the quarterly statements you will receive from the custodian and any other party referring to the same information. An Investment Director or the person noted on the report should be notified immediately if you believe there are any discrepancies in the information.

Rathbone Nominees Limited is a company whose role is to hold client assets separate from us. However, your cash is held by us in an account under a limited banking service. We will send a copy of our records to Rathbone Nominees Limited so that it can provide a statement of what your holdings are in its collection of assets.

13. Investment discretion

13.1 Discretionary investment management services

For clients selecting this option, we have full discretion to buy and sell investments on your behalf, for your Portfolio, without prior reference to you. 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 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 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 be applied to the composition of your Portfolio as a whole and not necessarily to individual investments. They will be updated when you require.

13.3 Non-discretionary investment management services

This service is available, subject to status, and for clients with 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 perform any subsequent action.

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 Advisers Act Rule 206(4)-6, 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.

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

14.1 Discretionary holdings

We will 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.

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 is 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. A Corporate Governance Consultancy (Institutional Shareholder Services) provided recommendations to us on proxy voting as required.

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

- We vote proxies arising from Rathbones' discretionary holdings in our Top 200 holdings by value, which will be reviewed on a six monthly basis.
- We also vote proxies when Rathbones' aggregated discretionary holdings in a company that is not in

the top 200 but exceed 3% of that company's issued share capital voting shares.

- We circulate information on other holdings in order to provide information to Investment Directors and to provide a mechanism to enable them to place ad hoc voting instructions.
- 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 abstain from voting a client proxy if the costs are unjustifiable.
- We abstain from voting a client proxy if a written instruction is received instructing us not to do so.

When voting shares on behalf of client, conflicts may arise between different clients who hold equities and fixed interest securities for example. A separate committee exists which may take external advice on voting the proxy holding and individual managers are able to vote shares separately which may result in a split of the voting rights.

We will provide you with a copy of our policy and procedures. These can be obtained by contacting Lesley-Anne Richards, at Rathbone Investment Management Limited, Port of Liverpool Building, Pier Head, Liverpool L3 1NW.

14.2 Non-discretionary holdings

For non-discretionary holdings, clients are responsible for voting their own proxies.

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 our 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 Director on:

☎ +44 20 7399 0000

✉ enquiries@rathbones.com

This document is published by Rathbone Investment Management Limited as a service and does not constitute a solicitation, nor a personal recommendation for the purchase or sale of any investment; investments or investment services referred to may not be suitable for all investors. Therefore we recommend you consult your Investment Director before taking any action. Rathbone Investment Management Limited will not, by virtue of distribution of this document, be responsible to any other person for providing the protections afforded to customers or for advising on any investment. Past performance is not necessarily indicative of future performance and the price or value of investments, and the income derived from them, can go down as well as up and an investor may get back less than the amount invested. Changes in the rates of exchange may have an adverse effect on the value, price or income of or from an investment denominated in a foreign currency. Investors should bear in mind the higher risk nature of smaller companies and that the markets in their securities may be restricted and may be less regulated than the main markets. As a result, having bought the securities, it may be difficult to sell them, assess their value or the extent of the risks to which they are exposed. Emerging markets may be volatile and subject to significant political and economic change. Rathbone Investment Management Limited, and its associated companies, directors, representatives, employees and clients may have positions in, be materially interested in or have provided advice or investment services in relation to the investments mentioned or related investments and may from time to time purchase or

dispose of any such securities. Neither Rathbone Investment Management Limited nor any associated company, director, representative or employee accepts any liability for any direct or consequential loss arising from the use of information contained in this document, provided that nothing in this document shall exclude or restrict any duty or liability which Rathbone Investment Management Limited may have to its US Clients under the UK regulatory system or the US Investment Advisers Act of 1940. The levels and basis of taxation may change with future legislation. Unless otherwise specified, any charts and statistics are compiled by Rathbone Investment Management Limited.

No part of this document may be reproduced in any manner without prior permission.

© 2017 Rathbone Investment Management Limited. All rights reserved.

Rathbone Investment Management Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Registered office: Port of Liverpool Building, Pier Head, Liverpool L3 1NW.
Registered in England No. 01448919

SEC INF 001 ADV2 CLIENT BROCHURE DND - CR330 - 03-17 - 27183 - 439005



 rathbones.com

 [@Rathbones1742](https://twitter.com/Rathbones1742)

 [Rathbone Brothers Plc](#)