

# The Rathbone Recovery Fund

October 2009



## Management team

- Day to day management of the portfolio:
  - **Julian Chillingworth** - Chief Investment Officer, Large-cap
  - **Marina Bond** - Investment Manager, Mid and Small-cap
  - **Alan Dobbie** - Assistant Fund Manager, Europe.

## The Rathbone Recovery Fund

Julian Chillingworth  
Chief Investment Officer

## What is a 'recovery situation'?

"A company whose potential recovery value is not appreciated by the market"

- **Macroeconomic** recovery
- **Industry** recovery
- **Stock-specific** recovery
- **Sentiment** recovery

## Selecting recovery stocks

- **Selecting a recovery play requires:**
  1. Identifying reason for current difficulty/share price weakness, **and**
  2. Identifying potential trigger for recovery.
- **Why have the shares fallen?**
  - Macro environment
  - Industry/sector-specific issue
  - Stock-specific issue.
- **What is going to change?**
  - Macro recovery
  - Collapse of competition
  - Management change
  - Return of confidence.

## Structure of the fund

- **A long term investment vehicle**
- A fund of 50 to 60 holdings – focused list; maximum holding size 4%
- Benchmarked against the IMA All Companies sector
- No sector anchoring – stock-picking fund
- Universe of stocks available to the fund - FTSE All-Share index, AIM, FTSE Europe index
- Qualitative and quantitative assessment of the universe – management, cash-flow, debt.

**A focused fund with the freedom to invest across a wide universe**

# Case Studies

## Pace



- Set top boxes for pay TV
- Management play
- High barriers to entry
- Good top line growth
- Strong balance sheet



HIGH 209.70 4/ 8/09 LOW 36.50 18/11/08 LAST 209.70

Source: Thomson Datastream

## Approach to Balance sheet risk

- Cautious towards high levels of debt
- Rigorous analysis of covenants

...and cash flow

- stocks where we have accepted the risk
  - Cosalt
  - Melrose
- Stocks which did not qualify
  - UK Coal
  - SIG

## Carnival

- The world's largest cruise operator
- Macro recovery play
- Near-term headwinds but long-term opportunities
- Solid financial position



## **Conclusion**

Julian Chillingworth  
Chief Investment Officer

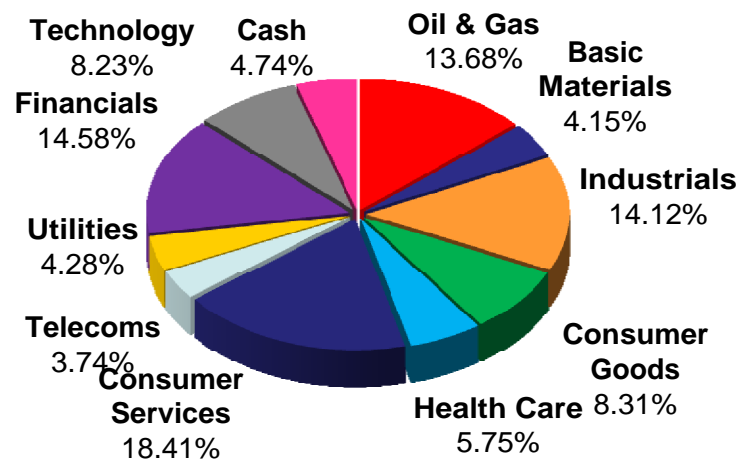
## Conclusion

- An ideal time to start a recovery fund aimed at long-term capital appreciation
- Experienced team with analytical skills covering large, mid and small companies
- Structured investment process
- A focused fund investing in Macroeconomic, Industry, Stock-specific and Sentiment recovery plays.

**The Rathbone Recovery Fund is a vehicle for all stages of the economic cycle**

# Appendix

**Sector breakdown**

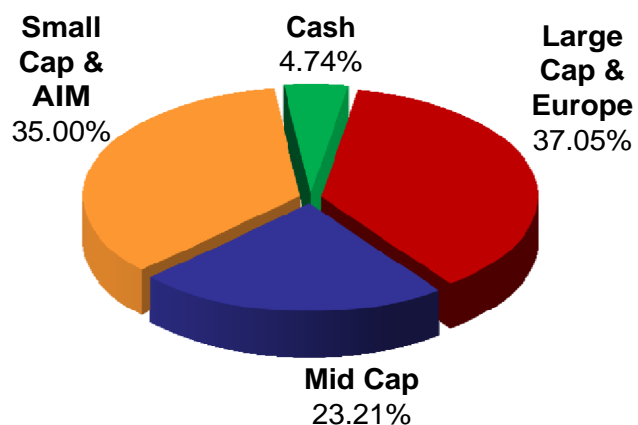


**Portfolio breakdown**

**Top 10 holdings**

Holding	%
Unilever	4.07
BG	3.46
SABMiller	3.27
Hansteen	2.84
Anglo Pacific	2.79
JKX Oil & Gas	2.79
BT	2.75
Synergy Health	2.56
Booker	2.49
Man Group	2.46

**Capitalisation split**



## IMPORTANT INFORMATION

- **The information contained in this presentation is for use by investment advisers and is not intended for circulation to clients or to the general public**
- Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment.

