

RATHBONE INCOME FUND - GBP

INVESTMENT RESEARCH NOTE
MARCH 2024

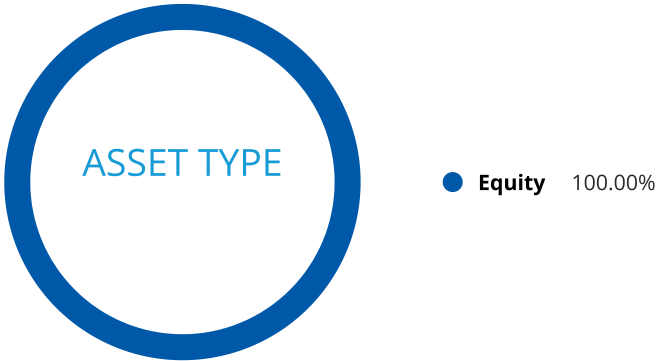
Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).

SUMMARY

Rathbone Investment Management is a long established UK investment business with its roots in Liverpool.

The Fund is managed by co-managers Carl Stick and Alan Dobbie. Stick is the lead manager and has managed the strategy since its launch in 2000. Dobbie joined the Fund in 2018. Both are very experienced managers with Stick being at Rathbone's since 1996 and Dobbie since 2005. The co-managers are supported by an equally experienced team of other managers and analysts who focus on income ideas and are not afraid to challenge and debate ideas with the co-managers. There is a long-term buy-and-hold approach to stock picking and the Fund itself typically holds between 50-80 names. Diversification is achieved across sector allocation. This concentrated approach combined with strict risk control assessment of companies and an experienced team is why the Fund may differ from other income peers.

A long only, bottom-up focused equity income strategy with a strong bias to UK large-cap names (although it can invest upto 20% in overseas names). The Fund targets an income greater than 100% of the FTSE All-Share Index yield over a 3-year rolling period. Investors should be aware that the investment process has evolved since 2008 with a move away from just 'value' based income stock-picking to one where risk control has been enhanced. Risk assessment now centres around three areas - price, business and financials. These form the cornerstone of company analysis and is strictly adhered to by the investment team.



INVESTMENT PROCESS

The investment philosophy centres around a repeatable investment process and a long-term buy-and-hold strategy. This has been upgraded by a stricter focus on risk awareness within companies with 3 prime areas of risk - price, business and financials. Investors need to be aware that the investment process has changed or evolved since 2008 where before the Fund took a more traditional approach to stock -picking, looking for value among income payers. This can be a concern as it may suggest that the process may not be consistent. The process changed as the Fund's performance lagged peers during 2008 hence to move to risk assessment. That change in approach means that the Fund looks at attractive dividend growth opportunities, studying free cash flow yield more so than just the level of income. Risk is defined as a threat to the permanent loss in capital which the 3-pronged framework was created and which is now the core discipline of the investment process.

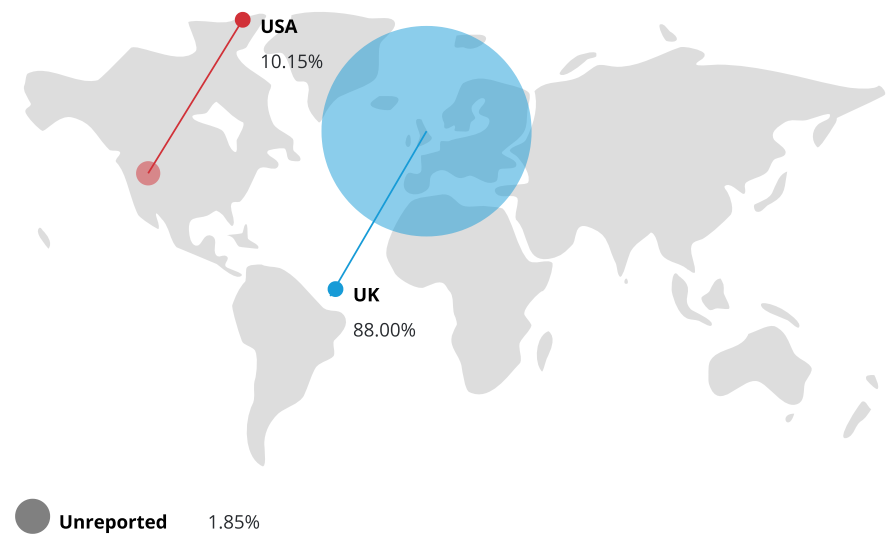
The process starts with an initial screen largely based on the work of Joel Greenblatt's approach to analysing ROIC and earnings yield (based on his book, 'The little book that beats the market'). The team also use other tools such as Canaccord's Quest database (CFROI) and Piotroski scoring of financial strength. They have an internal 'suspect' screen to enhance their sell discipline. Finally, other quant tools are used to assess liquidity, correlation and scenario analysis.

Turnover is kept low given the long-term approach, and the team look for companies which can grow earnings organically as well as generate progressive dividend growth. Quality is a key feature of company analysis, with business and financial risk minimised by companies that exhibit low leverage, high profitability and durability of earnings. Efficient management is also sought after. Ideas are bought at often attractive valuations, so minimising price risk.

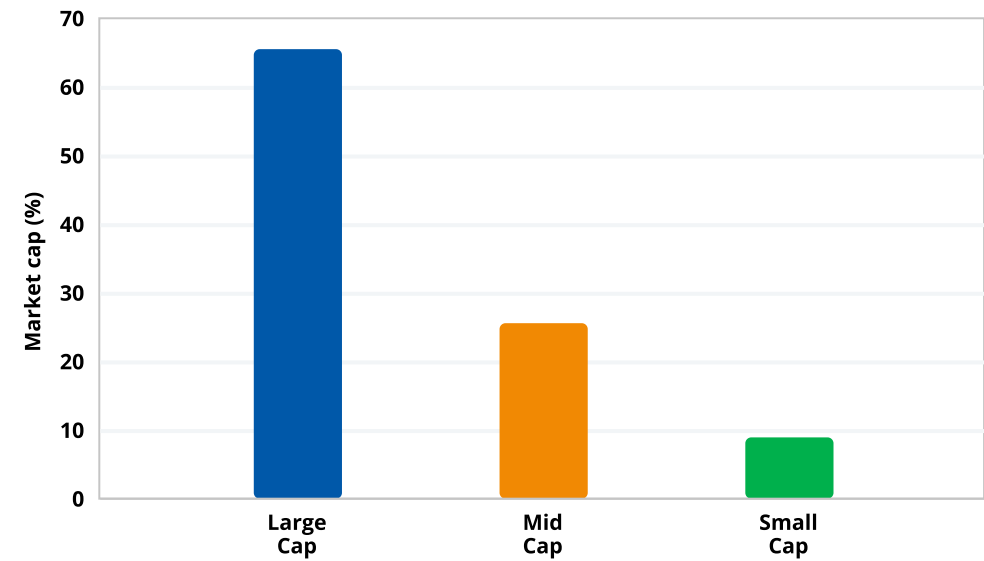
Idea generation is largely sourced internally with the screens used as an initial base to find opportunities. They are also used to monitor existing investments to ensure they remain attractive. In particular, a proprietary Quality & Value Screen ranks all stocks into quintiles. The top quintile contains shares with the highest returns on capital (highest quality) and the highest earnings yield (greatest value). The same screen is run for the UK, Europe and global markets. This global framework helps to compare assets within sectors and between them. Sizing is determined by total expected returns rather than by benchmark weighting.

AGGREGATED NET EXPOSURE

REGIONAL EXPOSURE



EQUITY MARKET CAP (%)



BOND
MATURITIES

Not Applicable



BOND
RATINGS

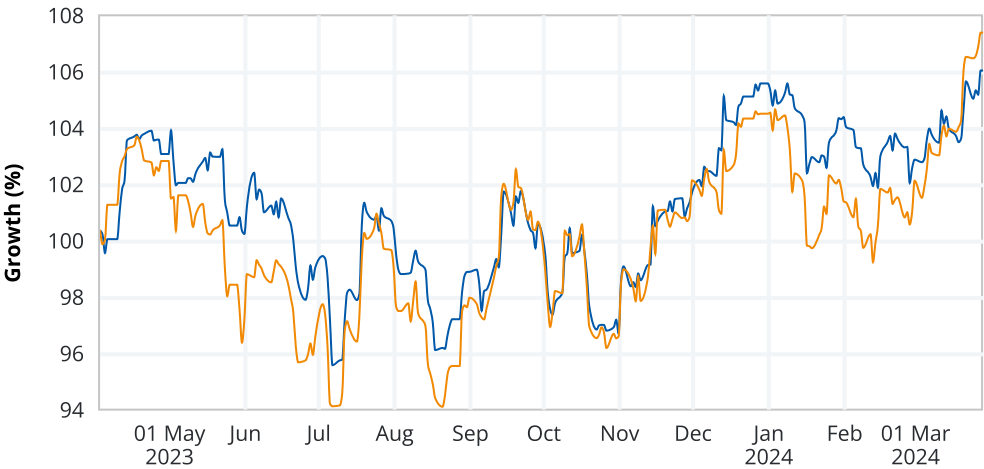
Not Applicable

OVERALL PERFORMANCE

● RATHBONE INCOME FUND-I-ACC ● UK Equity Income TR

GROWTH (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



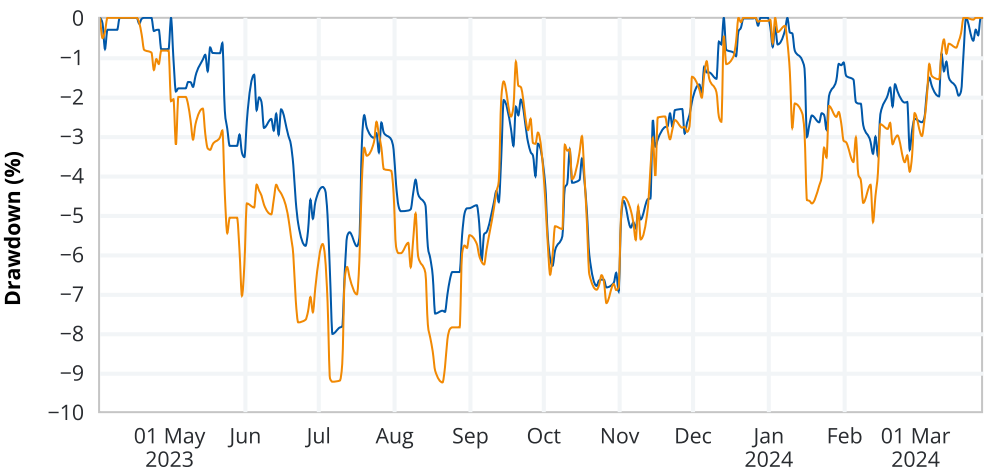
GROWTH (%) - FROM INCEPTION

19 Apr 2011 - 29 Mar 2024



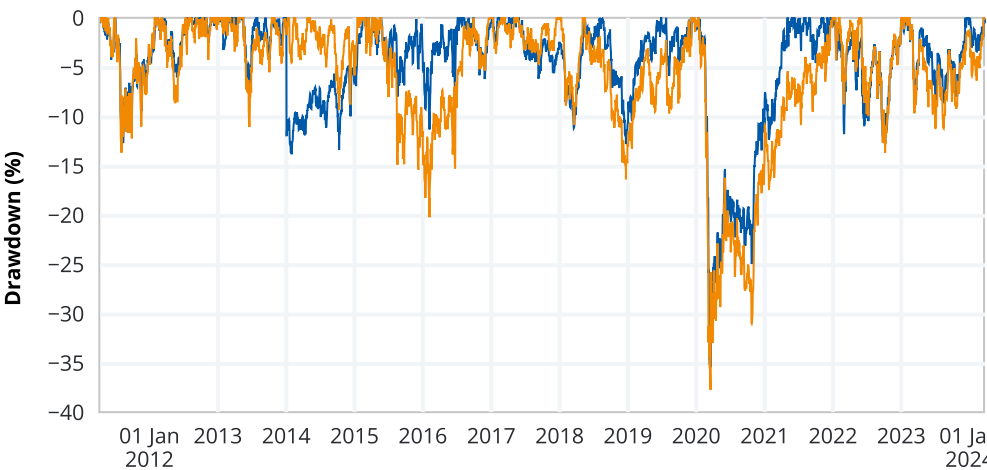
DRAWDOWN (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



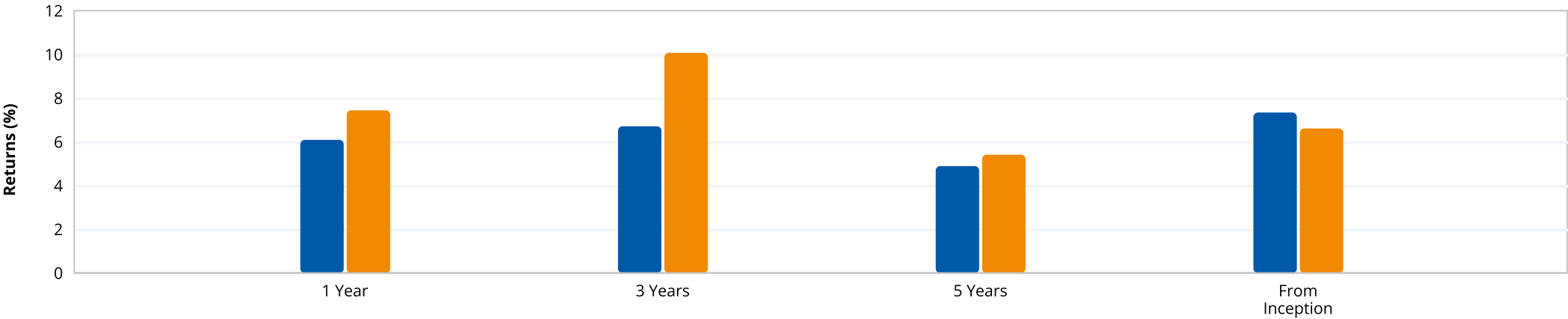
DRAWDOWN (%) - FROM INCEPTION

19 Apr 2011 - 29 Mar 2024



RETURNS

RATHBONE INCOME FUND-I-ACC UK Equity Income TR



MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	-1.20	-1.66	3.37										0.43
2023	3.41	1.99	-3.42	3.08	-2.64	-1.30	1.67	-1.80	1.72	-3.38	4.29	4.17	7.55
2022	-0.63	-1.89	1.93	0.00	0.78	-7.63	5.15	-1.61	-6.04	4.58	6.43	-0.02	0.08
2021	-0.94	2.14	6.11	2.12	3.22	-0.25	0.14	2.73	-1.43	1.28	-1.52	5.59	20.56
2020	-1.86	-10.07	-16.39	7.13	1.54	1.85	-3.34	1.54	-1.45	-3.93	15.14	2.20	-10.61
2019	3.64	2.69	2.24	1.86	-1.39	2.04	1.72	-1.34	1.46	-1.63	2.45	3.51	18.45

Capped to 6 years.

ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
RATHBONE INCOME FUND-I-ACC	6.09	6.71	4.89	7.34
UK Equity Income TR	7.44	10.07	5.41	6.61

CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
RATHBONE INCOME FUND-I-ACC	6.04	21.39	26.83	149.26
UK Equity Income TR	7.38	33.16	30.00	128.31

RATHBONE INCOME FUND-I-ACC UK Equity Income TR

PERFORMANCE - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024

RETURNS (%)	6.09	7.44
VOLATILITY (%)	10.05	11.67
ALPHA	-0.13 *	
BETA	0.78 *	1.00
CORRELATION	0.88 *	1.00
SHARPE RATIO	0.11	0.20
SORTINO RATIO	0.16	0.31
MAX DRAWDOWN (%)	-8.02	-9.25

*Calculated over a 3 year period where history permits.

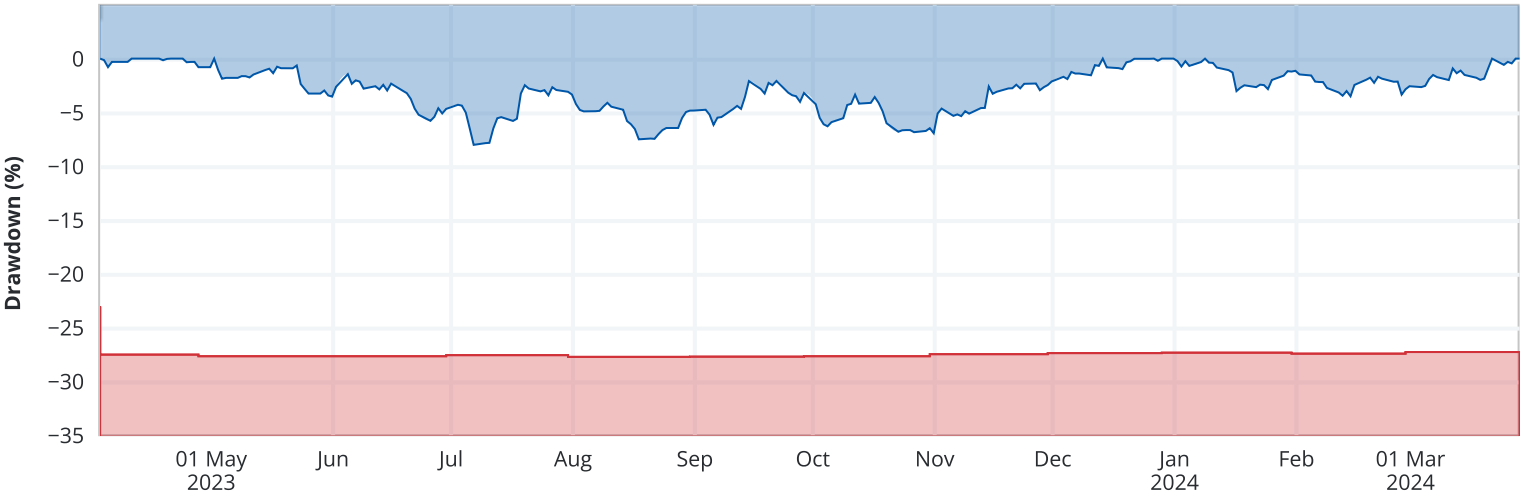
PERFORMANCE - FROM INCEPTION

19 Apr 2011 - 29 Mar 2024

RETURNS (%)	7.34	6.61
VOLATILITY (%)	14.25	16.16
ALPHA	0.14	
BETA	0.82	1.00
CORRELATION	0.91	1.00
SHARPE RATIO	0.44	0.34
SORTINO RATIO	0.60	0.47
MAX DRAWDOWN (%)	-35.45	-37.74

SIMPLE STRESS TEST DRAWDOWN (%)

3 Apr 2023 - 29 Mar 2024



Stress test notes

The chart shows the calculated drawdown over a trailing 12-month period. The Review Point is a potential intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown exceed the Review Point, then this indicates that market conditions may be abnormal. This is the point at which immediate action should be considered.

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