

Rathbones

Look forward

Rathbone Strategic Bond Fund

Interim report for the half year ended 31 December 2017



Rathbone Strategic Bond Fund

Authorised Fund Manager (the Manager)

Rathbone Unit Trust Management Limited
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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

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Financial Conduct Authority**

Independent Auditor

Deloitte LLP
Statutory Auditor
110 Queen Street
Glasgow G1 3BX

Directors of the Manager

PL Howell – Chairman
MM Webb – Chief Executive Officer
JR Chillingworth – Chief Investment Officer
JM Ardouin – Finance Director
NM Busby – Compliance Director
(resigned 8 January 2018)
CRC Hexton
RP Lanyon
CR Stick
JG Thomson
BN Jones

Administrator

HSBC Securities Services
1-2 Lochside Way
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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 December 2017

In the six months to 31 December 2017, the fund returned 2.4%, compared with the IA Sterling Strategic Bond sector's 2.0%.

The FTSE Actuaries UK Conventional Gilts 5-15 Years index gained 1.0% over the year, while the iBoxx UK Sterling Non-Gilts All Maturities index rose 1.9%. UK sovereign debt yields sunk to a low of 0.97% in August, but then popped higher after the Bank of England (BoE) flagged that it would reverse its post-Brexit 0.25% interest rate cut. It did so in November, taking the benchmark rate back to 0.50%. Over the period, the 10-year gilt fell slightly, from 1.26% to 1.19%.

The US Federal Reserve (Fed) raised the Fed Funds target range from 1.00-1.25% to 1.25-1.50% in December. The European Central Bank (ECB) kept its rates on hold, but has been buying fewer bonds than originally expected for its quantitative easing programme. Similarly, the Bank of Japan has been tapering its bond-buying as well.

In early October, we sold Punch Taverns Finance B 7.369% 2021 because we felt the investment had played out. We bought it a while back when it looked pretty cheap, but its yield has since fallen to a point where we thought it best to cash in our profits. We took profit from the CPUK Finance 4.25% 2022, a subordinated bond issued by a financing vehicle for CenterParcs. This bond has benefited from tightened spreads.

We sold the SQN Asset Finance Income Fund, which globally lends money that's secured on mission-critical machinery and equipment, because of problems that have cropped up with two of its substantial investments.

When gilt yields fell during the period, we lowered our duration (or sensitivity to interest rate changes) by selling the UK Treasury 4.25% 2032 and buying the UK November 2017 T-Bill instead. We have since repurchased some UK Treasury 4.25% 2032, after gilt yields rose in the second half of the period.

Over the last six months, we felt that high yield debt had become increasingly overvalued. Because of this we have been cutting our (already low) exposure to global credit and moving up the credit hierarchy. We sold the Pimco Short-Term High Yield Corporate Bond ETF and bought more of the Investec Global Strategy Fund.

As part of our overall lower-duration strategy, we bought the National Bank of Canada Floating Rate Note 2021.

We participated in two attractive new issues in the period. The Places for People 3.625% 2028 was issued by a property developer and manager with a strong record of regenerating communities across the UK. The Principality Building Society 2.375% 2023 was issued by the largest Welsh building society.

As 2017 wound down and we slid into 2018, an echo of my gigging days kept flitting through my head. The opening refrain from Primal Scream's Come Together: "It's a new day, it's a beautiful day." It's been a good year and 2018 has started out in the same vein. The global economy is in the best shape it's been in for years, asset prices are high and many investors probably feel a little like they've been at a whale of a party. Right now, it seems like most people are still in the revelling mood. However, stretching the metaphor, we are taking a bit of a breather. We're not heading home, but we're popping outside for some fresh air and a water, so to speak.

Yields are very low at a time when many expect global monetary policy to tighten, particularly in the high yield space and emerging markets. We would highlight that UK retail bankruptcies jumped by a quarter last year as businesses were squeezed by increases in the minimum wage and council tax. Yields are low, spreads are low, overall default rates are still very low and there's too much money sloshing around the system. At the moment, the corporate bond market appears swamped with buyers and few sellers.

As the US continues to normalise its monetary policy – and Europe and Japan start to reduce their massive stimulus packages – we could see significantly higher volatility in the bond markets. Some of these jitters have already crept in, with yields jumping noticeably in the past few weeks as the Bank of Japan cut its monthly bond purchases and a rumour was floated that China is no longer a buyer of US treasuries. Still, company earnings are looking good and tax cuts in the US should help their bottom lines.

We are watching carefully and remaining flexible to better combat what the year has in store.

Bryn Jones
David Coombs
19 January 2018

Net asset value per unit and comparative tables

R-Class income units**

	31.12.17 pence per unit	30.06.17 pence per unit	30.06.16 pence per unit	30.06.15 pence per unit
Change in net assets per unit				
Opening net asset value per unit	n/a	n/a	104.24p	106.49p
Return before operating charges*	n/a	n/a	(102.83p)	2.34p
Operating charges	n/a	n/a	(1.41p)	(1.44p)
Return after operating charges*	n/a	n/a	(104.24p)	0.90p
Distributions on income units	n/a	n/a	—	(3.15p)
Closing net asset value per unit	n/a	n/a	0.00p	104.24p
*after direct transactions costs ¹ of:	n/a	n/a	0.00p	0.00p

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

Performance

Return after charges	n/a	n/a	—	0.85%
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Other information

Closing net asset value	n/a	n/a	—	£75,012
Closing number of units	n/a	n/a	—	71,959
Operating charges	n/a	n/a	0.00%	1.64%
Direct transaction costs	n/a	n/a	0.00%	0.00%

Prices

Highest unit price	n/a	n/a	106.74p	109.48p
Lowest unit price	n/a	n/a	103.74p	105.37p

** R-Class closed on 30 September 2015.

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

R-Class accumulation units**

	31.12.17 pence per unit	30.06.17 pence per unit	30.06.16 pence per unit	30.06.15 pence per unit
Change in net assets per unit				
Opening net asset value per unit	n/a	n/a	117.62p	116.45p
Return before operating charges*	n/a	n/a	(116.03p)	3.68p
Operating charges	n/a	n/a	(1.59p)	(1.58p)
Return after operating charges*	n/a	n/a	(117.62p)	2.10p
Distributions on accumulation units	n/a	n/a	–	(4.63p)
Retained distributions on accumulation units	n/a	n/a	–	3.70p
Closing net asset value per unit	n/a	n/a	0.00p	117.62p

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

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

Performance

Return after charges n/a n/a – 1.80%

Other information

Closing net asset value	n/a	n/a	–	£128,614
Closing number of units	n/a	n/a	–	109,343
Operating charges	n/a	n/a	0.00%	1.63%
Direct transaction costs	n/a	n/a	0.00%	0.00%

Prices

Highest unit price	n/a	n/a	120.16p	121.86p
Lowest unit price	n/a	n/a	117.06p	116.29p

** R-Class closed on 30 September 2015.

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

I-Class income units

	31.12.17 pence per unit	30.06.17 pence per unit	30.06.16 pence per unit	30.06.15 pence per unit
Change in net assets per unit				
Opening net asset value per unit	115.77p	110.18p	109.91p	111.42p
Return before operating charges*	3.21p	9.89p	4.63p	2.55p
Operating charges	(0.34p)	(0.68p)	(0.66p)	(0.67p)
Return after operating charges*	2.87p	9.21p	3.97p	1.88p
Distributions on income units	(1.71p)	(3.62p)	(3.70p)	(3.39p)
Closing net asset value per unit	116.93p	115.77p	110.18p	109.91p
*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	2.48%	8.36%	3.61%	1.69%
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Other information

Closing net asset value	£55,000,458	£48,102,131	£41,322,159	£40,888,924
Closing number of units	47,036,870	41,550,258	37,503,850	37,202,471
Operating charges	0.81%	0.79%	0.86%	0.89%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices

Highest unit price	118.46p	117.96p	111.79p	114.03p
Lowest unit price	115.79p	110.44p	106.58p	111.10p

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

I-Class accumulation units

	31.12.17 pence per unit	30.06.17 pence per unit	30.06.16 pence per unit	30.06.15 pence per unit
Change in net assets per unit				
Opening net asset value per unit	139.97p	129.18p	124.43p	122.34p
Return before operating charges*	3.90p	12.06p	6.60p	3.78p
Operating charges	(0.41p)	(0.80p)	(0.75p)	(0.74p)
Return after operating charges*	3.49p	11.26p	5.85p	3.04p
Distributions on accumulation units	(2.08p)	(4.77p)	(5.48p)	(4.76p)
Retained distributions on accumulation units	2.08p	4.30p	4.38p	3.81p
Closing net asset value per unit	143.46p	139.97p	129.18p	124.43p

*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	2.49%	8.72%	4.70%	2.48%
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Other information

Closing net asset value	£52,177,607	£39,543,803	£9,800,952	£16,327,449
Closing number of units	36,371,074	28,251,110	7,587,189	13,121,736
Operating charges	0.81%	0.79%	0.86%	0.89%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices

Highest unit price	144.17p	141.41p	129.71p	127.48p
Lowest unit price	140.03p	129.33p	122.46p	122.18p

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 December 2017

	2013	2014	2015	2016	2017
I-Class units	3.46%	5.77%	-0.03%	8.48%	6.34%
IA Sterling Strategic Bond Sector	2.76%	6.09%	-0.19%	7.33%	5.31%

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

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

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

Portfolio and net other assets as at 31 December 2017

Holding (Bonds unless otherwise stated)		Value £	Percentage of total net assets
United Kingdom (30.06.17: 61.12%)			
Government Bonds (30.06.17: 19.06%)			
£6,000,000	UK Treasury 0% 2018	5,998,980	5.60
£3,500,000	UK Treasury 0% 2018	3,497,655	3.26
£1,500,000	UK Treasury 0.5% 2022	1,484,700	1.39
£2,500,000	UK Treasury 1.5% 2021	2,572,725	2.40
£1,400,000	UK Treasury 1.5% 2026	1,445,738	1.35
£2,000,000	UK Treasury 5% 2018	2,016,500	1.88
		17,016,298	15.88
Government Index-Linked Bonds (30.06.17: 6.39%)			
£1,560,000	UK Treasury 0.125% Index-Linked 2024	2,020,826	1.89
£600,000	UK Treasury 1.875% Index-Linked 2022	970,359	0.91
£950,000	UK Treasury 2.5% Index-Linked 2020	3,465,438	3.23
£500,000	UK Treasury 2.5% Index-Linked 2024	1,824,595	1.70
		8,281,218	7.73
Mortgage Bonds (30.06.17: 1.66%)			
£200,000	Alba floating rate notes 2039	156,578	0.15
£300,000	Eurohome UK Mortgages 2007 floating rate notes 2044	102,507	0.10
£250,000	Eurohome UK Mortgages floating rate notes 2044	215,530	0.20
£300,000	Mansard Mortgages floating rate notes 2049	283,380	0.26
£500,000	Moorgate floating rate notes 2050	507,968	0.47
£300,000	RMAC Securities floating rate notes 2044	195,292	0.18
		1,461,255	1.36
Corporate Bonds (30.06.17: 29.23%)			
£318,000	A2Dominion Housing Group 3.5% 2028	326,568	0.30
£300,000	Aviva 4.375% VRN 2049	322,139	0.30
£500,000	Aviva 5.9021% VRN perp	542,425	0.51
£119,000	Barclays 3.25% 2027	124,205	0.12
£667,000	British Telecommunications 3.125% 2031	682,647	0.64
£100,000	Bruntwood 6% 2020	106,850	0.10
£182,000	BUPA Finance 2% 2024	183,462	0.17
£550,000	BUPA Finance 5% 2026	641,012	0.60
£200,000	BUPA Finance 6.125% VRN perp	219,880	0.20
£450,000	Burford Capital 6.125% 2024	496,350	0.46
£100,000	Channel Link 3.043% VRN 2050	100,930	0.09
£250,000	Clerical Medical Finance 7.375% VRN perp	265,650	0.25
£400,000	Close Brothers Finance 2.75% 2026	416,071	0.39

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

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets	
£650,000	Close Brothers Group 4.25% 2027	693,290	0.65
£350,000	CLS 5.5% 2019	358,862	0.33
£1,000,000	Coventry Building Society 6.375% VRN perp	1,038,600	0.97
£725,000	Coventry Building Society 1.875% 2023	724,058	0.68
£250,000	CYBG 3.125% VRN 2025	257,562	0.24
£500,000	Enterprise Inns 6.375% 2031	554,449	0.52
£400,000	Finance for Residential Social Housing 8.569% 2058	429,421	0.40
£45,000	HBOS 5.75% VRN perp	47,025	0.04
£200,000	Intermediate Capital 5% 2023	214,166	0.20
£800,000	Investec 4.5% 2022	865,394	0.81
£300,000	Investec 9.625% 2022	374,065	0.35
£200,000	J Sainsbury 6.5% VRN perp	216,400	0.20
£600,000	John Lewis 4.25% 2034	643,440	0.60
£500,000	JRP Group 9% 2026	643,050	0.60
£50,000	Ladbrokes 5.125% 2022	54,135	0.05
£597,000	Ladbrokes Coral 5.125% 2023	647,924	0.60
£125,000	Legal & General 5.375% 2045 VRN	142,497	0.13
£700,000	Legal & General 5.875% VRN perp	734,056	0.68
£182,000	Liverpool Victoria Friendly Social 6.5% VRN 2043	205,750	0.19
£300,000	Marks & Spencer 3% 2023	310,729	0.29
£250,000	Nationwide Building Society 5.769% perp	267,599	0.25
£200,000	Nationwide Building Society 6.875% VRN perp	209,500	0.20
£358,000	Old Mutual 8% 2021	416,533	0.39
£400,000	Paragon 6% 2020	414,848	0.39
£430,000	Paragon 6% 2024	459,618	0.43
£600,000	Partnership Life Assurance 9.5% 2025	687,036	0.64
£650,000	Pension Insurance 6.5% 2024	738,595	0.69
£600,000	Pension Insurance 8% 2026	756,492	0.71
£640,000	Places for People 1% Index-Linked 2022	785,382	0.73
£1,000,000	Places for People Homes 3.625% 2028	1,010,767	0.94
£250,000	Places for People 4.25% 2023	256,752	0.24
£833,000	Principality Building Society 2.375% 2023	832,452	0.78
£750,000	Principality Building Society 7% VRN perp	791,250	0.74
£50,000	Provident Financial 6% 2021	46,455	0.04
£400,000	RL Finance 6.125% 2028	478,014	0.45
£400,000	RL Finance 6.125% 2043 VRN	460,115	0.43
£600,000	Rothesay Life 8% 2025	726,048	0.68
£400,000	Royal Bank Scotland 7.64% VRN perp	291,939	0.27
£750,000	RSA Insurance 5.125% VRN 2045	854,443	0.80
£131,000	Sainsburys Bank 6% VRN 2027	136,698	0.13

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

Holding (Bonds unless otherwise stated)		Value £	Percentage of total net assets
£300,000	Scottish Widows 5.5% 2023	342,977	0.32
£300,000	Skipton Building Society 1.75% 2022	298,943	0.28
£400,000	SL Finance 6.75% VRN perp	503,847	0.47
£330,000	Society of Lloyds 4.75% 2024	374,395	0.35
£490,000	Society of Lloyds 4.875% 2047	552,080	0.52
£275,000	St Modwen Properties 6.25% 2019	287,787	0.26
£700,000	Standard Life 4.25% VRN 2048	510,323	0.48
£747,000	Standard Life 6.546% VRN perp	815,512	0.76
£350,000	Tesco 4.875% 2042	371,861	0.35
£726,000	Tesco Personal Finance 1% Index-Linked 2019	850,981	0.79
£400,000	Tesco Property Finance 7.6227% 2039	494,441	0.46
£429,000	TP ICAP 5.25% 2024	454,665	0.42
£1,019,000	TSB Banking Group 5.75% VRN 2026	1,127,752	1.05
£100,000	Workspace 6% 2019	104,079	0.10
£209,000	Yorkshire Building Society 3.375% VRN 2028	211,963	0.20
£100,000	Yorkshire Building Society 4.125% VRN 2024	104,464	0.10
£109,000	Yorkshire Building Society 5.649% VRN perp	110,090	0.10
		31,719,758	29.60
Collective Investment Schemes (30.06.17: 3.64%)			
3,169,355	M&G Global Macro Bond Fund*	3,196,295	2.98
Equities (30.06.17: 1.14%)			
3,100	Nationwide Building Society 10.25% core capital deferred shares	487,088	0.46
689,000	Santander 6.222% preference perp	688,675	0.64
125,000	Santander UK 10.375% preference perp	239,688	0.22
		1,415,451	1.32
Total United Kingdom		63,090,275	58.87
Australia (30.06.17: 0.25%)			
Corporate Bonds (30.06.17: 0.25%)			
£200,000	AMP Finance 6.875% 2022	223,088	0.21
Belgium (30.06.17: 0.61%)			
Corporate Bonds (30.06.17: 0.61%)			
£518,000	KBC Bank 6.202% VRN perp	553,328	0.52

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

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
Bermuda (30.06.17: 1.33%)		
Corporate Bonds (30.06.17: 1.33%)		
£1,040,000 Hiscox Limited 6.125% 2045 VRN	1,209,035	1.13
Equity Investment Instruments (30.06.17: 0.00%)		
\$700,000 CATCo Reinsurance Opportunities Fund	522,639	0.49
Total Bermuda	1,731,674	1.62
Canada (30.06.17: 0.00%)		
Corporate Bonds (30.06.17: 0.00%)		
£1,000,000 National Bank of Canada floating rate notes 2021	1,004,403	0.94
Cayman Islands (30.06.17: 0.18%)		
Corporate Bonds (30.06.17: 0.18%)		
£200,000 Phoenix Group Holdings 5.375% 2027	155,193	0.14
Channel Islands (30.06.17: 10.57%)		
Corporate Bonds (30.06.17: 2.47%)		
£70,000 Beazley 5.375% 2019	72,415	0.07
£500,000 Burford Capital 5% 2026	524,375	0.49
£450,000 HSBC Bank 5.844% VRN perp	591,070	0.55
£675,000 Rothschilds 9% perp	861,469	0.80
	2,049,329	1.91
Non-Equity Investment Trusts (30.06.17: 8.10%)		
1,740,000 Chenavari Toro	1,266,532	1.18
900,000 CVC Credit Partners European Opportunities	1,012,500	0.94
200,000 Hadrains Wall Secured Investment Fund	204,000	0.19
500,000 Hadrains Wall Secured Investment Fund 'C'	480,000	0.45
2,100,000 NB Global Floating Rate Income Fund 'C'	1,988,700	1.86
734,185 SQN Asset Finance Income	657,096	0.61
808,981 SQN Asset Finance Income Fund	715,948	0.67
	6,324,776	5.90
Total Channel Islands	8,374,105	7.81

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

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
France (30.06.17: 1.07%)		
Corporate Bonds (30.06.17: 1.07%)		
£800,000 BPCE SA 5.25% 2029	974,094	0.91
£500,000 Credit Agricole Assurances 4.5% VRN perp	506,085	0.47
Total France	1,480,179	1.38
Ireland (30.06.17: 15.84%)		
Collective Investment Schemes (30.06.17: 12.78%)		
19,000 Algebris Macro Credit Fund*	2,150,040	2.01
35,000 Angel Oak Multi Strategy Income Fund*	3,579,411	3.34
20,000 Cheyne Global Credit Fund*	2,229,128	2.08
7,450 Legg Mason Western Asset US Core Plus Bond Fund*	596,606	0.56
70,000 Neuberger Berman Short Duration High Yield Bond Fund*	628,600	0.59
125,000 PIMCO GIS Global Investment Fund*	1,741,250	1.62
275,000 Royal London Short Duration Global High Yield Bond Fund 'Z'	251,982	0.23
	11,177,017	10.43
Corporate Bonds (30.06.17: 3.06%)		
£1,000,000 Ballsbridge Repackaging 0% VRN perp	953,139	0.89
£270,000 Beazley Re 5.875% 2026	212,507	0.20
£550,000 PGH Capital 4.125% 2022	586,337	0.55
£874,000 PGH Capital 6.625% 2025	1,043,367	0.97
	2,795,350	2.61
Total Ireland	13,972,367	13.04
Italy (30.06.17: 0.31%)		
Corporate Bonds (30.06.17: 0.31%)		
£250,000 Assicurazioni Generali 6.269% perp	277,810	0.26
Luxembourg (30.06.17: 6.33%)		
Collective Investment Schemes (30.06.17: 6.33%)		
3,500 Ashmore SICAV Emerging Markets Short Duration Fund*	387,975	0.36
100,000 Investec Global Strategy Fund*	2,040,000	1.90
8,500 JP Morgan Income Opportunities Fund*	868,275	0.81
12,011 Julius Baer Emerging Fund*	1,171,999	1.09

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

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
6,900 NN (L) Global Convertible Opportunities Fund*	724,983	0.68
2,000 RWC Core Plus Fund*	1,218,489	1.14
Total Luxembourg	6,411,721	5.98
Netherlands (30.06.17: 0.00%)		
Corporate Bonds (30.06.17: 0.00%)		
£300,000 Rabobank 6.91% VRN perp	439,542	0.41
Singapore (30.06.17: 0.34%)		
Government Bonds (30.06.17: 0.34%)		
SGD 500,000 Government of Singapore 3% 2024	294,969	0.27
South Korea (30.06.17: 0.00%)		
Government Bonds (30.06.17: 0.00%)		
£400,000 Korea Development Bank 1.75% 2022	398,880	0.37
United States (30.06.17: 0.79%)		
Corporate Bonds (30.06.17: 0.79%)		
\$300,000 BAC Capital 4% VRN perp	200,946	0.19
\$500,000 Chubb Corp 6.375% VRN 2067	369,155	0.34
\$835,000 National Capital Trust 5.62% VRN perp	863,640	0.81
Total United States	1,433,741	1.34
Forward Foreign Exchange Contracts (30.06.17: (0.06%))		
Buy £2,469,568, Sell €2,784,231	(6,388)	(0.01)
Buy £1,802,581, Sell \$2,373,144	52,127	0.05
Total Forward Foreign Exchange Contracts	45,739	0.04
Total value of investments (30.06.17: 98.68%)	99,887,014	93.20
Net other assets (30.06.17: 1.32%)	7,291,051	6.80
Total value of the fund as at 31 December 2017	107,178,065	100.00

* Collective Investment Schemes

VRN = Variable Rate Note

perp = perpetual

Summary of portfolio investments

Bond credit ratings	Value £	Percentage of total net assets
Bonds	70,793,376	66.06
Equities	1,415,451	1.32
Pooled Investment Vehicles	27,632,448	25.78
Forwards	45,739	0.04
Total value of investments	99,887,014	93.20

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

	31.12.17 £	31.12.17 £	31.12.16 £	31.12.16 £
Income				
Net capital gains		1,125,121		1,504,798
Revenue	1,435,254		1,094,784	
Expenses	(282,986)		(186,459)	
Interest payable and similar charges	(21)		(50)	
Net revenue before taxation	1,152,247		908,275	
Taxation	—		—	
Net revenue after taxation		1,152,247		908,275
Total return before distributions		2,277,368		2,413,073
Distributions		(1,435,284)		(1,095,955)
Change in net assets attributable to unitholders from investment activities		842,084		1,317,118

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

	31.12.17 £	31.12.17 £	31.12.16 £	31.12.16 £
Opening net assets attributable to unitholders		87,645,934		51,123,111
Amounts receivable on issue of units	20,239,801		25,809,673	
Amounts payable on cancellation of units	(2,285,531)		(8,107,943)	
		17,954,270		17,701,730
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		842,084		1,317,118
Retained distributions on accumulation units		735,777		344,909
Closing net assets attributable to unitholders		107,178,065		70,486,868

Balance sheet as at 31 December 2017

	31.12.17 £	31.12.17 £	30.06.17 £	30.06.17 £
Assets				
Investments		99,893,402		86,535,839
Current assets:				
Debtors	993,788		973,443	
Cash and bank balances	7,282,382		2,572,393	
Total current assets		8,276,170		3,545,836
Total assets		108,169,572		90,081,675
Liabilities				
Investment liabilities		(6,388)		(48,304)
Creditors:				
Other creditors	(594,704)		(2,021,795)	
Bank overdrafts	(9)		–	
Distribution payable on income units	(390,406)		(365,642)	
Total liabilities		(985,119)		(2,435,741)
Net assets attributable to unitholders		107,178,065		87,645,934

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 June 2017 and are detailed in full in those financial statements.

Portfolio transaction costs

Total purchases and sales transactions for the half year ended 31 December 2017 were £49,842,974 and £37,429,529 respectively.

Distribution tables for the half year ended 31 December 2017

Distribution tables (pence per unit)

First Interim

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

I-Class income units	Net Income	Equalisation	Paid 30.11.17	Paid 30.11.16
Group 1	0.88	–	0.88	0.77
Group 2	0.43	0.45	0.88	0.77

I-Class accumulation units	Net Income	Equalisation	Accumulated 30.11.17	Accumulated 30.11.16
Group 1	1.06	–	1.06	0.91
Group 2	0.40	0.66	1.06	0.91

Second 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 December 2017

I-Class income units	Net Income	Equalisation	Payable 28.02.18	Paid 28.02.17
Group 1	0.83	–	0.83	0.82
Group 2	0.44	0.39	0.83	0.82

I-Class accumulation units	Net Income	Equalisation	Allocated 28.02.18	Accumulated 28.02.17
Group 1	1.02	–	1.02	0.96
Group 2	0.53	0.49	1.02	0.96

Notes for corporate unitholders

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

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

Equalisation

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

Directors' statement

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

MM Webb
for Rathbone Unit Trust Management Limited
Manager of Rathbone Strategic Bond Fund
19 February 2018

General information

Authorised status

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

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

Investment objective, policy and strategy

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

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

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

Valuation of the fund

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

Stewardship code

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

General information *(continued)*

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.

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

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 0.50%.

Statements

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

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

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

Prices

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

Other information

The Trust Deed, the 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, the Key Investor Information Document and Supplementary Information Document and the most recent half yearly report of each fund may be obtained free of charge on application to the Manager.

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

General information *(continued)*

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.

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 Ethical Bond Fund
Rathbone Global Opportunities Fund
Rathbone Heritage Fund
Rathbone Income Fund
Rathbone Spenser Fund
Rathbone UK Opportunities Fund

and the Authorised Corporate Director of:

Rathbone Global Alpha Fund
Rathbone 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

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Financial Conduct Authority

A member of The
Investment Association

A member of the Rathbone Group.
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