



# Rathbone Income Fund

## **Authorised Fund Manager (the Manager)**

Rathbone Unit Trust Management Limited  
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London EC2M 7AZ  
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**A member of the Rathbone Group  
Authorised and regulated by the  
Financial Conduct Authority and member  
of The Investment Association**

## **Dealing office**

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## **Registrar**

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

## **Independent Auditor**

Deloitte LLP  
Statutory Auditor  
110 Queen Street  
Glasgow G1 3BX

## **Directors of the Manager**

**PL Howell** – Chairman  
**MM Webb** – Chief Executive Officer  
**JR Chillingworth** – Chief Investment Officer  
**JM Ardouin** – Finance Director  
**CRC Hexton**  
**RP Lanyon**  
**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 half year ended 31 March 2018

The last six months have been a challenging period for the Rathbone Income Fund. Our conservative and prudent bias was at odds with momentum driven equity markets at the end of 2017, and one stock specific issue meant that we did not make up as much ground as we might have hoped as markets fell back during the first quarter of this year. In the period under review, the Rathbone Income Fund (Institutional units) recorded a loss of 5.02%. By comparison, the IA Equity Income sector retreated 3.25%, and the FTSE All Share index fell 2.25%.

Following large increases in our distributions last year, dividend growth has slowed to more reasonable levels. We intend to progress the interim distribution (Inst. units) from 12.64p to 12.90p, an increase of 2.1%.

### Investment Review

Our trading activity evidences caution. We have left two of our overseas holdings. Our investment rationale for Coca Cola has run its course, and the additional industry risk surrounding the levels of sugar in drinks encouraged our decision to sell. German distributor Takkt has long been a mainstay of the fund, but the shadow of Amazon looms large. Whilst we argue that in many instances this risk is overstated, we do however believe that there may be too much incentive for a cohort of Takkt's customers to turn to other web based suppliers. Taking in to account the lack of liquidity in the shares, the sale of our entire holding is complete.

We have trimmed large holdings in three cyclical businesses, Lloyds Banking Group, Berkeley Group and Rio Tinto. We argue that it is too easy to propose a simple narrative linking rising interest rates to an improvement in banking margins, whilst disregarding the potential for the UK domestic economy to falter as the monetary brakes are applied, so we have halved our holding in Lloyds. House builder Berkeley Group was an outstanding contributor to performance in 2017, but industry insiders have been reducing their holdings, and we have followed suit. Finally, Rio Tinto shares leapt ahead in an extraordinary rally in miners during the final throes of 2017. Nevertheless, this is a highly capital intensive and cyclical industry, and our discipline necessitates a prudent stance.

In addition to adding to our existing holding in Legal & General, there have been four other major purchases during the period, all of which corroborate a cautious market view. We have purchased Danske Bank, in a trade that mirrors the Lloyds sale. Danske is a high quality Danish financial, generating a very healthy return on equity, without undue exposure to a large unsecured loan book (the root of our Lloyds' concerns). We hope to play the rate cycle whilst mitigating economic risk.

We have created a new holding in self-storage property company Big Yellow Group, attracted by a unique portfolio of assets that are almost exclusively within the M25, a finite resource in a land strapped region. We have also reintroduced tobacco company Imperial Brands into the portfolio. We sold our last holding in March last year, at around £38, when the market was pricing for growth and takeover potential. We started buying in March this year, at a much more attractive £24, the price risk now balanced in our favour. This is less a positive move regarding the tobacco industry, more a defensive realignment of the fund.

We have added to BP, a new entry in the portfolio last August, and now a very important and substantial constituent in the list. The rationale is established on improving cash flow securing a generous dividend yield. The subsequent recovery in the oil price has not only bolstered investor sentiment, but has created the possibility of future dividend growth, an argument not factored into our original investment decision.

Finally, we must reference the biggest influence on performance during the first quarter, Micro Focus International. In brief, the company warned on profits impacted by their difficulties in bedding in the acquisition of Hewlett Packard Enterprises, and the shares halved. We remain holders of the stock. Our work on valuation suggests limited downside in the medium term (although our longer term conviction has diminished), but the shares are likely to be volatile, and there is heightened business risk. We hope for improved news flow as the year progresses, and will reassess on this news flow and subsequent price action. Having trimmed, the current holding is one per cent of the portfolio, which is appropriate for the risk we are taking.

### **Outlook**

No one knows what the future holds, and no one knows how the market will react to events. Just look at the equity gains made last year, despite a raft of shocks and surprises. We do not attempt to guess the future. We look at shares and attempt to judge whether or not the price of ownership compensates us for the risk that we are accepting. We attempt to create a portfolio that mitigates downside risk through diversification and conviction. We also believe that if we secure organic growth in our distribution, the combined contribution of all the dividends that we receive, then the unit price and the total return of the fund looks after itself in the long term.

We do view this year with caution, and this is reflected in our positioning. However, as ever, we believe that our process and discipline allows us to face the challenges ahead with confidence.

**Carl Stick**

*24 April 2018*

## Net asset value per unit and comparative tables

### R-Class income units

	<b>31.03.18</b> <b>pence per unit</b>	30.09.17 pence per unit	30.09.16 pence per unit	15.10.15 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	921.12p	886.89p	846.03p	768.17p
Return before operating charges*	(43.53p)	84.29p	86.04p	122.81p
Operating charges	(6.99p)	(14.26p)	(12.67p)	(13.31p)
Return after operating charges*	(50.52p)	70.03p	73.37p	109.50p
Distributions on income units	(12.25p)	(35.80p)	(32.51p)	(31.64p)
Closing net asset value per unit	858.35p	921.12p	886.89p	846.03p
*after direct transactions costs <sup>1</sup> of:	0.31p	0.94p	1.13p	1.35p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges	(5.48%)	7.90%	8.67%	14.25%
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### Other information

Closing net asset value	£123,650,750	£138,941,422	£151,741,858	£232,187,033
Closing number of units	14,405,623	15,083,992	17,109,488	27,444,325
Operating charges	1.54%	1.54%	1.54%	1.55%
Direct transaction costs	0.03%	0.10%	0.13%	0.16%

### Prices

Highest unit price	967.84p	1,015.91p	941.17p	934.35p
Lowest unit price	845.18p	846.20p	771.79p	756.61p

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

### R-Class accumulation units

	<b>31.03.18</b> <b>pence per unit</b>	30.09.17 pence per unit	30.09.16 pence per unit	15.10.15 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	1,540.81p	1,427.94p	1,314.92p	1,151.98p
Return before operating charges*	(73.10p)	136.06p	132.75p	183.00p
Operating charges	(11.71p)	(23.19p)	(19.73p)	(20.06p)
Return after operating charges*	(84.81p)	112.87p	113.02p	162.94p
Distributions on accumulation units	(17.70p)	(58.23p)	(50.95p)	(47.79p)
Retained distributions on accumulation units	17.70p	58.23p	50.95p	47.79p
Closing net asset value per unit	1,456.00p	1,540.81p	1,427.94p	1,314.92p

\*after direct transactions costs<sup>1</sup> of: 0.52p 1.53p 1.77p 2.04p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges (5.50%) 7.90% 8.60% 14.14%

### Other information

Closing net asset value	£106,075,334	£119,832,019	£128,651,224	£153,867,419
Closing number of units	7,285,374	7,777,189	9,009,575	11,701,673
Operating charges	1.54%	1.54%	1.54%	1.55%
Direct transaction costs	0.03%	0.10%	0.13%	0.16%

### Prices

Highest unit price	1,619.93p	1,659.18p	1,482.45p	1,407.59p
Lowest unit price	1,418.47p	1,366.63p	1,201.03p	1,135.25p

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

### I-Class income units

	<b>31.03.18</b> pence per unit	30.09.17 pence per unit	30.09.16 pence per unit	15.10.15 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	968.53p	926.05p	879.17p	793.02p
Return before operating charges*	(46.55p)	87.99p	87.70p	126.16p
Operating charges	(3.81p)	(7.74p)	(6.77p)	(7.13p)
Return after operating charges*	(50.36p)	80.25p	80.93p	119.03p
Distributions on income units	(12.90p)	(37.77p)	(34.05p)	(32.88p)
Closing net asset value per unit	905.27p	968.53p	926.05p	879.17p
*after direct transactions costs <sup>1</sup> of:	0.33p	1.00p	1.18p	1.41p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges	(5.20%)	8.67%	9.21%	15.01%
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### Other information

Closing net asset value	£334,208,010	£455,051,927	£414,865,393	£285,789,030
Closing number of units	36,917,907	46,983,866	44,799,281	32,506,826
Operating charges	0.79%	0.79%	0.79%	0.80%
Direct transaction costs	0.03%	0.10%	0.13%	0.16%

### Prices

Highest unit price	999.77p	1,046.40p	964.28p	946.95p
Lowest unit price	898.23p	890.44p	807.17p	783.34p

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

### I-Class accumulation units

	<b>31.03.18</b> <b>pence per unit</b>	30.09.17 pence per unit	30.09.16 pence per unit	15.10.15 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	1,589.37p	1,462.29p	1,337.81p	1,164.10p
Return before operating charges*	(76.40p)	139.37p	134.85p	184.28p
Operating charges	(6.23p)	(12.29p)	(10.37p)	(10.57p)
Return after operating charges*	(82.63p)	127.08p	124.48p	173.71p
Distributions on accumulation units	(17.81p)	(60.10p)	(52.18p)	(48.58p)
Retained distributions on accumulation units	17.81p	60.10p	52.18p	48.58p
Closing net asset value per unit	1,506.74p	1,589.37p	1,462.29p	1,337.81p

\*after direct transactions costs<sup>1</sup> of: 0.54p 1.58p 1.81p 2.09p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges (5.20%) 8.69% 9.30% 14.92%

### Other information

Closing net asset value	£469,897,794	£499,086,184	£454,366,377	£308,781,309
Closing number of units	31,186,385	31,401,487	31,072,292	23,081,159
Operating charges	0.79%	0.79%	0.79%	0.80%
Direct transaction costs	0.03%	0.10%	0.13%	0.16%

### Prices

Highest unit price	1,636.95p	1,671.88p	1,485.65p	1,397.14p
Lowest unit price	1,474.38p	1,406.66p	1,228.75p	1,149.88p



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

### S-Class income units

	<b>31.03.18</b> <b>pence per unit</b>	30.09.17 pence per unit	30.09.16 pence per unit	15.10.15 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	985.13p	939.41p	889.45p	800.09p
Return before operating charges*	(47.42p)	89.37p	89.06p	127.44p
Operating charges	(2.59p)	(5.27p)	(4.62p)	(4.88p)
Return after operating charges*	(50.01p)	84.10p	84.44p	122.56p
Distributions on income units	(13.10p)	(38.38p)	(34.48p)	(33.20p)
Closing net asset value per unit	922.02p	985.13p	939.41p	889.45p
*after direct transactions costs <sup>1</sup> of:	0.34p	1.01p	1.20p	1.43p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges	(5.08%)	8.95%	9.49%	15.32%
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### Other information

Closing net asset value	£103,133,415	£112,940,743	£95,157,176	£74,678,336
Closing number of units	11,185,555	11,464,511	10,129,482	8,396,039
Operating charges	0.53%	0.53%	0.53%	0.54%
Direct transaction costs	0.03%	0.10%	0.13%	0.16%

### Prices

Highest unit price	1,017.03p	1,063.42p	978.11p	956.95p
Lowest unit price	914.94p	903.90p	817.57p	790.72p

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

### S-Class accumulation units

	<b>31.03.18</b> <b>pence per unit</b>	30.09.17 pence per unit	30.09.16 pence per unit	15.10.15 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	1,604.52p	1,472.35p	1,343.63p	1,166.00p
Return before operating charges*	(77.20p)	140.47p	135.77p	184.79p
Operating charges	(4.22p)	(8.30p)	(7.05p)	(7.16p)
Return after operating charges*	(81.42p)	132.17p	128.72p	177.63p
Distributions on accumulation units	(17.90p)	(60.60p)	(52.46p)	(48.69p)
Retained distributions on accumulation units	17.90p	60.60p	52.46p	48.69p
Closing net asset value per unit	1,523.10p	1,604.52p	1,472.35p	1,343.63p

\*after direct transactions costs<sup>1</sup> of: 0.55p 1.60p 1.82p 2.10p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges	(5.07%)	8.98%	9.58%	15.23%
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### Other information

Closing net asset value	£89,256,299	£99,157,703	£85,182,808	£70,622,491
Closing number of units	5,860,163	6,179,890	5,785,516	5,256,093
Operating charges	0.53%	0.53%	0.53%	0.54%
Direct transaction costs	0.03%	0.10%	0.13%	0.16%

### Prices

Highest unit price	1,652.67p	1,686.28p	1,495.55p	1,401.90p
Lowest unit price	1,490.37p	1,417.06p	1,235.21p	1,152.04p

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

### X-Class income units\*\*

	<b>31.03.18</b> <b>pence per unit</b>	30.09.17 pence per unit	30.09.16 pence per unit	15.10.15 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	104.98p	100.00p	n/a	n/a
Return before operating charges*	(5.06p)	9.00p	n/a	n/a
Operating charges	(0.02p)	(0.04p)	n/a	n/a
Return after operating charges*	(5.08p)	8.96p	n/a	n/a
Distributions on income units	(1.53p)	(3.98p)	n/a	n/a
Closing net asset value per unit	98.37p	104.98p	n/a	n/a
*after direct transactions costs <sup>1</sup> of:	0.04p	0.11p	n/a	n/a

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges	(4.84%)	8.96%	n/a	n/a
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### Other information

Closing net asset value	£6,000,117	£5,633,212	n/a	n/a
Closing number of units	6,099,484	5,366,228	n/a	n/a
Operating charges	0.04%	0.04%	n/a	n/a
Direct transaction costs	0.03%	0.10%	n/a	n/a

### Prices

Highest unit price	108.35p	113.07p	n/a	n/a
Lowest unit price	97.71p	95.83p	n/a	n/a

\*\*X-Class income was introduced on 17 October 2016.

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

### X-Class accumulation units\*\*\*

	31.03.18 pence per unit	30.09.17 pence per unit	30.09.16 pence per unit	15.10.15 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	108.96p	100.00p	n/a	n/a
Return before operating charges*	(5.36p)	9.00p	n/a	n/a
Operating charges	(0.02p)	(0.04p)	n/a	n/a
Return after operating charges*	(5.38p)	8.96p	n/a	n/a
Distributions on accumulation units	(1.59p)	(4.01p)	n/a	n/a
Retained distributions on accumulation units	1.59p	4.01p	n/a	n/a
Closing net asset value per unit	103.58p	108.96p	n/a	n/a
*after direct transactions costs <sup>1</sup> of:	0.04p	0.11p	n/a	n/a

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges	(4.94%)	8.96%	n/a	n/a
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### Other information

Closing net asset value	£391,076	£174,622	n/a	n/a
Closing number of units	377,556	160,268	n/a	n/a
Operating charges	0.04%	0.04%	n/a	n/a
Direct transaction costs	0.03%	0.10%	n/a	n/a

### Prices

Highest unit price	112.32p	114.40p	n/a	n/a
Lowest unit price	101.44p	95.83p	n/a	n/a

\*\*\*X-Class accumulation was introduced on 17 October 2016.

Note: The fund has changed its annual reporting period from 15 October 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 unit and comparative tables *(continued)*

### Discrete annual performance, quarter ending 31 March 2018\*

	2014	2015	2016	2017	2018
R-Class units	13.78%	11.49%	(0.13%)	16.45%	(5.02%)
I-Class units	14.66%	12.34%	0.63%	17.32%	(4.30%)
S-Class units	13.95%	12.63%	0.89%	17.63%	(4.05%)
IA UK Equity Income sector	13.97%	8.41%	(1.21%)	15.14%	0.29%

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

Past performance should not be seen as an indication of future performance.

The value of investments and the income from them may go down as well as up and you may not get back your original investment.

## Portfolio and net other assets as at 31 March 2018

Holding (Ordinary shares unless otherwise stated)	Value £	Percentage of total net assets
<b>Oil and Gas</b> (30.09.17: 7.16%)		
10,000,000 BP	47,910,000	3.89
2,210,000 Royal Dutch Shell 'B'	50,321,700	4.08
	<b>98,231,700</b>	<b>7.97</b>
<b>Mining</b> (30.09.17: 2.91%)		
800,000 Rio Tinto	<b>28,888,000</b>	<b>2.34</b>
<b>Aerospace and Defence</b> (30.09.17: 7.25%)		
6,500,000 BAE Systems	37,778,000	3.07
145,000 Lockheed Martin	34,930,033	2.83
7,350,000 Senior	22,094,100	1.79
	<b>94,802,133</b>	<b>7.69</b>
<b>Industrial Engineering</b> (30.09.17: 2.28%)		
450,000 DCC	<b>29,520,000</b>	<b>2.40</b>
<b>Construction and Materials</b> (30.09.17: 2.59%)		
600,000 Berkeley	<b>22,734,000</b>	<b>1.84</b>
<b>Real Estate</b> (30.09.17: 0.00%)		
1,302,264 Big Yellow Group	<b>11,108,312</b>	<b>0.90</b>
<b>Support Services</b> (30.09.17: 2.38%)		
1,700,000 Bunzl	<b>35,615,000</b>	<b>2.89</b>
<b>Food Producers</b> (30.09.17: 4.60%)		
1,360,000 Unilever	<b>53,794,800</b>	<b>4.36</b>
<b>Household Goods</b> (30.09.17: 4.80%)		
3,000,000 Headlam	13,350,000	1.08
750,000 Reckitt Benckiser	45,232,500	3.67
	<b>58,582,500</b>	<b>4.75</b>
<b>Tobacco</b> (30.09.17: 4.78%)		
475,000 Altria	21,102,081	1.71
1,050,000 British American Tobacco	43,375,500	3.52
250,000 Imperial Brands	6,060,000	0.49
	<b>70,537,581</b>	<b>5.72</b>

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

Holding (Ordinary shares unless otherwise stated)	Value £	Percentage of total net assets
<b>Pharmaceuticals and Biotechnology</b> (30.09.17: 11.00%)		
1,000,000 AstraZeneca	48,950,000	3.97
1,000,000 Dechra Pharmaceuticals	26,240,000	2.13
3,800,000 GlaxoSmithKline	52,972,000	4.30
100,000 Roche	16,310,323	1.32
	<b>144,472,323</b>	<b>11.72</b>
<b>Food and Drug Retailers</b> (30.09.17: 2.08%)		
3,461,238 UDG Healthcare	<b>30,026,240</b>	<b>2.44</b>
<b>Beverages</b> (30.09.17: 1.52%)		
<b>General Retailers</b> (30.09.17: 2.86%)		
7,750,000 Halfords	<b>25,265,000</b>	<b>2.05</b>
<b>Media</b> (30.09.17: 7.42%)		
2,300,000 Daily Mail & General Trust	14,835,000	1.20
16,750,000 ITV	24,145,125	1.96
2,800,000 Relx	41,020,000	3.33
6,250,000 Tarsus	18,187,500	1.48
	<b>98,187,625</b>	<b>7.97</b>
<b>Travel and Leisure</b> (30.09.17: 6.99%)		
700,000 Carnival	32,046,000	2.60
4,500,000 Greene King	21,204,000	1.72
8,400,000 Restaurant Group	21,285,600	1.73
	<b>74,535,600</b>	<b>6.05</b>
<b>Electricity</b> (30.09.17: 1.76%)		
2,000,000 SSE	<b>25,520,000</b>	<b>2.07</b>
<b>Gas, Water and Multiutilities</b> (30.09.17: 4.22%)		
4,000,000 National Grid	32,088,000	2.60
600,000 WEC Energy	26,813,516	2.18
	<b>58,901,516</b>	<b>4.78</b>

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

Holding (Ordinary shares unless otherwise stated)	Value £	Percentage of total net assets
<b>Banks (30.09.17: 5.30%)</b>		
550,000 Danske Bank	14,606,754	1.19
4,750,000 HSBC (London listed)	31,601,750	2.56
28,000,000 Lloyds Banking Group	18,104,800	1.47
	<b>64,313,304</b>	<b>5.22</b>
<b>Non-Life Insurance (30.09.17: 1.34%)</b>		
1,500,000 Hiscox	<b>21,825,000</b>	<b>1.77</b>
<b>General Financial (30.09.17: 8.40%)</b>		
7,000,000 Aviva	34,713,000	2.82
7,000,000 Hansteen REIT	8,932,000	0.72
14,500,000 Legal & General	37,381,000	3.03
550,000 Sampo Oyj	21,766,099	1.77
	<b>102,792,099</b>	<b>8.34</b>
<b>Software and Computer Services (30.09.17: 2.16%)</b>		
1,200,000 Micro Focus International	<b>11,841,600</b>	<b>0.96</b>
<b>Electronic and Electrical Equipments (30.09.17: 0.02%)</b>		
<b>Total value of investments (30.09.17: 93.82%)</b>	1,161,494,333	94.23
<b>Net other assets (30.09.17: 6.18%)</b>	71,118,462	5.77
<b>Total value of the fund as at 31 March 2018</b>	<b>1,232,612,795</b>	<b>100.00</b>



## Statement of total return for the half year ended 31 March 2018

	31.03.18 £	31.03.18 £	31.03.17 £	31.03.17 £
Income				
Net capital (losses)/gains		<b>(85,408,853)</b>		88,793,412
Revenue	<b>20,674,712</b>		22,102,357	
Expenses	<b>(6,104,710)</b>		(6,131,342)	
Net revenue before taxation	<b>14,570,002</b>		15,971,015	
Taxation	<b>(432,305)</b>		(507,537)	
Net revenue after taxation		<b>14,137,697</b>		15,463,478
<b>Total return before distributions</b>		<b>(71,271,156)</b>		104,256,890
Distributions		<b>(17,131,625)</b>		(18,063,381)
<b>Change in net assets attributable to unitholders from investment activities</b>		<b>(88,402,781)</b>		86,193,509

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

	31.03.18 £	31.03.18 £	31.03.17 £	31.03.17 £
<b>Opening net assets attributable to unitholders</b>		<b>1,430,817,832</b>		1,329,964,836
Amounts receivable on issue of units	<b>27,356,061</b>		45,136,182	
Amounts payable on cancellation of units	<b>(145,063,444)</b>		(76,857,313)	
		<b>(117,707,383)</b>		(31,721,131)
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		<b>(88,402,781)</b>		86,193,509
Retained distributions on accumulation units		<b>7,898,779</b>		8,741,655
Unclaimed distributions		<b>6,348</b>		15,755
<b>Closing net assets attributable to unitholders</b>		<b>1,232,612,795</b>		1,393,194,624

## Balance sheet as at 31 March 2018

	31.03.18 £	31.03.18 £	30.09.17 £	30.09.17 £
<b>Assets</b>				
<b>Fixed assets:</b>				
Investments		<b>1,161,494,333</b>		1,342,407,308
<b>Current assets:</b>				
Debtors	<b>18,757,816</b>		3,417,562	
Cash and bank balances	<b>73,994,716</b>		108,532,279	
<b>Total current assets</b>		<b>92,752,532</b>		111,949,841
<b>Total assets</b>		<b>1,254,246,865</b>		1,454,357,149
<b>Liabilities</b>				
<b>Creditors:</b>				
Other creditors	<b>(13,548,341)</b>		(5,067,674)	
Distribution payable on income units	<b>(8,085,729)</b>		(18,471,643)	
<b>Total liabilities</b>		<b>(21,634,070)</b>		(23,539,317)
<b>Net assets attributable to unitholders</b>		<b>1,232,612,795</b>		1,430,817,832

## 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 in May 2014.

All accounting policies applied are consistent with those of the annual report for the year ended 30 September 2017 and are detailed in full in those financial statements.

### Portfolio transaction costs

Total purchases and sales transactions for the half year ended 31 March 2018 were £84,463,077 and £180,092,396 respectively.

## Distribution table for the half year ended 31 March 2018

### Distribution table (pence per unit)

#### Interim

Group 1 – Units purchased prior to 1 October 2017

Group 2 – Units purchased on or after 1 October 2017 and on or before 31 March 2018

<b>R-Class income units</b>	<b>Net Income</b>	<b>Equalisation</b>	<b>Payable 31.05.18</b>	<b>Paid 31.05.17</b>
Group 1	12.25	–	12.25	12.00
Group 2	6.67	5.58	12.25	12.00
<b>R-Class accumulation units</b>	<b>Net Income</b>	<b>Equalisation</b>	<b>Allocated 31.05.18</b>	<b>Accumulated 31.05.17</b>
Group 1	17.70	–	17.70	19.35
Group 2	6.38	11.32	17.70	19.35
<b>I-Class income units</b>	<b>Net Income</b>	<b>Equalisation</b>	<b>Payable 31.05.18</b>	<b>Paid 31.05.17</b>
Group 1	12.90	–	12.90	12.64
Group 2	6.83	6.07	12.90	12.64
<b>I-Class accumulation units</b>	<b>Net Income</b>	<b>Equalisation</b>	<b>Allocated 31.05.18</b>	<b>Accumulated 31.05.17</b>
Group 1	17.81	–	17.81	19.94
Group 2	7.46	10.35	17.81	19.94
<b>S-Class income units</b>	<b>Net Income</b>	<b>Equalisation</b>	<b>Payable 31.05.18</b>	<b>Paid 31.05.17</b>
Group 1	13.10	–	13.10	12.83
Group 2	6.26	6.84	13.10	12.83
<b>S-Class accumulation units</b>	<b>Net Income</b>	<b>Equalisation</b>	<b>Allocated 31.05.18</b>	<b>Accumulated 31.05.17</b>
Group 1	17.90	–	17.90	20.09
Group 2	7.17	10.73	17.90	20.09
<b>X-Class income units</b>	<b>Net Income</b>	<b>Equalisation</b>	<b>Payable 31.05.18</b>	<b>Paid 31.05.17</b>
Group 1	1.53	–	1.53	1.27
Group 2	0.69	0.84	1.53	1.27
<b>X-Class accumulation units</b>	<b>Net Income</b>	<b>Equalisation</b>	<b>Allocated 31.05.18</b>	<b>Accumulated 31.05.17</b>
Group 1	1.59	–	1.59	1.27
Group 2	0.81	0.78	1.59	1.27

## Distribution table for the half year ended 31 March 2018 *(continued)*

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

#### **Notes for corporate unitholders**

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

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

#### **Equalisation**

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

## Directors' statement

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

**MM Webb**  
for Rathbone Unit Trust Management Limited  
Manager of Rathbone Income Fund  
*17 May 2018*

## General information

### Authorised status

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

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

### Investment objective, policy and strategy

The objective of the fund is to achieve above average and maintainable income but without neglecting capital security and growth. The Manager intends to achieve the objective primarily through the purchase of ordinary shares with an above average yield.

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

To meet these objectives, the fund may also invest, at the Manager's discretion, in other transferable securities, money market instruments, warrants, cash and near cash, deposits and units in collective investment schemes. Use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted by the FCA Rules.

### Valuation of the fund

The fund is valued on each business day at 12 noon for the purpose of determining prices at which units in the fund may be bought or sold. Valuations may be made at other times on business days with the Trustee's approval.

### Stewardship code

Rathbone Unit Trust Management Limited fully supports the UK Stewardship Code sponsored by the Financial Reporting Council. Our statement on complying with the Code can be found on our website: [rutm.com](http://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 AFM 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 AFM 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.

## General information *(continued)*

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. For R-Class units 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. The minimum initial investment for S-Class units is £30,000,000. 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 2.5%. There is no preliminary charge for I-Class or S-Class units.

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

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

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

### Statements

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

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

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

### Prices

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

### Other information

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

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

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

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.

## General information *(continued)*

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](http://financial-ombudsman.org.uk).

### ISA eligibility

The fund has been managed throughout the year to ensure that it is eligible to qualify and be included in an Individual Savings Account (ISA). The fund will at all times be invested in such a way that the units will constitute 'Qualifying Investments' for the purposes of the Individual Savings Account (ISA) Regulations 1998, as amended from time to time.

### Risk factors

An investment in a unit trust should be regarded as a medium to long term investment. Investors should be aware that the price of units and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance should not be seen as an indication of future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable. Where periodic charge is wholly or partly taken out of the fund's capital, distributable income will be increased at the expense of capital which will either be eroded or future growth restrained.

### Other funds

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

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

and the Authorised Corporate Director of:

Rathbone Global Alpha Fund  
Rathbone 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](http://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

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Financial Conduct Authority

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Investment Association

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