Rathbones
Look forward

Rathbone Ethical Bond Fund

Annual report for the year ended 30 September 2017

Rathbone Ethical Bond Fund

Authorised Fund Manager (the Manager)

Rathbone Unit Trust Management Limited
8 Finsbury Circus
London EC2M 7AZ
Telephone 020 7399 0399
Facsimile 020 7399 0057
A member of the Rathbone Group
Authorised and regulated by the
Financial Conduct Authority and member
of The Investment Association

Dealing office

DST Financial Services Europe Ltd
DST House
St Nicholas Lane
Basildon
Essex SS15 5FS
Telephone 0330 123 3810
Facsimile 0330 123 3812

Registrar

DST Financial Services Europe Ltd
DST House
St Nicholas Lane
Basildon
Essex SS15 5FS
Telephone 0330 123 3810
Facsimile 0330 123 3812
Authorised and regulated by the
Financial Conduct Authority

Independent Auditor

Deloitte LLP
Statutory Auditor
110 Queen Street
Glasgow G1 3BX

Directors

PL Howell – Chairman
MM Webb – Chief Executive Officer
JR Chillingworth – Chief Investment Officer
JM Ardouin – Finance Director
NM Busby – Compliance Director
CRC Hexton
RP Lanyon
CR Stick
JG Thomson
BN Jones

Administrator

HSBC Securities Services
1-2 Lochside Way
Edinburgh Park
Edinburgh EH12 9DT
Authorised and regulated by the
Financial Conduct Authority

Trustee

The National Westminster Bank Plc
Trustee and Depositary Services
280 Bishopsgate
London EC2M 4RB
Authorised and regulated by the
Financial Conduct Authority

Manager's report for the year ended 30 September 2017

In the year ended 30 September 2017, the FTSE Actuaries UK Conventional Gilts 5-15 Years index fell 2.77%. The iBoxx UK Sterling Non-Gilts 5-15 Years index made 0.59% over that time, while the IA Sterling Corporate Bond sector made 0.61%. Our fund returned 6.38% over the period. At the beginning of October 2016, 10-year gilts yielded 0.75%; they closed on 30 September at 1.37%.

Yields had a bumpy ride over the year, although the peaks and troughs weren't as pronounced as in 2015/16. After peaking at 1.52% in early 2017, 10-year gilt yields slumped to 1%, spiked to 1.30%, slumped again and then jumped to near 1.40% by the end of September. Monetary policy — or more accurately guidance of it — drove most of these upward moves, especially the latest ramp up. Bank of England (BofE) Governor Mark Carney has warned of runaway consumer debt, telling markets that his committee may have to raise interest rates quicker than the market expects. Despite these yo-yoing expectations, credit spreads have actually remained relatively muted and have tightened over the period. European subordinated financial spreads have fallen roughly twice as fast as investment grade. This is good for us as we have significant holdings of subordinated bonds issued by financial companies.

Halfway through the period, gilt yields fell substantially and many investment grade bond yields accompanied them. We took the opportunity to sell the Friends Life Group 8.25% 2022 bond because we believed it had been overbought.

In August, we bought Standard Life 5.5% Subordinated 2042, and benefited from a subsequent upgrade to its credit rating.

Ahead of hurricane season, we sold the Australian reinsurer QBE Insurance Group 6.115% 2042. This turned out to be a very canny decision, as a series of deadly weather systems wreaked havoc in the southern US and Caribbean.

Towards the end of the period, we started reducing our cyclical exposure, particularly those businesses that are linked to the UK consumer and their rising debt loads. That included the short-dated Alliance & Leicester 9.625% 2023-18 callable bond (the debt is actually a liability of Santander) because the yield had fallen to minimal levels. We used the proceeds to reinvest in longer-dated bonds (but not very long-dated) that offer a better return.

In September, gilt yields fell below 1% before rocketing to more than 1.3% by the end of the month. We sold the high-duration European Investment Bank 6% 2028 supranational bond and bought them back once yields had risen. The same month we bought the attractive unrated new issue Shaftesbury Chinatown 2.348% 2027 bond. The bond is secured on the Chinatown estate in London's West End owned by the listed Shaftesbury property company.

We bought the JRP Group 9% 2026 bond because we liked the Sharpe ratio of the asset. This ratio is a measure of risk-adjusted return which takes the extra return expected above risk-free government debt and divides it by the typical variation in the asset's value. The higher the better, because it means that you are getting greater returns relative to the volatility in the price.

We parked cash in the Bank of Montreal Floating Rate Note 2020 because it is a solid credit that offers returns linked to interest rates. Finally, we added to duration when yields rose at the end of the period by purchasing the Kreditanst Fur Wie 5.75% 2032 bond.

We think the BoE will raise rates to 0.5% in the next few months. When that happens, we believe the technical ceiling (a level where buyer demand overwhelms sellers) will move from 1.39% today to around 1.50%. If another increase happens in the first half of next year, this ceiling would probably move towards 1.80%.

That's not to say that yields will actually continue rising though, even if the BoE increases interest rates. There are myriad worries flying round the globe at the moment, so there is a chance that bond yields will fall again if investors crave safety. The UK's growth rate continues to slip lower, which — all else being equal — creates a downward pressure on gilt yields. If inflation undershoots the roughly 3% investors expect for the next few months, that would be another step downward. Having said that, inflation could overshoot and the BoE may act even quicker than people think, driving yields higher. Sovereign bond and currency markets have proved to be quite capricious lately, sometimes they are unfazed by large events and then panic at something small.

Because of this uncertainty, we are focusing on credit risk, particularly investment grade. We feel that the debt of these companies offer the strongest returns relative to the risk you're taking on. They are also in strong shape, which is more than we can say for many governments. Valuations are getting high and consumers are laden with borrowing, but apart from that we see no evidence of concern.

Bryn Jones and Noelle Cazalis
17 October 2017

During the period, the fund invested in new bonds issued by the following organisations whose products and services provide benefits to society or the environment.

Social housing

Dolphin Living is the registered provider of social and affordable rental housing for the Dolphin Square Charitable Foundation (DSCF). Regulated by the Homes and Communities Agency, it operates on a not-for-profit basis with all funds invested back into its operations. Founded in June 2005, DSCF was originally funded by a £125m gift from the proceeds of the sale of leasehold interests in the Dolphin Square mansion block in Pimlico by Westminster City Council and Dolphin Square Trust. Dolphin Living's primary purpose is to address the shortage of affordable rental accommodation for lower-income workers in central London by providing good quality housing for people on modest incomes (between £30,000 and £50,000 per annum) who live or work in the City of Westminster and surrounding boroughs. Rents are capped at 80% of market rent and should account for less than 40% of net household earnings. In 2016, 84% of properties were let to tenants at intermediate rents (on average, 53% of market rent), with 46 homes available at social rents. Having started out making grants to a range of community-based projects, the charity has been developing its own property portfolio since 2010. Between 2013 and 2016, its portfolio expanded from 16 completed homes to 600. Dolphin Living had 196 homes under development in 2017 and plans to build a further 200 by 2020. This will take the total to 1,000 homes under management — although it has around 3,500 households on its waiting list.

Renewable energy

Greencoat Renewables is an investment trust with a portfolio of onshore and offshore wind farm projects in the UK. Greencoat enters arrangements with experienced third parties to operate the wind farms in which it owns interests. While the focus of the fund is on wind farms in the UK, Greencoat is permitted to invest up to 15% of the fund in overseas projects. Income is generated from a combination of power purchase agreements with major utilities and the sale of ROCs (Renewable Obligation Certificates) and is set at a level that can provide some protection against future price changes. Since its launch in 2013, the fund's installed capacity has grown from 127MW to 436MW; electricity output from its portfolio totalled 978.1GWh in 2016, equivalent to the annual demand of over 235,000 average UK households. Although Greencoat does not develop new renewable energy capacity in its own right, by providing an exit opportunity for wind farm developers, the fund is indirectly supporting the building of new capacity in the UK by freeing up capital to be reinvested in the industry.

Efficient use of resources

HERO (Home Energy Renovation Opportunity) Funding is part of a major US energy efficiency financing program. Its sole purpose is to acquire, hold and manage bonds issued as part of the PACE (Property Assessed Clean Energy) program, of which Renovate America is the largest provider. The scheme was originally designed to provide financing for energy-efficient, water-efficient and renewable energy products to homes and businesses in approved communities in California and Missouri. The financing provided by the HERO Program is repaid through annual property tax payments, which in some cases may be passed on to a new property owner if the property is sold. Renovate America developed the HERO Program in 2010 through a partnership with the Western Riverside Council of Governments, a public agency representing 18 communities within Riverside County, California. Western Riverside County became the first region to offer the HERO Program to its constituents, which is now accessible to over 85% of Californians. The HERO Funding 2017-22 bond issue includes two Class A note tranches that are considered to be green bonds based on the Green Bond Principles and have been assessed as conforming to this standard by respected second opinion provider, Sustainalytics.

Community involvement

The Saint John's School Foundation

The Saint John's School Foundation is a registered charity with the object of advancing the education of boys and girls aged 11-18 by the provision of a day and boarding school, namely, St John's School in Leatherhead. Proceeds from this particular retail charity bond issue have been used to finance a new indoor sports complex including a six-lane swimming pool and a dance studio. The existing four-lane pool is well used each week by local schools and community groups, and is also utilised during the holidays by the school's residential summer camp for local disabled children as well as by Mencap. Rathbone Greenbank has engaged with the Foundation to encourage reporting on the wider social benefit offered by the new facilities, over and above their usage by the school community itself. As well as providing for its own pupils, St John's is committed to sharing the new facilities with the wider community, citing a 2014 national census of primary schools, which revealed that 45% of children aged 7-11 cannot swim 25m unaided. With better facilities, St John's will be able to expand its outreach programme by working in partnership with more local primary schools. The new facilities will also include better disabled provision, which will be of particular benefit to those children with special needs who attend the Community Holiday held at the school every summer. The school will also be able to fulfil the needs of a greater number of sports clubs and swimming schools in the area. St John's was the winner of the 2015 Independent Schools Awards for Community Initiative of the Year for its Community Holiday Programme.

Sustainable building

Shaftesbury

Shaftesbury is a property investment group focused on Central London with interests in commercial and residential property located exclusively in London's West End. The group's properties are concentrated in the areas of Carnaby, Covent Garden and Chinatown, with additional properties in the Soho and Charlotte Street areas. It owns almost 600 properties, most of which are multi-use with retail space on the ground floor and offices or apartments above. Shaftesbury's property development projects often involve the regeneration of disused sites or buildings in a poor state of repair. The reuse of such buildings avoids the unnecessary waste and materials inherent in the construction of new properties. Many of Shaftesbury's properties are located within conservation areas with some buildings also having listed status, which can limit the company's ability to integrate environmental features into refurbishments. The group therefore prioritises the re-use of existing timber and fixtures when undertaking refurbishment work, thereby reducing waste. Energy efficiency measures are also integrated where possible, with each refurbishment project including a target to improve the property's energy performance certificate (EPC) rating. In the area of community investment, Shaftesbury supports organisations involved in activities linked to London's West End, such as arts, fashion, theatre and music. In addition to cash donations, the group also provides support through discounted property space and the provision of pro bono advice to community organisations.

Responsible ESG approach

Chubb

Chubb is the world's largest publicly traded property and casualty insurance company and the largest commercial insurer in the US. With operations in 54 countries, Chubb provides commercial and personal property and casualty insurance, personal accident and supplemental health insurance, reinsurance and life insurance to a diverse group of clients. Chubb displays reasonable performance in the area of charitable giving and community investment with modest levels of cash support backed up by employee volunteering schemes. Its environmental reporting is of a good standard with evidence of the integration of climate risks into its business activities; the group also demonstrates progress on reducing its own impacts.

Changes to the Fund's Ethical Criteria

In March 2017, a review of the fund's ethical criteria by its Ethical Committee resulted in the following *changes*:

Exclusions

- "The fund shall exclude bonds issued by organisations wholly or *materially* involved in the following [excluded] activities..."
- Change – *Animal testing* now *Animal welfare*; additionally includes:
  - "*...production or retail of fur or fur products; rearing or processing of animals for food without evidence of policy, management or reporting on farm animal welfare.*"
- *Environmental or high-carbon impact:*
  - "manufacture or sale of timber products from non-sustainable sources changed to "*unsustainable sourcing of commodities linked to habitat destruction*"
- Addition – explicit *Human rights* exclusion to cover:
  - "*Non-compliance with standards set by the International Labour Organization and United Nations Universal Declaration of Human Rights, including direct use of child, forced or bonded labour.*"
- Addition – *Predatory lending* exclusion, covering:
  - "*Unfair lending practices imposing high-interest rates or fees.*"
- Addition – explanatory note to address additional exclusions where a company's operations or activities are considered by the Ethical Committee to be unacceptable to a typical investor in the fund:
  - "*As part of the screening process, issuers are also vetted for exposure to other potentially material ESG risks beyond the headline exclusion criteria. Additional exclusions may therefore be applied by the fund's ethical committee where an issuer is considered to be unacceptable on other grounds.*"

Positive aspects

- Addition – *Green, climate, sustainability, social bonds:*
  - "*'Ring-fenced' bonds, where proceeds are intended for a specific social or environmental purpose, will be approved subject to the following requirements: identifiable use of proceeds; third-party project evaluation; ongoing management of proceeds; and project reporting. Approval will be granted in the context of the specific use of proceeds rather than the issuer's principal activity.*"

Perry Rudd
16 November 2017

Net asset value per unit and comparative tables

R-Class income units

	30.09.17 pence per unit	30.09.16 pence per unit	30.04.16 pence per unit
Change in net assets per unit			
Opening net asset value per unit	93.42p	89.28p	92.40p
Return before operating charges*	6.68p	6.12p	1.45p
Operating charges	(1.23p)	(0.51p)	(1.19p)
Return after operating charges*	5.45p	5.61p	0.26p
Distributions on income units	(3.99p)	(1.47p)	(3.38p)
Closing net asset value per unit	94.88p	93.42p	89.28p
*after direct transactions costs[1] of:	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	5.83%	6.28%	0.28%

Other information

Closing net asset value	£9,909,648	£10,729,737	£10,943,426
Closing number of units	10,443,863	11,485,129	12,257,697
Operating charges	1.30%	1.31%	1.31%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest unit price	98.75p	96.98p	94.53p
Lowest unit price	90.96p	89.45p	86.93p

R-Class accumulation units

	30.09.17 pence per unit	30.09.16 pence per unit	30.04.16 pence per unit
Change in net assets per unit			
Opening net asset value per unit	185.03p	174.03p	173.48p
Return before operating charges*	13.93p	12.71p	4.42p
Operating charges	(2.47p)	(0.99p)	(2.26p)
Return after operating charges*	11.46p	11.72p	2.16p
Distributions on accumulation units	(8.47p)	(3.59p)	(8.05p)
Retained distributions on accumulation units	8.02p	2.87p	6.44p
Closing net asset value per unit	196.04p	185.03p	174.03p
*after direct transactions costs[1] of:	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	6.19%	6.73%	1.25%

Other information

Closing net asset value	£18,386,028	£17,543,599	£18,032,871
Closing number of units	9,378,567	9,481,654	10,362,059
Operating charges	1.30%	1.31%	1.31%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest unit price	201.48p	189.90p	177.53p
Lowest unit price	180.15p	174.37p	167.89p

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

I-Class income units

	30.09.17 pence per unit	30.09.16 pence per unit	30.04.16 pence per unit
Change in net assets per unit			
Opening net asset value per unit	96.64p	92.11p	94.73p
Return before operating charges*	6.93p	6.32p	1.49p
Operating charges	(0.66p)	(0.27p)	(0.64p)
Return after operating charges*	6.27p	6.05p	0.85p
Distributions on income units	(4.13p)	(1.52p)	(3.47p)
Closing net asset value per unit	98.78p	96.64p	92.11p
*after direct transactions costs[1] of:	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	6.49%	6.57%	0.90%

Other information

Closing net asset value	£325,349,629	£220,827,427	£178,428,506
Closing number of units	329,369,970	228,509,298	193,708,334
Operating charges	0.68%	0.68%	0.69%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest unit price	101.63p	99.19p	95.88p
Lowest unit price	94.20p	92.30p	89.60p

I-Class accumulation units

	30.09.17 pence per unit	30.09.16 pence per unit	30.04.16 pence per unit
Change in net assets per unit			
Opening net asset value per unit	189.42p	177.70p	176.04p
Return before operating charges*	14.33p	12.98p	4.51p
Operating charges	(1.32p)	(0.53p)	(1.21p)
Return after operating charges*	13.01p	12.45p	3.30p
Distributions on accumulation units	(8.70p)	(3.66p)	(8.18p)
Retained distributions on accumulation units	8.23p	2.93p	6.54p
Closing net asset value per unit	201.96p	189.42p	177.70p
*after direct transactions costs[1] of:	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	6.87%	7.01%	1.87%

Other information

Closing net asset value	£396,094,620	£260,995,823	£204,736,313
Closing number of units	196,127,720	137,784,527	115,214,200
Operating charges	0.68%	0.68%	0.69%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest unit price	205.29p	192.29p	179.36p
Lowest unit price	184.64p	178.05p	171.26p

X-Class income units**

	30.09.17 pence per unit	30.09.16 pence per unit	30.04.16 pence per unit
Change in net assets per unit			
Opening net asset value per unit	103.93p	100.00p	n/a
Return before operating charges*	7.47p	5.23p	n/a
Operating charges	(0.05p)	(0.02p)	n/a
Return after operating charges*	7.42p	5.21p	n/a
Distributions on income units	(4.46p)	(1.28p)	n/a
Closing net asset value per unit	106.89p	103.93p	n/a
*after direct transactions costs[1] of:	0.00p	0.00p	n/a

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

Performance

Return after charges	7.14%	5.21%	n/a

Other information

Closing net asset value	£138,093,469	£29,838,284	n/a
Closing number of units	129,191,019	28,710,908	n/a
Operating charges	0.05%	0.06%	n/a
Direct transaction costs	0.00%	0.00%	n/a

Prices

Highest unit price	109.84p	106.53p	n/a
Lowest unit price	101.41p	99.02p	n/a

** X-Class was launched on 20 May 2016 at 100.00p (X-Class Income) and 100.00p (X-Class Accumulation).

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

X-Class accumulation units**

	30.09.17 pence per unit	30.09.16 pence per unit	30.04.16 pence per unit
Change in net assets per unit			
Opening net asset value per unit	105.22p	100.00p	n/a
Return before operating charges*	7.98p	5.59p	n/a
Operating charges	(0.05p)	(0.02p)	n/a
Return after operating charges*	7.93p	5.57p	n/a
Distributions on accumulation units	(4.85p)	(1.73p)	n/a
Retained distributions on accumulation units	4.59p	1.38p	n/a
Closing net asset value per unit	112.89p	105.22p	n/a
*after direct transactions costs[1] of:	0.00p	0.00p	n/a

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

Performance

Return after charges	7.54%	5.57%	n/a

Other information

Closing net asset value	£13,362,211	£5,678,520	n/a
Closing number of units	11,836,046	5,396,627	n/a
Operating charges	0.05%	0.06%	n/a
Direct transaction costs	0.00%	0.00%	n/a

Prices

Highest unit price	114.81p	106.88p	n/a
Lowest unit price	102.67p	99.02p	n/a

** X-Class was launched on 20 May 2016 at 100.00p (X-Class Income) and 100.00p (X-Class Accumulation).

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 30 September 2017

	2013	2014	2015	2016	2017
R-Class units	7.60%	9.15%	3.06%	8.57%	5.71%
I-Class units	8.16%	9.83%	3.71%	9.25%	6.38%
IA Sterling Corporate Bond sector	2.88%	6.42%	2.81%	12.22%	0.61%

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 30 September 2017

Holding (Bonds unless otherwise stated)		Value (note 1f) £	Percentage of total net assets
Bonds (30.09.16: 96.97%)			
Mortgage Bonds (30.09.16: 4.63%)			
£7,000,000	ASB Finance FRN 2020	7,005,460	0.78
£3,500,000	Eurohome UK Mortgages 2044	1,237,151	0.14
£500,000	Eurohome UK Mortgages 2044	199,266	0.02
£750,000	Eurohome UK Mortgages 2044	635,428	0.07
£10,523,625	Fresh Finance for Residential Social Housing 8.369% 2058	13,114,405	1.46
$500,000	HERO Funding Trust 3.28% 2048	369,213	0.04
£500,000	Mansard Mortgages FRN 2049	303,584	0.03
£1,849,000	Mansard Mortgages FRN 2049	1,758,954	0.20
£400,000	Newgate Funding FRN 2050	370,367	0.04
£1,500,000	Newgate Funding FRN 2050	1,085,447	0.12
£2,500,000	RMAC Securities FRN 2036	582,869	0.06
£1,200,000	RMAC Securities FRN 2044	753,618	0.08
£7,700,000	RMAC Securities FRN 2044	5,136,547	0.57
		32,552,309	**3.61**
Supranational Bonds (30.09.16: 0.44%)			
£2,379,000	EIB 0% 2028	1,933,445	0.22
£1,390,000	EIB 2.65% Index-Linked 2020	2,498,191	0.28
£16,500,000	EIB 6% 2028	23,469,435	2.60
		27,901,071	**3.10**
Corporate Bonds (30.09.16: 91.90%)			
£2,395,000	3i 5.75% 2032	3,038,848	0.34
£2,800,000	3i 6.875% 2023	3,423,823	0.38
£5,011,000	A2D Funding 4.5% 2026	5,529,388	0.61
£5,270,000	A2D Funding 4.75% 2022	5,798,317	0.64
£3,434,000	A2D Housing Group 3.5% 2028	3,492,657	0.39
£2,475,000	Aggregate Micro Power Infrastructure 8% 2036^	2,475,000	0.27
£2,678,000	AMP Group Finance 6.875% 2022	2,934,927	0.33
£9,050,000	Assicurazioni Generali 6.269% perp	9,796,694	1.09
£800,000	Aster Treasury 4.5% 2043	1,019,259	0.11
£10,330,000	Aviva 4.375% VRN 2049	10,564,729	1.17
£2,500,000	Aviva 5.125% VRN 2050	2,700,054	0.30
£5,906,000	Aviva 5.9021% VRN perp	6,401,760	0.71
£4,000,000	Aviva 6.125% 2036	4,680,235	0.52
£9,290,000	Aviva 6.125% VRN perp	10,481,024	1.16
£4,000,000	Aviva 6.875% VRN 2058	5,269,933	0.58
£4,170,000	Aviva 6.875% VRN perp	4,560,777	0.51

Holding (Bonds unless otherwise stated)		Value (note 1f) £	Percentage of total net assets
Corporate Bonds (30.09.16: 91.90%) *(continued)*			
£12,016,000	AXA SA 5.453% VRN perp	13,528,414	1.50
£12,437,000	AXA SA 5.625% VRN 2054	14,320,739	1.59
£8,340,000	AXA SA 6.6862% VRN perp	9,900,553	1.10
£8,000,000	Bank of Montreal FRN 2020	8,013,072	0.89
£4,330,000	Bank of Scotland 9.375% 2021	5,459,997	0.61
£10,789,000	Barclays Bank 3.25% 2027	11,067,484	1.23
£1,740,000	Barclays Bank 6% VRN perp	1,723,992	0.19
£1,644,000	Barclays Bank 6.3688% VRN perp	1,731,474	0.19
£51,000	Barclays Bank 7.125% VRN perp	56,998	0.01
£9,850,000	Barclays Bank 10% 2021	12,428,488	1.38
£6,200,000	Barclays Bank 14% VRN perp	7,328,400	0.81
$3,950,000	Beazley 5.875% 2026	3,113,424	0.35
£7,500,000	BNP Paribas 7.436% VRN perp	7,511,250	0.83
£15,200,000	BPCE SA 5.25% 2029	17,793,945	1.97
£2,000,000	BPHA Finance 4.816% 2044	2,597,200	0.29
£1,901,000	British Telecom 3.5% Index-Linked 2025	3,981,644	0.44
£1,389,900	Bruntwood 6% 2020	1,472,751	0.16
£1,818,000	BUPA Finance 2% 2024	1,798,590	0.20
£7,192,000	BUPA Finance 5% 2023	8,055,447	0.89
£4,950,000	BUPA Finance 5% 2026	5,591,307	0.62
£3,709,000	BUPA Finance 6.125% VRN perp	4,100,114	0.46
£5,250,000	Channel Link 3.043% VRN 2050	5,233,725	0.58
$11,294,000	Chubb 6.375% VRN 2067	8,413,784	0.93
£1,100,000	Clerical Medical Finance 7.375% VRN perp	1,139,116	0.13
£3,830,000	Close Brothers Finance 2.75% 2026	3,937,016	0.44
£4,620,000	Close Brothers Group 4.25% 2027	4,912,908	0.55
£519,000	CLS Holdings 5.5% 2019	540,336	0.06
£5,900,000	CNP Assurances 7.375% VRN 2041	6,956,601	0.77
£2,500,000	CPUK Finance 3.588% 2042	2,675,750	0.30
€4,000,000	Credit Agricole 4.5% VRN perp	3,886,222	0.43
£1,000,000	Credit Suisse 3% 2022	1,050,502	0.12
£2,250,000	CYBG 3.125% VRN 2025	2,244,890	0.25
£200,000	Ellenbrook Developments 3.3894% Index-Linked 2032	236,908	0.03
£2,000,000	Eversholt Funding 3.529% 2042	1,968,169	0.22
£7,820,000	Fidelity International 7.125% 2024	9,769,151	1.08
£2,200,000	Finance for Residential Social Housing 8.569% 2058	2,347,727	0.26
£700,000	Finance for Residential Social Housing 8.569% 2058	796,014	0.09
£130,000	Glasgow Together 4% 2020	130,000	0.01

Holding (Bonds unless otherwise stated)		Value (note 1f) £	Percentage of total net assets
Corporate Bonds (30.09.16: 91.90%) *(continued)*			
£4,000	Golden Lane Housing 4% 2018	400,000	0.04
£3,500,000	Goldman Sachs 4.25% 2026	3,899,707	0.43
£1,500,000	Great Rolling 6.875% 2035	1,597,250	0.18
£1,600,000	Greater Gabbard 4.137% 2032	1,649,972	0.18
£2,500	Greenwich 5% 2018	237,500	0.03
£1,000,000	Guinness Partner 4% 2044	1,189,480	0.13
£12,933,000	Hiscox 6.125% VRN 2045	14,722,281	1.63
£6,868,000	HSBC Bank 5.844% VRN perp	8,871,804	0.98
£800,000	Intermediate Capital Group 5% 2023	843,976	0.09
£600,000	Intu (SGS) Finance 3.875% 2023	644,512	0.07
£1,100,000	Intu (SGS) Finance 4.25% 2035	1,229,619	0.14
£1,000,000	Investec Bank 4.5% 2022	1,070,500	0.12
£12,354,000	Investec Bank 4.5% 2022	13,210,385	1.47
£7,004,000	Investec Bank 9.625% 2022	8,822,914	0.98
£1,065,000	John Lewis 4.25% 2034	1,109,623	0.12
£5,661,000	John Lewis 6.125% 2025	6,789,803	0.75
£9,000,000	JRP Group 9% 2026	11,333,700	1.26
£6,182,000	Legal & General 5.375% VRN 2045	6,805,228	0.76
£3,337,000	Legal & General 5.875% VRN perp	3,515,489	0.39
£9,318,000	Liverpool Victoria Friendly Society 6.5% VRN 2043	10,357,605	1.15
£2,000,000	Lloyds Banking Group 5.75% 2025	2,190,541	0.24
£8,150,000	Lloyds Banking Group 7.625% 2025	10,891,379	1.21
£7,000,000	London and Quadrant Housing Trust 2.25% 2029	6,844,349	0.76
£500,000	London and Quadrant Housing Trust 3.75% 2049	585,824	0.07
£3,390,000	London Merchant Securities 6.5% 2026	4,304,638	0.48
£2,700,000	Marks & Spencer 3% 2023	2,754,994	0.31
£2,750,000	Marks & Spencer 4.75% 2025	3,054,248	0.34
$5,700,000	Marks & Spencer 7.125% 2037	4,944,149	0.55
£1,000,000	Metropolitan Funding 4.125% 2048	1,203,215	0.13
£100,000	Midlands Together 4% 2018	70,000	0.01
£2,500,000	Morgan Stanley 2.625% 2027	2,493,042	0.28
£200,000	Motability Operations Group 2.375% 2032	196,344	0.02
£1,000,000	Myriad Capital 4.75% 2043	1,254,040	0.14
£5,432,000	National Capital Trust 5.62% VRN perp	5,687,032	0.63
£2,200,000	Nationwide Building Society 3% 2026	2,325,242	0.26
£1,128,097	Nationwide Building Society 3.875% Index-Linked 2021	3,789,346	0.42
£3,850,000	Nationwide Building Society 5.769% perp	4,060,980	0.45
£1,784,000	Nationwide Building Society 6.25% VRN perp	2,051,654	0.23

Holding (Bonds unless otherwise stated)		Value (note 1f) £	Percentage of total net assets
Corporate Bonds (30.09.16: 91.90%) *(continued)*			
£1,860,000	Next 3.625% 2028	1,896,868	0.21
£1,304,000	Notting Hill Housing 3.75% 2032	1,455,873	0.16
£9,414,000	Old Mutual 8% 2021	10,801,624	1.20
£632,000	Paragon 6% 2020	655,488	0.07
£5,665,000	Paragon 6% 2024	6,035,060	0.67
£1,991,000	Paragon 6.125% 2022	2,091,386	0.23
£4,900,000	Partnership Life Assurance 9.5% 2025	5,710,803	0.63
£6,775,000	PGH Capital 4.125% 2022	7,127,800	0.79
£14,038,000	PGH Capital 6.625% 2025	16,510,443	1.83
$1,800,000	Phoenix 5.375% 2027	1,392,868	0.15
£2,150,000	Places for People Finance 4.25% 2023	2,199,035	0.24
£1,485,900	Places for People Homes 1% Index-Linked 2022	1,726,764	0.19
£1,500,000	Places for People Homes 5.09% 2043	1,749,932	0.19
£4,585,000	Places for People Treasury 2.875% 2026	4,479,496	0.50
£787,000	Primary Health Properties 5.375% 2019	801,013	0.09
£3,500,000	Prudential 5% VRN 2055	3,726,388	0.41
£1,060,000	Quadrant Housing 7.93% 2033	1,518,211	0.17
£3,636,000	Rabobank Capital Funding Trust 5.556% VRN perp	3,908,802	0.43
£12,999,000	Rabobank Nederland 4.625% 2029	14,715,569	1.63
£5,307,000	Rabobank Nederland 5.25% 2027	6,276,236	0.70
£8,350,000	Rabobank Nederland 6.91% VRN perp	11,282,162	1.25
£1,835,000	RAC Bond 4.87% 2026	2,013,330	0.22
£2,770,000	Retail Charity Bonds 4.25% 2026	2,785,595	0.31
£2,250,000	Retail Charity Bonds 4.25% 2026	2,242,012	0.25
£250,000	Retail Charity Bonds 4.375% 2021	265,445	0.03
£1,000,000	Retail Charity Bonds 4.4% 2027	1,038,040	0.12
£1,537,800	Retail Charity Bonds 5% 2026	1,697,885	0.19
£500,000	RHP Finance Plc 3.25% 2048	512,750	0.06
£400,000	Riverside Finance 3.875% 2044	451,193	0.05
£13,544,000	RL Finance Bonds 6.125% 2028	15,529,135	1.72
£15,000,000	RL Finance Bonds 6.125% VRN 2043	16,826,340	1.87
£6,900,000	Rothesay Life 8% 2025	7,960,185	0.88
£11,547,000	Rothschild 9% 2024	14,626,585	1.62
£14,350,000	Royal & Sun Alliance 5.125% VRN 2045	15,953,120	1.77
£1,000,000	Royal Bank of Scotland 3.9% VRN 2022	1,124,500	0.12
£4,000,000	Santander UK FRN 2020	4,013,600	0.45
£1,764,000	Santander UK 3.625% 2026	1,882,140	0.21
£1,050,000	Santander UK 5.875% 2031	1,267,122	0.14

Portfolio and net other assets as at 30 September 2017 *(continued)*

Holding (Bonds unless otherwise stated)		Value (note 1f) £	Percentage of total net assets
Corporate Bonds (30.09.16: 91.90%) *(continued)*			
£990,000	Santander UK 6.5% 2030	1,265,802	0.14
£10,350,000	Scottish Widows 5.5% 2023	11,528,012	1.28
£8,396,000	Shaftesbury Chinatown 2.348% 2027	8,178,795	0.91
£2,100,000	Skipton Building Society 1.75% 2022	2,079,681	0.23
£16,372,000	SL Finance 6.75% VRN perp	19,844,775	2.20
£4,520,000	Society Lloyds 4.75% 2024	5,002,836	0.56
£3,760,000	Society Lloyds 4.875% VRN 2047	4,051,596	0.45
£91,500	South Bristol Sports Centre 7% 2023	91,500	0.01
£148,800	St Johns School Bond 3.25% 2022	148,800	0.02
£1,178,500	St. Modwen Properties 6.25% 2019	1,247,003	0.14
£1,000,000	Stagecoach Group 4% 2025	1,078,463	0.12
£12,869,000	Standard Life 5.5% VRN 2042	14,261,350	1.58
£8,744,000	Standard Life 6.546% VRN perp	9,556,755	1.06
£1,842,000	Swan Housing Capital 3.625% 2048	1,971,329	0.22
£150,000	Telereal Securitisation 4.0902% VRN 2033	156,900	0.02
£200,000	Telereal Securitisation 6.1645% 2031	224,556	0.02
£5,930,000	Telereal Securitisation FRN 2031	5,380,716	0.60
£100,000	Thera Trust 3.5% 2018	100,000	0.01
£100,000	Thera Trust 5.5% 2020	100,000	0.01
£189,709	THFC 5.65% Index-Linked 2020	113,303	0.01
£750,000	Thrive Renewables 5% 2024	750,000	0.08
£8,971,000	TP ICAP 5.25% 2024	9,598,007	1.07
£12,590,000	TSB Banking 5.75% VRN 2026	13,678,859	1.52
£500,000	Vodafone 3% 2056	420,456	0.05
£2,300,000	Welltower 4.5% 2034	2,607,173	0.29
£800,000	Welltower 4.8% 2028	925,922	0.10
£7,030,000	Whitbread Group 3.375% 2025	7,375,974	0.82
£2,120,000	Wods Transmission 3.446% 2034	2,152,447	0.24
£1,330,000	Workspace 6% 2019	1,391,885	0.15
£2,410,000	Yorkshire Building Society 3.5% 2026	2,561,375	0.28
£3,391,000	Yorkshire Building Society 3.375% VRN 2028	3,301,469	0.37
£9,265,000	Yorkshire Building Society 4.125% VRN 2024	9,633,093	1.07
		774,013,522	**85.88**
Total Bonds		**834,466,902**	**92.59**

Portfolio and net other assets as at 30 September 2017 *(continued)*

Holding (Bonds unless otherwise stated)		Value (note 1f) £	Percentage of total net assets
Corporate Preference (30.09.16: 0.77%)			
£60,000	Nationwide Building Society 10.25% VRN perp	**9,330,000**	**1.04**
Equities (30.09.16: 0.00%)			
1,303,237	Greencoat Renewables	**1,217,253**	**0.14**
Forward Foreign Exchange Contracts (30.09.16: 0.00%)			
	Buy £3,815,461, Sell €4,212,807	**99,933**	**0.01**
Total value of investments (30.09.16: 97.74%)		**845,114,088**	**93.78**
Net other assets (30.09.16: 2.26%)		56,081,517	6.22
Total value of the Fund as at 30 September 2017		**901,195,605**	**100.00**

* Equity Security
^ Suspended security

Summary of portfolio investments

	Value £	Percentage of total net assets
Bonds	843,796,902	93.63
Equities	1,217,253	0.14
Forwards	99,933	0.01
Total value of investments	**845,114,088**	**93.78**

Statement of total return for the year ended 30 September 2017

	Note	30.09.17 £	30.09.17 £	30.09.16 £	30.09.16 £
Income					
Net capital gains	2		**15,583,685**		22,493,837
Revenue	3	**29,786,083**		9,649,213	
Expenses	4	**(4,266,662)**		(1,394,142)	
Interest payable and similar charges		**(4,669)**		(10,939)	
Net revenue before taxation		**25,514,752**		8,244,132	
Taxation	5	**–**		–	
Net revenue after taxation			**25,514,752**		8,244,132
Total return before distributions			**41,098,437**		30,737,969
Distributions	6		**(29,407,019)**		(9,536,312)
Change in net assets attributable to unitholders from investment activities			**11,691,418**		21,201,657

Statement of change in net assets attributable to unitholders for the year ended 30 September 2017

	30.09.17 £	30.09.17 £	30.09.16 £	30.09.16 £
Opening net assets attributable to unitholders		**545,613,390**		412,141,116
Amounts receivable on issue of units	**345,939,927**		121,084,255	
Amounts payable on cancellation of units	**(16,745,591)**		(13,020,072)	
		329,194,336		108,064,183
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		**11,691,418**		21,201,657
Retained distributions on accumulation units		**14,696,142**		4,206,378
Unclaimed distributions		**319**		56
Closing net assets attributable to unitholders		**901,195,605**		545,613,390

Balance sheet as at 30 September 2017

	Note	30.09.17 £	30.09.17 £	30.09.16 £	30.09.16 £
Assets					
Investments			**845,114,088**		533,258,286
Current assets:					
Debtors	7	**29,431,088**		14,608,044	
Cash and bank balances		**35,126,896**		2,407,261	
Total current assets			**64,557,984**		17,015,305
Total assets			**909,672,072**		550,273,591
Liabilities					
Creditors:					
Bank overdrafts		**–**		(84,415)	
Other creditors	8	**(3,733,099)**		(336,179)	
Distribution payable on income units		**(4,743,368)**		(4,239,607)	
Total liabilities			**(8,476,467)**		(4,660,201)
Net assets attributable to unitholders			**901,195,605**		545,613,390

1 Accounting policies

a) Basis of accounting
The annual financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice (SORP) for Financial Statements of UK Authorised Funds issued by The Investment Association in May 2014.

As stated in the Statement of the Manager's responsibilities in relation to the report and accounts of the Company on page 40, the Manager continues to adopt the going concern basis in the preparation of the financial statements of the fund.

b) Recognition of revenue
All dividends on investments marked ex-dividend up to the accounting date are included in revenue inclusive of any tax deducted at source and net of attributable tax credits. Bank and other interest receivable is accrued up to the accounting date, and this forms part of the distribution.

Revenue on debt securities has been accounted for on an effective interest method.

c) Treatment of scrip and special dividends

Any stock received in lieu of cash dividends is credited to capital in the first instance, followed by a transfer to revenue of the cash equivalent being offered, and this forms part of the distribution made by the fund.

Special dividends are treated as revenue or capital depending on the facts of each particular case.

d) Treatment of expenses
All expenses (other than management fees and direct costs of purchase and sale of investments) are charged against revenue.

e) Distribution policy
Revenue arising from the fund's investments accumulates during each accounting period. If, at the end of the accounting period, revenue exceeds expenses, the net revenue of the fund is available to be distributed to unitholders.

For the purpose of calculating the distribution available to unitholders, the Manager's charge is deducted from capital. Offsetting expenses against capital may constrain future growth in revenue and capital.

For the purpose of calculating the distribution available to unitholders, revenue on debt securities is computed as the higher of the amount determined on an accrual of coupon basis and on an effective yield basis.

A reconciliation of the net distribution to the net revenue of the fund is shown in note 6.

In order to conduct a controlled dividend flow to unitholders, interim distributions will be made at the Managers' discretion, up to a maximum of the distributable revenue available for the year. All remaining revenue is distributed in accordance with the regulations.

f) Basis of valuation of investments
The quoted investments of the fund have been valued at the closing bid-market prices excluding any accrued interest in the case of debt securities ruling on the principal markets on which the stocks are quoted on the last business day of the accounting year. If no market price is available we use two different vendors (at least one being independent) to obtain a price and verify it against.

During the year the fund entered into derivative transactions in the form of forward foreign currency contracts. For forward foreign currency contracts, market value is determined by reference to forward currency exchange rates at the year end.

Unquoted investments are valued at fair value, which represents the ACD's view of the amount for which an asset could be exchanged between knowledgeable and willing parties in an arm's length transaction. This does not assume that the underlying business is saleable at the reporting date or that its current shareholders have an intention to sell their holding in the near future.

The unquoted investments are valued by the ACD based upon information from an independent valuation firm, taking into account, where appropriate, latest dealing prices, achievement or not of key milestones, valuations from reliable sources, financial performance, and other relevant factors.

1 Accounting policies *(continued)*

g) Exchange rates

Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting year are translated into Sterling at the closing bid exchange rates ruling on that date.

h) Taxation/Deferred Tax

i) Corporation tax is provided for at 20% on taxable revenue, after deduction of expenses.

ii) Where overseas tax has been deducted from taxable overseas revenue, that tax can, in some instances, be set off against the corporation tax payable by the fund, by way of double taxation relief.

iii) The charge for deferred tax is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax assets can be offset. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

i) Unit classes rights on termination, allocation of tax and distributable income

The fund may be terminated if an order declaring the fund to be an authorised unit trust scheme is revoked, or the Financial Conduct Authority (FCA) determines to revoke the order at the request of the Trustee or the Manager. In the case of a reconstruction or an amalgamation of the fund with another body or trust, on the passing of an extraordinary resolution of holders of units approving the amalgamation, the Trustee shall wind up the fund in accordance with that resolution.

On the termination of the fund in any other case, the Trustee shall sell the investments, and out of the proceeds of the sale shall settle the fund's liabilities and pay the costs and expenses of the winding up before distributing the proceeds of the realisation to unitholders and the Manager proportionally to their respective interests in the fund. Any unclaimed proceeds or cash held by the Trustee after the expiration of 12 months from the date on which the same became payable shall be paid by the Trustee into court subject to the Trustee having a right to retain any expenses incurred by it in making such payment into court. On the completion of the winding-up the Trustee must notify the FCA to revoke the relevant authorisation order.

Allocation of tax and distributable income is done proportionally to the unitholders' respective interests in the fund.

2 Net capital gains

	30.09.17 £	30.09.16 £
The net capital gains during the year comprise:		
Non-derivative securities	**15,557,474**	22,570,315
Currency (losses)/gains	**(2,314)**	12,696
Forward currency contracts	**32,553**	(85,685)
Transaction charges	**(4,028)**	(3,489)
Total net capital gains	**15,583,685**	22,493,837

3 Revenue

	30.09.17 £	30.09.16 £
Dividends – UK Ordinary	**–**	104,806
Interest on debt securities	**29,786,081**	9,538,018
HMRC repayment	**2**	19
Bank interest	**–**	6,370
Total revenue	**29,786,083**	9,649,213

4 Expenses

	30.09.17 £	30.09.17 £	30.09.16 £	30 09.16 £
Payable to the Manager, associates of the Manager and agents of either of them:				
Manager's periodic charge		**3,937,168**		1,281,358
Payable to the Trustee, associates of the Trustee and agents of either of them:				
Trustee's fees	**159,801**		48,327	
Safe custody and other bank charges	**75,166**		24,232	
		234,967		72,559
Other expenses:				
Administration fees	**11,479**		5,043	
Audit fee*	**16,055**		4,177	
FCA fee	**356**		149	
Printing and publication costs	**9,142**		3,643	
Registration fees	**57,495**		27,213	
		94,527		40,225
Total expenses		**4,266,662**		1,394,142

*Audit fees paid in the year were £8,500 (30.09.16: £8,300) excluding VAT.

5 Taxation

	30.09.17 £	30.09.16 £
a) Analysis of charge in the year		
Corporate tax	–	–
Current tax charge (note 5b)	–	–

b) Factors affecting current tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Authorised Unit Trust (20%) (30.09.16: 20%). The differences are explained below.

	30.09.17 £	30.09.16 £
Net revenue before taxation	25,514,752	8,244,132
Corporation tax at 20%	5,102,950	1,648,826
Effects of:		
Revenue not subject to taxation	(33,671)	(20,961)
Tax deductible interest distribution	(5,069,279)	(1,627,865)
Total tax charge for the year (note 5a)	–	–

c) Deferred tax

At the year end the fund had no surplus management expenses (30.09.16 : £nil) and no deferred tax asset has been recognised.

6 Distributions

The distributions/accumulations take account of amounts received on the issue of units and amounts deducted on the cancellation of units, and comprise:

	30.09.17 **£**	30.09.16 £
First Interim	**5,679,775**	3,042,971
Second Interim	**7,119,391**	–
Third Interim	**7,763,596**	–
Final	**8,981,368**	4,986,252
UK Income tax withheld	**1,386,031**	1,904,882
	30,930,161	9,934,105
Add: Amounts deducted on cancellation of units	**124,049**	48,342
Deduct: Amounts received on issue of units	**(1,647,191)**	(446,135)
Net distribution for the year	**29,407,019**	9,536,312
Reconciliation of net distribution for the year to net revenue after tax:		
Net distributions/accumulations for the year	**29,407,019**	9,536,312
Expenses charged to capital:		
Manager's periodic charge	**(3,937,168)**	(1,281,358)
Equalisation on conversions	**5,317**	1,078
Balance brought forward	**(12,144)**	(24,044)
Balance carried forward	**51,728**	12,144
Net revenue after taxation	**25,514,752**	8,244,132

7 Debtors

	30.09.17 **£**	30.09.16 £
Amounts receivable for issue of units	**10,022,650**	1,889,729
Sales awaiting settlement	**24,214**	468,162
Accrued revenue	**19,380,621**	12,250,153
Taxation recoverable	**3,603**	–
Total debtors	**29,431,088**	14,608,044

8 Other creditors

	30.09.17 £	30.09.16 £
Amounts payable for cancellation of units	**56,352**	21,153
Purchases awaiting settlement	**3,197,933**	–
Accrued expenses	**478,814**	315,026
Total other creditors	**3,733,099**	336,179

9 Reconciliation of units

	R-Class income	R-Class accumulation	I-Class income	I-Class accumulation	X-Class income	X-Class accumulation
Opening units issued at 01.10.16	11,485,129	9,481,654	228,509,298	137,784,527	28,710,908	5,396,627
Unit movements 01.10.16 to 30.09.17						
Units issued	3,938,995	–	225,611,778	–	103,322,939	7,873,480
Units cancelled	(4,367,581)	–	(8,492,563)	–	(2,842,828)	(1,434,061)
Units converted	(612,680)	(103,087)	(116,258,543)	58,343,193	–	–
	10,443,863	9,378,567	329,369,970	196,127,720	129,191,019	11,836,046

10 Related party transactions

Management fees paid to Rathbone Unit Trust Management Limited (the Manager) are disclosed in note 4 and amounts outstanding at the year end in note 8.

Trustee and other fees paid to National Westminster Bank Plc, Trustee and Depositary Services are also detailed in note 4 except for transaction charges which are disclosed in note 2. Any amounts prepaid and due at the year end are disclosed in notes 7 and 8.

There were no commissions paid to stockbroking associates of the Manager in respect of dealings in the investments of Rathbone Ethical Bond Fund during the year (30.09.16: £nil).

All other amounts paid to or received from the related parties, together with the outstanding balances are disclosed in the financial statements.

11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (30.09.16: £nil).

12 Risk disclosures on financial instruments

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for liquidations and debtors for accrued revenue.

The fund is exposed to credit risk as a result of its investment in bonds. There are no net borrowings and little exposure to liquidity risk because assets can be readily realised to meet redemptions. Details of the fund's portfolio and exposure to credit risk are set out on pages 14 to 19.

The main risks arising from the financial instruments are:

(i) Foreign currency risk, being the risk that the value of investments will fluctuate as a result of exchange rate movements. The value of the fund's underlying investments will be affected by movements in exchange rate against sterling, in respect of non-sterling denominated rates.

The table below shows the foreign currency risk profile at the balance sheet date:

	30.09.17 **£**	30.09.16 £
Currency:		
Euro	**5,355,848**	–
US dollar	**18,484,793**	2,277,230
Pound sterling	**877,351,361**	543,336,160
	901,192,002	545,613,390
Other net assets not categorised as financial instruments	**3,603**	–
Net assets	**901,195,605**	545,613,390

If GBP to foreign currency exchange rates had increased by 10% as at the balance sheet date, the net asset value of the fund would have decreased by £2,167,331 (30.09.16: £207,021). If GBP to foreign currency exchange rates had decreased by 10% as at the balance sheet date, the net asset value of the fund would have increased by £2,648,960 (30.09.16: £253,026). These calculations assume all other variables remain constant.

12 Risk disclosures on financial instruments *(continued)*

(ii) Interest rate risk, being the risk that the value of investments will fluctuate as a result of interest rate changes.

The table below shows the interest rate risk profile at the balance sheet date:

	30.09.17 **£**	30.09.16 £
Fixed rate assets:		
US dollar	**9,819,655**	2,357,315
Pound sterling	**462,254,816**	297,898,267
	472,074,471	300,255,582
Floating rate assets:		
Euro	**3,886,222**	–
US dollar	**8,413,784**	–
Pound sterling	**394,549,321**	231,213,377
	406,849,327	231,213,377
Floating rate liabilities:		
US dollar	**–**	(84,415)
	–	(84,415)
Assets on which no interest is paid:		
Euro	**1,469,626**	–
US dollar	**251,354**	4,330
Pound sterling	**29,023,691**	18,800,302
	30,744,671	18,804,632
Liabilities on which no interest is paid:		
Pound sterling	**(8,476,467)**	(4,575,786)
	(8,476,467)	(4,575,786)
Other net assets not categorised as financial instruments	**3,603**	–
Net assets	**901,195,605**	545,613,390

Using the Macaulay modified duration methodology we have estimated that if yields increase by 1% as at the balance sheet date, the net asset value of the fund would have decreased by £59,546,634 (30.09.16: £37,897,829). If interest rates had decreased by 1% as at the balance sheet date, the net asset value of the fund would have increased by £59,546,634 (30.09.16: £37,897,829). These calculations assume all other variables remain constant.

The floating rate financial assets and liabilities comprise bank balances, floating rate securities and index linked bonds that earn or pay interest at rates linked to the UK base rate or its international equivalents.

12 Risk disclosures on financial instruments *(continued)*

(ii) Interest rate risk *(continued)*

Bond credit ratings*	30.09.17 Value (note 1f) £	30.09.17 Percentage of total net assets	30.09.16 Value (note 1f) £	30.09.16 Percentage of total net assets
Investment grade	**646,828,927**	**71.80**	344,569,173	63.15
Below investment grade	**196,967,975**	**21.83**	184,492,525	33.82
Total bonds	**843,796,902**	**93.63**	529,061,698	96.97

*Source: Standard & Poors

	Fixed rate financial assets			
	Weighted average redemption yield rate		Weighted average period for which rate is fixed	
Currency	**30.09.17**	**30.09.16**	**30.09.17**	**30.09.16**
Pound sterling	**12.49%**	3.70%	**10.27 years**	11.86 years
US dollar	**5.38%**	4.25%	**15.61 years**	8.46 years

(iii) Market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than currency or interest rate movements.

The investment portfolio is exposed to market price fluctuations which are monitored by the Manager in pursuance of the investment objective and policy set out in the Prospectus. Adherence to investment guidelines and to investment and borrowing powers set out in the Trust Deed and Prospectus and the rules of the FCA's Collective Investment Scheme Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

If market prices had increased by 10% as at the balance sheet date the net asset value of the fund would have increased by £84,501,416 (30.09.16: £53,325,829). If market prices had decreased by 10% as at the balance sheet date the net asset value of the fund would have decreased by £84,501,416 (30.09.16: £53,325,829). These calculations assume all other variables remain constant.

(iv) Counterparty risk, being the risk that the counterparty will not deliver the investments for a purchase, or the cash for a sale after the fund has fulfilled its responsibilities.

(v) Fair value. There is no material difference between the carrying value and fair value of the financial instruments disclosed in the balance sheet.

(vi) Liquidity risk, being the risk that the value of the investment portfolio is adversely affected by the illiquid nature of certain debt securities. The investment portfolio may consist of a substantial number of fixed debt securities assets in below investment grade fixed interest securities. Such securities are generally not regularly traded on secondary markets. Adherence to investment guidelines and to investment and borrowing powers set out in the Trust Deed and Prospectus and the rules of the FCA's Collective Investment Scheme Sourcebook mitigates the risk of excessive exposure to liquidity risk.

13 Portfolio transaction cost

For the year ended 30 September 2017

Analysis of total purchases costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	1,151,043	–	–	–	–
Bond transactions	469,512,539	–	–	–	–
Total purchases before transaction costs	470,663,582	–		–	
Total purchases including commission and taxes	470,663,582				

Analysis of total sales costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Bond transactions	92,351,779	–	–	–	–
Corporate actions	78,740,727	–	–	–	–
Total sales including transactions costs	171,092,506	–		–	
Total sales net of commission and taxes	171,092,506				

Commissions and taxes as % of average net assets	
Commissions	0.00%
Taxes	0.00%

13 Portfolio transaction cost *(continued)*

For the year ended 30 September 2016

Analysis of total purchases costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Bond transactions	144,101,200	80	–	–	–
Total purchases before transaction costs	144,101,200	80		–	
Total purchases including commission and taxes	144,101,280				

Analysis of total sales costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Bond transactions	22,562,131	–	–	–	–
Fund transactions	1,053,000	–	–	–	–
Corporate actions	17,450,347	–	–	–	–
Total sales including transactions costs	41,065,478	–		–	
Total sales net of commission and taxes	41,065,478				

Commissions and taxes as % of average net assets	
Commissions	0.00%
Taxes	0.00%

In the case of share, commissions and taxes are paid by the fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.80% (30.09.16: 1.17%).

14 Fair value of investments

The fair value of investments has been determined using the following hierarchy:

Category A	Where there is a quoted price for an identical asset in an active market at the reporting date.
Category B	Where such quoted prices are unavailable, the price of a recent transaction for an identical asset, adjusted if necessary.
Category C(i)	Where quoted prices are unavailable and recent transactions of an identical asset on their own are either unavailable or not a good estimate of fair value and therefore valuation techniques are employed using observable market data.
Category C(ii)	Where quoted prices are not unavailable and recent transactions of an identical asset on their own are either unavailable or not a good estimate of fair value and therefore valuation techniques are employed using non-observable market data.

For the year ended 30 September 2017

Category	A	B	C(i)	C(ii)	Total
Investment Assets	£	£	£	£	£
Equities	1,217,253	–	–	–	1,217,253
Bonds	–	–	828,554,331	15,242,571	843,796,902
Derivatives	–	–	3,815,461	–	3,815,461
	1,217,253	–	832,369,792	15,242,571	848,829,616

Investment Liabilities	£	£	£	£	£
Derivatives	–	–	(3,715,528)	–	(3,715,528)
	–	–	(3,715,528)	–	(3,715,528)

For the year ended 30 September 2016

Category	A	B	C(i)	C(ii)	Total
Investment Assets	£	£	£	£	£
Bonds	–	–	517,491,496	15,766,790	533,258,286

15 Unit price movement since the balance sheet date

Subsequent to the year end, the net asset value per unit of the fund has increased using the unit prices at the year end date compared to 7 November 2017. This movement takes into account routine transactions but also reflects the market movements of recent months. There are no post balance sheet events which require adjustments.

Unit Type	29.09.17 bid price	07.11.17 bid price
R-Class income	95.85p	96.54p
R-Class accumulation	196.05p	199.45p
I-Class income	99.77p	100.57p
I-Class accumulation	201.96p	205.60p
X-Class income	107.96p	108.89p
X-Class accumulation	112.89p	115.00p

Distribution tables for the year ended 30 September 2017

Distribution tables (pence per unit)

First Interim
Group 1 – Units purchased prior to 1 October 2016
Group 2 – Units purchased on or after 1 October 2016 and on or before 31 December 2016

R-Class income units	Gross	Income Tax Withheld	Net Income	Equalisation	Paid 28.02.17	Paid 30.09.15
Group 1	1.14	0.23	0.91	–	0.91	0.84
Group 2	0.55	0.11	0.44	0.47	0.91	0.84

R-Class accumulation units	Gross	Income Tax Withheld	Net Income	Equalisation	Accumulated 28.02.17	Accumulated 30.09.15
Group 1	2.26	0.45	1.81	–	1.81	1.59
Group 2	1.23	0.25	0.98	0.83	1.81	1.59

I-Class income units	Gross	Income Tax Withheld	Net Income	Equalisation	Paid 28.02.17	Paid 30.09.15
Group 1	1.18	0.24	0.94	–	0.94	0.87
Group 2	0.64	0.13	0.51	0.43	0.94	0.87

I-Class accumulation units	Gross	Income Tax Withheld	Net Income	Equalisation	Accumulated 28.02.17	Accumulated 30.09.15
Group 1	2.33	0.47	1.86	–	1.86	1.61
Group 2	1.11	0.22	0.89	0.97	1.86	1.61

X-Class income* units	Gross	Income Tax Withheld	Net Income	Equalisation	Paid 28.02.17	Paid 30.09.15
Group 1	1.28	0.26	1.02	–	1.02	n/a
Group 2	0.81	0.16	0.65	0.37	1.02	n/a

X-Class accumulation* units	Gross	Income Tax Withheld	Net Income	Equalisation	Accumulated 28.02.17	Accumulated 30.09.15
Group 1	1.29	0.26	1.03	–	1.03	n/a
Group 2	0.85	0.17	0.68	0.35	1.03	n/a

Distribution tables (pence per unit) *(continued)*

Second Interim
Group 1 – Units purchased prior to 1 January 2017
Group 2 – Units purchased on or after 1 January 2017 and on or before 31 March 2017

R-Class income units	Income**	Equalisation	Paid 31.05.17	Paid 31.12.15
Group 1	1.06	–	1.06	0.84
Group 2	0.39	0.67	1.06	0.84

R-Class accumulation units	Income**	Equalisation	Accumulated 31.05.17	Accumulated 31.12.15
Group 1	2.12	–	2.12	1.59
Group 2	0.93	1.19	2.12	1.59

I-Class income units	Income**	Equalisation	Paid 31.05.17	Paid 31.12.15
Group 1	1.11	–	1.11	0.86
Group 2	0.47	0.64	1.11	0.86

I-Class accumulation units	Income**	Equalisation	Accumulated 31.05.17	Accumulated 31.12.15
Group 1	2.18	–	2.18	1.63
Group 2	0.95	1.23	2.18	1.63

X-Class income* units	Income**	Equalisation	Paid 31.05.17	Paid 31.12.15
Group 1	1.19	–	1.19	n/a
Group 2	0.50	0.69	1.19	n/a

X-Class accumulation* units	Income**	Equalisation	Accumulated 31.05.17	Accumulated 31.12.15
Group 1	1.21	–	1.21	n/a
Group 2	0.65	0.56	1.21	n/a

Distribution tables (pence per unit) *(continued)*

Third Interim
Group 1 – Units purchased prior to 1 April 2017
Group 2 – Units purchased on or after 1 April 2017 and on or before 30 June 2017

R-Class income units	Income**	Equalisation	Paid 31.08.17	Paid 31.03.16
Group 1	1.06	–	1.06	0.86
Group 2	0.36	0.70	1.06	0.86

R-Class accumulation units	Income**	Equalisation	Accumulated 31.08.17	Accumulated 31.03.16
Group 1	2.14	–	2.14	1.65
Group 2	0.79	1.35	2.14	1.65

I-Class income units	Income**	Equalisation	Paid 31.08.17	Paid 31.03.16
Group 1	1.09	–	1.09	0.88
Group 2	0.48	0.61	1.09	0.88

I-Class accumulation units	Income**	Equalisation	Accumulated 31.08.17	Accumulated 31.03.16
Group 1	2.19	–	2.19	1.66
Group 2	1.08	1.11	2.19	1.66

X-Class income* units	Income**	Equalisation	Paid 31.08.17	Paid 31.03.16
Group 1	1.18	–	1.18	n/a
Group 2	0.67	0.51	1.18	n/a

X-Class accumulation* units	Income**	Equalisation	Accumulated 31.08.17	Accumulated 31.03.16
Group 1	1.23	–	1.23	n/a
Group 2	0.46	0.77	1.23	n/a

Distribution tables (pence per unit) *(continued)*

Final

Group 1 – Units purchased prior to 1 July 2017
Group 2 – Units purchased on or after 1 July 2017 and on or before 30 September 2017

R-Class income units	Income**	Equalisation	Payable 30.11.17	Paid 30.06.16
Group 1	0.96	–	0.96	0.84
Group 2	0.52	0.44	0.96	0.84

R-Class accumulation units	Income**	Equalisation	Allocated 30.11.17	Accumulated 30.06.16
Group 1	1.95	–	1.95	1.61
Group 2	0.92	1.03	1.95	1.61

I-Class income units	Income**	Equalisation	Payable 30.11.17	Paid 30.06.16
Group 1	0.99	–	0.99	0.86
Group 2	0.42	0.57	0.99	0.86

I-Class accumulation units	Income**	Equalisation	Allocated 30.11.17	Accumulated 30.06.16
Group 1	2.00	–	2.00	1.64
Group 2	1.03	0.97	2.00	1.64

X-Class income* units	Income**	Equalisation	Payable 30.11.17	Paid 30.06.16
Group 1	1.07	–	1.07	n/a
Group 2	0.76	0.31	1.07	n/a

X-Class accumulation* units	Income**	Equalisation	Allocated 30.11.17	Accumulated 30.06.16
Group 1	1.12	–	1.12	n/a
Group 2	0.38	0.74	1.12	n/a

* X-Class was launched on 20 May 2016 at 100.00p (X-Class Income) and 100.00p (X-Class Accumulation).
** For interest distributions payable after 5 April 2017, there is no longer any tax credit to be applied (previously 20%).

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 shares for Capital Gains Tax purposes.

Note: The fund has changed its annual reporting period from year to 30 April to year to 30 September.

Directors' statement

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

MM Webb
for Rathbone Unit Trust Management Limited
Manager of Rathbone Ethical Bond Fund
17 November 2017

Statement of the Manager's responsibilities in relation to the annual report and financial statements of the scheme

The Financial Conduct Authority's Collective Investment Schemes sourcebook requires the Manager to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the fund and of the net revenue and of the net capital gains or losses on the property of the fund for that year. In preparing those financial statements, the Manager is required to:

1. select suitable accounting policies, as described in the attached financial statements, and then apply them consistently;
2. make judgements and estimates that are reasonable and prudent;
3. comply with the disclosure requirements of the SORP relating to financial statements of authorised funds issued by The Investment Association;
4. The Financial Reporting Standard applicable in the UK and Republic of Ireland;
5. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the fund will continue in operation; and
6. keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements.

The Manager is responsible for the management of the scheme in accordance with its Trust Deed, Prospectus and the Financial Conduct Authority's Collective Investment Schemes Sourcebook, and for the system of internal controls and for safeguarding of the assets of the scheme. The Manager has general responsibility for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Manager is aware:

1. there is no relevant audit information of which the fund's auditor is unaware; and
2. the Manager has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information; and
3. the Manager is of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements as the assets of the fund consist predominantly of securities that are readily realisable and, accordingly, the Company has adequate resources to continue in operational existence for the foreseeable future.

Statement of the Trustee's responsibilities and report of the Trustee to the unitholders of Rathbone Ethical Bond Fund for the year ended 30 September 2017

The Trustee must ensure that the Scheme is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together the Regulations), the Trust Deed and Prospectus (together the Scheme documents) as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Scheme and its investors.

The Trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Scheme in accordance with the Regulations.

The Trustee must ensure that:

1. the Scheme's cash flows are properly monitored and that cash of the Scheme is booked into the cash accounts in accordance with the Regulations;
2. the sale, issue, redemption and cancellation of units are carried out in accordance with the Regulations;
3. the value of units in the Scheme is calculated in accordance with the Regulations;
4. any consideration relating to transactions in the Scheme's assets is remitted to the Scheme within the usual time limits;
5. the Scheme's income is applied in accordance with the Regulations; and
6. the instructions of the Authorised Fund Manager (the AFM) are carried out (unless they conflict with the Regulations).

The Trustee also has a duty to take reasonable care to ensure that the Scheme is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Scheme.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Scheme, acting through the AFM:

1. has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Scheme's units and the application of the Scheme's income in accordance with the Regulations and the Scheme documents; and
2. has observed the investment and borrowing powers and restrictions applicable to the Scheme.

National Westminster Bank Plc
Trustee of Rathbone Ethical Bond Fund
17 November 2017

Independent Auditor's Report to the unitholders of Rathbone Ethical Bond Fund

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the financial position of the Rathbone Ethical Bond Fund ('the fund') as at 30 September 2017 and of the net revenue and the net capital gains on the property of the fund for the year ended 30 September 2017 and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the Statement of Recommended Practice "Financial Statements of UK Authorised Funds", the rules in the Collective Investment Schemes Sourcebook and the Trust Deed.

We have audited the financial statements of the fund which comprise:

- the statement of total return;
- the statement of change in net assets attributable to unitholders;
- the balance sheet;
- the distribution tables; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice: "Financial Statements of UK Authorised Funds" issued by the Investment Association in May 2014, the Collective Investment Schemes Sourcebook and the Trust Deed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the manager's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The manager is responsible for the other information. The other information comprises the information included in the annual report , other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of trustee and manager

As explained more fully in the trustee's responsibilities statement and the manager's responsibilities statement, the trustee is responsible for the safeguarding the property of the fund and the manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the manager is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the manager either intends to liquidate the fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the fund's unitholders, as a body, in accordance with Paragraph 4.5.12R of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the fund's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the fund and the fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion:

- proper accounting records for the fund have been kept and the financial statements are in agreement with those records;
- we have received all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit; and
- the information disclosed in the annual report for the year ended 30 September 2017 for the purpose of complying with Paragraph 4.5.9R of the Collective Investment Schemes Sourcebook is consistent with the financial statements.

Deloitte LLP
Statutory Auditor
Glasgow
23 November 2017

General information

Authorised status

The Rathbone Ethical Bond Fund is an authorised unit trust scheme, authorised by the Financial Conduct Authority on 29 October 2001 and launched in May 2002.

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 provide a regular, above average income through investing in a range of bonds and bond market instruments that meet a strict criteria both ethically and financially.

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: rutm.com

UCITS V Remuneration

The European Securities and Markets Authority (ESMA) published guidelines on sound remuneration policies under the UCITS V Directive in March 2016. As a result the ACD will be subject to the UCITS V remuneration guidelines from 1 January 2017.

In order for the Company to meet its obligations under the UCITS V Directive it will need to ensure that all information provided in the annual report is presented in a manner that provides materially relevant, reliable, comparable and clear information.

The Authorised Fund Manager is currently reviewing its remuneration policy as a result of the UCITS V remuneration rules and therefore does not believe that disclosing information for the current financial year would be relevant, comparable and clear. Based on the ESMA guidance published, the Company has omitted any information regarding remuneration at this stage since the first full performance year of the Authorised Fund Manager concludes on 31 December 2017.

The Authorised Fund Manager commits to full disclosure on remuneration for all periods beginning on or after 1 January 2017, when the full UCITS V remuneration rules apply to the Company.

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. Sales constituting a 'large deal' of £50,000 or more may receive a lower price than the published selling price.

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.

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.

The purchase price of R-Class units includes a preliminary charge of 1%. There is no preliminary charge for I-Class units.

The Manager currently receives an annual remuneration for managing the R-Class property of the fund at the rate of 1.25%.

The Manager currently receives an annual remuneration for managing the I-Class property of the fund at the rate of 0.625%.

For more information on our charges, please visit the fund-specific pages of our website: rutm.com

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 31 March and 30 September, 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 units are available on request from the Manager.

Other information

The Trust Deed, Key Investor Information Document and Supplementary Information Document, the Prospectus and the most recent half yearly report of each fund may be inspected at the registered offices of the Manager. Copies of the Prospectus, 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 Ltd, DST House, St Nicholas Lane, Basildon, Essex SS15 5FS.

A copy of the Long Report is available upon request, free of charge, from Client Services Department, Rathbone Unit Trust Management Limited, 8 Finsbury Circus, London EC2M 7AZ.

Unitholders who have any queries or complaints about the operation of the fund should address them in the first instance 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 Blue Chip Income and Growth Fund
Rathbone Core investment Fund for Charities
Rathbone Dragon Trust
Rathbone Global Opportunities Fund
Rathbone Heritage Fund
Rathbone Income Fund
Rathbone Spenser Fund
Rathbone Strategic Bond Fund
Rathbone UK Opportunities Fund

and the Authorised Corporate Director of:

Rathbone Global Alpha 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: rutm.com

Data protection

If you do not wish to receive information on other products and services offered by the Rathbone Group, please write to us 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
Tel 020 7399 0000
Fax 020 7399 0057

Information line
020 7399 0399
rutm@rathbones.com
rutm.com

5382.11.17