

# US resident client brochure



Rathbones  
Look forward



# Rathbones Investment Management Limited

## US resident client brochure (Form ADV Part 2A)

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### Contact us

#### **Rathbones Investment Management Limited**

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

 +44 151 236 6666

 +44 151 243 7001

 [rathbones.com](https://www.rathbones.com)

This Brochure provides information about the qualifications and business practices of Rathbones 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.

Additional information about us is available on the SEC's website at [www.adviserinfo.sec.gov](https://www.adviserinfo.sec.gov)

# Rathbones Investment Management Limited (RIM)

## 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.

The following material changes have taken place since the last annual update of the brochure on 31 March 2022, as follows:

- The closure of the Aberdeen office
- The relocation of the Edinburgh office
- The retirement of James Dean and Colin Clark as Non-Executive Directors
- The company name change from Rathbone Investment Management to Rathbones Investment Management
- The Chief Compliance Officer name change

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# This brochure is only for our US resident clients

## Glossary

Rathbones is registered with the SEC for the purpose of providing discretionary investment management services to US resident clients only.

### Definitions of terms used in this brochure

**Access Persons**

Includes any Supervised Person or other member of staff designated by the CCO who has access to "Non-public Client Information". All Non-Executives, Directors, SEC Investment Directors, Assistants and identified employees involved in the SEC Offering a RIM are Access Persons.

**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.

**Affiliates**

All of our offices, partners or directors (or any person performing similar function). All persons directly or indirectly controlling or controlled by the firm. All employees (other than employees performing only clerical, administrative, support or similar functions).

**CHAPS**

The UK Clearing House Automated Payments System.

**Conflict of Interest**

A situation whereby the interests of the Group, its subsidiaries, its employees or its delegates are directly or indirectly in a competition with the interests of its clients, or between the interests of different clients.

**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.

**Group**

Rathbones Group Plc, is the parent company of Rathbones Investment Management

**Interest**

A benefit of any nature whether, tangible or intangible Professional, commercial, financial or personal.

**Portfolio**

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

**Rathbones**

Trading name for the group of companies owned by Rathbones Group Plc.

**RIM**

Rathbones Investment Management.

**Related Person**

Any advisory affiliate and any person that is under common control with the firm.

**Subsidiaries**

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

**SEC**

The United States Regulator the Securities and Exchange Commission.

**VAT**

Value Added Tax.

# 1. Our investment services

## Ownership

Rathbones provides individual investment and wealth management services for private clients, charities, trustees and professional partners. With 14 locations across the UK, Rathbones manages £60.2 billion\* of assets for our clients.

We have been trusted for generations to manage and preserve our clients' wealth. Originally founded as a timber and shipping merchants in Liverpool in 1742, the company has been engaged in providing financial services since 1912. Our tradition of investing and acting responsibly has been with us from the beginning and continues to drive us forward. Our ambition is to be recognised as the UK's most responsible wealth manager.

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 is provided to you at the start of our relationship.

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

Custody is provided by Rathbones Nominees Limited and Bank of New York Mellon (BNYM).

**Rathbones provides a discretionary management service. The assets under management for this service for US Clients as at 31 December 2022 are as follows:**

Type of account	Regulatory assets under management
Total discretionary	\$320,178,924

## Types of service offered

We offer a discretionary service level for US resident Clients.

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

We do not publish our investment research.

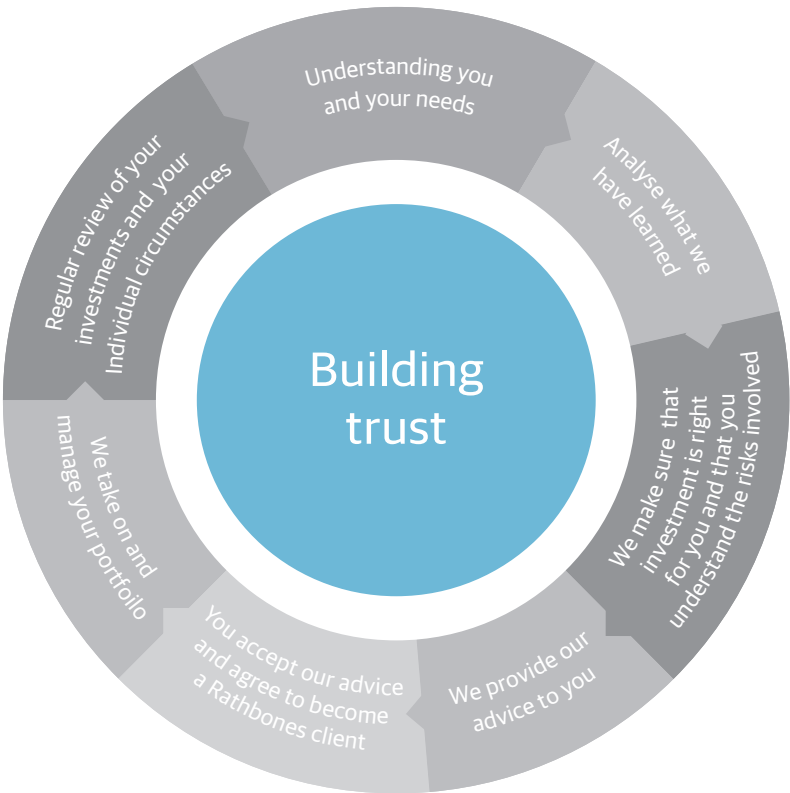
\* As at 31 December 2022. Includes funds managed by Rathbones Unit Trust Management Limited.

## 2. What you can expect from us

We will work with you to agree an investment strategy that meets your individual needs and then make sure this approach remains right for you.

Working together, we will define what you would like to achieve. Are you looking to provide a secure financial future in retirement? Do you require regular income or are you looking to meet specific expenses? Are you looking to downsize your home or buy an additional property? You may also have started to think about passing on money to the next generation.

Figure 3: Building trust





### 3. Understanding you

Before you invest with us, we will work with you to understand your individual circumstances and investment objectives and to agree the amount of risk that you should take.

We will guide you through this discussion and make sure that you understand the risk you are taking.

**Assessing your attitude to risk**

We begin by assessing your risk tolerance using a questionnaire that we have developed with a leading provider in this field, which takes just a few minutes to complete. The questionnaire is normally completed online, but can be emailed to you or completed on paper if you prefer. It asks you to express your views on a range of questions about investment risk and return. From your answers we will obtain an impartial indication of the amount of investment risk you might be prepared to take.

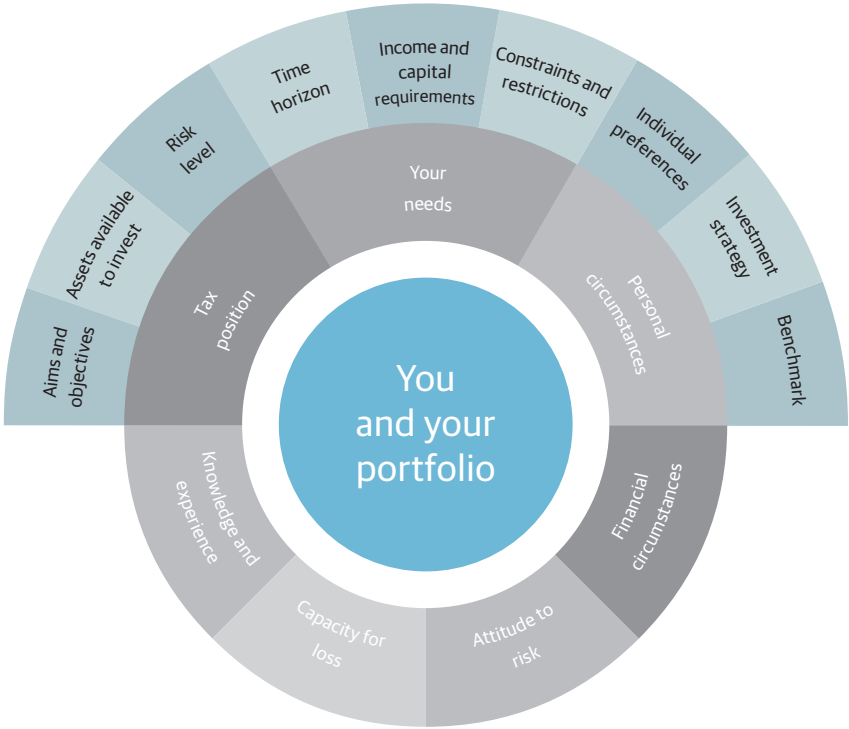
We will share and discuss the results of the process with you. This provides us with an important “sense check” as we do not just accept the questionnaire results at face value. The results do not dictate but help inform the type of portfolio that we eventually recommend. We gather wider information from you to add context to this assessment and to help us adjust our recommendations to your needs.

We ask a few questions to assess your knowledge and experience of investing and to help us understand how familiar you are with financial markets and investment matters. We also ask about your financial ability to take investment risks. Your investment manager will use all the results as the starting point for a discussion to reach agreement with you as to the most appropriate risk profile to meet your requirements.

**Your financial ability to take investment risk**

Your financial ability to withstand losses is known as capacity for loss. Your financial circumstances determine how much of your capital and / or income you can lose without it materially affecting your standard of living. Most people are sensitive to a fall in the value of their capital and / or income, and some more than others. However, while some investors can absorb such a loss, for others it could have a material impact on their lifestyle.

Figure 4: You and your portfolio



Investing with Rathbones requires you to have both the willingness and the ability to take investment risk. However, the risk that you take to achieve your aims and objectives should not be more than the risk that you are willing to take (attitude to risk) or the risk that you are able to take (capacity for loss).

### **Knowledge and experience**

It is important for us to assess your knowledge and experience of investments. Your level of knowledge and experience may not restrict the investments that we make for you but it does mean that we need to take extra care to explain things to you. This is so that you have sufficient understanding of what we do and the choices that you make. Clearly, experience cannot be a requirement for investing because everybody who invests does so for the first time at some point.

However, it is important for us to understand your previous experience of investing because this can inform us about your likely composure or attitude to market fluctuations, the types of investment that you have held in the past and, perhaps, how your investment affairs have been managed. Where you feel that you need more information about a particular type of investment or in relation to how different investments and strategies can be used, please speak to your investment manager. We are keen to ensure that you feel confident when you give us your consent to begin investing on your behalf.

### **Your personal and financial circumstances**

We appreciate that you may feel some of the information that we ask for is not necessary or may not be relevant. We only ask for information that is relevant to the services we can provide to you. There are also questions that we are obliged to ask to ensure that we are able, for example, to take decisions on your behalf when you take up our services.

At Rathbones, we strive to give our clients the best investment solutions to meet their needs. But before we can start talking about investments, we need to talk about you. Appreciating your needs and aspirations is important, but so is gaining a thorough understanding of your personal circumstances and financial situation. To help us determine what we will recommend to you, we

need to capture general factual information about you, your marital status, tax position, employment status and dependants, as well as details of your assets and liabilities, and of your income and regular outgoings.

We want to obtain sufficient information about you and your financial circumstances to ensure we have a sound basis for formulating our advice to you. The more we know about you, the better we are able to tailor our advice to your individual circumstances.

### **Investment objectives and time horizons**

We appreciate that your primary aim in seeking investment services is not to manage risk, but to achieve a positive return on your money. At the start of your relationship with us we will discuss your investment objectives, which may comprise a number of individual aims.

We classify these objectives into those that have a requirement for income to support your current and future living standards; those that have no requirement for income and are seeking capital growth; and those that require a balance between income and growth, taking into account the impact of inflation.

If you have an investment objective relating to a specific time period (what we call an investment time horizon), then we will consider this when constructing your portfolio. However, many investors do not have a specific objective or a defined time horizon. Instead, their requirements are more general, such as to achieve a higher investment return or financial security in retirement. Also, you may not be investing purely for your own lifespan, but seeking to achieve the best return for the next generation. You may also have more than one specific objective or time period in mind, in which case we will establish more than one portfolio for you.

Time horizon is an important element when assessing investment risk and return. The economy and financial markets are subject to fluctuations and there are periods when the outlook may be more or less favourable for investing, leading to periods of stronger or weaker returns. If you have a longer time horizon, you may be more likely to be able to accept short-term falls in the value of your investments in anticipation of recovery when the outlook improves, providing you do not require early access to your capital.

Some investors may think they have a medium-risk appetite, but are investing for the very long term, say 20 years or longer, possibly for their children or grandchildren. In many cases, it may be appropriate to have substantial exposure to investments, such as shares, which, while not so high risk if held over such a time period, must be deemed higher risk over the short term. For such investors, your investment manager will understand your requirements and when selecting investments for your portfolio, will be mindful of your particular risk appetite and investment objectives. However, we will classify your portfolio as higher risk due to the potentially larger fluctuations in value that may occur in the short term.

### **Our personal recommendations to you**

We will consider your attitude to risk, capacity for taking risk, personal and financial circumstances, objectives, timescales and any investment preferences you may have. We will provide you with a formal advice document. This will describe your investment needs as we understand them. It will recap our discussions, covering everything from risk to your financial circumstances and it will explain why we think our recommendations are suitable for you. Lastly, it will cover the portfolio(s) and types of investments that we are recommending.

It is important for you to understand how we formulate these recommendations and how we construct investment portfolios. We describe our investment process in the next section.

## 4. Our investment process

We have a well-defined investment process, which is fundamental to the service we provide.

Our investment process creates a strong yet flexible framework for our experienced investment professionals to work together, sharing ideas and challenging each other's views. It is constantly evolving, and we continue to invest in the people and resources required to ensure this process remains robust.

We have a well-resourced research team with experience across a range of investment disciplines. These include asset allocation, investment selection, responsible investment and investment risk. They also have expertise in different assets such as equities, gilts, corporate bonds and other fixed income investments, and funds. A series of investment committees meet regularly to discuss the investment environment as well as any opportunities and risks they have identified.

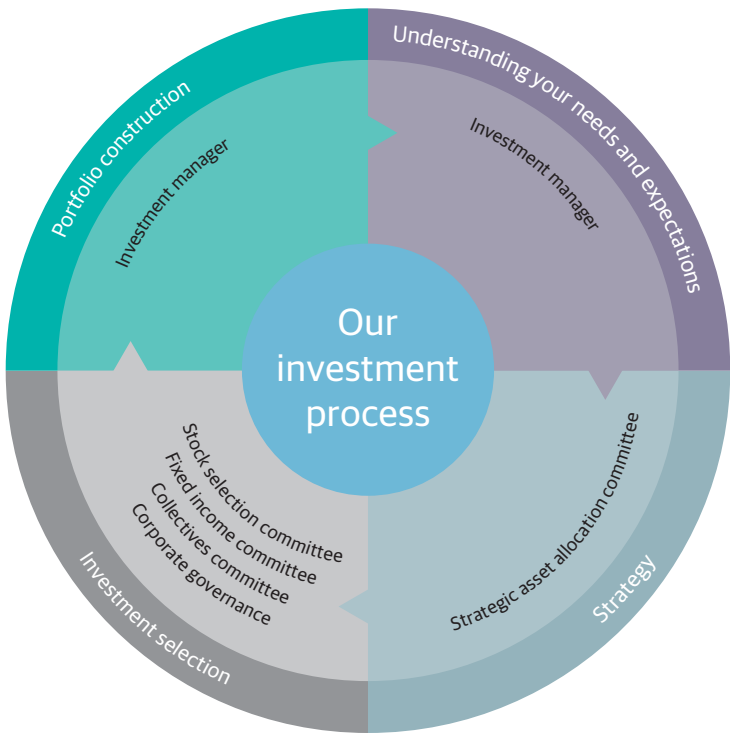
We believe that material environmental, social and corporate governance (ESG) issues, including both risks and opportunities, can affect the long-term performance of investments and should therefore be given appropriate consideration as part of the

investment process and in the construction of client portfolios.

Through the use of ESG data, an active engagement programme and our own judgment, we aim to develop a more comprehensive understanding of each business' strategy and operational execution and its sector dynamics than can be achieved solely through a financial lens. Where we invest in stocks directly for you, this helps us to identify companies with stronger sustainability performance or those where, through engagement, there is potential to improve business practices to create value for shareholders.

Our investment managers actively participate in our investment process. This includes company visits and internal discussions, analysing external broker research and ESG factors, and assessing investment themes. Whilst this process informs their decisions, your individual requirements remain paramount. The search for the best possible financial outcome for you remains our highest priority.

Figure 5: Our investment process



# 5. How we manage risk in portfolios

Our investment process supports our investment managers in compiling diversified portfolios with the appropriate level of risk for you.

## Asset classes and asset allocation

Your portfolio will comprise a series of different investments. It is likely (but not always the case) that your portfolio will be exposed to different types of investments. We often refer to these as asset classes.

An asset class is a group of securities that exhibit similar characteristics. However, different asset classes can offer varying degrees of risk and behave in different ways. Therefore, investing in several different asset classes in a portfolio can ensure some diversification among your investments. Examples of asset classes include equities (shares), fixed income (bonds) and cash. A more comprehensive list of asset classes along with explanations is provided in the later section “Investment terms and asset classes”.

Typically, different assets react to conditions in the underlying economy and financial markets in different ways. For example, equities tend to suffer when economic conditions are deteriorating; whereas government bonds can sometimes perform well in times of severe stock market stress. The performance of asset classes and the relationships

between them can also be affected by other factors including interest rates, regulatory changes, the political climate and investor sentiment.

The starting point for designing your portfolio is to determine the right combination of assets to meet your investment objectives and appetite for risk.

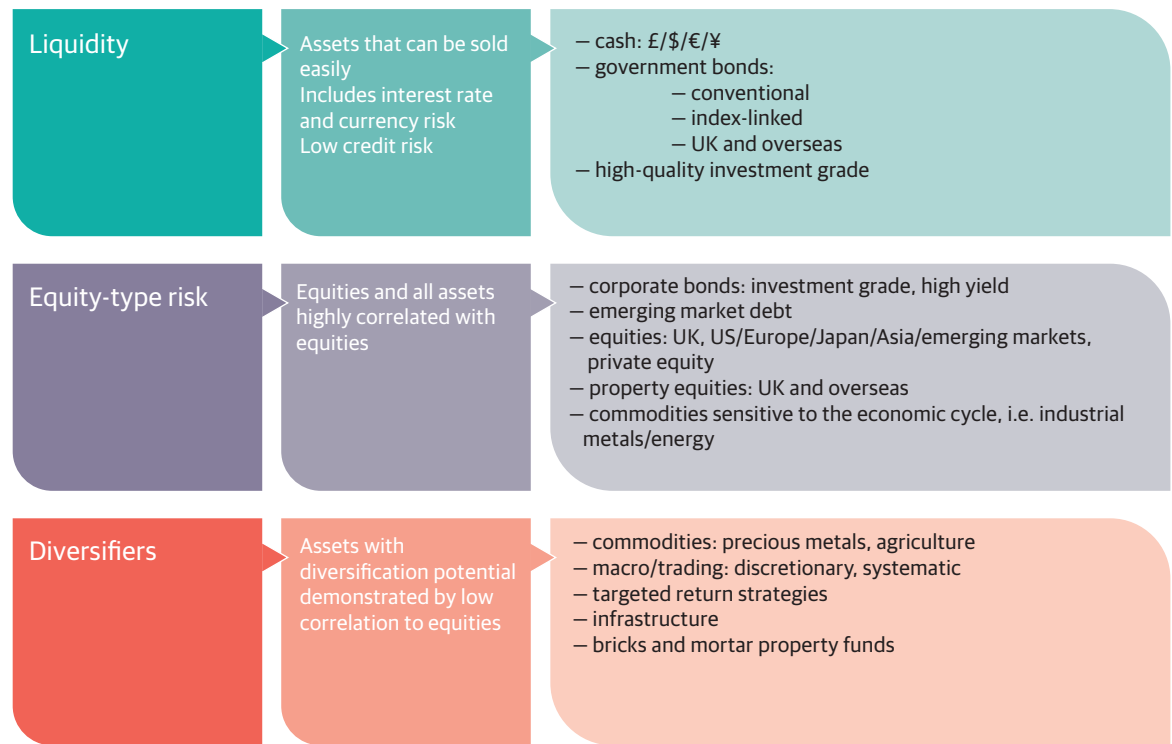
## Our investment framework

We divide assets into three building blocks, which play complementary roles in your portfolio. These building blocks differentiate asset classes according to their expected behaviour.

### Liquidity

These are assets that can usually be sold easily, even during periods of uncertainty. They tend not to lose too much value or, in some cases, can perform positively when the broader investment community becomes increasingly nervous about risk. These assets are viewed by the markets as having low credit risk (the likelihood that a default will occur is low. A default is when an issue is unable to repay its debt). However, changes in interest rates and currency exchange rates may affect their value.

Figure 6: Group asset classes according to their behaviour



**Equity-type risk**

Assets that can drive growth in your portfolio include equities (shares) and other securities which can behave in a similar way to equity markets. It is important to note that these investments may lose value from time to time. They can also become illiquid during periods of market stress, which means they can be difficult to sell and may not be converted back into cash without a loss in value.

**Diversifiers**

These are investments that have the potential to reduce or offset equity-type risk over time, and possibly during periods of market stress. For Rathbones to classify an investment as a “diversifier” it must pass a range of in-house tests. Only then will we claim to feel confident in its diversifying characteristics across a range of market conditions.

**Why build diversified portfolios?**

Diversification means not putting all your eggs in one basket. A diversified investment strategy (sometimes called a “balanced portfolio” or “multi-asset portfolio”) that blends different assets can be one of the best ways to preserve and enhance wealth over the long term. This approach can provide exposure to a wide set of investment opportunities and help to reduce losses when market conditions are challenging. This is because different asset classes tend to perform in different ways through the economic cycle. Building diversified portfolios and monitoring the investment environment is a complex process that requires extensive resources and expertise.

**Our investment strategies**

We use six clearly defined risk levels. Our asset allocation committee maintains six corresponding investment strategies. These cover a broad spectrum of risk and help demonstrate how our investment process and framework can be used in practice. You will receive a detailed explanation of those strategies in a document called Our Investment Strategies which describes the objective of each strategy, the likely fluctuations in value of such a portfolio, the types of assets that might be included and also give an indication of an appropriate time horizon.

We construct each strategy from a range of asset classes, usually by incorporating a diversified mix of investments according to the risk level and investment objectives. The strategies incorporate varying mixes of the different asset types in order to differentiate them by risk. We have designed Strategy 1 to be the lowest risk and Strategy 6 the highest risk.

## 6. Your portfolio

**Your investment manager will take you through a clear and structured review and provide a set of recommendations that reflect your circumstances and objectives.**

### **Building portfolios**

If you agree with the investment recommendations that we propose, we then invest your money and construct your portfolio. It may take time to invest your funds and, if you transfer existing investments to us, it may take some time to adjust your portfolio to better reflect your requirements. Such transfers do not usually constitute a taxable event, although adjusting the portfolio could lead to a capital gains tax liability under current rules.

Having agreed the appropriate asset allocation for your portfolio, your investment manager will select the individual investments to represent each asset class, guided by the investment committees and research team recommendations. This process will include taking ESG factors into account.

All clients' portfolios are expected to fit the broad risk characteristics of the risk level in which they reside. However, all our clients are different and, therefore, portfolios are not standardised across the firm but are built to meet individual client needs. While we have a robust central investment process to guide everyone, your investment manager remains responsible for selecting the individual investments that make up your portfolio.

We will look to accommodate any specific requirements you may have. If you wish your portfolio to be managed in a particular way or to invest in (or avoid) particular types of assets, we will try to reflect your requests where possible and appropriate. We will agree a specific mandate with you and this will be reflected in our formal advice to you. It is important that we agree the strategy with you in advance (including any preferences and constraints) and that you understand the effect these constraints may have in relation to our ability to meet any wider investment goals.

In addition, we have a policy that applies across all our clients' portfolios of not investing directly in businesses that undertake certain activities.

These activities do not align with our responsible investment commitments due to the significance of their ESG risk and impact and our belief that the majority of clients would share similar concerns.

Our investment process and our risk level framework will ensure that we both know where the portfolio should sit in terms of its likely risk characteristics. Lastly, we will agree the best way to measure the performance of the portfolio through a mutually agreed and appropriate performance benchmark.

### **Managing your portfolio**

Your investment manager will manage your portfolio actively to respond to changing conditions in the global economy and financial markets. They will also be responsible for making any adjustments if your situation or objectives change, as well as managing your expectations of what we can achieve. This is why it is so important that you tell us if your circumstances or objectives change.

We take a realistic approach to managing portfolios. Recent history reminds us that the unpredictable happens more frequently than expected, so we seek to position portfolios to protect value within the context of each client's objectives and attitude to risk. It also teaches us about the importance of not investing in securities and strategies that are obscure or unnecessarily complex.

You may wish us to consider specific investments because of strong beliefs, support for a particular cause, or possibly for other personal reasons, such as a family link. In such cases, we will only include them in your portfolio where they complement the agreed strategy.

## Portfolio Reviews

Client portfolios are continuously monitored by your Investment Director. Each year, client portfolios are reviewed for asset allocation alignment, holdings and performance against benchmark. All exceptions are formally investigated and escalated where required.

## Clear and transparent reporting

When you ask us to invest your money, effective communication is important and we will provide you with timely information.

We believe in clear and straightforward reporting through regular portfolio valuations. You may ask us to send you an up-to-date valuation at any time and you can access your portfolio on demand 24 hours a day through our secure online portal.

We have invested in our ability to monitor how your investments perform. The sophisticated, market-leading software that we use enables us to provide you with comprehensive performance data and portfolio information.

Our systems also enable investment managers to manage tax issues that may arise in your portfolio and prepare the information needed in support of your annual tax returns.

We provide other information to our clients through various publications in print and online. These include *Investment Insights*, which covers the main themes affecting today's global economy and financial markets.



## 7. Thinking, acting and investing responsibly

**Together with your investment manager we will monitor your investments to ensure your portfolio continues to match your risk profile.**

### **Robust performance and risk oversight**

We want you to feel comfortable and secure knowing that we are managing your wealth according to the mandate you have given us. Our internal procedures and risk management systems make sure this happens.

While our investment managers enjoy flexibility and discretion to deliver our service to you, it is important to have a formal oversight framework to support the investment process. Our investment executive committee is responsible for establishing and overseeing this framework. It monitors the overall fluctuation of portfolios and reviews investment performance.

The committee makes sure we are managing all portfolios to the same high standards, while being able to adapt to changing client requirements and market conditions. It promotes best practice and oversees all aspects of the process from portfolio construction and investment selection to implementation. This framework, supported by risk management systems, due diligence procedures and regular reviews, makes sure your portfolio remains in line with your investment objectives and risk level.

We have dedicated performance measurement and investment risk teams, both of which operate independently of our investment managers. Information on investment performance and risk is reported regularly to our group risk committee, which is one of our main board committees and is chaired by an independent, non-executive director.

### **Our approach to responsible investment**

We feel being a responsible business means operating in a way that creates long-term value for our stakeholders, benefits society and actively addresses any adverse impacts our activities might have on society, people and the environment.

We have a longstanding commitment to responsible investment, dating back to our launch of ethically screened portfolios in the 1990s.

As part of our responsible investment policy, we expect the companies in which we directly invest to have strategies to manage ESG risks.

We practise responsible investment through four core principles:

#### **ESG integration**

We recognise that ESG risks can have an impact on the performance and valuation of investments. Where we hold direct investments for you, we are developing our research process to integrate ESG factors more fully in the evaluation of investments. This helps to identify not only ESG risks but also emerging investment opportunities.

#### **Voting with purpose**

The cornerstone of all responsible investment is an active and considered approach to proxy voting. Where we hold direct investments for you, we actively vote across all votable equity holdings, unless these holdings are de minimis. We vote on many issues including executive pay, climate change, diversity and audit independence.

**Engagement with consequences**

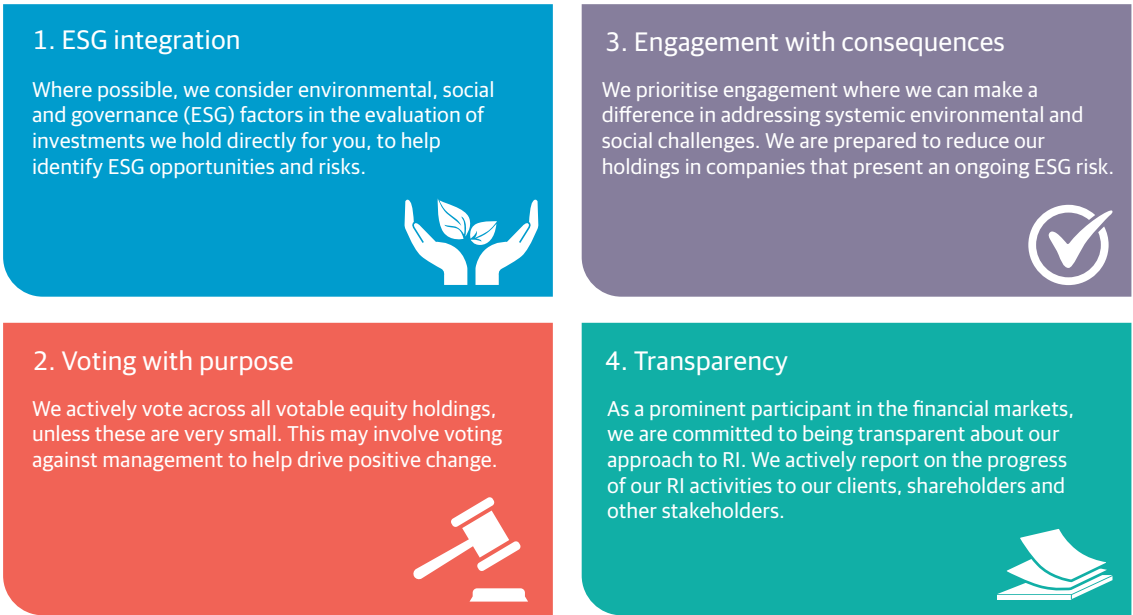
It's important that we maintain a dialogue with the companies we invest in, using our voice to influence companies towards better, more sustainable long-term performance. We prioritise engagement where we can make a real difference in addressing the world's systemic environmental and social challenges. We are also prepared to reduce our holdings in companies that continue to present an ESG risk over time.

*For further information please refer to our Responsible Investment policy, which can be found at <https://www.rathbones.com/investment-approach/responsibleinvestment/governance-and-policies>*

**Transparency**

We're committed to transparency about our approach to responsible investment. Each year we produce annual and interim responsible investment reports detailing our voting and engagement. In addition, we benchmark our performance against industry peers through involvement in the annual reporting cycle of the UN-backed Principles for Responsible Investment, an investor group.

Figure 14: We practise responsible investment through four core principles:



## 8. Investment terms and asset classes

### The range of asset classes and investments we use to build portfolios.

Although extensive, this list of types of asset is not exhaustive. In the appendix to our *Terms of business*, we explain some more of the risks of these investments. It also sets out the risks associated with certain investment techniques as well as more general risks associated with financial markets. If you have any questions regarding types of investments or the risks disclosed here or in the appendix to our *Terms of business*, please ask your investment manager.

#### Investment terms

##### Responsible business

This means operating in a way that creates long-term value for stakeholders, benefits society and actively addresses any adverse impacts activities might have on society, people and the environment

##### Responsible investing

This is the purposeful integration of environmental, social and corporate governance (ESG) considerations into investment management processes and ownership practices

##### ESG (Environmental, social and governance)

We define the three components as

- Environmental: issues relating to the quality and functioning of the natural environment
- Social: issues relating to the rights, well-being and interests of people and communities
- Governance: issues relating to corporate governance and corporate behaviour

##### ESG integration

This is the systematic and explicit inclusion of material ESG factors (e.g. environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters) into investment analysis and investment decisions.

##### Engagement

This refers to the process of working with organisations, industry bodies or policymakers to address issues of concern and bring about positive change. It encompasses many approaches, for example:

- Meetings with senior management
- Public statements
- Collaboration with other investors
- Tabling or voting on resolutions at company AGMs

#### Types of asset

##### Cash

Most people view cash as the safest way of storing value – it does not reduce in nominal terms. This makes it different from most assets, the values of which change constantly. However, in the past cash has been a poor asset to hold as an investment over the longer term because it is subject to the negative effect of inflation. Its long-term return can be poor, and sometimes it can return even less than inflation.

##### UK government bonds

UK government bonds are also known as treasury stock or gilt-edged securities ("gilts"). They are securities representing capital lent to the UK government to fund public expenditure. Gilts are traditionally considered one of the lowest-risk securities because they are backed by the UK government, and repayment at maturity is all but guaranteed. The market in gilts is usually very liquid, making them easy to buy and sell, even in times of financial distress.

Gilts are exempt from capital gains tax but tax is payable on the interest that they provide. They pay a fixed rate of interest until they mature, when the investor receives back the principal capital (the original loan). In theory, bond prices move inversely to interest rates, so investors benefit from rising bond prices when interest rates are falling, and suffer when interest rates rise. This means that the bond price can move above or below the purchase price and even its eventual repayment value.

Although gilts are considered a low-risk investment, in certain circumstances they can be vulnerable to sharp falls in value, which may lead to a capital loss for investors. The returns can also be negative after adjusting for inflation.

**UK index-linked government bonds**

UK index-linked government bonds are securities issued by the UK government to fund public expenditure. Their income payments and the principal sum to be repaid are linked to official inflation data over the bond's life – the Consumer Price Index (CPI) or Retail Price Index (RPI). Through this, the inflation risk of traditional bonds is mitigated with the aim of preserving the real value of invested capital.

However, if inflation turns negative (in other words, prices fall in a period of deflation), the interest payments and redemption values could fall.

A feature of these bonds is their lower rate of income return, which may make them unsuitable for some investors. However, they are exempt from capital gains tax, so can work well for higher-rate taxpayers since a large part of the return can come as untaxed capital gains.

**Corporate bonds**

Corporate bonds are securities representing capital borrowed by companies. Although similar to government bonds, there is a greater likelihood of default in repaying capital to investors because companies are generally less financially robust than governments and their central banks.

Investors should consider the solvency of the company issuing the bonds. In the event of it falling into liquidation, the bondholder would be treated preferentially to holders of equity, but would be unlikely to receive back all of their capital. However, default is rare and most companies pay the interest and capital on their bonds.

For many of our clients, we access the bond markets through collective investment funds, where an external fund manager manages a portfolio of many different bonds. This diversification reduces the impact of default by any particular borrower.

Corporate bonds are useful for those seeking income from their investment portfolio for yields tend to be higher than those on government bonds, reflecting the higher risk. This risk is often measured by the increase in potential return over a comparable gilt to give investors a frame of reference (known as the "credit spread") and also by a credit rating assigned by an agency. Apart from the risk of default, inflation is another risk because it erodes the real value of income payments and capital.

**High-yield corporate bonds**

Some investors are prepared to invest in higher-risk corporate bonds to obtain a higher return. Typically, issuers of such bonds are medium-sized companies, with a high level of debt or financial problems. Financial distress usually results in an independent ratings agency downgrading a company's credit rating followed by a fall in price and increase in yield.

Yet not all high-yield bonds involve financial distress and many will run to redemption without missing a payment. Caution must be exercised when investing in these bonds and our experts in this area advise our investment managers on potential risks. It is also common for managers of bond funds to invest a portion of their funds in high-yield corporate bonds and we will consider the risks when making investments in these funds.

**Equities: UK**

Equities are suitable for a wide range of clients with varying degrees of risk tolerance and differing investment objectives. As a shareholder, you own part of the company and the value of the shares will reflect the market's expectations of its future financial performance. Therefore, the potential rise in share prices has no upper limit. However, large falls in capital value in a short space of time are also possible. Companies often pay dividends and these may grow over time by more than the rate of inflation, thus representing real growth in income to investors. Reinvestment of income can also be a significant component of the growth in investors' portfolios over time.

Although these investments are listed and priced in sterling, many larger UK-quoted companies have foreign currency revenues and overseas interests. Therefore, share price values can increase when sterling is weak.

Diversification of shareholdings between companies and across business sectors mitigates the risk of severe or permanent capital loss. We can also achieve diversification by using collective funds.

**Equities: international developed markets**

We diversify some portfolios further by investing in overseas stock markets, either directly into company shares or, more commonly, using collective funds. We can seek to enhance returns by investing in geographical regions with a faster rate of economic growth than the UK.

Apart from the risks associated with equities in general, one main risk of investing in international developed markets equities is currency risk – an adverse move in sterling against a local currency may reduce investment gains or exacerbate losses. The converse is also true. When sterling weakens, the value (in sterling terms) of “overseas” investments rises. By investing part of a portfolio overseas, political and regulatory risk may be increased including the risk of adverse changes in overseas tax laws. Generally, developed markets are subject to stringent rules on company reporting and have liquid, well-regulated stock markets.

**Equities: international developing markets**

The economies of developing nations may offer the potential for strong growth, but this can be fragile and depend on investment from developed nations. As a result, the stock markets of developing countries can be more volatile than those of developed markets. In addition, corporate governance, reporting and accounting standards, and market liquidity can be unsatisfactory.

For these reasons, we rarely buy direct equities in these markets and mainly invest using collective funds managed by a specialist investment manager with expert knowledge of the relevant countries and their associated stock markets.

**Commodities**

A commodity is a marketable class of goods that is produced to satisfy a demand. These goods are produced to observable standards. Commodities include basic agricultural produce and industrial materials, such as wheat, copper and oil.

Investing in commodities is a way of diversifying away from equities and bonds. Commodity markets can be very volatile, with investment flows causing price movements far larger than the underlying changes in supply and demand. As a result, substantial gains or losses can be made in short periods of time.

Typically, we gain exposure to commodities through listed investments known as exchange-traded funds (ETFs). These ETFs may not necessarily reflect the change in the daily market price of the underlying commodity.

**Precious metals**

Investing in precious metals, such as gold, can be an effective way to offset the risk of inflation. Gold has been seen as a safe store of value against cash, which may deteriorate in terms of its purchasing power.

We can invest in gold by buying ETFs that are backed by physical gold. ETFs are convenient for clients because they are liquid and easy to trade. We can also invest in gold mining companies, or collective funds that invest in them.

**Private equity**

This term refers to equity investments where the underlying investments are not quoted on public stock exchanges. It can describe investments in unquoted family businesses or funds that invest in a range of unquoted businesses, including infrastructure projects. These funds tend to be managed by specialists. Their funds may be listed on the stock market and, therefore, freely available for the public to buy and sell; or they may be very limited offerings where the investor has a private share in a partnership.

The advantage of private equity is that investors can gain access to private companies and benefit from the skills of expert investors who can identify and manage undervalued assets. As a result, private equity funds can offer a great deal of capital appreciation in the right conditions.

The main risk is that unquoted investments have no readily available share price indicating the current value and can be illiquid. Values are quoted at intervals which does not enable a daily estimate. In addition, the quality of the underlying investments within a fund can be difficult to assess. Private equity funds also often use borrowing to leverage their returns, which can be a risk at times of financial stress.

**Property funds**

Property funds invest mainly in commercial property, although some also invest in residential property. Commercial property includes offices, industrial buildings and distribution warehouses, as well as retail property, such as shopping centres and high-street units. Many property funds are oriented to deliver a high-income return.

Although property funds offer diversification from the risks of investing in individual properties, there are other risks involved. The property market can be illiquid and there have been cases where funds have been closed, trapping investors' capital. Some funds, such as investment trusts that issue shares, commonly use borrowing (also known as “gearing”) to achieve their objectives, making them vulnerable to interest rate rises.

To mitigate some of the risks of investing in property funds, we prefer to invest via real estate investment trusts (REITs).

## 9. Next steps

**Our aim on these pages has been to describe the relationship between risk and return and how we will work with you to deliver the right portfolio to meet your needs.**

It is important that you understand these concepts at the start of your relationship with us. If you have any doubts or questions, please speak to your investment manager. If you decide to invest with us, you should then make sure you always tell your investment manager about any change in your circumstances or investment objectives.

## 10. Fees and compensation

### 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 as described below. Fee negotiation is only available by exception.

### 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. These are debited directly from your available funds.

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 or US\$ currency equivalent	1.35%
Balance over £1,000,000 or US\$ currency equivalent	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 December 2022 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 (EUR)	Swiss franc (CHF)
20	35	25	38

VAT eligibility may be subject to legislative change. VAT applies only to those clients who are resident within the United Kingdom. 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.

Please refer to Section 12 - Brokerage Practices for further information.

#### 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.

### Fees and compensation conflicts of interest

When we provide our services, we, a member of the Rathbones 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 proprietary account trading. We have a Conflicts of Interest Policy to identify individual employee and business conflicts of interest and the means to address them and we record these accordingly. Our conflicts of interest and the means to address them are set forth in Section 13.

## 11. Types of clients

**We manage portfolios for US resident individuals, trusts, charities and pensions. We have a preferred minimum investment threshold of between £150,000-£250,000 for new business (or US dollar currency equivalent).**

### **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. 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 Investment Advisers Act 1940 Custody Rule.

In the provision of these services, we, or a related person, hold your cash as banker. Your UK securities are held by Rathbones 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.

Further details are provided in Section 17 and Terms of Business.

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.

### **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.

## 12. Disciplinary information

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



## 13. Related persons and affiliates

Of our related parties, the only firm that provides services to our US resident clients is Rathbones Nominees Limited, who provide custody services. In this regard, we comply with the provisions of Advisers Act Rule 206(4)-2. We do not have any affiliates which are broker-dealers, commodity pool operators, future commission merchants or commodity trading advisors, or any other financial industry affiliate. Furthermore, we do not recommend or select other investment advisors, nor do we receive compensation directly or indirectly that creates a COI other than those described in this Brochure.

### Conflicts of interest

As a fiduciary we have a continuing duty to our clients to act at all times in their best interests. This is an essential element of good client service as well as a legal and regulatory obligation. We maintain and operate effective organisational and administrative arrangements, with a view to taking all reasonable steps to identify, avoid, manage and monitor conflicts of interest in order to prevent them from adversely affecting the interests of our clients.

The firm defines a conflict of interest (COI) as a situation whereby the interests of the Group, its subsidiaries, its employees or its delegates are directly or indirectly in competition with the interests of its clients, or between the interests of different clients. ("Interest" should be construed as a benefit of any nature whether, tangible or intangible, professional, commercial, financial or personal. "Client" covers existing, potential and past clients where a fiduciary duty still exists).

Our COI policy and procedures requires that all employees apply good judgment and act with integrity to avoid putting themselves or the firm in a position where conflicts of interest could arise; proactively escalate and disclose any potential or actual conflict of interests that do arise whether the conflict is adequately mitigated.

On commencement of employment all employees are required to provide information relating to any outside business activities and conflicts (potential, perceived or actual) that they may have with external parties or entities other than the Group.

In addition, on an on-going basis, employees must also disclose (to their line management and compliance) any conflicts that arise and attest to their disclosures annually.

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

### Outside interests

All employees who have outside interests or activities (e.g. Directorships, external positions) are required to fully disclose them and seek approval (from their line management and compliance) prior to acceptance. The nature of the position is assessed to ensure any conflict or potential conflict of interest with the duties that they owe to clients or the firm are identified.

### Rathbones Group structure

Rathbones Group Plc (Group) is structured so that each entity can operate independently with limited intervention from its affiliates. This structure is designed to limit the probability of intergroup conflicts rising.

Entities within the Group can market their products and services to the clients of another entity within the Group. Cross-selling or marketing of in-house products should only take place when the Group entity whose products or services are being marketed is considered the most appropriate provider for the client in question. This is to ensure that the impartiality of the firm's advice is not impaired. The teams involved will ensure that any in house products or services being marketed are appropriate and suitable for the client in line with our policies and procedures, and fully comply with any relevant data protection obligations.

### **Investing in Rathbone Unit Trust Management (RUTM) funds**

Investment Managers acting with discretion are permitted to invest in RUTM funds, where the underlying collective charges applied are deducted from the investment itself and are reflected in its price. This conflict does not exist for SEC clients, as the funds are not available to US residents.

### **Business interests and suitability**

Where the firm uses discretion to make investment decisions or provide any personal recommendations, we are required to ensure that our actions are suitable for our clients and are not a means for the business or employee to make inappropriate gains. Employees are prohibited from exercising discretion for, or giving advice to, clients in respect of Rathbones Groups Plc shares.

### **Investment committees**

The 'Investment Process Conflicts of Interest Policy' has been developed to manage and mitigate the potential conflicts of interest that arise as the investment process is implemented by the investment committees. The policy provides a clear ethical and procedural framework to be followed by employees when working in the context of the investment committees.

### **Stewardship services**

Conflicts of Interest can arise in respect of the stewardship activities conducted by the firm, for example in the exercise of voting rights. Among other reasons, conflicts can arise because the firm votes with its own interest which can conflict with the interests of clients. Policies, procedures and protocols are in place which are designed to identify and manage such conflicts.

### **Inducements – Gifts and Hospitality**

Within policy parameters employees can give gifts and other non-monetary benefits or receive them from clients, companies or other institutions in recognition of services provided. Our 'Gifts and Hospitality' policy is intended to ensure that potential conflicts are avoided by prohibiting the offering or acceptance of gifts or non-monetary benefits by an employee unless it is reasonable, proportionate and for a legitimate business purposes. Where applicable, employees must obtain pre-approval for gifts and hospitality and approval will depend, among other criteria, on whether it is an actual or potential conflict of interest.

The firm has business relationships with many third parties, such as product providers. We therefore have processes in place to ensure that any fees or non-monetary benefits provided by third parties do not impair our duty to act in the best interests of our clients.

Gifts and Hospitality disclosures are monitored and escalated in accordance with the Group Conduct Risk Framework.

### **Personal Account Dealing (Employee)**

A conflict of interest can arise between an employee and the firm or our clients by virtue of the employee trading on their personal account. All employees, and close links (as defined), are required to obtain pre-clearance for all applicable personal account deals and comply with the obligations set out in our Personal Account Dealing (PAD) policy.

Personal account trades are monitored breaches of policy escalated in accordance with the Group Conduct Risk Framework.

### **Preventing the misuse of confidential client or company information**

To avoid the misuse of confidential client, company or market information (they may be in possession of) for personal gain, we require compliance with the Personal Account Dealing and SEC Code of Ethics policies. We also monitor personal account trading activities to ensure there is no prohibited activity or 'trading with' clients and employees.

### **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 adherence to 'the SEC Code of Ethics policy' to ensure ethical behaviour of Investment Directors who agree fee rates with our clients.

### **Loans**

The firm offers a loan facility for clients and there are different interest rates applied to them. To address any conflict arising we have a formal sign-off process in place to ensure the fair treatment of clients.

**Remuneration**

The remuneration of all employees, including the Executive, Senior Managers, Investment Directors within the Group usually consists of a salary, profit share and from time to time a discretionary related bonus. We do not employ anybody who is remunerated on a commission only or part commission basis. To mitigate conflicts, we have a Remuneration policy in place which is owned by the Remuneration Committee whose remit is to ensure that all schemes are independently managed and do not encourage inappropriate behaviour. The Board recognises potential for conflict and employee activity is monitored to remain alert to any potential abuse.

**Aggregation**

The firm is able to combine ('aggregate') a transaction for a client with the firm's own orders and orders of other clients at the discretion of the Investment Director if it's in the best interests of clients. However, we are under no obligation to aggregate client trades. The effect of aggregation can work to the disadvantage of a client and this is disclosed to clients in our Terms of Business.

**Allocation**

Investment Managers undertake transactions in new issues and placings. In circumstances where the full allocation of shares is not obtained there are procedures to prevent a conflict of interest arising between the client's and firm's interests. Notably, to address this conflict we remove employee trades under these circumstances and require pre-trade allocations to be pro rata to ensure fair treatment.

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

### 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 use of confidential client information. Our Code of Ethics, among other things, sets forth the standards of business conduct we require from our "Access Persons" (as such term is defined in the Code of Ethics) and requires them to comply with applicable federal securities laws.

Our Code of Ethics, addresses, *inter alia*, personal account dealing 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 account dealing, including Initial Public Offerings (IPOs) and private placements. All Access Persons must report all confirmation of personal account dealing (i.e. contract notes) promptly. On a quarterly and annual basis, Access Persons are required to attest to their personal account dealing history (for the previous quarter and year) within 25 business days of receipt.

We require Access 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 hospitality policy. Access Persons may give and 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 more than £150 or £500 for the event of occasion must obtain prior permission of their line manager and CCO (or their delegate).

The Rathbones Group Plc is an ethical organization that 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 links, to prevent the misuse of inside information. Any person who obtains inside information must report it to the Compliance Surveillance team 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.

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.

### 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 14 above.

We do not engage in proprietary trading.

### Personal account Trading

An Investment Director who has access to confidential client information may not enter into a personal account 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.

### Advising

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.

# 15. Brokerage practices

## 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 broker will be selected by the Dealing Desk in line with best execution requirements as outlined below. 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 Rathbones 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.

## Best execution

Rathbones does not execute any equity trades direct with the market. Rathbones will pass trade details onto execution entities who will execute trades with the market. The factors taken into account in determining the execution criteria include the characteristic of:

- the client order;
- financial instruments that are the subject of that order; and
- the execution venues to which that order can be directed.

The best execution factors to be considered are detailed below.

- Price
- Speed - in a volatile market it is generally better to try to execute a trade quickly, whereas in a less liquid market it may be better to trade slower, to limit market impact

- Likelihood of execution and settlement
- Size - as above in relation to speed, the size of an order may influence how an order may be handled
- Nature - if the nature of an order requires that it be handled differently, this may have an impact on how best execution is achieved
- Cost - RIM does not normally pass execution costs onto clients, but there are various costs associated with utilising different order executors/venues. The costs include broker commission, exchange fees, and transaction reporting charges
- Any other consideration relevant to the execution of an order
- Rathbones treats all clients as retail clients from a best execution perspective. In the absence of specific instructions from a client, all orders are handled in the same manner, whether from execution-only, discretionary or any other service level

The above factors represent general principles rather than an absolute guide to which factors will always be treated as more or less important than the others. It is not possible to be absolute as the variations between market conditions and the characteristics of the order are almost infinite. Markets are dynamic environments, and changing market conditions mean that a dealing strategy may change at any point during the life of an order.

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.

Approved brokers are reviewed on an annual basis to ensure they are providing the service we require for our clients.

The key execution entities used by Rathbones are:

- Retail Service Providers (RSPs) who provide a quote driven electronic trading platform. They compete with each other for order flow and therefore often make tighter prices than those seen on the primary exchange. This competitive market enables Rathbones to choose the best price for 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. It is through access to a wide variety of execution venues that Rathbones seeks to ensure transactions are executed efficiently and effectively. Trades executed through this medium attract a small brokerage charge, however these charges are absorbed by Rathbones.

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 Rathbones 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 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 Rathbones Dealing Desk.
4. For illiquid securities, specialist brokers will be employed to execute orders on behalf of our clients.

### **Aggregation of client orders**

Rathbones may aggregate client orders. The full policy is included in our Terms of Business.

### **Allocation of client orders**

In the event of an order not being completed, the executed portion of the trade will be booked across the aggregated clients on a pro rata basis, unless it is uneconomic to do so. The full policy is included in our Terms of Business.

## 16. Marketing and US Resident Client Referrals

RIM and its affiliates do not market to US resident Clients or prospective Clients.

RIM does not use any third parties or have any arrangements in place whereby a firm would refer US resident Clients to us or where we would engage firms to solicit clients for us.

## 17. Custody

### Description of custody services

We provide custody services for you in respect of your Portfolio via Rathbones Nominees Limited, an affiliated company whose role is to hold client assets separate from us. Rathbones Nominees Limited (the "Custodian") is a qualified custodian in accordance with the Investment Advisers Act of 1940 under Rule 206(4)-2 (the "Custody Rule"). The Custodian, a non-US financial institution, customarily holds financial assets for its customers and maintains the clients' assets in customer accounts segregated from its own proprietary assets. The Custodian is also subject to other relevant regulatory requirements in the United Kingdom. We take steps to ensure that account statements are delivered at least quarterly by the qualified custodian. These should be reviewed carefully by you, the client.

Because the Custodian is an affiliate of RIM, we are deemed to have custody of client accounts under the Custody Rule. As required for investment advisors who have custody of US client assets, we undergo an annual surprise custody examination conducted an independent auditor.

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.

### Registration of investments

We provide a registration and custodial service in respect of UK investments beneficially owned by our clients through a nominee company (Rathbones Nominees Limited) which is wholly owned by us (a Rathbones Group company). The nominee is set up under UK Trust legislation and, although the assets held within it are controlled by us on a day to day basis, investments are registered to the nominee to ensure that they are segregated from our own assets. Rathbones utilises a third-party custodian for all non-UK investments. Designated accounts record clients' investments separately from our own assets.

### 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.

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



## 18. 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 considered 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.

### 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 Rathbones 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.

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.
- 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 clients, 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 RIM's Chief Compliance Officer, at Rathbones Investment Management Limited, Port of Liverpool Building, Pier Head, Liverpool, L3 1NW

## 19. Financial information

### 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 enquiries, please do not hesitate to contact your Investment Director on:

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☎ +44 20 7399 0000

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