

Rathbones

Look forward

Rathbone Strategic Bond Fund

Annual report for the year ended 30 June 2019



Rathbone Strategic Bond Fund

Authorised Fund Manager (the Manager)

Rathbone Unit Trust Management Limited
8 Finsbury Circus
London EC2M 7AZ
Telephone 020 7399 0399
Facsimile 020 7399 0057

**A member of the Rathbone Group
Authorised and regulated by the
Financial Conduct Authority and member
of The Investment Association**

Dealing office

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

Registrar

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

Independent Auditor

Deloitte LLP
Statutory Auditor
110 Queen Street
Glasgow G1 3BX

Directors of the Manager

PL Howell – (retired 9 May 2019)
P Stockton – Chairman
MM Webb – Chief Executive Officer
JR Chillingworth – Chief Investment Officer
JM Ardouin – Finance Director
CRC Hexton
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

NatWest Trustee and Depository Services Limited
250 Bishopsgate
London EC2M 4AA
**Authorised and regulated by the
Financial Conduct Authority**

Manager's report for the year ended 30 June 2019

In the 12 months to 30 June 2019, the fund returned 3.20%, compared with the Investment Association (IA) Sterling Strategic Bond sector's 5.33%.

The FTSE Actuaries UK Conventional Gilts 5-15 Years Index gained 5.25% over the period, while the iBoxx UK Sterling Non-Gilts All Maturities Index rose 5.89%.

Back in March, equity markets were recovering strongly from the turbulence at the end of 2018. Concerns about global growth returned in May, but since then the US equity benchmark has reached a new all-time high, while most other Western indices rose above March levels. At the same time, government bonds have also rallied strongly, driven by expectations of both weaker economic growth and inflation, as well as greater demand for 'safe-haven' assets.

US President Donald Trump announced a trade ceasefire with China at the G20 meeting in Japan. Negotiations for a 'final' agreement will soon reopen. To us, the idea of a definitive result for the trade tussle in the foreseeable future is laughable. The best that can be hoped for under a Trump presidency is an uneasy truce punctuated by occasional tweeted grumbles that omit specific incremental tariffs. As China's global clout continues to grow, it will cause friction with the US. A more nuanced, patient president could migrate the geopolitical sparring from trade to a less dangerous arena. But that isn't in the foreseeable future.

Tensions between Iran and the US escalated after two attacks on oil tankers in the Strait of Hormuz and the shooting down of an American drone. Uncharacteristically, Mr Trump projected calm – maybe that's because war and higher fuel prices are not an obvious vote winner. Further escalation is a wildcard risk. Renewed sanctions on Iranian oil are unlikely to drive up the oil price by an amount that could threaten the global economy. Oil prices are still 14% below where they were a year ago. But military conflict and the closure of the Straits of Hormuz would be another matter entirely.

At the start of the period, we did some tactical trading of the Gilt 1.625% 2028. Making the most of gilt volatility in August, we bought these bonds as prices fell (yields rose) and sold them when prices rose (yields fell).

In the first half of 2019, as part of a de-risking strategy, we continued to sell our higher-risk credit and emerging market funds. We cut back our holdings of the Ashmore Emerging Markets Short Duration, Algebris Macro Credit and Barings Emerging Markets Debt Blended Total Return funds. We also sold all of our convertible debt exposure, including the RWC Core Plus Fund, for the same reason. We used that cash to buy higher-rated bonds, like the Province of Quebec 1.5% Senior 2023 and the ANZ Bank Group Floating Rate Note 2022.

Manager's report for the year ended 30 June 2019 *(continued)*

We also bought the MetWest Unconstrained Bond Fund, a fund that has used its flexible style to load up on very short-dated credit, mortgage-backed securities and asset-backed loans. Its exposure to yield curve movements is extremely low, which is helpful at a time when the path of interest rates is difficult to determine.

The Pacific G10 Macro Rates Fund exploits mispricing in interest rates and currency markets. In the past, these returns have tended to be uncorrelated to bond and stock markets. We bought the fund because this should help us keep our fund's volatility low.

As 2018 wound down, we bought a reasonable amount of T-Bills, short-term UK government debt that is similar to holding cash. We did this to ensure we had enough liquid assets over the generally illiquid holiday season.

The intensifying trade war makes us nervous. Yet at the same time, we must acknowledge that there are also upside risks as well as downside ones. The Fed has pressed pause on its rate tightening cycle, China is likely to add further fiscal and monetary stimulus and equity market expectations are already quite depressed (consensus analysts' expectations for growth in FTSE 100 earnings per share in 2019 are just 1%). In other words, despite the weak data, there is a chance that equities could rise as well as fall.

We continue to deliver decent returns in varying markets, so we're pleased with how our fund has been performing.

Bryn Jones
Fund Manager

30 June 2019

Noelle Cazalis
Fund Manager

Net asset value per unit and comparative tables

I-Class income units

	30.06.19 pence per unit	30.06.18 pence per unit	30.06.17 pence per unit
Change in net assets per unit			
Opening net asset value per unit	114.45p	115.77p	110.18p
Return before operating charges*	4.11p	2.85p	9.89p
Operating charges	(0.64p)	(0.66p)	(0.68p)
Return after operating charges*	3.47p	2.19p	9.21p
Distributions on income units	(3.92p)	(3.51p)	(3.62p)
Closing net asset value per unit	114.00p	114.45p	115.77p
*after direct transactions costs ¹ of:	0.00p	0.00p	0.00p

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

Performance

Return after charges	3.03%	1.89%	8.36%
----------------------	-------	-------	-------

Other information

Closing net asset value	£76,589	£57,639,778	£48,102,131
Closing number of units	67,184,480	50,361,305	41,550,258
Operating charges	0.67%	0.75%	0.79%
Direct transaction costs	0.00%	0.00%	0.00%

Prices**

Highest unit price	115.68p	118.46p	117.96p
Lowest unit price	111.65p	115.33p	110.44p

Ongoing Charges Figure

UCITS	0.67%	0.75%	0.79%
PRIIPs***	0.76%	0.82%	—

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

*** The OCF includes the charges for the underlying funds held in the product. From April 2018, the Ongoing Charges Figure has been calculated according to PRIIPs regulations, which came into effect on 1 January 2018. Holdings are based on six monthly accounts. Changes to fund holdings within this period may result in higher or lower operating charges.

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

I-Class accumulation units

	30.06.19 pence per unit	30.06.18 pence per unit	30.06.17 pence per unit
Change in net assets per unit			
Opening net asset value per unit	142.63p	139.97p	129.18p
Return before operating charges*	5.13p	3.47p	12.06p
Operating charges	(0.80p)	(0.81p)	(0.80p)
Return after operating charges*	4.33p	2.66p	11.26p
Distributions on accumulation units	(4.94p)	(4.29p)	(4.77p)
Retained distributions on accumulation units	4.94p	4.29p	4.30p
Closing net asset value per unit	146.96p	142.63p	139.97p

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

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

Performance

Return after charges	3.04%	1.90%	8.72%
----------------------	-------	-------	-------

Other information

Closing net asset value	£103,476	£58,450,073	£39,543,803
Closing number of units	70,412,225	40,980,919	28,251,110
Operating charges	0.67%	0.75%	0.79%
Direct transaction costs	0.00%	0.00%	0.00%

Prices**

Highest unit price	147.45p	144.54p	141.41p
Lowest unit price	141.41p	140.03p	129.33p

Ongoing Charges Figure

UCITS	0.67%	0.75%	0.79%
PRIPs***	0.76%	0.82%	0.00%

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

*** The OCF includes the charges for the underlying funds held in the product. From April 2018, the Ongoing Charges Figure has been calculated according to PRIIPs regulations, which came into effect on 1 January 2018. Holdings are based on six monthly accounts. Changes to fund holdings within this period may result in higher or lower operating charges.

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

Risk and reward profile as published in the fund's most recent Key Investor Information Document



Lower potential risk/reward
(Not risk-free)

Higher potential risk/reward

This indicator is a measure of the fund's past volatility (the extent and rapidity of up-and-down movements of the value of an investment). It may not be a reliable indication of the fund's future risk. The risk category shown is not a target or a guarantee and may change over time.

Discrete annual performance, year ending 30 June 2019

	2015	2016	2017	2018	2019
I-Class units	1.70%	3.44%	8.79%	1.91%	3.20%
IA Sterling Strategic Bond Sector	2.38%	2.91%	6.85%	0.33%	5.33%

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

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

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

Portfolio and net other assets as at 30 June 2019

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
United Kingdom (30.06.18: 55.32%)		
Government Bonds (30.06.18: 18.51%)		
£3,000,000 UK Treasury 0% 2019	2,999,400	1.67
£7,300,000 UK Treasury 0% 2019	7,293,430	4.05
£8,500,000 UK Treasury 0% 2019	8,489,800	4.71
£5,700,000 UK Treasury 0% 2019	5,696,466	3.16
£2,180,000 UK Treasury 1.25% 2027	2,262,993	1.26
£2,000,000 UK Treasury 1.5% 2047	2,009,200	1.12
£3,000,000 UK Treasury 1.625% 2028	3,209,880	1.78
£4,330,000 UK Treasury 4.25% 2032	5,984,883	3.32
£4,250,000 UK Treasury 4.5% 2034	6,192,548	3.44
	44,138,600	24.51
Government Index-Linked Bonds (30.06.18: 3.78%)		
£4,300,000 UK Treasury 0.125% Index-Linked 2026	5,720,542	3.18
£2,950,000 UK Treasury 1.875% Index-Linked 2022	4,807,466	2.67
£1,280,000 UK Treasury 2.5% Index-Linked 2024	4,724,838	2.62
	15,252,846	8.47
Mortgage Bonds (30.06.18: 1.24%)		
£200,000 Alba floating rate notes 2039	133,193	0.07
£300,000 Eurohome UK Mortgages 2007 floating rate notes 2044	79,952	0.04
£250,000 Eurohome UK Mortgages floating rate notes 2044	219,933	0.12
£300,000 RMAC Securities floating rate notes 2044	166,722	0.09
£260,000 Silverstone Master Issuer floating rate notes 2070	260,362	0.14
	860,162	0.46
Supranational Bonds (30.06.18: 0.11%)		
Corporate Bonds (30.06.18: 28.28%)		
£318,000 A2Dominion Housing Group 3.5% 2028	333,668	0.19
£300,000 Aviva 4.375% VRN 2049	311,717	0.17
£1,500,000 Aviva 5.9021% VRN perp	1,544,813	0.86
£500,000 Aviva 6.875% VRN 2058	642,532	0.36
£200,000 Barclays 3% 2026	201,921	0.11
£119,000 Barclays 3.25% 2027	121,348	0.07
£400,000 Barclays 3.25% 2033	389,535	0.22
£1,492,000 Bank of Scotland 7.281% VRN Perp	1,817,793	1.01
£667,000 British Telecommunications 3.125% 2031	699,735	0.39
£324,000 Bruntwood 6% 2020	331,776	0.18

Portfolio and net other assets as at 30 June 2019 *(continued)*

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets	
£550,000	BUPA Finance 5% 2026	622,117	0.35
£819,000	BUPA Finance 6.125% VRN perp	857,004	0.48
£600,000	Burford Capital 6.125% 2024	630,897	0.35
£500,000	Channel Link FRN 2050	419,304	0.23
£100,000	Channel Link 3.043% VRN 2050	102,420	0.06
£350,000	Clerical Medical Finance 7.375% VRN perp	352,863	0.20
£316,000	Close Brothers Group 2.75% 2023	324,852	0.18
£750,000	Close Brothers Group 4.25% 2027	784,875	0.44
£860,000	Coventry Building Society 1.875% 2023	872,622	0.48
£746,000	Coventry Building Society 6.875% VRN perp	759,726	0.42
£250,000	CYBG 3.125% VRN 2025	243,547	0.13
£200,000	EI Group 7.5% 2024	209,724	0.12
£500,000	Enterprise Inns 6.375% 2031	539,800	0.30
£350,000	Eversholt Funding 5.831% 2020	370,523	0.21
£400,000	Finance for Residential Social Housing 8.569% 2058	397,588	0.22
£347,000	Grainger 3.375% 2028	357,215	0.20
£45,000	HBOS 5.75% VRN perp	44,550	0.02
£490,000	HSBC Holdings 3% 2030	503,115	0.28
£1,600,000	Investec 4.5% 2022	1,704,166	0.95
£740,000	Investec Bank 4.25% VRN 2028	746,687	0.41
£200,000	J Sainsbury 6.5% VRN Perp	209,040	0.12
£300,000	JRP Group 9% 2026	343,118	0.19
£450,000	Just Group 3.5% 2025	431,190	0.24
£50,000	Ladbroskes 5.125% 2022	52,305	0.03
£597,000	Ladbroskes Coral 5.125% 2023	626,492	0.35
£887,000	Leeds Building Society 3.75% VRN 2029	878,840	0.49
£335,000	Legal & General 5.125% VRN 2048	367,180	0.20
£125,000	Legal & General 5.375% VRN 2045	138,336	0.08
£832,000	Liverpool Victoria Friendly Social 6.5% VRN 2043	926,557	0.51
£400,000	Lloyds Bank 13% Var perp	690,000	0.38
£200,000	London & Quadrant Housing Trust 2.625% 2028	205,197	0.11
£423,000	Motability Operations 1.75% 2029	415,259	0.23
£310,000	Nationwide Building Society 5.769% perp	324,074	0.18
£1,100	Nationwide Building Society 10.25% VRN Perp	165,187	0.09
£500,000	Paragon 6% 2020	513,122	0.28
£1,106,000	Paragon Banking Group 6% 2024	1,160,041	0.64
£600,000	Partnership Life Assurance 9.5% 2025	630,834	0.35
£900,000	Pension Insurance 5.625% 2030	914,242	0.51
£650,000	Pension Insurance 6.5% 2024	723,015	0.40
£600,000	Pension Insurance 8% 2026	722,088	0.40

Portfolio and net other assets as at 30 June 2019 *(continued)*

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
£640,000	Places for People 1% Index-Linked 2022	0.44
£1,000,000	Places for People Homes 3.625% 2028	0.58
£250,000	Places for People 4.25% 2023	0.14
£983,000	Principality Building Society 2.375% 2023	0.55
£1,220,000	Principality Building Society 7% VRN perp	0.68
£878,000	Prudential 5.625% VRN 2051	0.54
£600,000	Prudential 6.25% VRN 2068	0.38
£400,000	Royal Bank Scotland 7.64% VRN perp	0.16
£400,000	RL Finance 6.125% 2028	0.25
£400,000	RL Finance 6.125% VRN 2043	0.25
£800,000	Rothesay Life 6.875% VRN perp	0.43
£600,000	Rothesay Life 8% 2025	0.38
£750,000	RSA Insurance 5.125% VRN 2045	0.46
£1,500,000	Santander UK 1.1357% FRN 2021	0.83
£562,000	Santander UK 1.4374% FRN 2024	0.31
£1,100,000	Santander UK 2.92% VRN 2026	0.62
£300,000	Santander UK 3.625% 2026	0.18
£300,000	Scottish Widows 5.5% 2023	0.19
£300,000	Skipton Building Society 1.75% 2022	0.16
£68,000	Tesco 4.875% 2042	0.04
£327,000	Tesco 2.5% 2025	0.19
£726,000	Tesco Personal Finance 1% Index-Linked 2019	0.48
£400,000	Tesco Property Finance 7.6227% 2039	0.28
£500,000	Virgin Money Holdings UK 8.75% VRN perp	0.30
£406,000	Yorkshire Building Society 3% VRN 2025	0.23
£709,000	Yorkshire Building Society 3.375% VRN 2028	0.38
£100,000	Yorkshire Water Finance 2.75% 2041	0.06
	44,760,950	24.86
Collective Investment Schemes (30.06.18: 2.63%)		
3,106,137	M&G Global Macro Bond Fund*	3,053,644
		1.70
Equities (30.06.18: 0.77%)		
125,000	Santander UK 10.375% preference perp	197,125
		0.11
Total United Kingdom	108,263,327	60.11

Portfolio and net other assets as at 30 June 2019 *(continued)*

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
Australia (30.06.18: 0.19%)		
Corporate Bonds (30.06.18: 0.19%)		
£525,000 AMP Finance 6.875% 2022	551,261	0.31
£1,700,000 Australia and New Zealand Banking FRN 2022	1,702,079	0.94
Total Australia	2,253,340	1.25
Bermuda (30.06.18: 1.85%)		
Corporate Bonds (30.06.18: 1.39%)		
£584,000 Hiscox Limited 2% 2022	586,923	0.33
£940,000 Hiscox Limited 6.125% VRN 2045	1,046,073	0.58
	1,632,996	0.91
Equity Investment Instruments (30.06.18: 0.46%)		
700,000 CATCo Reinsurance Opportunities Fund	99,002	0.05
Total Bermuda	1,731,998	0.96
Canada (30.06.18: 0.86%)		
Corporate Bonds (30.06.18: 0.86%)		
£500,000 Canadian Imperial Bank of Commerce FRN 2019	499,997	0.28
£1,000,000 National Bank of Canada floating rate notes 2021	1,002,230	0.56
	1,502,227	0.84
Mortgage Bonds (30.06.18: 0.00%)		
£1,500,000 Province of Alberta Canada 1.5% 2022	1,519,442	0.84
£2,000,000 Province of Quebec Canada 1.5% 2023	2,030,708	1.13
	3,550,150	1.97
Total Canada	5,052,377	2.81
Cayman Islands (30.06.18: 0.34%)		
Corporate Bonds (30.06.18: 0.34%)		
£200,000 Phoenix Group Holdings 5.375% 2027	157,121	0.09

Portfolio and net other assets as at 30 June 2019 *(continued)*

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
Channel Islands (30.06.18: 7.37%)		
Corporate Bonds (30.06.18: 2.06%)		
£1,568,000 Beazley 5.375% 2019	1,570,710	0.87
£500,000 Burford Capital 5% 2026	495,645	0.28
£513,000 CPUK Finance 3.69% 2028	545,381	0.30
£720,000 Hastings Group Finance 3% 2025	705,831	0.39
£289,000 HBOS Sterling Finance (Jersey) 7.881% VRN perp	427,908	0.24
£750,000 HSBC Bank 5.844% VRN perp	969,563	0.54
£1,081,000 Rothschilds 9% perp	1,293,633	0.72
	6,008,671	3.34
Non-Equity Investment Trusts (30.06.18: 5.31%)		
3,140,000 Chenavari Toro	2,135,328	1.18
900,000 CVC Credit Partners European Opportunities	936,000	0.52
1,697,550 Hadrians Wall Secured Investment Fund	1,527,795	0.85
566,645 SQN Asset Finance Income Fund 'C'	501,481	0.28
	5,100,604	2.83
Total Channel Islands	11,109,275	6.17
Denmark (30.06.18: 0.00%)		
Corporate Bonds (30.06.18: 0.00%)		
£279,000 Orsted 2.125% 2027	287,131	0.16
France (30.06.18: 1.18%)		
Corporate Bonds (30.06.18: 1.18%)		
£700,000 BPCE SA 2.125% 2022	717,326	0.40
£800,000 BPCE SA 5.25% 2029	951,577	0.53
£500,000 Credit Agricole Assurances 4.5% VRN perp	493,640	0.27
Total France	2,162,543	1.20
Germany (30.06.18: 0.00%)		
Government Bonds (30.06.18: 0.00%)		
SGD 1,500,000 FMS Wertmanagement 1.125% 15/09/2021	1,508,595	0.84

Portfolio and net other assets as at 30 June 2019 *(continued)*

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
Ireland (30.06.18: 12.15%)		
Collective Investment Schemes (30.06.18: 9.84%)		
35,000 Angel Oak Multi Strategy Income Fund*	3,445,956	1.91
19,300 Barings Emerging Markets Debt Blended Total Return Fund*	2,045,800	1.14
1,600,000 BNY Mellon Global Short Dated High Yield Bond Fund*	1,759,360	0.98
7,450 Legg Mason Western Asset US Core Plus Bond Fund*	643,672	0.36
41,000 Muzinich Asia Credit Opportunities Fund*	3,949,940	2.19
165,000 Pacific G10 macro rates Fund Class GBP 'Z'*	1,616,835	0.90
225,000 PIMCO GIS Global Investment Fund*	3,123,000	1.73
3,750,000 Royal London Short Duration Global High Yield Bond Fund 'Z'*	3,304,875	1.84
	19,889,438	11.05
Corporate Bonds (30.06.18: 2.31%)		
£1,000,000 Ballsbridge Repackaging 0% VRN perp	915,281	0.51
£270,000 Beazley Re 5.875% 2026	217,451	0.12
£550,000 PGH Capital 4.125% 2022	571,677	0.32
£874,000 PGH Capital 6.625% 2025	962,554	0.53
	2,666,963	1.48
Total Ireland	22,556,401	12.53
Luxembourg (30.06.18: 9.50%)		
Collective Investment Schemes (30.06.18: 9.50%)		
24,000 Ashmore SICAV Emerging Markets Short Duration Fund*	2,504,880	1.39
182,500 Investec Global Strategy Fund*	3,752,200	2.09
8,500 JP Morgan Income Opportunities Fund*	829,600	0.46
4,500 TCW Funds MetWest Unconstrained Bond IGHG*	4,056,154	2.25
Total Luxembourg	11,142,834	6.19
Netherlands (30.06.18: 0.38%)		
Corporate Bonds (30.06.18: 0.38%)		
£700,000 Rabobank 6.91% VRN perp	1,008,665	0.56
Norway (30.06.18: 0.47%)		
Corporate Bonds (30.06.18: 0.47%)		
\$1,000,000 DNB Bank ASA FRN perp	507,448	0.28

Portfolio and net other assets as at 30 June 2019 *(continued)*

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
Singapore (30.06.18: 0.25%)		
Government Bonds (30.06.18: 0.25%)		
SGD 900,000 Government of Singapore 3% 2024	552,837	0.31
South Korea (30.06.18: 0.34%)		
United States (30.06.18: 2.94%)		
Corporate Bonds (30.06.18: 1.18%)		
\$300,000 BAC Capital Trust 4% VRN perp	195,466	0.11
\$1,000,000 Berkshire Hathaway Finance 2.375% 2039	1,015,811	0.56
\$700,000 Berkshire Hathaway Finance 2.625% 2059	735,089	0.41
\$1,000,000 Citigroup 1.18744% VRN 2067	914,411	0.51
\$324,000 DXC Technology 2.75% 2025	324,640	0.18
\$200,000 Goldman Sachs 3.125% 2029	210,944	0.12
	3,396,361	1.89
Other Bonds (30.06.18: 1.76%)		
\$2,800,000 RBC Capital Markets New Issue USD notes 2021	2,189,841	1.22
Total United States	5,586,202	3.11
Forward Foreign Exchange Contracts (30.06.18: (0.07%))		
Buy £3,156,945, Sell €3,560,941	(35,244)	(0.02)
Buy £4,167,625, Sell \$5,290,021	21,372	0.01
Total Forward Foreign Exchange Contracts	(13,872)	(0.01)
Total value of investments (30.06.18: 93.07%)	173,866,222	96.56
Net other assets (30.06.18: 6.93%)	6,198,627	3.44
Total value of the fund as at 30 June 2019	180,064,849	100.00

* Collective Investment Schemes
 VRN = Variable Rate Note
 perp = perpetual
 FRN = Floating Rate Note

Summary of portfolio investments

	Value £	Percentage of total net assets
Debt Securities	134,397,447	74.64
Equity Securities	197,125	0.11
Pooled Investment Vehicles	39,285,522	21.82
Derivatives	(13,872)	(0.01)
Total value of investments	173,866,222	96.56

Statement of total return for the year ended 30 June 2019

	Note	30.06.19 £	30.06.19 £	30.06.18 £	30.06.18 £
Income					
Net capital gains/(losses)	2		501,945		(998,436)
Revenue	3	4,987,452		3,168,568	
Expenses	4	(803,440)		(595,423)	
Interest payable and similar charges		(972)		(54)	
Net revenue before taxation		4,183,040		2,573,091	
Taxation	5	(1,047)		(3,004)	
Net revenue after taxation			4,181,993		2,570,087
Total return before distributions			4,683,938		1,571,651
Distributions	6		(4,984,784)		(3,163,454)
Change in net assets attributable to unitholders from investment activities			(300,846)		(1,591,803)

Statement of change in net assets attributable to unitholders for the year ended 30 June 2019

	30.06.19 £	30.06.19 £	30.06.18 £	30.06.18 £
Opening net assets attributable to unitholders		116,089,851		87,645,934
Amounts receivable on issue of units	73,803,583		32,933,723	
Amounts payable on cancellation of units	(12,467,896)		(4,507,814)	
		61,335,687		28,425,909
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		(300,846)		(1,591,803)
Retained distributions on accumulation units		2,940,157		1,609,811
Closing net assets attributable to unitholders		180,064,849		116,089,851

Balance sheet as at 30 June 2019

	Note	30.06.19 £	30.06.19 £	30.06.18 £	30.06.18 £
Assets					
Fixed assets:					
Investments			173,901,466		108,149,175
Current assets:					
Debtors	7	3,812,008		1,057,851	
Cash and bank balances		6,826,297		7,569,370	
Total current assets			10,638,305		8,627,221
Total assets			184,539,771		116,776,396
Liabilities					
Investment liabilities			(35,244)		(105,153)
Creditors:					
Bank overdrafts			—	(12)	
Other creditors	8	(3,754,396)		(87,839)	
Distribution payable on income units		(685,282)		(493,541)	
Total liabilities			(4,474,922)		(686,545)
Net assets attributable to unitholders			180,064,849		116,089,851

Notes to the financial statements

1 Accounting policies

a) Basis of accounting

The annual financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice (SORP) for Financial Statements of UK Authorised Funds issued by The Investment Association in May 2014.

As stated in the Statement of the Manager's responsibilities in relation to the report and accounts of the Company on page 32, the Manager continues to adopt the going concern basis in the preparation of the financial statements of the fund.

b) Recognition of revenue

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

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

Revenue received from investments in authorised collective investment schemes, which are purchased during the financial year, will include an element of equalisation which represents the average amount of revenue included in the price paid for shares or units. The equalisation is treated as capital and deducted from the cost of the investment.

Management fee rebates arising from the holding of unit or shares in underlying funds are recognised on an accrual basis. Where the policy of the underlying fund is to charge its management fee to capital, in determining its distributions, then the management fee rebates are recognised in capital. Otherwise, the management fee rebates are recognised in revenue.

c) Treatment of scrip and special dividends

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

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

d) Treatment of expenses

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

e) Distribution policy

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

For the purpose of calculating the distribution available to unitholders, all the expenses are deducted from capital, offsetting expenses against capital may constrain future growth in revenue and capital.

For the purpose of calculating the distribution available to unitholders, revenue on debt securities is computed as the higher of the amount determined on an accrual of coupon basis and on an effective yield basis. A reconciliation of the net distribution to the net revenue of the fund as reported total return is shown in note 6.

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

f) Basis of valuation of investments

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

If the Stock Exchange quotation of an investment has been suspended, and in the opinion of the Manager, it is unlikely to be reinstated, this has been indicated in the portfolio of investments. Suspended investments are value based on the latest financial statements of the respective company and agreed with the Trustee.

Authorised collective investment schemes are valued at the bid price for dual price funds and at the quoted price for single price funds.

1 Accounting policies *(continued)*

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

All assets are recognised and derecognised on trade date. Any trades occurring between valuation point and close of business are included in the Financial Statements.

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

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

g) Exchange rates

The functional currency of the fund is pound sterling. Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting year are translated into sterling at the closing mid exchange rates ruling on that date.

h) Taxation/Deferred Tax

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

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

iii) The charge for deferred tax is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax assets can be offset. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

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

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

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

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

Notes to the financial statements *(continued)*

2 Net capital gains/(losses)

	30.06.19 £	30.06.18 £
The net capital gains/(losses) during the year comprise:		
Non-derivative securities	685,839	(1,027,186)
Currency (losses)/gains	(11,607)	61,023
Forward currency contracts	(167,545)	(31,891)
Transaction charges	(4,742)	(382)
Total net capital gains/(losses)	501,945	(998,436)

3 Revenue

	30.06.19 £	30.06.18 £
Dividends – UK Ordinary	12,969	12,969
– Overseas	468,666	377,589
Interest on debt securities	4,458,928	2,760,728
Rebates on annual management charges on underlying investments	1,200	8,399
Inland revenue interest received	–	28
Bank interest	45,689	8,855
Total revenue	4,987,452	3,168,568

4 Expenses

	30.06.19 £	30.06.18 £	30.06.18 £	30.06.18 £
Payable to the Manager, associates of the Manager and agents of either of them:				
Manager's periodic charge		724,551		525,326
Payable to the Trustee, associates of the Trustee and agents of either of them:				
Trustee's fees	30,431		25,216	
Safe custody and other bank charges	13,511		10,742	
		43,942		35,958
Other expenses:				
Administration fees	11,386		10,630	
Audit fee*	11,040		9,987	
FCA fee	(1,515)		356	
Listing fees	3,690		3,452	
Printing and publication costs	1,710		2,547	
Registration fees	8,636		7,167	
		34,947		34,139
Total expenses		803,440		595,423

* Audit fees paid in the year were £9,000 (30.06.18: £8,300) excluding VAT.

5 Taxation

	30.06.19	30.06.18
	£	£
a) Analysis of charge in the year		
Overseas tax	1,047	665
Irrecoverable income tax	—	2,339
Total tax charge for the year (note 5b)	1,047	3,004

b) Factors affecting current tax charge for the year

The tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK for an Authorised Unit Trust (20%) (30.06.18: 20%). The differences are explained below:

	30.06.19	30.06.18
	£	£
Net revenue before taxation	4,183,040	2,573,091
Corporation tax at 20%	836,608	514,618
Effects of:		
Revenue not subject to taxation	(96,327)	(78,112)
Tax deductible interest distributions	(706,574)	(415,232)
Tax relief on Index Linked Gilts	(33,707)	(21,274)
Corporate tax charge	—	—
Overseas tax	1,047	665
Irrecoverable income tax	—	2,339
Total tax charge for the year (note 5a)	1,047	3,004

c) Deferred tax

At the year end the fund had no surplus management expenses (30.06.18: £nil) and no deferred tax asset has been recognised.

6 Distributions

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

	30.06.19	30.06.18
	£	£
First Interim	1,031,974	747,897
Second Interim	1,315,145	761,391
Third Interim	1,303,746	778,709
Final	1,593,600	989,410
	5,244,465	3,277,407
Add: Amounts deducted on cancellation of units	48,411	18,076
Deduct: Amounts received on issue of units	(308,092)	(132,029)
Net distribution for the year	4,984,784	3,163,454

Reconciliation of net distribution for the year to net revenue after tax:

Net distribution for the year	4,984,784	3,163,454
Expenses charged to capital:		
Manager's periodic charge	(724,551)	(525,326)
Trustee fee	(30,431)	(25,216)
Audit fee	(11,040)	(9,987)
FCA fee	1,515	(356)
Safe custody fee	(13,511)	(10,742)
Administration fee	(11,386)	(10,630)
Printing and publication costs	(1,710)	(2,547)
Registration fee	(8,636)	(7,167)
Listing fee	(3,690)	(3,452)
Equalisation on conversions	(194)	(117)
Balance brought forward	(7,510)	(5,337)
Balance carried forward	8,353	7,510
Net revenue after taxation	4,181,993	2,570,087

7 Debtors

	30.06.19	30.06.18
	£	£
Amounts receivable for issue of units	2,444,023	205,608
Accrued revenue	1,367,985	852,243
Total debtors	3,812,008	1,057,851

8 Other creditors

	30.06.19	30.06.18
	£	£
Amounts payable for cancellation of units	75,146	15,221
Purchases awaiting settlement	3,584,201	—
Accrued expenses	22,369	24,759
Accrued manager's periodic charge	72,680	47,859
Total other creditors	3,754,396	87,839

9 Reconciliation of units

	I-Class income	I-Class accumulation
Opening units issued at 01.07.18	50,361,305	40,980,919
Unit movements 01.07.18 to 30.06.19		
Units issued	25,803,365	31,016,400
Units cancelled	(6,404,664)	(3,630,626)
Units converted	(2,575,526)	2,045,532
Closing units at 30.06.19	67,184,480	70,412,225

10 Related party transactions

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

Details of units created and cancelled by the Manager are shown in the Statement of Change in Net Assets Attributable to Unitholders and note 6.

There were no commissions paid to stockbroking of the Manager in respect of dealings in the investments of Rathbone Strategic Bond Fund during the year (30.06.18: nil).

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

A the year end there were significant unitholders. Rathbone Nominees Limited held a total of 34% (30.06.18: 45%).

11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (30.06.18: nil).

12 Risk disclosures on financial instruments

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

There is little exposure to credit or cash flow risk. There are no net borrowings and little exposure to liquidity risk because assets can be readily realised to meet redemptions.

The fund holds a substantial number of Collective Investment Schemes that are designed to give overseas exposure. The fund has indirect exposure to foreign currency risk, interest rate risk and credit risk as a result of these holdings (see the portfolio statement on pages 7 to 13).

The main risks arising from the financial instruments are:

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

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

	30.06.19	30.06.18
	£	£
Currency:		
Euro	3,538,470	2,710,858
Singapore dollar	557,993	290,492
US dollar	4,362,516	4,987,243
Pound sterling	171,604,980	108,100,208
	180,063,959	116,088,801
Other net assets not categorised as financial instruments	890	1,050
Net assets	180,064,849	116,089,851

If GBP to foreign currency exchange rates had increased by 10% as at the balance sheet date, the net asset value of the fund would have decreased by £939,887 (30.06.18: £726,236). If GBP to foreign currency exchange rates had decreased by 10% as at the balance sheet date, the net asset value of the fund would have increased by £768,998 (30.06.18: £887,621). These calculations assume all other variables remain constant.

12 Risk disclosures on financial instruments *(continued)*

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

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

	30.06.19	30.06.18
	£	£
Fixed rate assets:		
Singapore dollar	552,837	287,752
US dollar	882,021	879,476
Pound sterling	82,491,327	46,514,019
	83,926,185	47,681,247
Floating rate assets:		
Euro	1,408,921	1,409,432
US dollar	2,682,848	1,038,734
Pound sterling	53,205,789	31,110,530
	57,297,558	33,558,696
Floating rate liabilities:		
Euro	—	(12)
Assets on which no interest is paid:		
Euro	2,164,793	1,301,438
Singapore dollar	5,156	2,740
US dollar	797,647	3,174,186
Pound sterling	40,347,542	31,058,089
	43,315,138	35,536,453
Liabilities on which no interest is paid:		
Euro	(35,244)	—
US dollar	—	(105,153)
Pound sterling	(4,439,678)	(582,430)
	(4,474,922)	(687,583)
Other net assets not categorised as financial instruments	890	1,050
Net assets	180,064,849	116,089,851

If interest rates had increased by 1% as at the balance sheet date, the net asset value of the fund would have decreased by £12,532,683 (30.06.18: £3,466,466). If interest rates had decreased by 1% as at the balance sheet date, the net asset value of the fund would have increased by £12,532,683 (30.06.18: £3,466,466).

These calculations assume all other variables remain constant.

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

12 Risk disclosures on financial instruments *(continued)*

(ii) Interest rate risk *(continued)*

	30.06.19		30.06.18	
	Value (note 1f) £	Percentage of total net assets	Value (note 1f) £	Percentage of total net assets
Bond credit ratings*				
Investment grade	101,652,498	56.45	34,809,165	29.98
Below investment grade	32,744,949	18.19	40,221,218	34.65
Total bonds	134,397,447	74.64	75,030,383	64.63

* Source: Standard and Poor's

Currency	Fixed rate financial assets			
	Weighted average redemption yield rate		Weighted average period for which rate is fixed	
	30.06.19	30.06.18	30.06.19	30.06.18
Singapore dollar	1.83%	2.38%	5.18 years	6.18 years
US dollar	5.50%	6.46%	7.63 years	8.62 years
Pound sterling	1.95%	2.36%	6.82 years	4.91 years

There are no material amounts of non-interest bearing financial assets and liabilities, other than equities and collective investment schemes, which do not have maturity dates.

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

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

If market prices had increased by 10% as at the balance sheet date the net asset value of the fund would have increased by £17,386,622 (30.06.18: £10,804,402). If market prices had decreased by 10% as at the balance sheet date the net asset value of the fund would have decreased by £17,386,622 (30.06.18: £10,804,402). These calculations assume all other variables remain constant.

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

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

(vi) **Leverage**. In accordance with the IA SORP issued in May 2014 we are required to disclose any leverage of the fund. There is no significant leverage in Rathbone Strategic Bond which would increase its exposure.

13 Portfolio transaction cost

For the year ended 30 June 2019

Analysis of total purchases costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	1,011,952	708	0.07	1	—
Bond transactions	199,050,797	—	—	—	—
Fund transactions	29,565,597	—	—	—	—
Total purchases before transaction costs	229,628,346	708		1	
Total purchases including commission and taxes	229,629,055				

Analysis of total sales costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	1,699,038	926	0.05	3	—
Bond transactions	42,781,270	—	—	—	—
Fund transactions	21,315,914	—	—	—	—
Corporate actions	99,016,890	—	—	—	—
Total sales including transactions costs	164,813,112	926		3	
Total sales net of commission and taxes	164,812,183				

Commissions and taxes as % of average net assets

Commissions	0.00%
Taxes	0.00%

13 Portfolio transaction cost *(continued)*

For the year ended 30 June 2018

Analysis of total purchases costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	1,664,373	738	0.04	1	—
Bond transactions	91,596,228	—	—	—	—
Fund transactions	7,244,681	—	—	—	—
Total purchases before transaction costs	100,505,282	738		1	
Total purchases including commission and taxes	100,506,021				

Analysis of total sales costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	1,669,052	186	0.01	13	—
Bond transactions	31,531,639	—	—	—	—
Fund transactions	1,074,670	397	0.04	—	—
Corporate actions	43,521,915	—	—	—	—
Total sales including transactions costs	77,797,276	583		13	
Total sales net of commission and taxes	77,796,680				

Commissions and taxes as % of average net assets

Commissions	0.00%
Taxes	0.00%

In the case of shares, commissions and taxes are paid by the fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.47% (30.06.18: 0.50%).

14 Fair value of investments

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

- Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

For the year ended 30 June 2019

Category	1	2	3	Total
	£	£	£	£
Investment assets				
Equities	197,125	—	—	197,125
Bonds	61,452,878	72,525,265	419,304	134,397,447
Pooled investment vehicles	5,199,606	34,085,916	—	39,285,522
Derivatives	—	21,372	—	21,372
	66,849,609	106,632,553	419,304	173,901,466
Investment liabilities				
Derivatives	—	(35,244)	—	(35,244)
	—	(35,244)	—	(35,244)

For the year ended 30 June 2018

Category	1	2	3	Total
	£	£	£	£
Investment assets				
Equities	894,808	—	—	894,808
Bonds	26,171,491	48,858,892	—	75,030,383
Pooled investment vehicles	6,693,814	25,504,283	—	32,198,097
Derivatives	—	25,887	—	25,887
	33,760,113	74,389,062	—	108,149,175
Investment liabilities				
Derivatives	—	(105,153)	—	(105,153)
	—	(105,153)	—	(105,153)

15 Unit price movement since the balance sheet date

Subsequent to the year end, the net asset value per unit of the fund has increased using the unit prices at the year end date compared to 13 August 2019. This movement takes into account routine transactions but also reflects the market movements of recent months. There are no post balance sheet events which require adjustments.

Unit Type	28.06.19 last price	13.08.19 last price
I-Class income	115.28p	115.30p
I-Class accumulation	147.29p	148.43p

Distribution tables for the year ended 30 June 2019

Distribution tables (pence per unit)

First Interim

Group 1 – Units purchased prior to 1 July 2018

Group 2 – Units purchased on or after 1 July 2018 and on or before 30 September 2018

I-Class income units	Net Income	Equalisation	Paid 30.11.18	Paid 30.11.17
Group 1	0.96	–	0.96	0.88
Group 2	0.35	0.61	0.96	0.88

I-Class accumulation units	Net Income	Equalisation	Accumulated 30.11.18	Accumulated 30.11.17
Group 1	1.19	–	1.19	1.06
Group 2	0.43	0.76	1.19	1.06

Second Interim

Group 1 – Units purchased prior to 1 October 2018

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

I-Class income units	Net Income	Equalisation	Paid 28.02.19	Paid 28.02.18
Group 1	1.02	–	1.02	0.83
Group 2	0.40	0.62	1.02	0.83

I-Class accumulation units	Net Income	Equalisation	Accumulated 28.02.19	Accumulated 28.02.18
Group 1	1.29	–	1.29	1.02
Group 2	0.74	0.55	1.29	1.02

Third Interim

Group 1 – Units purchased prior to 1 January 2019

Group 2 – Units purchased on or after 1 January 2019 and on or before 31 March 2019

I-Class income units	Net Income	Equalisation	Paid 31.05.19	Paid 31.05.18
Group 1	0.92	–	0.92	0.82
Group 2	0.40	0.52	0.92	0.82

I-Class accumulation units	Net Income	Equalisation	Accumulated 31.05.19	Accumulated 31.05.18
Group 1	1.17	–	1.17	1.00
Group 2	0.51	0.66	1.17	1.00

Distribution tables for the year ended 30 June 2019 *(continued)*

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

Final

Group 1 – Units purchased prior to 1 April 2019

Group 2 – Units purchased on or after 1 April 2019 and on or before 30 June 2019

I-Class income units	Net Income	Equalisation	Payable 30.08.19	Paid 31.08.18
Group 1	1.02	–	1.02	0.98
Group 2	0.63	0.39	1.02	0.98

I-Class accumulation units	Net Income	Equalisation	Allocated 30.08.19	Accumulated 31.08.18
Group 1	1.29	–	1.29	1.21
Group 2	0.74	0.55	1.29	1.21

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.

BN Jones JR Chillingworth
for Rathbone Unit Trust Management Limited
Manager of Rathbone Strategic Bond Fund
27 August 2019

Statement of the Manager's responsibilities in relation to the annual report and accounts of the Rathbone Strategic Bond Fund

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

1. select suitable accounting policies, as described in the attached financial statements, and then apply them consistently;
2. make judgements and estimates that are reasonable and prudent;
3. comply with the disclosure requirements of the SORP relating to financial statements of UK authorised funds issued by The Investment Association;
4. follow UK generally accepted accounting principles, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice: 'Financial Statements of UK Authorised Funds' issued by The Investment Association in May 2014;
5. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the fund will continue in operation; and
6. keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Scheme and which enable it to demonstrate that the financial statements as prepared comply with the above requirements.

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

In so far as the Manager is aware:

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

In accordance with COLL 4.5.8 R, the Annual Report and the audited financial statements were approved by the board of directors of the Manager of the Scheme and authorised for issue on 27 August 2019.

Statement of the Trustee's responsibilities and report of the Trustee to the unitholders of Rathbone Strategic Bond Fund (the Scheme) for the year ended 30 June 2019

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

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

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

The Trustee must ensure that:

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

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

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

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

National Westminster Bank Plc
Trustee and Depositary Services
Trustee of Rathbone Strategic Bond Fund
27 August 2019

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the financial position of Rathbone Strategic Bond Fund (the fund) as at 30 June 2019 and of the net revenue and the net capital gains on the property of the fund for the year ended 30 June 2019 and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds', the rules in the Collective Investment Schemes Sourcebook and the Trust Deed.

We have audited the financial statements of Rathbone Strategic Bond Fund (the fund) which comprise:

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

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

Independent Auditor's Report to the unitholders of Rathbone Strategic Bond Fund *(continued)*

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

We have nothing to report in respect of these matters.

Responsibilities of trustee and manager

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent Auditor's Report to the Unitholders of Rathbone Strategic Bond Fund *(continued)*

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion:

- proper accounting records for the fund have been kept and the financial statements are in agreement with those records;
- we have received all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit; and
- the information disclosed in the annual report for the year ended 30 June 2019 for the purpose of complying with Paragraph 4.5.9R of the Collective Investment Schemes Sourcebook is consistent with the financial statements.

Use of our report

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

Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
27 August 2019

General information

UCITS Remuneration

In line with the requirements of the UCITS Directive, Rathbone Unit Trust Management Limited (the Manager) has adopted a remuneration policy which is consistent with the remuneration principles applicable to UCITS management companies. Its purpose is to ensure that the remuneration of the staff of the Manager is consistent with and promotes sound and effective risk management, does not encourage risk-taking which is inconsistent with the risk profiles of the Manager and the UCITS that it manages and does not impair the Manager's compliance with its duty to act in the best interests of the UCITS it manages. The remuneration policy applies to staff of the Manager whose professional activities have a material impact on the risk profile of the Manager or the UCITS that it manages (known as Remuneration Code Staff).

The aggregate remuneration paid by the Manager to its staff, and to those staff who are identified as Remuneration Code Staff, is disclosed below.

	Fixed remuneration £'000	Variable remuneration £'000	Total remuneration £'000	Headcount
Senior Management	1,129	2,777	3,906	5
Risk takers	1,227	1,751	2,978	13
Control functions	259	40	299	3
Other	106	74	180	1
Total remuneration code staff	2,721	4,642	7,363	22
Non-remuneration code staff	751	280	1,031	17
Total for the Manager	3,472	4,922	8,394	39

The variable remuneration disclosed in the table above is for the financial year ended 31 December 2018, which is the most recent period for which data are available. Variable remuneration is determined annually based on, inter alia, the results of the Manager and the investment performance of the UCITS that it manages for discrete annual periods ending on 31 December each year. Consequently, it is not possible to apportion the variable award between calendar years as the award for 2019 can not be known until after 31 December 2019 has passed.

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: rathbonefunds.com

Buying and selling of units

The Manager is available to receive requests for the buying and selling of units on normal business days between 9.00am and 5.00pm and transactions will be effected at prices determined by the next valuation. Application forms for the purchase of units (obtainable from the Manager) should be completed and sent to the Dealing Office. In respect of telephoned orders, remittances should be sent on receipt of the contract note. Contract notes confirming transactions will be issued by the close of business on the next business day after the dealing date. Purchasers of units are required to enter their registration details on the form supplied with their contract note. Once units are paid for these details will be entered on the unit register.

Units can be sold by telephone, fax or letter followed by despatch to the Dealing Office of the authorisation to sell duly completed by all unitholders.

In the absence of clear written instructions signed by all the registered holders, a Form of Renunciation will be sent out together with the repurchase contract note. This will need to be signed by all registered holders, and returned to our Dealing Office before settlement can be made. Settlement will be made on whichever is the later of four business days after the dealing date or four days after the receipt of written confirmation.

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.

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.

There is no preliminary charge for I-Class units.

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 half yearly 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.

Post balance sheet event

Effective 21 January 2019, the pricing of the units in the fund will be single priced which means a single price is issued for the fund at each valuation point. Both sales and redemptions in units will be based on a single price.

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 Limited, DST House, St Nicholas Lane, Basildon, Essex SS15 5FS.

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

If you have any queries or complaints about the operation of the fund you should put them to the Compliance Officer, Rathbone Unit Trust Management Limited, 8 Finsbury Circus, London EC2M 7AZ. Any complaint we receive will be handled in accordance with our internal complaint procedures. A copy of these are available from the Compliance Officer.

If you have occasion to complain, and in the unlikely event that you do not receive a satisfactory response, you may direct your complaint to the Financial Ombudsman Service at Exchange Tower, London E14 9SR. Further details about the Financial Ombudsman Service are available on their website at financial-ombudsman.org.uk.

ISA eligibility

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

Risk factors

An investment in a unit trust should be regarded as a medium to long term investment. Investors should be aware that the price of units and the 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 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 Global Sustainability Fund
Rathbone High Quality Bond Fund
Rathbone Enhanced Growth Portfolio
Rathbone Strategic Growth Portfolio
Rathbone Strategic Income Portfolio
Rathbone Total Return Portfolio
Rathbone Pharaoh Fund
Rathbone Quercus Growth Fund
Rathbone Sherwood Fund
Rathbone Sussex Income Fund
Rathbone Sussex Growth Fund

Further details

Should you need further details of this fund or any of the other funds managed by Rathbone Unit Trust Management Limited, a Prospectus, Key Investor Information Document and Supplementary Information Document or an application form for the purchase of shares or units, please write to:

Client Services Department
Rathbone Unit Trust Management Limited
8 Finsbury Circus
London EC2M 7AZ

All literature is available free of charge.
Information is also available on our website:
rathbonefunds.com

Data protection

Where relevant, Rathbones' privacy notice for clients, together with our relevant terms of business, sets out how your personal data (as further detailed in the privacy notice) shall be processed by Rathbones. A copy of the privacy notice is available on request or on Rathbones' website.

From time to time Rathbone Unit Trust Management Limited may wish to communicate with you with information on other products and services offered by the Rathbone group. If you do not wish to receive these communications, please advise us in writing at the following address:

Data Protection Officer
Rathbone Unit Trust Management Limited
8 Finsbury Circus
London EC2M 7AZ

Rathbones

Look forward

Rathbone Unit Trust Management Limited

8 Finsbury Circus, London EC2M 7AZ

Tel 020 7399 0000

Fax 020 7399 0057

Information line

020 7399 0399

rutm@rathbones.com

rathbonefunds.com

Authorised and regulated by the
Financial Conduct Authority

A member of The
Investment Association

A member of the Rathbone Group.
Registered No. 02376568