RATHBONES

RATHBONE ACTIVE INCOME AND GROWTH FUND

QUARTERLY UPDATE JUNE 2025

The return of your fund over the quarter to end June was 3.5%, compared with its CPI inflation + 3% benchmark, which returned 2.5%.

We benefited from the strong recovery in equity prices after the sell-off in March and early April, as tariff fears and concerns about the disruptive effects of bootstrapped Chinese AI DeepSeek on the US technology sector subsided.

Within equities, information technology and communication service shares delivered strong double-digit returns with **Advantest** (Japanese semiconductor instruments and testing), **Nintendo** (gaming) and **Taiwan Semiconductor Manufacturing Company** (semiconductor fabrication) performing strongly. Banks and industrials also performed well while healthcare, energy and consumer staples stocks lagged themarket. **Thermo Fisher** (life sciences), **Shell** (energy) and **Procter & Gamble** (personal care) were all down over the period.

Our fund's allocation to listed infrastructure performed strongly, while fixed income returns were a net positive, with both government and corporate bonds registering low single-digit returns. Given the first quarter's strong stock market performance, our gold allocation delivered muted returns.

Portfolio update

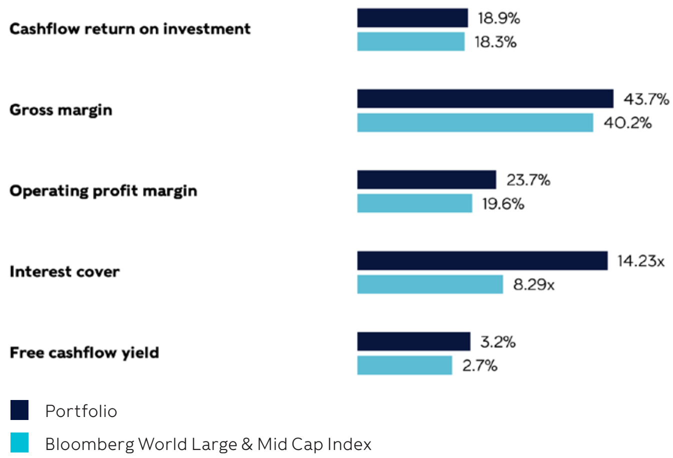
Our portfolio is still set up to benefit from continued growth in the global economy (a moderately pro-cyclical position) with 65% in equities. This is in line with our balanced view on the market outlook. We hold 24% in fixed income and cash, and 11% in diversifying assets: real estate, alternatives and gold (gold alone accounts for less than 5% of our fund).

From an asset allocation perspective, we made relatively few changes over the quarter other than to reduce cash towards the end of the month, taking it below 5% after month end. We also made a small number of adjustments to the fund's fixed income exposure, principally within investment grade credit.

Within our equity portfolio, we increased our weighting to North America by adding discount chain **BJ's Wholesale Club**, US pharmaceutical and healthcare supplies distributor **McKesson**, online investment platform **Charles Schwab** and industrial gases supplier **Linde**. We added to Europe as well (adding eyecare specialist **Alcon**) as assets sold off, and further reduced our exposure to cyclical Japanese businesses (exiting diversified chemicals business **Shine-Etsu Chemical** and tool and die maker **Amada**). Another adjustment was our sale of **Genus**, a British company that specialises in cattle and porcine genetics.

The fundamental characteristics of the stocks we own continue to rank highly, showing that we own a set of good quality companies: higher cash flow return on Investment (CFROI), better-than-average profit margins, and higher interest cover (operating profit relative to current interest payments). It also suggests we're not overpaying for them either – they tend to have a higher free cashflow (FCF) yield than the market, meaning we are receiving more cashflow for each pound we invest than the Bloomberg World Large and Mid Cap Index we compare our stocks with.

EQUITY CHARACTERISTICS



Source: Rathbones, UBS HOLT

Market outlook

As the self-imposed tariff deadline of 9 July loomed, America's trade negotiations seemed a mixed bag. It had agreed limited deals with the UK and China, but details on progress with most other nations were patchy.

The UK bartered the complete removal of tariffs on American beef and ethanol for lessened tariffs to the US for automotive and aerospace exports. At the time of writing, British steel and aluminium were still subject to 25% tariffs – and this was set to double if a separate agreement can't be made before 9 July.

Meanwhile, China will ease restrictions on much-needed rare earth metals in return for the US dispensing with some export controls. The finer points of this quid pro quo are yet to be revealed. For the UK, it means most goods exports will incur a tariff of *just* 10%. Before President Donald Trump's 'reciprocal' tariffs, the average tariff for UK imports was somewhere around 3%. And once the dust settled, for now China will be charged roughly 55% tariffs – infinitely better than the 145% at the height of escalation, but still multiples of the 10% baseline US tariff.

Performance review

	3 months	6 months	1 year	3 years	5 years
Rathbone Active Income and Growth Fund	3.5%	3.0%	5.5%	21.9%	33.5%
UK Consumer Price Index +3%	2.5%	4.0%	6.5%	25.2%	47.9%

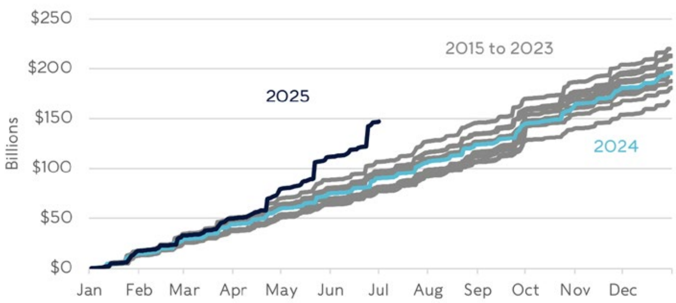
	30 Jun 24-30 Jun 25	30 Jun 23-30 Jun 24	30 Jun 22-30 Jun 23	30 Jun 21-30 Jun 22	30 Jun 20-30 Jun 21
Rathbone Active Income and Growth Fund	5.5%	11.3%	3.8%	-5.3%	15.5%
UK Consumer Price Index +3%	6.5%	5.1%	12.0%	12.3%	5.2%

Source: FE Analytics; data to 30 June, mid price to mid price

These figures refer to past performance, which isn't a reliable indicator of future returns.

Negotiations were continuing without result with the European Union, Canada, Japan and scores more nations. The White House had said it expected to complete 10 before 9 July. Then, on the eve of the deadline, Trump kicked back the date that 'reciprocal' tariffs would take effect to 1 August. Negotiations would continue in the meantime. But, for now, a torrent of tariffs is flowing to the US government.

SIGNIFICANTLY MORE TARIFF RECEIPTS ARE FLOWING TO THE US



Source: Penn Wharton Budget Model based on US Treasury data; cumulative customs and excise tax receipts for years 2015 to 2025, adjusted for inflation

The dollar has dropped considerably so far this year: it's fallen roughly 10% against the pound and by a little more against the euro. It is one of the only markets that hasn't shrugged off the tariff uncertainty and passage of the One Big Beautiful Bill Act which is estimated to add $3.4 trillion to the US deficit.

Most of this punchy increase in government spending comes from simply removing the December 2025 expiry from the household tax cuts from Trump's first term (the Tax Cuts and Jobs Act). If you remove that, the act would actually *reduce* the deficit by $400 billion. This new act contains a lot and it's unclear exactly how it will feed through to economic growth and inflation. The US Federal Reserve will no doubt want to wait to see the effect of higher tariffs, greater federal deficits and a lower tax burden before cutting interest rates again.

Investors believe that caution will linger: according to interest rate markets, the chance of a quarter-percentage-point cut to rates in July is just 5%. Another cut isn't fully priced in until October.

Stock spotlight

RELX: From academic publisher to AI-enabled data analytics engine

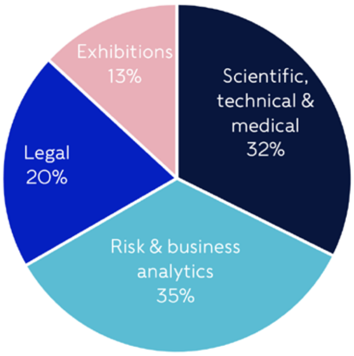
In the 30 years since RELX was formed by combining a British trade publisher and a Dutch scientific journals business, it has become unrecognisable.

Formerly known as Reed Elsevier, London-listed RELX has steadily evolved from a producer of printed journals and academic research papers to a digital platform that incorporates information-based analytics and decision-support tools. Over more than a century, RELX and its precursors amassed a collection of profitable niches for professions like law, science and engineering. These magazines and journals were where best practice was forged and innovation shared.

However, the modern company avoided the temptation to become complacent. RELX realised that it wasn't necessarily in the publication game. Publishing was just a means to an end. What makes RELX useful – even indispensable – to its customers is the information it conveys: whether that helps to provide better results for their own clients or more efficient practices for shareholders.

This attitude allowed RELX to make the jump into the digital realm that so many other legacy publishers failed to do successfully. Rather than continue doing what it always had, it found new ways of delivering this information in ever better forms. While the customers and industries that RELX works with are diverse, the consistent theme throughout is helping customers by combining high-quality content and data with advanced technologies.

HOW RELX MAKES ITS MONEY



Source: RELX, Rathbones; proportions of 2024 sales, rounding means total is less than 100%

In risk and business analytics, RELX provides insurance customers with the most comprehensive personal loss history database in the US to help underwrite insurance business. In scientific, technical and medical, it owns a portfolio of leading scientific and healthcare journals such as The Lancet and The Cell, which are essential resources for both education and dissemination of breakthrough discoveries. The value is enhanced by offering tools to physicians, nurses, and pharmacists to organise and understand the corpus of knowledge of their field.

The company has assembled difficult to replicate data assets, combining proprietary, public and third-party data. Even on a standalone basis those datasets would be invaluable to its customers, but RELX transforms them into insights that are directly actionable.

The sale of those analytics and insights to customers has three main benefits for RELX:

1. Customers are prepared to pay far more for insights than they do for raw data; raw data requires costly analysis, while insights can be fed directly into a decision-making process
2. Customers integrate those insights into their own workflows making RELX a trusted partner; replacing RELX's solutions is costly and risky, which means customers rarely switch providers
3. While RELX charges more for solutions than it could if it were only to sell data, the cost of these tools often represents less than 1% of a customer's total cost base and has significant efficiencies on the remaining 99%

It's all too easy for companies to fall into the trap of chasing better financial results by focusing on the ability to extract more value out of customers by simply charging them more for the same thing. But in doing so, companies run the risk of forgetting the importance of improving what they deliver for customers to create more value that can be shared.

RELX continues to forge ahead with the best tools it can find. It invested significantly and early into AI to help get the most out of the data it collects and make it more useful to its customers. We think this new technology should be a blessing, not a curse to RELX.

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For more info on our fund, including factsheets, performance and fund manager views, please click here.

Please seek advice from an authorised financial adviser before investing in the fund. This fund is only available to UK charities.

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