

Rathbones

Look forward

Rathbone Ethical Bond Fund

Interim report for the half year ended 31 March 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

PO Box 9948
Chelmsford
CM99 2AG
Telephone 0330 123 3810
Facsimile 0330 123 3812

Registrar

International Financial Data Services
(UK) Limited
PO Box 9948
Chelmsford CM99 2AG
Telephone 0330 123 3810
Facsimile 0330 123 3812
Authorised and regulated by the
Financial Conduct Authority

Independent Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
2 New Street Square
London
EC4A 3BZ

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
135 Bishopsgate
London
EC2M 3UR
Authorised and regulated by the
Financial Conduct Authority

Manager's report for the half year ended 31 March 2017

Between 1 October 2016 and 31 March 2017, the FTSE Actuaries UK Conventional Gilts All Stocks index fell 1.86%. The iBoxx UK Sterling Non-Gilts All Maturities index made -0.78% over that time, while the IA Sterling Corporate Bond sector dropped 0.60%. Our fund returned 2.06% over the period. At the beginning of October, 10-year gilts yielded 0.75%; they closed on 31 March at 1.14%.

This dramatically under-represents the upward move in gilts over the last six months. Improving fundamentals in the US, Europe and Japan helped boost optimism in the fourth quarter. Growing inflation eased fears of deflation too. By late January the 10-year gilt yield had doubled to 1.52%. The election of Donald Trump to the White House did little to hold back US equities, with the S&P 500 index notching up an all-time closing high of 2,395.96 on 1 March.

Our portfolio has a significant overweight to financial debt because we believe it offers attractive yields with robust balance sheets. Following the credit crunch tougher regulation has forced these companies to reinforce their balance sheets, markedly reducing credit risk. We bought the Legal & General 6.385% VRN perp because it offered a very good yield to its call date, which is in May this year. Another financial bond with a compelling valuation and strong balance sheet was the Standard Life 6.75% perp. A similar story was behind our purchases of Royal & Sun Alliance 5.125% VRN 2045 and JRP Group 9% 2026. JRP is a quality business with strong solvency ratios that is growing its share of the retirement solutions market. It also comes with an attractive yield because it is unrated.

Sterling has tumbled since the Brexit vote of June last year. This weakness is likely to continue during the exit negotiations between the UK and the European Union. To combat this, we bought the Hiscox 6.125% VRN 2045, an insurer that makes most of its revenue in dollars.

We sold the Grainger 5% 2020 because we felt it was overvalued, given the rising risks of UK property. Property prices have faltered for the first time since the global financial crisis and the continuing uncertainty of Brexit will not help confidence.

During the period gilt yields fell substantially and many investment grade bonds accompanied them. We took the opportunity to sell some that we believed had been overbought. They included Friends Life Group 8.25% 2022 and PGH Capital 5.75% 2021.

Finally, there were some long duration bonds that we kept in the portfolio to balance our generally low-duration bias. When bond yields fell, these bonds became very expensive so we took the opportunity to take profits. These included the Vodafone 3% 2056 and EIB 6% 2028.

Gilt yields remain way below where we think they should be. We expect them to move higher this year as uncertainties slip away and the global risk-free rate – driven by the US – continues to rise.

For this reason we are underweight duration (interest rate risk), a position we have held for some time. We are focused on beta risk (a measure of the volatility, or systematic risk, of a security in comparison to the market as a whole) – corporate paper – because we think credit spreads should remain robust. Value is popping up in the short-end of the market, with callable bonds offering attractive yields with inherent protection from rising interest rates. This has been a happy hunting ground for us over the past few months.

At the moment, there's a battle going on between generally stronger economic data in the US, UK and Europe and the political risks of 'Trumponomics', the Brexit negotiations and populism-ridden European elections – both here and on the Continent.

Let's hope that after the dust from this year's electioneering settles the people haven't voted to go backwards.

Bryn Jones and Noelle Cazalis
26 April 2017

Ethical report for the half year ended 31 March 2017

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

Renewable energy

Thrive Renewables (formerly Triodos Renewables) was established over 20 years ago by Triodos Bank to invest in schemes generating renewable energy using wind, solar and hydroelectric technologies. As part of its transition to becoming fully independent from the bank, it changed its name to Thrive Renewables in March 2016. With total installed generating capacity now over 90MW, project locations range from Orkney through Scotland to north-west England and north Wales, East Anglia and Bristol. Thrive's renewable energy assets generated some 170,000MWh of electricity during 2015, enough to power the equivalent of 41,000 average UK homes each year and saving the equivalent of over 72,000 tonnes of CO₂. Originally aiming to raise £7.5m, the offer eventually closed in February 2017 having raised £10m, a portion of which has already been invested directly in three renewable energy projects including a three-turbine wind farm built on an old coal mine in Scotland. Thrive has also invested in solar PV for the first time this year broadening its scope of sustainable energy projects.

Health & wellbeing

Places for People (Pfp) is one of the UK's largest property development and regeneration groups. It comprises 18 subsidiary companies, with approximately half the group's revenues coming from social and affordable housing services. Pfp Finance's 2023 bond issue was a 'ringfenced' bond whose proceeds were designated for use by four specific group subsidiaries. The largest of these, Pfp Leisure, accounts for approximately 60% by revenue of the four subsidiaries involved. Pfp Leisure is a social enterprise specialising in the development and management of sports and leisure facilities on behalf of local authorities. It

currently manages 110 such facilities, creating benefits for society through improved access to opportunities for living a healthier lifestyle. Pfp Leisure also runs initiatives targeted at high-priority groups or those with specific needs, for example weight management, smoking cessation, and stroke and cancer rehabilitation, and reports over 30 million visits to its leisure centres each year.

Residential care

Greensleeves Homes Trust (GHT) is a charitable care home provider and was the first organisation of its kind to raise finance through a listed bond issue available to individuals as well as institutional investors. It emerged in 1997 from the Women's Royal Voluntary Service and its name derives from the green sleeves that featured on the WRVS uniform. Operating under the name Greensleeves Care, it manages 20 homes across England, providing care for over 780 residents through a mix of residential and nursing care for the elderly with an increasing focus on specialist dementia care. The GHT bond was the largest so far issued through Allia's Retail Charity Bonds platform, a special purpose issuing vehicle that connects charitable organisations seeking unsecured loan finance with investors looking for fixed income bonds listed on the London Stock Exchange. The offer raised £33m (£2.8m from the Rathbone Ethical Bond Fund) with strong demand from a wide range of institutional, ethical and individual investors. With a total of £50m of bonds created, there is also the option to raise up to a further £17m in the future. The initial proceeds will be used to buy and develop new homes and sites to increase the number of older people that Greensleeves is able to support. Greensleeves is committed to delivering high quality, person-centred care; a number of its homes are accredited to the Eden Alternative framework, a system designed to change the culture in care homes from an institutional approach focused on medical needs to one which considers broader aspects of resident happiness and wellbeing.

Perry Rudd
26 April 2017

Net asset value per unit and comparative tables

R-Class income units

	31.03.17 pence per unit	30.09.16 pence per unit	30.04.16 pence per unit	30.04.15 pence per unit
Change in net assets per unit				
Opening net asset value per unit	93.42p	89.28p	92.40p	88.96p
Return before operating charges*	2.47p	6.12p	1.45p	8.19p
Operating charges	(0.60p)	(0.51p)	(1.19p)	(1.21p)
Return after operating charges*	1.87p	5.61p	0.26p	6.98p
Distributions on income units	(1.97p)	(1.47p)	(3.38p)	(3.54p)
Closing net asset value per unit	93.32p	93.42p	89.28p	92.40p
*after direct transactions costs ¹ of:	0.00p	0.00p	0.00p	0.00p

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

Performance

Return after charges	2.00%	6.28%	0.28%	7.85%
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Other information

Closing net asset value	£10,008,609	£10,729,737	£10,943,426	£23,243,874
Closing number of units	10,725,037	11,485,129	12,257,697	25,155,405
Operating charges	1.30%	1.31%	1.31%	1.31%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices

Highest unit price	96.42p	96.98p	94.53p	97.20p
Lowest unit price	90.96p	89.45p	86.93p	88.97p

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

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

R-Class accumulation units

	31.03.17 pence per unit	30.09.16 pence per unit	30.04.16 pence per unit	30.04.15 pence per unit
Change in net assets per unit				
Opening net asset value per unit	185.03p	174.03p	173.48p	160.74p
Return before operating charges*	5.39p	12.71p	4.42p	16.59p
Operating charges	(1.20p)	(0.99p)	(2.26p)	(2.22p)
Return after operating charges*	4.19p	11.72p	2.16p	14.37p
Distributions on accumulation units	(4.38p)	(3.59p)	(8.05p)	(8.10p)
Retained distributions on accumulation units	3.93p	2.87p	6.44p	6.47p
Closing net asset value per unit	188.77p	185.03p	174.03p	173.48p

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

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

Performance

Return after charges	2.26%	6.73%	1.25%	8.94%
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Other information

Closing net asset value	£16,735,309	£17,543,599	£18,032,871	£30,229,974
Closing number of units	8,865,231	9,481,654	10,362,059	17,425,555
Operating charges	1.30%	1.31%	1.31%	1.31%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices

Highest unit price	192.38p	189.90p	177.53p	179.25p
Lowest unit price	180.15p	174.37p	167.89p	160.75p

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

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

I-Class income units

	31.03.17 pence per unit	30.09.16 pence per unit	30.04.16 pence per unit	30.04.15 pence per unit
Change in net assets per unit				
Opening net asset value per unit	96.64p	92.11p	94.73p	90.62p
Return before operating charges*	2.57p	6.32p	1.49p	8.36p
Operating charges	(0.33p)	(0.27p)	(0.64p)	(0.65p)
Return after operating charges*	2.24p	6.05p	0.85p	7.71p
Distributions on income units	(2.05p)	(1.52p)	(3.47p)	(3.60p)
Closing net asset value per unit	96.83p	96.64p	92.11p	94.73p
*after direct transactions costs ¹ of:	0.00p	0.00p	0.00p	0.00p

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

Performance

Return after charges	2.32%	6.57%	0.90%	8.51%
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Other information

Closing net asset value	£259,188,077	£220,827,427	£178,428,506	£120,469,525
Closing number of units	267,678,836	228,509,298	193,708,334	127,164,899
Operating charges	0.68%	0.68%	0.69%	0.69%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices

Highest unit price	98.96p	99.19p	95.88p	98.41p
Lowest unit price	94.20p	92.30p	89.60p	90.63p

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

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

I-Class accumulation units

	31.03.17 pence per unit	30.09.16 pence per unit	30.04.16 pence per unit	30.04.15 pence per unit
Change in net assets per unit				
Opening net asset value per unit	189.42p	177.70p	176.04p	162.09p
Return before operating charges*	5.56p	12.98p	4.51p	16.77p
Operating charges	(0.64p)	(0.53p)	(1.21p)	(1.18p)
Return after operating charges*	4.92p	12.45p	3.30p	15.59p
Distributions on accumulation units	(4.51p)	(3.66p)	(8.18p)	(8.17p)
Retained distributions on accumulation units	4.04p	2.93p	6.54p	6.53p
Closing net asset value per unit	193.87p	189.42p	177.70p	176.04p

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

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

Performance

Return after charges	2.60%	7.01%	1.87%	9.62%
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Other information

Closing net asset value	£298,358,046	£260,995,823	£204,736,313	£112,613,368
Closing number of units	153,899,925	137,784,527	115,214,200	63,969,649
Operating charges	0.68%	0.68%	0.69%	0.69%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices

Highest unit price	195.48p	192.29p	179.36p	179.85p
Lowest unit price	184.64p	178.05p	171.26p	162.09p

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

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

X-Class income units**

	31.03.17 pence per unit	30.09.16 pence per unit	30.04.16 pence per unit	30.04.15 pence per unit
Change in net assets per unit				
Opening net asset value per unit	103.93p	100.00p	n/a	n/a
Return before operating charges*	2.77p	5.23p	n/a	n/a
Operating charges	(0.03p)	(0.02p)	n/a	n/a
Return after operating charges*	2.74p	5.21p	n/a	n/a
Distributions on income units	(2.21p)	(1.28p)	n/a	n/a
Closing net asset value per unit	104.46p	103.93p	n/a	n/a
*after direct transactions costs ¹ of:	0.00p	0.00p	n/a	n/a

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

Performance

Return after charges	2.64%	5.21%	n/a	n/a
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Other information

Closing net asset value	£35,609,829	£29,838,284	n/a	n/a
Closing number of units	34,091,012	28,710,908	n/a	n/a
Operating charges	0.05%	0.06%	n/a	n/a
Direct transaction costs	0.00%	0.00%	n/a	n/a

Prices

Highest unit price	106.65p	106.53p	n/a	n/a
Lowest unit price	101.41p	99.02p	n/a	n/a

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

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

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

X-Class accumulation units**

	31.03.17 pence per unit	30.09.16 pence per unit	30.04.16 pence per unit	30.04.15 pence per unit
Change in net assets per unit				
Opening net asset value per unit	105.22p	100.00p	n/a	n/a
Return before operating charges*	3.10p	5.59p	n/a	n/a
Operating charges	(0.03p)	(0.02p)	n/a	n/a
Return after operating charges*	3.07p	5.57p	n/a	n/a
Distributions on accumulation units	(2.50p)	(1.73p)	n/a	n/a
Retained distributions on accumulation units	2.24p	1.38p	n/a	n/a
Closing net asset value per unit	108.03p	105.22p	n/a	n/a
*after direct transactions costs ¹ of:	0.00p	0.00p	n/a	n/a

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

Performance

Return after charges	2.92%	5.57%	n/a	n/a
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Other information

Closing net asset value	£7,662,601	£5,678,520	n/a	n/a
Closing number of units	7,093,054	5,396,627	n/a	n/a
Operating charges	0.05%	0.06%	n/a	n/a
Direct transaction costs	0.00%	0.00%	n/a	n/a

Prices

Highest unit price	109.03p	106.88p	n/a	n/a
Lowest unit price	102.67p	99.02p	n/a	n/a

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

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

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 share and comparative tables *(continued)*

Discrete annual performance, quarter ending 31 March 2017

	2012	2013	2014	2015	2016
R-Class units	12.56%	5.09%	10.15%	-1.32%	9.24%
I-Class units	14.98%	5.76%	10.84%	-0.69%	9.92%
IA Sterling Corporate Bond sector	11.22%	1.31%	10.61%	-1.03%	8.88%

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 2017

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
Bonds (30.09.16: 96.97%)		
Mortgage Bonds (30.09.16: 4.63%)		
£3,500,000 Eurohome UK Mortgages 2044	1,319,827	0.21
£500,000 Eurohome UK Mortgages 2044	226,299	0.04
£750,000 Eurohome UK Mortgages 2044	584,675	0.09
£10,523,625 Fresh Finance for Residential Social Housing 11.126% 2058	13,532,000	2.15
£500,000 Mansard Mortgages FRN 2049	308,683	0.05
£1,849,000 Mansard Mortgages FRN 2049	1,697,937	0.27
£400,000 Newgate Funding FRN 2050	356,468	0.06
£1,500,000 Newgate Funding FRN 2050	1,115,057	0.18
£2,500,000 RMAC Securities FRN 2036	591,751	0.09
£1,200,000 RMAC Securities FRN 2044	760,957	0.12
£7,700,000 RMAC Securities FRN 2044	5,260,870	0.84
	25,754,524	4.10
Supranational Bonds (30.09.16: 0.44%)		
£2,379,000 EIB 0% 2028	1,947,268	0.31
£240,000 EIB 2.65% Index-Linked 2020	434,426	0.07
	2,381,694	0.38
Corporate Bonds (30.09.16: 91.90%)		
£2,395,000 3i 5.75% 2032	3,115,894	0.51
£2,800,000 3i 6.875% 2023	3,507,461	0.56
£5,011,000 A2D Funding 4.5% 2026	5,542,467	0.88
£4,920,000 A2D Funding 4.75% 2022	5,442,455	0.87
£3,434,000 A2D Housing Group 3.5% 2028	3,508,611	0.56
£975,000 Aggregate Micro Power Infrastructure 8% 2030	975,000	0.16
£1,000,000 Aggregate Micro Power Infrastructure 8% 2036	1,000,000	0.16
£2,166,000 Alpha Plus Holdings 5% 2024	2,274,304	0.36
£745,000 Alpha Plus Holdings 5.75% 2019	782,399	0.12
£2,678,000 AMP Group Finance 6.875% 2022	2,934,207	0.47
£7,050,000 Assicurazioni Generali 6.269% perp	7,050,793	1.12
£800,000 Aster Treasury 4.5% 2043	1,066,485	0.17
£3,000,000 Aviva 4.375% VRN 2049	2,920,426	0.47
£2,500,000 Aviva 5.125% VRN 2050	2,555,299	0.41
£5,861,000 Aviva 5.9021% VRN perp	6,266,757	1.00
£1,000,000 Aviva 6.125% 2036	1,120,503	0.18
£5,300,000 Aviva 6.125% VRN perp	5,773,084	0.92
£4,170,000 Aviva 6.875% VRN perp	4,503,704	0.72
£7,333,000 AXA SA 5.453% VRN perp	7,865,009	1.25

Portfolio and net other assets as at 31 March 2017 *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
Corporate Bonds (30.09.16: 91.90%) (continued)		
£3,990,000 AXA SA 6.6862% VRN perp	4,428,900	0.71
£4,330,000 Bank of Scotland 9.375% 2021	5,576,906	0.89
£3,300,000 Barclays Bank 3.25% 2027	3,337,732	0.53
£1,644,000 Barclays Bank 6.3688% VRN perp	1,669,909	0.26
£51,000 Barclays Bank 7.125% VRN perp	55,620	0.01
£3,050,000 Barclays Bank 10% 2021	3,918,303	0.62
£3,700,000 Barclays Bank 14% VRN perp	4,520,290	0.72
\$2,730,000 Beazley 5.875% 2026	2,220,984	0.35
£3,400,000 BNP Paribas 7.436% VRN perp	3,442,500	0.55
£9,500,000 BPCE SA 5.25% 2029	10,439,334	1.66
£2,000,000 BPHA Finance 4.816% 2044	2,680,400	0.43
£1,901,000 British Telecom 3.5% Index-Linked 2025	4,030,690	0.64
£1,389,900 Bruntwood 6% 2020	1,478,660	0.24
£1,818,000 BUPA Finance 2% 2024	1,803,438	0.29
£7,192,000 BUPA Finance 5% 2023	7,917,387	1.26
£4,950,000 BUPA Finance 5% 2026	5,372,492	0.86
£6,509,000 BUPA Finance 6.125% VRN perp	7,177,364	1.14
£6,931,000 Channel Link FRN 2050	6,905,182	1.10
£1,100,000 Clerical Medical Finance 7.375% VRN perp	1,136,817	0.18
£3,830,000 Close Brothers Finance 2.75% 2026	3,937,522	0.63
£4,620,000 Close Brothers Group 4.25% 2027	4,784,472	0.76
£519,000 CLS Holdings 5.5% 2019	538,115	0.09
£5,900,000 CNP Assurances 7.375% VRN 2041	6,670,835	1.06
£500,000 CPUK Finance 3.588% 2042	541,200	0.09
£1,000,000 Credit Suisse 3% 2022	1,042,346	0.17
£873,000 Credit Suisse 6.875% VRN perp	876,387	0.14
£3,611,000 CYBG 5% VRN 2026	3,554,307	0.57
£200,000 Ellenbrook Developments 3.3894% Index-Linked 2032	241,986	0.04
£7,820,000 Fidelity International 7.125% 2024	9,930,178	1.58
£2,200,000 Finance for Residential Social Housing 8.569% 2058	2,381,897	0.38
£700,000 Finance for Residential Social Housing 8.569% 2058	814,090	0.13
£130,000 Glasgow Together 4% 2020	130,000	0.02
£4,000 Golden Lane Housing 4% 2018	410,000	0.06
£1,500,000 Goldman Sachs 4.25% 2026	1,690,448	0.27
£1,500,000 Great Rolling 6.875% 2035	1,686,787	0.27
£600,000 Greater Gabbard 4.137% 2032	638,649	0.10
£2,500 Greenwich 5% 2018	240,000	0.04
£1,000,000 Guinness Partner 4% 2044	1,242,311	0.20
£11,809,000 Hiscox 6.125% VRN 2045	12,683,417	2.02

Portfolio and net other assets as at 31 March 2017 *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets	
Corporate Bonds (30.09.16: 91.90%) (continued)			
£6,868,000	HSBC Bank 5.844% VRN perp	8,035,789	1.28
£800,000	Intermediate Capital Group 5% 2023	826,672	0.13
£600,000	Intu (SGS) Finance 3.875% 2023	656,705	0.10
£1,100,000	Intu (SGS) Finance 4.25% 2035	1,256,086	0.20
£11,358,000	Investec Bank 4.5% 2022	11,904,490	1.90
£8,904,000	Investec Bank 9.625% 2022	10,940,046	1.74
£1,065,000	John Lewis 4.25% 2034	1,157,548	0.18
£8,000,000	JRP Group 9% 2026	8,800,000	1.40
£875,000	Legal & General 5.375% VRN 2045	939,595	0.15
£500,000	Legal & General 5.5% VRN 2064	511,685	0.08
£3,337,000	Legal & General 5.875% VRN perp	3,518,288	0.56
£10,550,000	Legal & General 6.385% VRN Perp	10,578,485	1.69
£4,900,000	Liverpool Victoria Friendly Society 6.5% VRN 2043	4,910,843	0.78
£2,000,000	Lloyds Banking Group 5.75% 2025	2,202,865	0.35
£7,100,000	Lloyds Banking Group 7.625% 2025	9,377,935	1.49
£500,000	London and Quadrant Housing Trust 3.75% 2049	638,762	0.10
£3,390,000	London Merchant Securities 6.5% 2026	4,391,725	0.70
£2,700,000	Marks & Spencer 3% 2023	2,735,894	0.44
£2,750,000	Marks & Spencer 4.75% 2025	3,090,898	0.49
£1,000,000	Metropolitan Funding 4.125% 2048	1,247,208	0.20
£100,000	Midlands Together 4% 2018	70,000	0.01
£2,500,000	Morgan Stanley 2.625% 2027	2,497,675	0.40
£200,000	Motability Operations Group 2.375% 2032	200,154	0.03
£1,000,000	Myriad Capital 4.75% 2043	1,288,050	0.21
£4,932,000	National Capital Trust 5.62% VRN perp	5,157,392	0.82
£2,200,000	Nationwide Building Society 3% 2026	2,339,078	0.37
£265,100	Nationwide Building Society 3.875% Index-Linked 2021	890,471	0.14
£3,840,000	Nationwide Building Society 5.769% perp	3,855,206	0.61
£532,000	Nationwide Building Society 6.25% VRN perp	611,747	0.10
£1,860,000	Next 3.625% 2028	1,910,548	0.30
£1,304,000	Notting Hill Housing 3.75% 2032	1,508,017	0.24
£5,124,000	Old Mutual 8% 2021	5,965,361	0.95
£2,493,000	Paragon 3.729% VRN 2017	2,492,452	0.40
£632,000	Paragon 6% 2020	662,968	0.11
£6,365,000	Paragon 6% 2024	6,638,109	1.06
£1,991,000	Paragon 6.125% 2022	2,076,613	0.33
£2,800,000	Paragon 7.25% VRN 2026	2,937,200	0.47
£4,400,000	Partnership Life Assurance 9.5% 2025	4,824,600	0.77
£3,875,000	PGH Capital 4.125% 2022	3,916,266	0.62

Portfolio and net other assets as at 31 March 2017 *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
Corporate Bonds (30.09.16: 91.90%) (continued)		
£11,043,000 PGH Capital 6.625% 2025	11,978,508	1.91
£2,150,000 Places for People Finance 4.25% 2023	2,242,566	0.36
£1,485,900 Places for People Homes 1% Index-Linked 2022	1,727,507	0.28
£1,500,000 Places for People Homes 5.09% 2043	1,784,017	0.28
£4,285,000 Places for People Treasury 2.875% 2026	4,186,759	0.67
£787,000 Primary Health Propertie 5.375% 2019	799,741	0.13
£2,500,000 Prudential 5% VRN 2055	2,530,960	0.40
£8,413,000 QBE Insurance 6.115% VRN 2042	9,235,503	1.47
£1,060,000 Quadrant Housing 7.93% 2033	1,563,866	0.25
£3,636,000 Rabobank Capital Funding Trust 5.556% VRN perp	3,839,389	0.61
£6,475,000 Rabobank Nederland 4.625% 2029	7,168,008	1.14
£4,000,000 Rabobank Nederland 5.25% 2027	4,640,823	0.74
£7,300,000 Rabobank Nederland 6.91% VRN perp	9,014,186	1.44
£1,835,000 RAC Bond 4.87% 2026	2,036,782	0.33
£2,770,000 Retail Charity Bonds 4.25% 2026	2,807,395	0.45
£250,000 Retail Charity Bonds 4.375% 2021	266,735	0.04
£1,000,000 Retail Charity Bonds 4.4% 2027	1,036,130	0.16
£1,537,800 Retail Charity Bonds 5% 2026	1,686,890	0.27
£500,000 RHP Finance Plc 3.25% 2048	524,850	0.08
£400,000 Riverside Finance 3.875% 2044	467,962	0.07
£11,044,000 RL Finance Bonds 6.125% 2028	11,852,711	1.89
£10,800,000 RL Finance Bonds 6.125% VRN 2043	11,632,373	1.85
£4,000,000 Rothesay Life 8% 2025	4,258,240	0.68
£9,875,000 Rothschild 9% 2024	12,253,591	1.95
£7,750,000 Royal & Sun Alliance 5.125% VRN 2045	8,332,765	1.33
£1,000,000 Royal Bank of Scotland 3.9% VRN 2022	1,136,000	0.18
£1,764,000 Santander UK 3.625% 2026	1,850,377	0.30
£1,050,000 Santander UK 5.875% 2031	1,202,778	0.19
£873,000 Santander UK 6.5% 2030	1,072,350	0.17
£2,850,000 Santander UK 9.625% VRN 2023	3,197,039	0.51
£10,350,000 Scottish Widows 5.5% 2023	11,299,529	1.80
£2,000,000 Skipton Building Society 6.75% VRN 2022	1,983,180	0.32
£14,094,000 SL Finance 6.75% VRN perp	16,145,146	2.57
£4,520,000 Society Lloyds 4.75% 2024	4,959,643	0.79
£3,760,000 Society Lloyds 4.875% VRN 2047	3,945,697	0.63
£8,989,000 Society Lloyds 7.421% VRN perp	9,074,395	1.45
£91,500 South Bristol Sports Centre 7% 2023	91,500	0.01
£1,078,500 St. Modwen Properties 6.25% 2019	1,151,396	0.18
£1,000,000 Stagecoach Group 4% 2025	1,094,468	0.17

Portfolio and net other assets as at 31 March 2017 *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
Corporate Bonds (30.09.16: 91.90%) (continued)		
£8,744,000 Standard Life 6.546% VRN perp	9,418,308	1.50
£9,261,000 Suncorp Metway 6.25% VRN 2027	9,244,886	1.47
£1,842,000 Swan Housing Capital 3.625% 2048	2,084,947	0.33
£150,000 Telereal Securitisation 4.0902% VRN 2033	157,215	0.03
£200,000 Telereal Securitisation 6.1645% 2031	224,785	0.04
£5,930,000 Telereal Securitisation FRN 2031	5,409,133	0.86
£100,000 Thera Trust 3.5% 2018	100,000	0.02
£100,000 Thera Trust 5.5% 2020	100,000	0.02
£189,709 THFC 5.65% Index-Linked 2020	113,421	0.02
£750,000 Thrive Renewables 5% 2024	750,000	0.12
£3,571,000 TP ICAP 5.25% 2024	3,657,775	0.58
£11,340,000 TSB Banking 5.75% VRN 2026	12,027,340	1.92
£500,000 Vodafone 3% 2056	417,646	0.07
£2,300,000 Welltower 4.5% 2034	2,656,800	0.42
£800,000 Welltower 4.8% 2028	946,601	0.15
£2,870,000 Whitbread Group 3.375% 2025	3,064,843	0.49
£2,000,000 Wods Transmission 3.446% 2034	2,094,326	0.33
£1,130,000 Workspace 6% 2019	1,201,619	0.19
£2,410,000 Yorkshire Building Society 3.5% 2026	2,567,499	0.41
£9,265,000 Yorkshire Building Society 4.125% VRN 2024	9,505,720	1.51
	579,730,758	92.38
Total Bonds	607,866,976	96.86
Corporate Preference (30.09.16: 0.77%)		
£36,600 Nationwide Building Society 10.25% VRN perp	5,042,309	0.81
Total value of investments (30.09.16: 97.74%)	612,909,285	97.67
Net other assets (30.09.16: 2.26%)	14,653,186	2.33
Total value of the fund as at 31 March 2017	627,562,471	100.00

Summary of portfolio investments

	Value £	Percentage of total net assets
Bond credit ratings		
Investment grade	379,783,969	60.52
Below investment grade	228,083,007	36.34
Total Bonds	607,866,976	96.86
Corporate Preference	5,042,309	0.81
Total value of investments	612,909,285	97.67

Statement of total return for the half year ended 31 March 2017

	31.03.17 £	31.03.17 £	31.10.15 £	31.10.15 £
Income				
Net capital gains/(losses)		3,099,367		(8,716,767)
Revenue	13,945,968		6,951,488	
Expenses	(1,920,848)		(1,184,713)	
Interest payable and similar charges	(4,669)		(3,590)	
Net revenue before taxation	12,020,451		5,763,185	
Taxation	—		—	
Net revenue after taxation		12,020,451		5,763,185
Total return/(loss) before distributions		15,119,818		(2,953,582)
Distributions		(13,789,199)		(6,858,245)
Change in net assets attributable to unitholders from investment activities		1,330,619		(9,811,827)

Statement of change in net assets attributable to unitholders for the half year ended 31 March 2017

	31.03.17 £	31.03.17 £	31.10.15 £	31.10.15 £
Opening net assets attributable to unitholders		545,613,390		286,556,741
Amounts receivable on issue of units	85,232,557		54,031,245	
Amounts payable on cancellation of units	(11,151,216)		(13,376,905)	
		74,081,341		40,654,340
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		1,330,619		(9,811,827)
Retained distributions on accumulation units		6,537,121		2,777,299
Unclaimed distributions		—		77
Closing net assets attributable to unitholders		627,562,471		320,176,630

Note: The fund has changed its annual reporting period from year to 30 April to year to 30 September therefore the comparative interim period is 31 October 2015.

Balance sheet as at 31 March 2017

	31.03.17 £	31.03.17 £	30.09.16 £	30.09.16 £
Assets				
Investments		612,909,285		533,258,286
Current assets:				
Debtors	15,832,186		14,608,044	
Cash and bank balances	6,376,391		2,407,261	
Total current assets		22,208,577		17,015,305
Total assets		635,117,862		550,273,591
Liabilities				
Creditors:				
Bank overdrafts		—	(84,415)	
Other creditors	(2,805,151)		(336,179)	
Distribution payable on income units	(4,750,240)		(4,239,607)	
Total liabilities		(7,555,391)		(4,660,201)
Net assets attributable to unitholders		627,562,471		545,613,390

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

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 FRS 102 and the Statement of Recommended Practice (SORP) for Financial Statements of UK Authorised Funds issued by The Investment Association (formerly the Investment Management Association) in May 2014.

Unless otherwise stated all other accounting policies applied are consistent with those of the Annual Report for the year ended 30 September 2016 and are detailed in full in those financial statements.

Portfolio transaction costs

Total purchases and sales transactions for the half year ended 31 March 2017 were £157,399,091 and £79,448,083 respectively.

Distribution tables for the half year ended 31 March 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 for the half year ended 31 March 2017 *(continued)*

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	Payable 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	Allocated 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	Payable 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	Allocated 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	Payable 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	Allocated 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

* 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 May 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 ACD 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 ACD concludes on 31 December 2017.

The ACD 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.

General information *(continued)*

Unitholders may sell units on submitting the purchase contract note and a duly executed Deed of Transfer. The issue and redemption of units will not take place if dealing in the units is suspended by operation of law or any statute for the time being in place. 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, International Financial Data Services (UK) Limited at PO Box 9948, Chelmsford CM99 2AG.

Further copies of this long report are 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 Recovery Fund
Rathbone Spenser Fund
Rathbone Strategic Bond 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

Authorised and regulated by the
Financial Conduct Authority

A member of The
Investment Association

A member of the Rathbone Group.
Registered No. 02376568