

Rathbones

Look forward

Rathbone Strategic Bond Fund

Interim report for the half year ended 31 December 2018



Rathbone Strategic Bond Fund

Authorised Fund Manager (the Manager)

Rathbone Unit Trust Management Limited
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**A member of the Rathbone Group
Authorised and regulated by the
Financial Conduct Authority and member
of The Investment Association**

Dealing office

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Registrar

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Financial Conduct Authority**

Independent Auditor

Deloitte LLP
Statutory Auditor
110 Queen Street
Glasgow G1 3BX

Directors of the Manager

PL Howell – Chairman
MM Webb – Chief Executive Officer
JR Chillingworth – Chief Investment Officer
JM Ardouin – Finance Director
CRC Hexton
RP Lanyon (retired 30 November 2018)
CR Stick
JG Thomson
BN Jones

Administrator

HSBC Securities Services
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Trustee

NatWest Trustee and Depositary Services Limited
250 Bishopsgate
London EC2M 4AA
**Authorised and regulated by the
Financial Conduct Authority**

Manager's report for the half year ended 31 December 2018

In the six months to 31 December 2018, the fund returned -0.88%, compared with the IA Sterling Strategic Bond sector's -0.91%.

The FTSE Actuaries UK Conventional Gilts 5-15 Years index gained 1.50% over the period, while the iBoxx UK Sterling Non-Gilts All Maturities index fell 0.22%.

If you bought some gilts six months ago and then went on holiday, you would have returned on New Year's Day to find your investment exactly where you left it. You would also be wondering why everyone was so stressed! The 10-year yield on UK government bonds was 1.28% on 30 June 2018; it was 1.28% when the year closed out. A lot went on in between...

Riskier credit markets have been wobbly for a while, perhaps foreshadowing the hefty correction in developed stock markets in the fourth quarter of the year. First there was trouble among some emerging market debtors as US interest rates were rapidly raised, substantially increasing the borrowing costs for many nations. Then there were some ripples through corporate bond markets, especially high yield credit, as commodity prices bounced around. Finally, a few factors combined to send markets of all stripes significantly lower. First, the US Federal Reserve misspoke, saying its run-down of quantitative easing was on "autopilot". That pushed government bond yields sharply higher, which, accompanied by a few bad US data points and increasingly fraught Sino-American trade talks, sent markets tumbling. Since then most data have been ok, particularly in the US, but the mood among investors has been decidedly mopey.

Talk has come round to the chances of an American recession in 2019. For us, the chances are pretty slim as things stand. However, markets have a habit of becoming self-fulfilling prophesies, so we are keeping a watchful eye on a few choice indicators.

Early in the period, we did some tactical trading of the Gilt 1.625% 2028. Making the most of gilt volatility during August, we bought these bonds as prices fell (yields rose) and sold them when prices rose (yields fell). In fact, we did quite a lot of tactical (shorter-term) trading in gilt markets. The largest of these were the Treasury 1½% Index-Linked 2022, the Treasury 4.75% 2030 and 1.75% Gilt 2037.

We sold the Cheyne Select Global Credit Fund in October. This credit fund completely eliminates its duration risk (sensitivity to interest rates) through hedging. We used the proceeds to buy more duration, or longer-dated bonds with lower coupons.

Late in the period, we sold the GAM Multibond Emerging Markets Bond Fund after the manager left the company. We replaced it with the Barings Emerging Markets Debt Blended Total Return Fund, which is more flexible and can buy local and hard-currency debts, as well as corporate bonds.

As the year wound down and Christmas approached, we bought a reasonable amount of T-Bills, short-term UK government debt that is similar to holding cash. We did this to ensure we had enough liquid assets over the generally illiquid holiday season.

We continue to deliver decent returns in varying markets, so we're pleased with how your fund has been performing.

Despite reasonable data out of the UK and the US, investors are still fixated on the bum notes out there. Markets are fickle things and they have proved the rule again this time round. The reaction to recent events and US Federal Reserve comments has been extreme. Yes, there are risks around the world: a heavily indebted China is slowing, most Western governments are inept and the tide of monetary policy is turning. But many of these risks have been hanging around for years.

Another risk we have been pondering is whether market volatility may upend refinancing for some companies. Weaker firms that need to roll over debts could find the market demands steeply higher rates or – even worse – takes a giant step back and refuses to buy the debt, leaving them with no cash and large balloon payments to make. Both scenarios would reverberate through to secondary credit markets. It could lead to dislocations in credit markets that make for rough times. We think that's the next big risk for bond markets: if a big player struggles to refinance and it causes a panic. We're not expecting this to happen in the next 12 months, but we're staying alert in case it does.

Bryn Jones
Fund Manager
22 January 2019

David Coombs
Fund Manager

Net asset value per unit and comparative tables

R-Class income units**

	31.12.18 pence per unit	30.06.18 pence per unit	30.06.17 pence per unit	30.06.16 pence per unit
Change in net assets per unit				
Opening net asset value per unit	n/a	n/a	n/a	104.24p
Return before operating charges*	n/a	n/a	n/a	(102.83p)
Operating charges	n/a	n/a	n/a	(1.41p)
Return after operating charges*	n/a	n/a	n/a	(104.24p)
Distributions on income units	n/a	n/a	n/a	—
Closing net asset value per unit	n/a	n/a	n/a	0.00p
*after direct transactions costs ¹ of:	n/a	n/a	n/a	0.00p

¹ Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

Performance

Return after charges	n/a	n/a	n/a	—
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Other information

Closing net asset value	n/a	n/a	n/a	—
Closing number of units	n/a	n/a	n/a	—
Operating charges	n/a	n/a	n/a	0.00%
Direct transaction costs	n/a	n/a	n/a	0.00%

Prices

Highest unit price	n/a	n/a	n/a	106.74p
Lowest unit price	n/a	n/a	n/a	103.74p

Ongoing Charges Figure

UCITS	n/a	n/a	n/a	0.00%
PRIIPs***	n/a	n/a	n/a	—

** R-Class closed on 30 September 2015.

*** The OCF includes the charges for the underlying funds held in the product. From April 2018, the Ongoing Charges Figure has been calculated according to PRIIPs regulations, which came into effect on 1 January 2018. Holdings are based on six monthly accounts. Changes to fund holdings within this period may result in higher or lower operating charges.

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

R-Class accumulation units**

	31.12.18 pence per unit	30.06.18 pence per unit	30.06.17 pence per unit	30.06.16 pence per unit
Change in net assets per unit				
Opening net asset value per unit	n/a	n/a	n/a	117.62p
Return before operating charges*	n/a	n/a	n/a	(116.03p)
Operating charges	n/a	n/a	n/a	(1.59p)
Return after operating charges*	n/a	n/a	n/a	(117.62p)
Distributions on accumulation units	n/a	n/a	n/a	—
Retained distributions on accumulation units	n/a	n/a	n/a	—
Closing net asset value per unit	n/a	n/a	n/a	0.00p

*after direct transactions costs¹ of: n/a n/a n/a 0.00p

¹ Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

Performance

Return after charges	n/a	n/a	n/a	—
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Other information

Closing net asset value	n/a	n/a	n/a	—
Closing number of units	n/a	n/a	n/a	—
Operating charges	n/a	n/a	n/a	0.00%
Direct transaction costs	n/a	n/a	n/a	0.00%

Prices

Highest unit price	n/a	n/a	n/a	120.16p
Lowest unit price	n/a	n/a	n/a	117.06p

Ongoing Charges Figure

UCITS	n/a	n/a	n/a	0.00%
PRIIPs***	n/a	n/a	n/a	—

** R-Class closed on 30 September 2015.

*** The OCF includes the charges for the underlying funds held in the product. From April 2018, the Ongoing Charges Figure has been calculated according to PRIIPs regulations, which came into effect on 1 January 2018. Holdings are based on six monthly accounts. Changes to fund holdings within this period may result in higher or lower operating charges.

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

I-Class income units

	31.12.18 pence per unit	30.06.18 pence per unit	30.06.17 pence per unit	30.06.16 pence per unit
Change in net assets per unit				
Opening net asset value per unit	114.45p	115.77p	110.18p	109.91p
Return before operating charges*	(0.57p)	2.85p	9.89p	4.63p
Operating charges	(0.32p)	(0.66p)	(0.68p)	(0.66p)
Return after operating charges*	(0.89p)	2.19p	9.21p	3.97p
Distributions on income units	(1.98p)	(3.51p)	(3.62p)	(3.70p)
Closing net asset value per unit	111.58p	114.45p	115.77p	110.18p
*after direct transactions costs ¹ of:	0.00p	0.00p	0.00p	0.00p

¹ Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

Performance

Return after charges	(0.78%)	1.89%	8.36%	3.61%
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Other information

Closing net asset value	£62,287,485	£57,639,778	£48,102,131	£41,322,159
Closing number of units	55,822,810	50,361,305	41,550,258	37,503,850
Operating charges	0.71%	0.75%	0.79%	0.86%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices

Highest unit price	115.68p	118.46p	117.96p	111.79p
Lowest unit price	112.53p	115.33p	110.44p	106.58p

Ongoing Charges Figure

UCITS	0.71%	0.75%	0.79%	0.86%
PRIIPs**	0.81%	0.82%	—	—

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

I-Class accumulation units

	31.12.18 pence per unit	30.06.18 pence per unit	30.06.17 pence per unit	30.06.16 pence per unit
Change in net assets per unit				
Opening net asset value per unit	142.63p	139.97p	129.18p	124.43p
Return before operating charges*	(0.72p)	3.47p	12.06p	6.60p
Operating charges	(0.40p)	(0.81p)	(0.80p)	(0.75p)
Return after operating charges*	(1.12p)	2.66p	11.26p	5.85p
Distributions on accumulation units	(2.48p)	(4.29p)	(4.77p)	(5.48p)
Retained distributions on accumulation units	2.48p	4.29p	4.30p	4.38p
Closing net asset value per unit	141.51p	142.63p	139.97p	129.18p

*after direct transactions costs¹ of: 0.00p 0.00p 0.00p 0.00p

¹ Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

Performance

Return after charges (0.79%) 1.90% 8.72% 4.70%

Other information

Closing net asset value	£81,806,703	£58,450,073	£39,543,803	£9,800,952
Closing number of units	57,810,296	40,980,919	28,251,110	7,587,189
Operating charges	0.71%	0.75%	0.79%	0.86%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices

Highest unit price	143.94p	144.54p	141.41p	129.71p
Lowest unit price	141.41p	140.03p	129.33p	122.46p

Ongoing Charges Figure

UCITS	0.71%	0.75%	0.79%	0.86%
PRIIPs**	0.81%	0.82%	—	—

** The OCF includes the charges for the underlying funds held in the product. From April 2018, the Ongoing Charges Figure has been calculated according to PRIIPs regulations, which came into effect on 1 January 2018. Holdings are based on six monthly accounts. Changes to fund holdings within this period may result in higher or lower operating charges.

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

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.

Discrete annual performance, quarter ending 31 December 2018

	2014	2015	2016	2017	2018
I-Class units	5.77%	-0.03%	8.48%	6.34%	-1.36%
IA Sterling Strategic Bond sector	6.09%	-0.19%	7.33%	5.31%	-2.49%

Source performance data Financial Express, bid to bid, net income re-invested.

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.

Portfolio and net other assets as at 31 December 2018

Holding (Bonds unless otherwise stated)		Value £	Percentage of total net assets
United Kingdom (30.06.18: 55.32%)			
Government Bonds (30.06.18: 18.51%)			
£2,000,000	UK Treasury 0% 2019	1,999,380	1.39
£1,000,000	UK Treasury 0% 2019	999,220	0.69
£7,000,000	UK Treasury 0% 2019	6,992,510	4.85
£2,100,000	UK Treasury 0% 2019	2,096,808	1.46
£3,800,000	UK Treasury 0% 2019	3,792,894	2.63
£1,200,000	UK Treasury 0% 2019	1,197,192	0.83
£2,000,000	UK Treasury 0.5% 2022	1,979,280	1.37
£1,000,000	UK Treasury 0.75% 2023	993,330	0.69
£980,000	UK Treasury 1% 2024	982,038	0.68
£2,500,000	UK Treasury 1.5% 2021	2,537,375	1.76
£1,000,000	UK Treasury 1.625% 2028	1,032,170	0.72
		24,602,197	17.07
Government Index-Linked Bonds (30.06.18: 3.78%)			
£2,250,000	UK Treasury 1.875% Index-Linked 2022	3,633,663	2.52
£950,000	UK Treasury 2.5% Index-Linked 2020	3,407,099	2.36
£540,000	UK Treasury 2.5% Index-Linked 2024	1,966,939	1.37
		9,007,701	6.25
Mortgage Bonds (30.06.18: 1.24%)			
£200,000	Alba floating rate notes 2039	138,981	0.10
£300,000	Eurohome UK Mortgages 2007 floating rate notes 2044	86,867	0.06
£250,000	Eurohome UK Mortgages floating rate notes 2044	213,894	0.15
£500,000	Moorgate floating rate notes 2050	498,738	0.35
£300,000	RMAC Securities floating rate notes 2044	172,559	0.12
		1,111,039	0.78
Supranational Bonds (30.06.18: 0.11%)			
Corporate Bonds (30.06.18: 28.28%)			
£318,000	A2Dominion Housing Group 3.5% 2028	322,267	0.22
£300,000	Aviva 4.375% VRN 2049	273,759	0.19
£500,000	Aviva 5.9021% VRN perp	502,188	0.35
£500,000	Aviva 6.875% VRN 2058	556,590	0.39
£119,000	Barclays 3.25% 2027	114,014	0.08
£400,000	Barclays 3.25% 2033	350,826	0.24
£667,000	British Telecommunications 3.125% 2031	640,258	0.44
£100,000	Bruntwood 6% 2020	102,208	0.07

Portfolio and net other assets as at 31 December 2018 *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets	
£550,000	BUPA Finance 5% 2026	575,766	0.40
£600,000	Burford Capital 6.125% 2024	634,650	0.44
£500,000	Channel Link FRN 2050	419,304	0.29
£100,000	Channel Link 3.043% VRN 2050	98,270	0.07
£250,000	Clerical Medical Finance 7.375% VRN perp	255,510	0.18
£316,000	Close Brothers Group 2.75% 2023	313,658	0.22
£650,000	Close Brothers Group 4.25% 2027	669,240	0.46
£725,000	Coventry Building Society 1.875% 2023	699,453	0.49
£1,000,000	Coventry Building Society 6.375% VRN perp	986,900	0.68
£250,000	CYBG 3.125% VRN 2025	228,358	0.16
£200,000	EI Group 7.5% 2024	200,000	0.14
£500,000	Enterprise Inns 6.375% 2031	539,429	0.37
£350,000	Eversholt Funding 5.831% 2020	375,935	0.26
£400,000	Finance for Residential Social Housing 8.569% 2058	402,268	0.28
£347,000	Grainger 3.375% 2028	341,221	0.24
£45,000	HBOS 5.75% VRN perp	42,300	0.03
£200,000	Intermediate Capital 5% 2023	204,738	0.14
£1,600,000	Investec 4.5% 2022	1,664,966	1.16
£740,000	Investec Bank 4.25% VRN 2028	718,577	0.50
£200,000	J Sainsbury 6.5% VRN Perp	209,060	0.15
£600,000	John Lewis 4.25% 2034	494,520	0.34
£1,000,000	John Lewis 8.375% 2019	1,014,900	0.70
£500,000	JRP Group 9% 2026	571,875	0.40
£450,000	Just Group 3.5% 2025	414,180	0.29
£50,000	Ladbrokes 5.125% 2022	50,920	0.04
£597,000	Ladbrokes Coral 5.125% 2023	604,761	0.42
£887,000	Leeds Building Society 3.75% VRN 2029	776,125	0.54
£335,000	Legal & General 5.125% VRN 2048	331,546	0.23
£125,000	Legal & General 5.375% VRN 2045	128,601	0.09
£1,072,000	Legal & General 5.875% VRN perp	1,071,142	0.74
£832,000	Liverpool Victoria Friendly Social 6.5% VRN 2043	872,872	0.61
£400,000	Lloyds Bank 13% Var perp	642,500	0.45
£500,000	Metro Bank 5.5% VRN 2028	433,450	0.30
£310,000	Nationwide Building Society 5.769% perp	320,205	0.22
£900,000	Nationwide Building Society 6.875% VRN perp	906,210	0.63
£1,100	Nationwide Building Society 10.25% VRN Perp	153,670	0.11
£400,000	Paragon 6% 2020	413,869	0.29
£788,000	Paragon Banking Group 6% 2024	820,852	0.57
£600,000	Partnership Life Assurance 9.5% 2025	634,272	0.44
£900,000	Pension Insurance 5.625% 2030	852,137	0.59

Portfolio and net other assets as at 31 December 2018 *(continued)*

Holding (Bonds unless otherwise stated)		Value £	Percentage of total net assets
£650,000	Pension Insurance 6.5% 2024	691,782	0.48
£600,000	Pension Insurance 8% 2026	681,330	0.47
£640,000	Places for People 1% Index-Linked 2022	764,506	0.53
£1,000,000	Places for People Homes 3.625% 2028	1,001,641	0.70
£250,000	Places for People 4.25% 2023	255,806	0.18
£833,000	Principality Building Society 2.375% 2023	806,935	0.56
£1,000,000	Principality Building Society 7% VRN perp	1,006,200	0.70
£878,000	Prudential 5.625% VRN 2051	874,285	0.61
£500,000	Prudential 6.25% VRN 2068	487,724	0.34
£400,000	Royal Bank Scotland 7.64% VRN perp	279,366	0.19
£400,000	RL Finance 6.125% 2028	423,567	0.29
£400,000	RL Finance 6.125% VRN 2043	432,657	0.30
£1,000,000	Rothsay Life 6.875% VRN perp	941,900	0.65
£600,000	Rothsay Life 8% 2025	679,206	0.47
£750,000	RSA Insurance 5.125% VRN 2045	771,808	0.54
£131,000	Sainsburys Bank 6% VRN 2027	128,328	0.09
£1,100,000	Santander UK Group 2.92% VRN 2026	1,056,919	0.73
£300,000	Santander UK Group 3.625% 2026	302,488	0.21
£300,000	Scottish Widows 5.5% 2023	324,040	0.22
£300,000	Skipton Building Society 1.75% 2022	287,871	0.20
£68,000	Tesco 4.875% 2042	70,577	0.05
£726,000	Tesco Personal Finance 1% Index-Linked 2019	864,521	0.60
£400,000	Tesco Property Finance 7.6227% 2039	460,606	0.32
£1,019,000	TSB Banking Group 5.75% VRN 2026	995,930	0.69
£709,000	Yorkshire Building Society 3.375% VRN 2028	608,441	0.42
£109,000	Yorkshire Building Society 5.649% VRN perp	103,550	0.07
		39,252,304	27.25
Collective Investment Schemes (30.06.18: 2.63%)			
3,106,137	M&G Global Macro Bond Fund*	2,984,377	2.07
Equities (30.06.18: 0.77%)			
689,000	Santander 6.222% VRN perp	675,220	0.47
125,000	Santander UK 10.375% preference perp	188,750	0.13
		863,970	0.60
Warrants (30.06.18: 0.00%)			
6,661	Premier Oil Warrants 2021	4,426	0.00
Total United Kingdom		77,826,014	54.02

Portfolio and net other assets as at 31 December 2018 *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
Australia (30.06.18: 0.19%)		
Corporate Bonds (30.06.18: 0.19%)		
£200,000 AMP Finance 6.875% 2022	213,986	0.15
Bermuda (30.06.18: 1.85%)		
Corporate Bonds (30.06.18: 1.39%)		
£584,000 Hiscox Limited 2% 2022	569,628	0.40
£940,000 Hiscox Limited 6.125% VRN 2045	963,547	0.67
	1,533,175	1.07
Equity Investment Instruments (30.06.18: 0.46%)		
700,000 CATCo Reinsurance Opportunities Fund	219,849	0.15
Total Bermuda		1,753,024
Canada (30.06.18: 0.86%)		
Corporate Bonds (30.06.18: 0.86%)		
£1,000,000 National Bank of Canada floating rate notes 2021	999,989	0.69
Cayman Islands (30.06.18: 0.34%)		
Corporate Bonds (30.06.18: 0.34%)		
£200,000 Phoenix Group Holdings 5.375% 2027	135,147	0.09
£273,000 Phoenix Group Holdings 5.75% VRN perp	220,366	0.15
Total Cayman Islands		355,513
Channel Islands (30.06.18: 7.37%)		
Corporate Bonds (30.06.18: 2.06%)		
£804,000 Beazley 5.375% 2019	807,346	0.56
£500,000 Burford Capital 5% 2026	495,005	0.34
£513,000 CPUK Finance 3.69% 2028	520,095	0.36
£720,000 Hastings Group Finance 3% 2025	672,742	0.47
£289,000 HBOS Sterling Finance (Jersey) 7.881% VRN perp	391,595	0.27
£750,000 HSBC Bank 5.844% VRN perp	891,688	0.62
£675,000 Rothschilds 9% perp	826,875	0.57
	4,605,346	3.19

Portfolio and net other assets as at 31 December 2018 *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
Non-Equity Investment Trusts (30.06.18: 5.31%)		
3,140,000 Chenavari Toro	2,113,785	1.47
900,000 CVC Credit Partners European Opportunities	967,500	0.67
1,697,550 Hadrians Wall Secured Investment Fund	1,604,185	1.11
566,645 SQN Asset Finance Income Fund 'C'	504,597	0.35
608,981 SQN Asset Finance Income Fund	587,058	0.41
	5,777,125	4.01
Total Channel Islands	10,382,471	7.20
France (30.06.18: 1.18%)		
Corporate Bonds (30.06.18: 1.18%)		
£800,000 BPCE SA 5.25% 2029	899,876	0.62
£500,000 Credit Agricole Assurances 4.5% VRN perp	447,188	0.31
Total France	1,347,064	0.93
Ireland (30.06.18: 12.15%)		
Collective Investment Schemes (30.06.18: 9.84%)		
19,000 Algebris Macro Credit Fund*	1,880,050	1.30
35,000 Angel Oak Multi Strategy Income Fund*	3,468,528	2.41
30,000 Barings Emerging Markets Debt Blended Total Return Fund*	2,953,500	2.05
1,900,000 BNY Mellon Global Short Dated High Yield Bond Fund*	1,995,380	1.38
7,450 Legg Mason Western Asset US Core Plus Bond Fund*	603,850	0.42
20,000 Muzinich Asia Credit Opportunities Fund*	1,843,600	1.28
170,000 PIMCO GIS Global Investment Fund*	2,227,000	1.55
2,350,000 Royal London Short Duration Global High Yield Bond Fund 'Z'*	2,050,610	1.42
	17,022,518	11.81
Corporate Bonds (30.06.18: 2.31%)		
£1,000,000 Ballsbridge Repackaging 0% VRN perp	973,867	0.68
£270,000 Beazley Re 5.875% 2026	205,108	0.14
£550,000 PGH Capital 4.125% 2022	544,110	0.38
£874,000 PGH Capital 6.625% 2025	888,523	0.62
	2,611,608	1.82
Total Ireland	19,634,126	13.63

Portfolio and net other assets as at 31 December 2018 *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
Luxembourg (30.06.18: 9.50%)		
Collective Investment Schemes (30.06.18: 9.50%)		
33,500 Ashmore SICAV Emerging Markets Short Duration Fund*	3,452,175	2.40
145,000 Investec Global Strategy Fund*	2,795,600	1.94
8,500 JP Morgan Income Opportunities Fund*	835,805	0.58
12,500 NN (L) Global Convertible Opportunities Fund*	1,268,250	0.88
2,000 RWC Core Plus Fund*	1,173,626	0.81
750 RWC Global Convertibles Fund*	567,504	0.39
1,450 TCW Funds MetWest Unconstrained Bond IGHG*	1,306,190	0.91
Total Luxembourg	11,399,150	7.91
Netherlands (30.06.18: 0.38%)		
Corporate Bonds (30.06.18: 0.38%)		
£700,000 Rabobank 6.91% VRN perp	947,065	0.66
Norway (30.06.18: 0.47%)		
Corporate Bonds (30.06.18: 0.47%)		
\$1,000,000 DNB Bank ASA FRN perp	499,520	0.35
Singapore (30.06.18: 0.25%)		
Government Bonds (30.06.18: 0.25%)		
SGD 500,000 Government of Singapore 3% 2024	304,797	0.21
United States (30.06.18: 2.94%)		
Corporate Bonds (30.06.18: 1.18%)		
\$300,000 BAC Capital Trust 4% VRN perp	167,553	0.12
\$324,000 DXC Technology 2.75% 2025	312,547	0.22
\$200,000 Goldman Sachs 3.125% 2029	192,128	0.13
	672,228	0.47
Other Bonds (30.06.18: 1.76%)		
\$2,800,000 RBC Capital Markets New Issue USD notes 2021	2,148,147	1.49
Total United States	2,820,375	1.96

Portfolio and net other assets as at 31 December 2018 *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
Forward Foreign Exchange Contracts (30.06.18: (0.07%))		
Buy £3,291,524, Sell €3,657,772	1,581	0.00
Buy £4,117,143, Sell \$5,388,294	(101,228)	(0.07)
Total Forward Foreign Exchange Contracts	(99,647)	(0.07)
Total value of investments (30.06.18: 93.07%)	128,383,447	89.10
Net other assets (30.06.18: 6.93%)	15,710,741	10.90
Total value of the fund as at 31 December 2018	144,094,188	100.00

Countries eliminated since the beginning of the period:

South Korea 0.34%

* Collective Investment Schemes

VRN = Variable Rate Note

perp = perpetual

FRN = Floating Rate Note

Summary of portfolio investments

	Value £	Percentage of total net assets
Debt Securities	90,211,679	62.62
Equity Securities	863,970	0.60
Pooled Investment Vehicles	37,403,019	25.95
Warrants	4,426	0.00
Derivatives	(99,647)	(0.07)
Total value of investments	128,383,447	89.10

Statement of total return for the half year ended 31 December 2018

	31.12.18 £	31.12.18 £	31.12.17 £	31.12.17 £
Income				
Net capital (losses)/gains		(3,129,728)		1,125,121
Revenue	2,210,870		1,435,254	
Expenses	(357,438)		(282,986)	
Interest payable and similar charges	(227)		(21)	
Net revenue before taxation	1,853,205		1,152,247	
Taxation	(707)		–	
Net revenue after taxation		1,852,498		1,152,247
Total return before distributions		(1,277,230)		2,277,368
Distributions		(2,213,967)		(1,435,284)
Change in net assets attributable to unitholders from investment activities		(3,491,197)		842,084

Statement of change in net assets attributable to unitholders for the half year ended 31 December 2018

	31.12.18 £	31.12.18 £	31.12.17 £	31.12.17 £
Opening net assets attributable to unitholders		116,089,851		87,645,934
Amounts receivable on issue of units	33,148,128		20,239,801	
Amounts payable on cancellation of units	(2,924,883)		(2,285,531)	
		30,223,245		17,954,270
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		(3,491,197)		842,084
Retained distributions on accumulation units		1,272,289		735,777
Closing net assets attributable to unitholders		144,094,188		107,178,065

Balance sheet as at 31 December 2018

	31.12.18 £	31.12.18 £	30.06.18 £	30.06.18 £
Assets				
Fixed assets:				
Investments		128,484,675		108,149,175
Current assets:				
Debtors	2,417,949		1,057,851	
Cash and bank balances	13,941,494		7,569,370	
Total current assets		16,359,443		8,627,221
Total assets		144,844,118		116,776,396
Liabilities				
Investment liabilities		(101,228)		(105,153)
Creditors:				
Bank overdrafts		(222)		(12)
Other creditors	(79,087)		(87,839)	
Distribution payable on income units	(569,393)		(493,541)	
Total liabilities		(749,930)		(686,545)
Net assets attributable to unitholders		144,094,188		116,089,851

Notes to the interim financial statements

Accounting policies

The interim financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with FRS102 and the Statement of Recommended Practice (SORP) for Financial Statements of UK Authorised Funds issued by The Investment Association in May 2014.

All accounting policies applied are consistent with those of the annual report for the year ended 30 June 2018 and are detailed in full in those financial statements.

Portfolio transaction costs

Total purchases and sales transactions for the half year ended 31 December 2018 were £93,320,580 and £70,059,038 respectively.

Distribution tables for the half year ended 31 December 2018

Distribution tables (pence per unit)

First Interim

Group 1 – Units purchased prior to 1 July 2018

Group 2 – Units purchased on or after 1 July 2018 and on or before 30 September 2018

I-Class income units	Net Income	Equalisation	Paid 30.11.18	Paid 30.11.17
Group 1	0.96	–	0.96	0.88
Group 2	0.35	0.61	0.96	0.88

I-Class accumulation units	Net Income	Equalisation	Accumulated 30.11.18	Accumulated 30.11.17
Group 1	1.19	–	1.19	1.06
Group 2	0.43	0.76	1.19	1.06

Second Interim

Group 1 – Units purchased prior to 1 October 2018

Group 2 – Units purchased on or after 1 October 2018 and on or before 31 December 2018

I-Class income units	Net Income	Equalisation	Payable 28.02.19	Paid 28.02.18
Group 1	1.02	–	1.02	0.83
Group 2	0.40	0.62	1.02	0.83

I-Class accumulation units	Net Income	Equalisation	Allocated 28.02.19	Accumulated 28.02.18
Group 1	1.29	–	1.29	1.02
Group 2	0.74	0.55	1.29	1.02

Notes for corporate unitholders

Corporate unitholders should read the important information on the reverse of the tax voucher in respect of this distribution. The relevant information required by a corporate unitholder is as follows:

Franked investment income	0.00%
Unfranked investment income	100.00%
Depositary net liability to corporation tax	nil pence per unit

Equalisation

Equalisation applies only to units purchased during the distribution period (Group 2 units). It represents the accrued revenue included in the purchase price of the units. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the units for Capital Gains Tax purposes.

Directors' statement

This report is approved in accordance with the requirements of the Financial Conduct Authority's Collective Investment Schemes Sourcebook.

MM Webb **JR Chillingworth**
for Rathbone Unit Trust Management Limited
Manager of Rathbone Strategic Bond Fund
22 February 2019

General information

Authorised status

The Rathbone Strategic Bond Fund is an authorised unit trust scheme, authorised by the Financial Conduct Authority on 20 June 2007 and launched on 3 October 2011.

It is a 'UCITS Scheme' authorised under Section 243 of the Financial Services and Markets Act 2000, and the currency of the fund is pound sterling.

Investment objective, policy and strategy

The objective of the fund is to focus on achieving a total return comprised of a regular above average income coupled with medium to longer term capital growth from a diversified portfolio of predominantly sterling denominated (or hedged back to sterling) fixed interest and other bond instruments, including gilt edged and other sovereign stocks, corporate bonds, convertibles, preference shares and permanent interest bearing shares. Typically, approximately 50% of the value of the fund will be exposed to such securities through investment in other collective investment schemes. During extreme market conditions the Manager may decide to safeguard the interests of investors by moving the entire portfolio into gilt edged stocks.

Derivatives and forward transactions may be used by the fund for investment purposes as well as for the purposes of efficient portfolio management (including hedging). The use of derivatives for investment purposes may increase the volatility of the fund's Net Asset Value and may increase its risk profile.

To meet the objective, the fund may also invest, at the Manager's discretion, in other transferable securities, money market instruments, warrants, cash and near cash and deposits. Use may be made of stocklending, borrowing, hedging and other investment techniques permitted by the FCA rules and by the investment limits set out in the Prospectus.

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.

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: rathbonefunds.com

Buying and selling of units

The Manager is available to receive requests for the buying and selling of units on normal business days between 9.00am and 5.00pm and transactions will be effected at prices determined by the next valuation. Application forms for the purchase of units (obtainable from the Manager) should be completed and sent to the Dealing Office. In respect of telephoned orders, remittances should be sent on receipt of the contract note. Contract notes confirming transactions will be issued by the close of business on the next business day after the dealing date. Purchasers of units are required to enter their registration details on the form supplied with their contract note. Once units are paid for these details will be entered on the unit register.

Units can be sold by telephone, fax or letter followed by despatch to the Dealing Office of the authorisation to sell duly completed by all unitholders.

In the absence of clear written instructions signed by all the registered holders, a Form of Renunciation will be sent out together with the repurchase contract note. This will need to be signed by all registered holders, and returned to our Dealing Office before settlement can be made. Settlement will be made on whichever is the later of four business days after the dealing date or four days after the receipt of written confirmation.

General information *(continued)*

Unitholders may sell units on submitting the purchase contract note and a duly executed Deed of Transfer. The issue and redemption of units will not take place if dealing in the units is suspended by operation of law or any statute for the time being in place.

The minimum initial investment for units at present is to the value of £1,000 which may be varied by the Manager. Thereafter holders may invest additional amounts to the value of £500 or more from time to time as they wish. Any number of units may be subscribed, sold or transferred so long as transaction complies with applicable minimums.

There is no preliminary charge for I-Class units.

The Manager currently receives an annual remuneration for managing the I-Class property of the fund at the rate of 0.50%.

Statements

A distribution statement showing the rate per unit and your unit holding will be sent half yearly on the 28 February and 31 August.

The current value of your units is shown on a valuation statement, which shows the number of units bought over the previous six months, the total number of units in your account and their current value.

Twice yearly on the last day in February and 31 August, unitholders will receive a consolidated statement showing, where applicable, their unit trust, ICVC and ISA holdings for each fund held.

Prices

The prices of I-Class units are published in the Financial Times under the heading Rathbone Unit Trust Management Limited. The associated cancellation price is available on fundlistings.com under the heading Rathbone Unit Trust Management Limited.

Post balance sheet event

Effective 21 January 2019, the pricing of the units in the fund will be single priced which means a single price is issued for the fund at each valuation point. Both sales and redemptions in units will be based on a single price.

Other information

You can see the Trust Deed, the Key Investor Information Document and Supplementary Information Document, the Prospectus and the most recent half yearly report of each fund by visiting the registered offices of the Manager. Copies of the Prospectus, the Key Investor Information Document and Supplementary Information Document and the most recent half yearly report of each fund may be obtained free of charge on application to the Manager.

The Register of Unitholders can be inspected during normal business hours at the office of the Registrar, DST Financial Services International Limited, DST House, St Nicholas Lane, Basildon, Essex SS15 5FS.

Further copies of this report are available upon request, free of charge, from Client Services Department, Rathbone Unit Trust Management Limited, 8 Finsbury Circus, London EC2M 7AZ.

If you have any queries or complaints about the operation of the fund you should put them to the Compliance Officer, Rathbone Unit Trust Management Limited, 8 Finsbury Circus, London EC2M 7AZ. Any complaint we receive will be handled in accordance with our internal complaint procedures. A copy of these are available from the Compliance Officer.

If you have occasion to complain, and in the unlikely event that you do not receive a satisfactory response, you may direct your complaint to the Financial Ombudsman Service at Exchange Tower, London E14 9SR. Further details about the Financial Ombudsman Service are available on their website at financial-ombudsman.org.uk.

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.

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 revenue 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.

Other funds

Rathbone Unit Trust Management Limited is also the Manager of the following funds:

Rathbone Active Income and Growth Fund
Rathbone Core Investment Fund for Charities
Rathbone Dragon Trust
Rathbone Ethical Bond Fund
Rathbone Global Opportunities Fund
Rathbone Heritage Fund
Rathbone Income Fund
Rathbone Spenser Fund
Rathbone UK Opportunities Fund

and the Authorised Corporate Director of:

Rathbone Global Alpha Fund
Rathbone Global Sustainability Fund
Rathbone High Quality Bond Fund
Rathbone Enhanced Growth Portfolio
Rathbone Strategic Growth Portfolio
Rathbone Strategic Income Portfolio
Rathbone Total Return Portfolio
Rathbone Pharaoh Fund
Rathbone Quercus Growth Fund
Rathbone Sherwood Fund
Rathbone Sussex Income Fund
Rathbone Sussex Growth Fund

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:

Client Services Department
Rathbone Unit Trust Management Limited
8 Finsbury Circus
London EC2M 7AZ

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

Data protection

Where relevant, Rathbones' privacy notice for clients, together with our relevant terms of business, sets out how your personal data (as further detailed in the privacy notice) shall be processed by Rathbones. A copy of the privacy notice is available on request or on Rathbones' website.

From time to time Rathbone Unit Trust Management Limited may wish to communicate with you with information on other products and services offered by the Rathbone group. If you do not wish to receive these communications, please advise us in writing at the following address:

Data Protection Officer
Rathbone Unit Trust Management Limited
8 Finsbury Circus
London EC2M 7AZ

Rathbones

Look forward

Rathbone Unit Trust Management Limited

8 Finsbury Circus, London EC2M 7AZ

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Financial Conduct Authority

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Investment Association

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