

Rathbone Income Fund

Authorised Fund Manager (the Manager)

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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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**Authorised and regulated by the
Financial Conduct Authority**

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 March 2019

The birth of the current bull market in equities can be traced back to the Global Financial Crisis. Finally, that dark cloud has shown a silver lining. Markets hit their lows a decade ago, in March 2009, and since then the Rathbone Income Fund has risen 224%, outperforming the FTSE All-Share index at +187%.

Whether or not we are in the final throes of this bull market remains to be seen, but over the last six months, we've noticed a weariness among investors, especially during the autumn months. On the other hand, despite a shaky start, markets have been robust so far this year, despite all the noise around Brexit, trade tariffs and general political and economic uncertainty.

Performance should be considered within this context. To be clear, we are never content with negative absolute returns but we do operate in markets that go down as well as up.

Over the past six months through to 31 March 2019, the Rathbone Income Fund Institutional Income units drifted 1.7% lower. The average for the IA Equity Income sector was a loss of 3.1%, while the FTSE All-Share index registered a fall of 1.8%. So, we were in-line with the market and ahead of the sector.

We intend to pay an interim distribution of 13.30p per institutional unit, an increase of 3.1% on the same period last year.

Investment review

The Rathbone Income Fund and the smaller Rathbone Blue Chip Income and Growth Fund merged at the start of the period. The latter had employed an identical investment process but with a more concentrated portfolio. Three of the principal purchases made over the period were further additions to smaller holdings, which was down to the merger.

You've probably heard of Close Brothers, a UK bank that specialises in lending to small and medium-size corporate entities. We've known this business for a long time and its highly disciplined, risk-based approach to credit dovetails nicely with our own investment approach. It has an asset management division and a trading arm, so is sensitive to market volumes and strength, but there is a counter-cyclical nature to its core business that complements this.

We added to global brewing giant Anheuser-Busch InBev. We had been patient with our small position, waiting for greater visibility on their dividend. Our wait was rewarded by the announcement of a dividend cut, alongside plans to reduce their heavy debt burden: therein lay our opportunity. We bought shares on the cut, acknowledging that the low price risk in the shares is now backed up by lessening financial risk (although the company does still sit on a large, but diminishing, debt pile) and low business risk.

Software business, Sage Group, was another position we increased and we've since been rewarded by resurgent performance. The shares have run up a long way and may now be closer to our assessment of fair value. We also bought a small position in house builder Bellway, a decent operator, and a counter to a sale we made in Berkeley Group, another fine business but more closely geared to the London market.

Our biggest purchase over the period was a meaningful addition to Lloyds Banking Group, which was matched by one of our biggest sales, a severe trim to HSBC. A year ago, our view on Lloyds was more negative: we were concerned about weakness in the UK economy combined with a possible Bank of England policy mistake, so we sold a large chunk of our position. We turned out to be right about the direction of the share price but had been a bit too cautious. At the start of the year, Lloyds looked much more attractive.

We now question HSBC's role in the world. We own the shares because of their play on Asia and global trade and the progress of the Chinese currency, the renminbi, towards reserve currency status. But, if HSBC turns out to be less crucial in this process and if the Chinese economy stalls on over-indebtedness (an old story we know, but relevant), our investment case may look less persuasive. All in all, we sold a lot of HSBC and bought a lot of Lloyds.

We also disposed of all of our shares in US aerospace and defence giant, Lockheed Martin. We've owned this business since the financial crisis but a steady re-rating over the years now makes it less attractive in terms of valuation. We have also trimmed AstraZeneca on valuation grounds, preferring GlaxoSmithKline. We took profit from Rio Tinto, although in hindsight we were too hasty in doing this, as supply shocks in the iron ore market have forced up prices of the commodity and therefore the shares.

Finally, we should mention some profit taking in Micro Focus International. In March 2018, the company had a significant profit warning as it ran into difficulties following a transformative acquisition. The shares halved in price. Following extensive discussions with the company, we decided to retain our shares and that turned out to be the right thing to do. The business has righted itself and the shares have doubled. We haven't been too greedy though and did sell a small percentage to "right-size" the holding in the fund following the rise.

Outlook

There are both positive and negative arguments to be made about the future of equity markets. Our stance has definitely been one of caution, partly because we think valuations reflect a lot of economic gain that hasn't happened. We seem to have adopted tomorrow's profits in today's prices.

Equity markets, especially in the US, have had narrowing leadership, with tech names leading the way. Any bearish outcome is predicated on a re-assessment of value in this area. There are serious questions to be asked about Europe's future, with or without the UK. Globally, trade is changing, as Donald Trump insists on an aggressive tariff-based agenda. Central Banks are looking at how they can reverse the last decade, as 10 years of low interest rates and quantitative easing come to an end. We wonder how risk assets, like stocks and shares, react when cash becomes more expensive and the liquidity tap is turned off.

Market participants are aware of these risks, yet so far this year, prices have moved higher. Yes, companies have been buying back shares rather than investing in their own businesses, but then shareholders have been reinvesting this cash back into equities. Markets can keep climbing higher.

We certainly don't know all the answers, but our instinct tells us to be cautious. Our job is to stay invested, recognise the risks and balance them across the portfolio. At the same time, we'll reward your patience by giving you a growing income; a pay-rise every year. Balancing risk means not being too greedy and also mitigating the downside, winning by not losing. Our philosophy remains the same, even if markets do not.

Carl Stick
Fund Manager
16 April 2019

Alan Dobbie
Fund Manager

Net asset value per unit and comparative tables

R-Class income units

	31.03.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit	30.09.16 pence per unit
Change in net assets per unit				
Opening net asset value per unit	901.81p	921.12p	886.89p	846.03p
Return before operating charges*	(16.88p)	30.68p	84.29p	86.04p
Operating charges	(6.47p)	(14.05p)	(14.26p)	(12.67p)
Return after operating charges*	(23.35p)	16.63p	70.03p	73.37p
Distributions on income units	(12.50p)	(35.94p)	(35.80p)	(32.51p)
Closing net asset value per unit	865.96p	901.81p	921.12p	886.89p
*after direct transactions costs ¹ of:	0.17p	0.56p	0.94p	1.13p

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

Performance

Return after charges	(2.59%)	1.81%	7.90%	8.67%
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Other information

Closing net asset value	£103,455,693	£122,151,497	£138,941,422	£151,741,858
Closing number of units	11,946,947	13,545,156	15,083,992	17,109,488
Operating charges	1.53%	1.54%	1.54%	1.54%
Direct transaction costs	0.02%	0.06%	0.10%	0.13%

Prices**

Highest unit price	929.72p	967.84p	1,015.91p	941.17p
Lowest unit price	792.58p	845.18p	846.20p	771.79p

**These prices may have been calculated on a different basis to the closing net asset value per unit shown in the comparative table, this may result in the closing net asset value per unit being higher or lower than the published highest or lowest prices for the period.

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

R-Class accumulation units

	31.03.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit	30.09.16 pence per unit
Change in net assets per unit				
Opening net asset value per unit	1,570.00p	1,540.81p	1,427.94p	1,314.92p
Return before operating charges*	(25.30p)	52.91p	136.06p	132.75p
Operating charges	(11.30p)	(23.72p)	(23.19p)	(19.73p)
Return after operating charges*	(36.60p)	29.19p	112.87p	113.02p
Distributions on accumulation units	(21.90p)	(60.79p)	(58.23p)	(50.95p)
Retained distributions on accumulation units	21.90p	60.79p	58.23p	50.95p
Closing net asset value per unit	1,533.40p	1,570.00p	1,540.81p	1,427.94p

*after direct transactions costs¹ of: 0.30p 0.94p 1.53p 1.77p

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

Performance

Return after charges	(2.33%)	1.89%	7.90%	8.60%
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Other information

Closing net asset value	£93,417,883	£105,321,024	£119,832,019	£128,651,224
Closing number of units	6,092,197	6,708,339	7,777,189	9,009,575
Operating charges	1.53%	1.54%	1.54%	1.54%
Direct transaction costs	0.02%	0.06%	0.10%	0.13%

Prices**

Highest unit price	1,621.23p	1,642.46p	1,659.18p	1,482.45p
Lowest unit price	1,385.10p	1,418.47p	1,366.63p	1,201.03p

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

I-Class income units

	31.03.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit	30.09.16 pence per unit
Change in net assets per unit				
Opening net asset value per unit	954.51p	968.53p	926.05p	879.17p
Return before operating charges*	(10.35p)	31.85p	87.99p	87.70p
Operating charges	(3.56p)	(7.66p)	(7.74p)	(6.77p)
Return after operating charges*	(13.91p)	24.19p	80.25p	80.93p
Distributions on income units	(13.30p)	(38.21p)	(37.77p)	(34.05p)
Closing net asset value per unit	927.30p	954.51p	968.53p	926.05p
*after direct transactions costs ¹ of:	0.19p	0.59p	1.00p	1.18p

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

Performance

Return after charges	(1.46%)	2.50%	8.67%	9.21%
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Other information

Closing net asset value	£290,493,864	£282,533,398	£455,051,927	£414,865,393
Closing number of units	31,326,846	29,599,756	46,983,866	44,799,281
Operating charges	0.78%	0.79%	0.79%	0.79%
Direct transaction costs	0.02%	0.06%	0.10%	0.13%

Prices**

Highest unit price	967.36p	1,004.69p	1,046.40p	964.28p
Lowest unit price	847.29p	898.23p	890.44p	807.17p

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

I-Class accumulation units

	31.03.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit	30.09.16 pence per unit
Change in net assets per unit				
Opening net asset value per unit	1,630.82p	1,589.37p	1,462.29p	1,337.81p
Return before operating charges*	(18.91p)	54.09p	139.37p	134.85p
Operating charges	(6.07p)	(12.64p)	(12.29p)	(10.37p)
Return after operating charges*	(24.98p)	41.45p	127.08p	124.48p
Distributions on accumulation units	(22.70p)	(63.21p)	(60.10p)	(52.18p)
Retained distributions on accumulation units	22.70p	63.21p	60.10p	52.18p
Closing net asset value per unit	1,605.84p	1,630.82p	1,589.37p	1,462.29p

*after direct transactions costs¹ of: 0.32p 0.98p 1.58p 1.81p

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

Performance

Return after charges (1.53%) 2.61% 8.69% 9.30%

Other information

Closing net asset value	£430,262,976	£483,463,460	£499,086,184	£454,366,377
Closing number of units	26,793,710	29,645,474	31,401,487	31,072,292
Operating charges	0.78%	0.79%	0.79%	0.79%
Direct transaction costs	0.02%	0.06%	0.10%	0.13%

Prices**

Highest unit price	1,650.03p	1,669.78p	1,671.88p	1,485.65p
Lowest unit price	1,448.01p	1,474.38p	1,406.66p	1,228.75p

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

S-Class income units

	31.03.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit	30.09.16 pence per unit
Change in net assets per unit				
Opening net asset value per unit	973.51p	985.13p	939.41p	889.45p
Return before operating charges*	(10.47p)	32.53p	89.37p	89.06p
Operating charges	(2.44p)	(5.23p)	(5.27p)	(4.62p)
Return after operating charges*	(12.91p)	27.30p	84.10p	84.44p
Distributions on income units	(13.50p)	(38.92p)	(38.38p)	(34.48p)
Closing net asset value per unit	947.10p	973.51p	985.13p	939.41p
*after direct transactions costs ¹ of:	0.19p	0.60p	1.01p	1.20p

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

Performance

Return after charges	(1.33%)	2.77%	8.95%	9.49%
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Other information

Closing net asset value	£110,425,060	£105,845,411	£112,940,743	£95,157,176
Closing number of units	11,659,290	10,872,591	11,464,511	10,129,482
Operating charges	0.52%	0.53%	0.53%	0.53%
Direct transaction costs	0.02%	0.06%	0.10%	0.13%

Prices**

Highest unit price	986.56p	1,024.24p	1,063.42p	978.11p
Lowest unit price	864.82p	914.94p	903.90p	817.57p

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

S-Class accumulation units

	31.03.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit	30.09.16 pence per unit
Change in net assets per unit				
Opening net asset value per unit	1,650.69p	1,604.52p	1,472.35p	1,343.63p
Return before operating charges*	(19.06p)	54.73p	140.47p	135.77p
Operating charges	(4.14p)	(8.56p)	(8.30p)	(7.05p)
Return after operating charges*	(23.20p)	46.17p	132.17p	128.72p
Distributions on accumulation units	(22.85p)	(63.90p)	(60.60p)	(52.46p)
Retained distributions on accumulation units	22.85p	63.90p	60.60p	52.46p
Closing net asset value per unit	1,627.49p	1,650.69p	1,604.52p	1,472.35p

*after direct transactions costs¹ of: 0.32p 0.99p 1.60p 1.82p

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

Performance

Return after charges	(1.41%)	2.88%	8.98%	9.58%
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Other information

Closing net asset value	£105,710,455	£92,733,171	£99,157,703	£85,182,808
Closing number of units	6,495,301	5,617,856	6,179,890	5,785,516
Operating charges	0.52%	0.53%	0.53%	0.53%
Direct transaction costs	0.02%	0.06%	0.10%	0.13%

Prices**

Highest unit price	1,670.05p	1,689.39p	1,686.28p	1,495.55p
Lowest unit price	1,466.64p	1,490.37p	1,417.06p	1,235.21p

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

X-Class income units[†]

	31.03.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit	30.09.16 pence per unit
Change in net assets per unit				
Opening net asset value per unit	104.24p	104.98p	100.00p	n/a
Return before operating charges*	(1.10p)	3.45p	9.00p	n/a
Operating charges	(0.02p)	(0.04p)	(0.04p)	n/a
Return after operating charges*	(1.12p)	3.41p	8.96p	n/a
Distributions on income units	0.00p	(4.15p)	(3.98p)	n/a
Redemption price	(103.12p)	–	–	n/a
Closing net asset value per unit	–	104.24p	104.98p	n/a
*after direct transactions costs ¹ of:	0.02p	0.06p	0.11p	n/a

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

Performance

Return after charges	(1.07%)	3.25%	8.96%	n/a
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Other information

Closing net asset value	–	£5,533,842	£5,633,212	n/a
Closing number of units	–	5,308,861	5,366,228	n/a
Operating charges	–	0.04%	0.04%	n/a
Direct transaction costs	0.02%	0.06%	0.10%	n/a

Prices**

Highest unit price	115.19p	109.40p	113.07p	n/a
Lowest unit price	92.70p	97.67p	95.83p	n/a

[†] X-Class income was introduced on 17 October 2016 and closed on 22 March 2019.

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

X-Class accumulation units[†]

	31.03.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit	30.09.16 pence per unit
Change in net assets per unit				
Opening net asset value per unit	112.67p	108.96p	100.00p	n/a
Return before operating charges*	(1.23p)	3.75p	9.00p	n/a
Operating charges	(0.02p)	(0.04p)	(0.04p)	n/a
Return after operating charges*	(1.25p)	3.71p	8.96p	n/a
Distributions on accumulation units	(0.00p)	(4.35p)	(4.01p)	n/a
Retained distributions on accumulation units	0.00p	4.35p	4.01p	n/a
Redemption price	(111.42p)	–	–	n/a
Closing net asset value per unit	–	112.67p	108.96p	n/a
*after direct transactions costs ¹ of:	0.02p	0.07p	0.11p	n/a

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

Performance

Return after charges	(1.11%)	3.40%	8.96%	n/a
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Other information

Closing net asset value	–	£501,118	£174,622	n/a
Closing number of units	–	444,769	160,268	n/a
Operating charges	–	0.04%	0.04%	n/a
Direct transaction costs	0.02%	0.06%	0.10%	n/a

Prices**

Highest unit price	137.08p	115.29p	114.40p	n/a
Lowest unit price	100.19p	101.44p	95.83p	n/a

[†] X-Class accumulation was introduced on 17 October 2016 and closed on 22 March 2019

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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.

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

Discrete annual performance, quarter ending 31 March 2019

	2015	2016	2017	2018	2019
R-Class units	11.49%	(0.13%)	16.45%	(5.02%)	5.32%
I-Class units	12.34%	0.63%	17.32%	(4.30%)	6.08%
S-Class units	12.63%	0.89%	17.63%	(4.05%)	6.35%
IA UK Equity Income sector	8.41%	(1.21%)	15.14%	0.29%	3.59%

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 March 2019

Holding (Ordinary shares unless otherwise stated)	Value £	Percentage of total net assets
Oil and Gas (30.09.18: 8.69%)		
8,951,243 BP	49,983,741	4.41
1,889,706 Royal Dutch Shell 'B'	45,882,062	4.05
	95,865,803	8.46
Mining (30.09.18: 1.88%)		
333,185 Rio Tinto	14,861,717	1.31
Aerospace and Defence (30.09.18: 6.60%)		
5,569,662 BAE Systems	26,856,910	2.37
7,708,015 Senior	16,788,057	1.48
	43,644,967	3.85
Industrial Engineering (30.09.18: 2.88%)		
492,318 DCC	32,665,299	2.88
Construction and Materials (30.09.18: 1.77%)		
100,000 Bellway	3,045,000	0.27
520,000 Berkeley	19,182,800	1.69
	22,227,800	1.96
Real Estate (30.09.18: 1.23%)		
1,889,706 Big Yellow Group	18,736,435	1.65
Support Services (30.09.18: 3.12%)		
1,392,415 Bunzl	35,255,948	3.11
Food Producers (30.09.18: 4.47%)		
1,143,770 Unilever	50,268,692	4.43
Household Goods (30.09.18: 5.52%)		
2,834,561 Headlam	12,642,142	1.12
745,937 Reckitt Benckiser	47,605,699	4.20
	60,247,841	5.32
Tobacco (30.09.18: 6.66%)		
22,156 Altria	23,005,238	2.03
1,143,770 British American Tobacco	36,532,014	3.22
696,208 Imperial Brands	18,271,979	1.61
	77,809,231	6.86

Portfolio and net other assets as at 31 March 2019 *(continued)*

Holding (Ordinary shares unless otherwise stated)	Value £	Percentage of total net assets
Pharmaceuticals and Biotechnology (30.09.18: 10.68%)		
547,020 AstraZeneca	33,559,677	2.96
646,479 Dechra Pharmaceuticals	17,390,285	1.53
3,282,123 GlaxoSmithKline	52,395,812	4.62
84,539 Roche	17,862,733	1.58
	121,208,507	10.69
Food and Drug Retailers (30.09.18: 1.42%)		
2,486,457 UDG Healthcare	14,060,914	1.24
Beverages (30.09.18: 0.00%)		
99,458 Anheuser Busch	6,407,223	0.57
General Retailers (30.09.18: 2.05%)		
8,056,119 Halfords	18,674,084	1.65
Media (30.09.18: 7.79%)		
2,287,540 Daily Mail & General Trust	14,720,320	1.30
16,907,903 ITV	21,481,491	1.89
1,989,165 RELX	32,642,198	2.88
4,972,913 Tarsus	15,266,843	1.35
	84,110,852	7.42
Travel and Leisure (30.09.18: 7.05%)		
728,034 Carnival	27,403,200	2.42
4,873,454 Greene King	32,379,228	2.86
16,000,000 Restaurant Group	18,864,000	1.66
	78,646,428	6.94
Electricity (30.09.18: 2.29%)		
2,386,999 SSE	28,321,743	2.50
Gas, Water and Multiutilities (30.09.18: 5.42%)		
4,127,518 National Grid	35,116,923	3.10
580,246 United Utilities	4,725,523	0.42
596,749 WEC Energy	36,215,733	3.19
	76,058,179	6.71

Portfolio and net other assets as at 31 March 2019 *(continued)*

Holding (Ordinary shares unless otherwise stated)	Value £	Percentage of total net assets
Banks (30.09.18: 4.17%)		
609,280 Close Brothers	8,865,024	0.78
2,188,082 HSBC (London listed)	13,638,315	1.20
41,772,467 Lloyds Banking Group	25,949,057	2.29
	48,452,396	4.27
Non-Life Insurance (30.09.18: 1.92%)		
1,392,415 Hiscox	21,707,750	1.91
General Financial (30.09.18: 8.56%)		
5,718,849 Aviva	23,578,814	2.08
2,428,927 Jupiter Fund Management	8,785,429	0.77
15,913,321 Legal & General	43,793,459	3.86
606,695 Sampo Oyj	21,152,278	1.87
	97,309,980	8.58
Software and Computer Services (30.09.18: 1.77%)		
1,118,906 Micro Focus International	22,333,364	1.97
696,208 Sage	4,880,418	0.43
	27,213,782	2.40
Total value of investments (30.09.18: 95.94%)	1,073,755,571	94.71
Net other assets (30.09.18: 4.06%)	60,010,360	5.29
Total value of the fund as at 31 March 2019	1,133,765,931	100.00

Statement of total return for the half year ended 31 March 2019

	31.03.19 £	31.03.19 £	31.03.18 £	31.03.18 £
Income				
Net capital losses		(36,459,302)		(85,408,853)
Revenue	19,499,923		20,674,712	
Expenses	(4,979,963)		(6,104,710)	
Net revenue before taxation	14,519,960		14,570,002	
Taxation	(286,593)		(432,305)	
Net revenue after taxation		14,233,367		14,137,697
Total return before distributions		(22,225,935)		(71,271,156)
Distributions		(16,837,147)		(17,131,625)
Change in net assets attributable to unitholders from investment activities		(39,063,082)		(88,402,781)

Statement of change in net assets attributable to unitholders for the half year ended 31 March 2019

	31.03.19 £	31.03.19 £	31.03.18 £	31.03.18 £
Opening net assets attributable to unitholders		1,198,082,921		1,430,817,832
Amounts receivable on issue of units	10,144,791		27,356,061	
Amounts payable on cancellation of units	(88,048,396)		(145,063,444)	
In-specie transfer	43,742,228		—	
		(34,161,377)		(117,707,383)
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		(39,063,082)		(88,402,781)
Retained distributions on accumulation units		8,900,539		7,898,779
Unclaimed distributions		6,930		6,348
Closing net assets attributable to unitholders		1,133,765,931		1,232,612,795

Balance sheet as at 31 March 2019

	31.03.19 £	31.03.19 £	30.09.18 £	30.09.18 £
Assets				
Fixed assets:				
Investments		1,073,755,571		1,149,431,616
Current assets:				
Debtors	5,225,158		6,235,568	
Cash and bank balances	67,945,831		63,679,274	
Total current assets		73,170,989		69,914,842
Total assets		1,146,926,560		1,219,346,458
Liabilities				
Creditors:				
Other creditors	(5,926,786)		(7,616,596)	
Distribution payable on income units	(7,233,843)		(13,646,941)	
Total liabilities		(13,160,629)		(21,263,537)
Net assets attributable to unitholders		1,133,765,931		1,198,082,921

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 September 2018 and are detailed in full in those financial statements.

Portfolio transaction costs

Total purchases and sales transactions for the half year ended 31 March 2019 were £85,447,647 and £124,025,002 respectively.

Distribution tables for the half year ended 31 March 2019

Distribution tables (pence per unit)

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 March 2019

R-Class income units	Net Income	Equalisation	Payable 31.05.19	Paid 31.05.18
Group 1	12.50	–	12.50	12.25
Group 2	9.96	2.54	12.50	12.25
R-Class accumulation units	Net Income	Equalisation	Allocated 31.05.19	Accumulated 31.05.18
Group 1	21.90	–	21.90	17.70
Group 2	18.76	3.14	21.90	17.70
I-Class income units	Net Income	Equalisation	Payable 31.05.19	Paid 31.05.18
Group 1	13.30	–	13.30	12.90
Group 2	9.59	3.71	13.30	12.90
I-Class accumulation units	Net Income	Equalisation	Allocated 31.05.19	Accumulated 31.05.18
Group 1	22.70	–	22.70	17.81
Group 2	12.95	9.75	22.70	17.81
S-Class income units	Net Income	Equalisation	Payable 31.05.19	Paid 31.05.18
Group 1	13.50	–	13.50	13.10
Group 2	9.00	4.50	13.50	13.10
S-Class accumulation units	Net Income	Equalisation	Allocated 31.05.19	Accumulated 31.05.18
Group 1	22.85	–	22.85	17.90
Group 2	9.69	13.16	22.85	17.90
X-Class income* units	Net Income	Equalisation	Payable 31.05.19	Paid 31.05.18
Group 1	0.00	–	0.00	1.53
Group 2	0.00	0.00	0.00	1.53
X-Class accumulation* units	Net Income	Equalisation	Allocated 31.05.19	Accumulated 31.05.18
Group 1	0.00	–	0.00	1.59
Group 2	0.00	0.00	0.00	1.59

*X-Class was closed on 22 March 2019.

Notes for corporate unitholders

Distribution tables for the half year ended 31 March 2019 *(continued)*

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	100.00%
Unfranked investment income	0.00%
Depository 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 Income Fund
24 May 2019

General information

Authorised status

The Rathbone Income Fund is an authorised unit trust scheme, established by a Trust Deed dated 12 February 1971 and launched in February 1971.

It is a 'UCITS Scheme' authorised under Section 243 of the Financial Services 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 above average and maintainable income but without neglecting capital security and growth. The Manager intends to achieve the objective primarily through the purchase of ordinary shares with an above average yield.

There is no restriction on the economic sectors or geographical areas in which the fund may invest. However, investments will always be predominantly in the ordinary shares of UK companies.

To meet these objectives, the fund may also invest, at the Manager's discretion, in other transferable securities, 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.

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.

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.

General information *(continued)*

The minimum initial investment for R-Class units at present is to the value of £1,000 which may be varied by the Manager. The minimum initial investment for I-Class units is £1,000,000. The minimum initial investment for S-Class units is £100,000,000. 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 R-Class, I-Class or S-Class units.

The Manager currently receives an annual remuneration for managing the R-Class property of the fund at the rate of 1.50%.

The Manager currently receives an annual remuneration for managing the I-Class property of the fund at the rate of 0.75%.

The Manager currently receives an annual remuneration for managing the S-Class property of the fund at the rate of 0.49%.

Statements

A distribution statement showing the rate per unit and your unit holding will be sent semi-annually on 31 May and 30 November.

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 30 June and 31 December, unitholders will receive a consolidated statement showing, where applicable, their Unit Trust, ICVC and ISA holdings for each fund held.

Prices

The prices of R-Class units are published in the Financial Times under the heading Rathbone Unit Trust Management Limited. The associated cancellation price is available on request from the Manager. The prices for the I-Class and S-Class units are available on request from the Manager.

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 at 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 Europe 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 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. Where periodic charge is wholly or partly taken out of the fund's capital, distributable income will be increased at the expense of capital which will either be eroded or future growth restrained.

Other funds

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

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