



RATHBONE UNIT TRUST MANAGEMENT
FUND MANAGEMENT FOR YOUR INVESTMENT NEEDS

RATHBONE BLUE CHIP INCOME AND GROWTH FUND

SHORT REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2013



Manager's report for the half year ended 31 December 2013

Over the six-month period to the end of December 2013, the Rathbone Blue Chip Income and Growth Fund R-Class Income units rose by 9.2%, less than the IMA UK Equity Income sector's gain of 12.6% and the FTSE All-Share index returned 11.4%. After performing strongly over the first few months of 2013, the fund underperformed during the second half of the year. The start of this period of underperformance coincided with remarks made by the US Federal Reserve (Fed) concerning the strength of the US recovery and its consequences for the future of the Fed's 'emergency' liquidity measures: a booster for markets in recent years. The results were rising bond yields and a clamour for economically-sensitive stocks, which meant that many of the fund's core holdings – high quality, cash-generative, dividend-payers – were out of favour for much of the period.

During the period under review, we made two new purchases in the fund, Sage and Anheuser-Busch InBev ("ABI"). Over the last thirty years, Sage has carved out an attractive niche for itself, providing business management software to the US and Western Europe's small and medium sized companies. Through its subscription-based model, Sage generates high and recurring cashflows, allowing it to pay an attractive dividend whilst still investing for growth.

We purchased global brewing giant, ABI shortly after its Q3 results announcement in November. Over the last 25 years, the company has been transformed from a small Brazilian brewer into the dominant force in global beer. A combination of strong management, savvy deal-making and a unique culture have resulted in high cashflows, expanding margins and dominant market positions in many of the world's most attractive markets. Whilst there are macroeconomic risks in several of the company's key markets, and M&A risk is never far away, we believe that ABI has further to go in building its dream of being "the Best Beer Company in a Better World".

We funded these new purchases by exiting long-held positions in BT and Associated British Foods. In both of these cases, we felt that, after very strong share price performance, valuation risk was too high. Despite these exits, we are still positive on the underlying dynamics of both of these businesses and could return to them in the future, given a more attractive risk/reward balance.

We also added to positions in Reckitt Benckiser, William Hill and GlaxoSmithKline during the period. All three of these companies have strong business models with relatively defensive revenue streams, and all are being ignored by a market seeking more economically-sensitive names. We also trimmed holdings in Vivendi and Restaurant Group following strong share price performance.

Markets have re-rated significantly over the last couple of years and now need good earnings growth to justify current valuations. Whilst developed market economies are undoubtedly in better shape now than at any time over the past few years, we remain concerned that many of the underlying problems of the 2008/09 crisis have yet to be dealt with. With profit margins at historically high levels and revenue growth lacklustre, we worry about the market's reaction should earnings growth fail to live up to analysts' elevated expectations.

Julian Chillingworth

Alan Dobbie

17 January 2014

Net asset value per unit and comparative tables

Fund size

Date	Net Asset Value £	Attributable to	Units in issue	Net Asset Value (pence per unit)
30 June 2011	37,249,803	R-Class Income	30,543,414	121.96
30 June 2011	24,845,520	R-Class Accumulation	16,081,267	154.50
30 June 2012	31,043,960	R-Class Income	26,864,138	115.56
30 June 2012	17,030,422	R-Class Accumulation	11,121,601	153.13
30 June 2012	108,039	I-Class Income*	93,041	116.12
30 June 2012	165,722	I-Class Accumulation*	108,554	152.66
30 June 2013	14,267,491	R-Class Income	10,565,763	135.04
30 June 2013	13,952,211	R-Class Accumulation	7,487,787	186.33
30 June 2013	18,780,469	I-Class Income	13,753,378	136.55
30 June 2013	1,336,411	I-Class Accumulation	715,415	186.80
31 December 2013	16,240,633	R-Class Income	11,126,469	145.96
31 December 2013	15,147,250	R-Class Accumulation	7,426,628	203.96
31 December 2013	20,311,907	I-Class Income	13,702,352	148.24
31 December 2013	4,202,956	I-Class Accumulation	2,047,341	205.29

Income record

Year	R-Class Income Units	R-Class Accumulation Units	I-Class Income Units*	I-Class Accumulation Units*
	Net income per unit (p)	Net income per unit (p)	Net income per unit (p)	Net income per unit (p)
2009†	4.67	5.31	n/a	n/a
2010	4.85	5.69	n/a	n/a
2011	4.96	6.08	n/a	n/a
2012	5.12	6.55	2.72	3.52
2013	5.48	7.39	5.67	7.06
2014**	1.83	2.49	1.85	2.54

* I-Class was launched on 1 March 2012

** To 28 February 2014

† Rathbone High Income Fund merged into the Rathbone Blue Chip Income and Growth Fund on 10 July 2009.

The annual management fee is taken from the capital of the fund. This will enhance income but will restrict capital growth.

Distributions

A distribution of 1.83p and 1.85p will be paid to R-Class Income unitholders and I-Class Income unitholders respectively on 28 February 2014. The total distribution for the period under review amounts to 1.83p per R-Class Income unit and 1.85p per I-Class Income unit with 1.76p per R-Class Income unit and 1.82p per I-Class Income unit for the same period last year.

Risk factors

An investment in a unit trust should be regarded as a medium to long term investment. Investors should be aware that the price of units and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance should not be seen as an indication of future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

Net asset value per unit and comparative tables *(continued)*

Ongoing Charges Figure

R-Class Income Units		
Expense type	31.12.13	30.06.13
Manager's periodic charge	1.50%	1.50%
Other expenses	0.14%	0.20%
Ongoing Charges Figure (OCF)	1.64%	1.70%

R-Class Accumulation Units		
Expense type	31.12.13	30.06.13
Manager's periodic charge	1.50%	1.50%
Other expenses	0.14%	0.16%
Ongoing Charges Figure (OCF)	1.64%	1.66%

I-Class Income Units		
Expense type	31.12.13	30.06.13
Manager's periodic charge	0.75%	0.75%
Other expenses	0.11%	0.10%
Ongoing Charges Figure (OCF)	0.86%	0.85%

I-Class Accumulation Units		
Expense type	31.12.13	30.06.13
Manager's periodic charge	0.75%	0.75%
Other expenses	0.15%	0.21%
Ongoing Charges Figure (OCF)	0.90%	0.96%

For more information on our charges, please visit the fund-specific pages of our website www.rutm.com

Risk and reward profile as published in the fund's most recent Key Investor Information Document



Lower potential risk/reward (Not risk-free) Higher potential risk/reward

This indicator is a measure of the fund's past volatility (the extent and rapidity of up-and-down movements of the value of an investment). It may not be a reliable indication of the fund's future risk. The risk category shown is not a target or a guarantee and may change over time.

Risk profile

There is little exposure to credit and cash flow risk. There are no net borrowings and usually little exposure to liquidity risk because assets can be readily realised to meet redemptions. The main risks arising from the financial instruments are foreign currency, interest rate, market price and counterparty. The fund may invest up to 10% of its net asset in securities for which there is no ready market.

The investment portfolio is exposed to market price fluctuations which are monitored by the Manager in pursuance of the investment objective and policy set out in the Prospectus.

Adherence to investment guidelines and to investment and borrowing powers set out in the Trust Deed and the Prospectus and the rules of the Financial Conduct Authority's Collective Investment Scheme Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

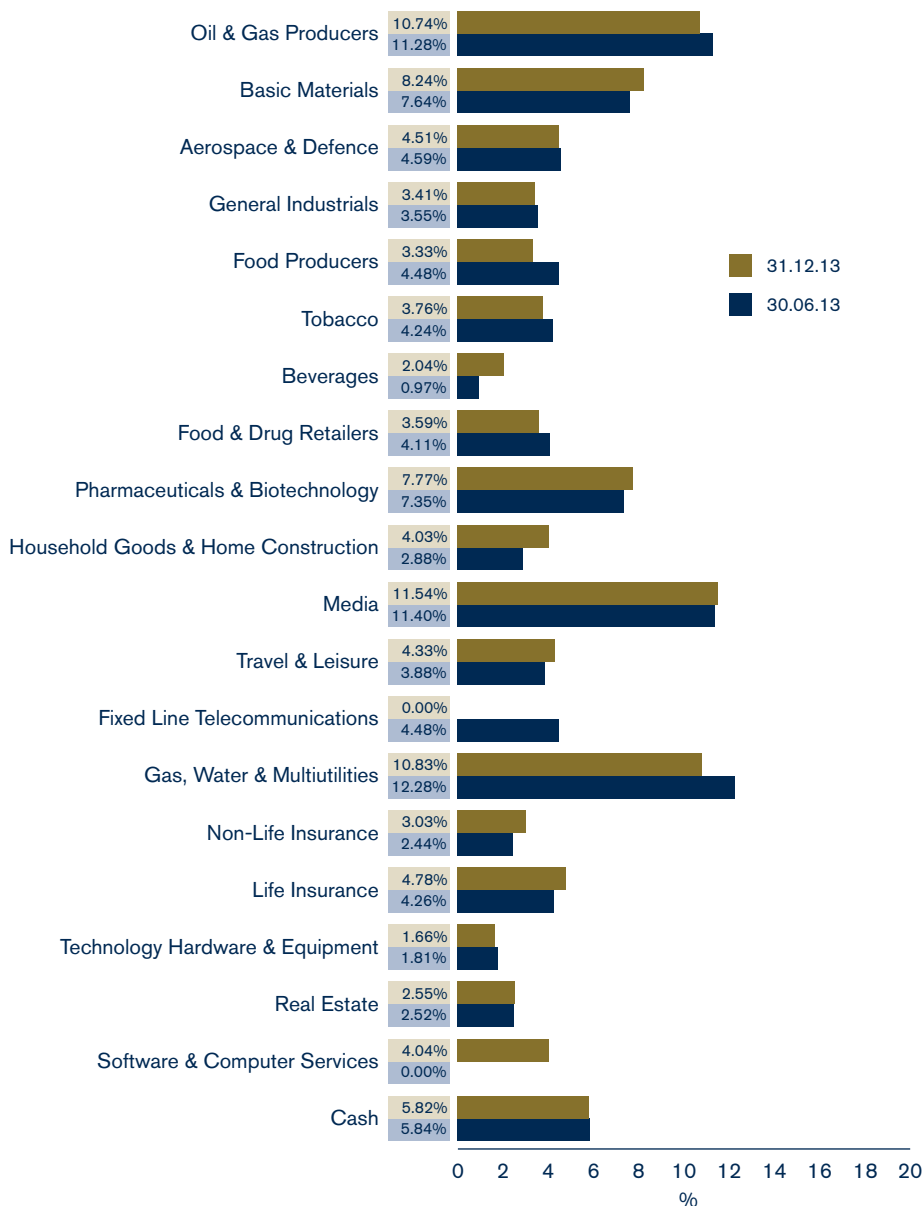
Top 10 largest holdings

The top 10 holdings at the end of the previous year and at the end of the current period are shown below.

	31.12.13		30.06.13
GlaxoSmithKline	4.90%	Centrica	4.77%
Reed Elsevier	4.82%	GlaxoSmithKline	4.67%
Legal & General	4.78%	Reed Elsevier	4.64%
Rio Tinto	4.57%	BAE Systems	4.59%
BAE Systems	4.51%	Royal Dutch Shell 'B'	4.59%
WPP	4.44%	BT	4.48%
Royal Dutch Shell 'B'	4.16%	Legal & General	4.26%
Sage	4.04%	Imperial Tobacco	4.24%
Reckitt Benckiser	4.03%	WPP	4.18%
Centrica	3.98%	Rio Tinto	4.16%

Portfolio information

Sector breakdown



General information

Authorised status

The Rathbone Blue Chip Income and Growth Fund is an authorised unit trust scheme, established by a Trust Deed dated 17 October 1989 and launched in October 1989.

It is a 'UCITS Scheme' authorised under Section 243 of the Financial Conduct and Markets Act 2000, and the currency of the fund is Pounds Sterling.

Investment objective, policy and strategy

The objective of the fund is to achieve an above average and steadily increasing income return coupled with capital growth from a portfolio of transferable securities. The Manager's present intention is that not less than 75% will be invested in transferable securities issued by UK companies. There will be no specialisation in any other geographic area or in any industrial or economic sector.

To meet the objective the fund may also invest at the Manager's discretion in money market instruments, warrants, cash and near cash, deposits and units in collective investment schemes. Use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted by the FCA Rules.

Valuation of the fund

The fund is valued on each business day at 12 noon for the purpose of determining prices at which units in the fund may be bought or sold. Valuations may be made at other times on business days with the Trustee's approval.

No maximum buying/selling price spread is stipulated in the Trust Deed and the Manager's discretion to set buying and selling prices is subject to relevant regulations made under the Financial Services and Markets Act 2000.

Stewardship code

Rathbone Unit Trust Management Limited fully supports the UK Stewardship Code sponsored by the Financial Reporting Council. Our statement on complying with the Code can be found on our website www.rutm.com

ISA eligibility

The fund has been managed throughout the year to ensure that it is eligible to qualify and be included in an Individual Savings Account (ISA). The fund will at all times be invested in such a way that the units will constitute "Qualifying Investments" for the purposes of the Individual Savings Account (ISA) Regulations 1998, as amended from time to time.

Long report

The full report and accounts are available free of charge upon written request from:

Client Services Department
Rathbone Unit Trust Management Limited
1 Curzon Street
London W1J 5FB

Further details

Should you require further details of this fund or any of the other funds managed by Rathbone Unit Trust Management Limited, a Prospectus, Key Investor Information Document and Supplementary Information Document or an application form for the purchase of shares or units, please write to:

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All literature is available free of charge. Information is also available on our website: www.rutm.com

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